

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1181 Session of
1987

INTRODUCED BY RICHARDSON, PRESTON, HUGHES, WIGGINS AND OLIVER,
APRIL 27, 1987

REFERRED TO COMMITTEE ON URBAN AFFAIRS, APRIL 27, 1987

AN ACT

1 Providing for financial assistance to a city of the first class
2 together with a school district of the first class and
3 declaring a financial emergency therein; creating a Financial
4 Control Board and providing for its powers and duties;
5 providing for the development and implementation of a
6 financial plan for the city and school district; establishing
7 a fund to be administered by the board and a general debt
8 service fund; providing for limitations on short-term
9 borrowing, for a wage freeze, for certain covenants relating
10 to the issuance of bonds and the securing of indebtedness,
11 for enforcement and indemnification; creating a Municipal
12 Assistance Corporation and providing for its powers and
13 duties; providing for the exchange of notes or bonds of the
14 corporation for short-term obligations of the city;
15 establishing conditions on the extension of benefits to the
16 city; and providing for remedies and penalties.

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28 The General Assembly of the Commonwealth of Pennsylvania
29 hereby enacts as follows:

30 CHAPTER 1

1 GENERAL PROVISIONS

2 Section 101. Short title.

3 This act shall be known and may be cited as the First Class
4 City and School District Emergency Finance Act.

5 Section 102. Definitions.

6 The following words and phrases when used in this act shall
7 have the meanings given to them in this section unless the
8 context clearly indicates otherwise:

9 "Available fund." At any date of computation, the moneys
10 held by a city or a school district which are not required:

11 (1) to be applied to the fund, the TAN debt service
12 account, the RAN debt service account or otherwise to meet
13 the debt service requirements of the city and the school
14 district on their bonds and notes (other than bonds and notes
15 of the school district payable from revenues not included in
16 the fund) as they become due; or

17 (2) to pay other liabilities of the city and the school
18 district having statutory or contractual priority over
19 remaining liabilities of the city and the school district;
20 and which then may be applied to the payment of other
21 obligations on an allocated basis as specified by the city for
22 expenditures in accordance with a financial plan.

23 "Available tax levy." With respect to an issue of tax
24 anticipation notes, at any date of computation, the total amount
25 of city real estate taxes or assessments projected, consistent
26 with the financial plan then in effect, to be received in cash
27 on or before the fifth day preceding the maturity date of such
28 tax anticipation note issue, less amounts required during the
29 period between the date of computation and the fifth day
30 preceding such maturity date to be paid into the general debt

1 service fund or otherwise required to pay interest payable on
2 other outstanding city bonds and notes, principal (including
3 payments into sinking funds) coming due on outstanding city
4 bonds and principal to be paid from sources other than the
5 proceeds of bonds or renewal notes on other outstanding city
6 notes (exclusive of revenue anticipation notes or renewals
7 thereof issued less than two years prior to the date of
8 computation) but not including payments from sinking funds
9 required by the terms of certain city bonds. For the purposes of
10 this definition, the amounts required shall not include
11 principal of or interest on any notes of the city held by the
12 municipal assistance corporation to the extent that such
13 corporation has evidenced its intention not to present such
14 notes for payment of principal or interest during the fiscal
15 year in which the computation is made, provided that such notes
16 were held by such corporation on June 30, 1991, or were issued
17 in exchange for or in refunding or renewal of notes held by such
18 corporation on such date.

19 "Board." The Financial Control Board.

20 "Board Fund." The fund created under section 111.

21 "City." A city of the first class operating under a home
22 rule charter.

23 "City controller." The financial controller of the city.

24 "Control period." The period of time from the effective date
25 of this act until the date when:

26 (1) The board shall determine, based on annual audit
27 reports, that for each of the three immediately preceding
28 fiscal years, the city has adopted and adhered to budgets
29 covering all expenditures other than capital items, the
30 results of which did not show a deficit when reported in

1 accordance with generally accepted accounting principles.

2 (2) The treasurer and the controller of the city jointly
3 shall certify that securities sold by or for the benefit of
4 the city during the fiscal year immediately preceding such
5 date and the then current fiscal year in the general public
6 market satisfied the capital and seasonal financing
7 requirements of the city during such period and that there is
8 a substantial likelihood that such securities can be sold in
9 the general public market from such date through the end of
10 the next succeeding fiscal year in amounts which will satisfy
11 substantially all of the capital and seasonal financing
12 requirements of the city during such period in accordance
13 with the financial plan then in effect, provided that for
14 these purposes, sales to any fund whose governing body
15 includes any designated representative of the State or city
16 or to any financial institution which participates in a
17 private placement for the purchase of securities for the
18 benefit of the city during its 1992 fiscal year shall not be
19 deemed sales in the general public market, unless, in the
20 case of sales to such a financial institution, the city
21 controller and treasurer jointly certify at the time of each
22 such sale that a sale could have been made in such amount and
23 on reasonably comparable terms in the general public market.
24 After termination of the control period in accordance with
25 the foregoing provisions and until there shall no longer be
26 outstanding any notes or bonds issued by the city or a State
27 financing agency which are entitled to the benefits of the
28 pledge and agreement authorized by section 115, the board
29 shall reimpose a control period upon a determination at any
30 time that any of the following events has occurred or that

1 there is a substantial likelihood and imminence of such
2 occurrence:

3 (i) The city shall have failed to pay the principal
4 of or interest on any of its bonds or notes when due or
5 payable (other than notes held by the municipal
6 assistance corporation to the extent that such
7 corporation has evidenced its intention not to present
8 such notes for payment during the fiscal year in which
9 the determination is made, provided that such notes were
10 held by such corporation on June 30, 1991, or were issued
11 in exchange for or in refunding or renewal of notes held
12 by such corporation on such date).

13 (ii) The city shall have incurred a deficit of more
14 than \$100,000,000 during its fiscal year in the results
15 of operations covered by a budget covering all
16 expenditures other than capital items as reported in
17 accordance with generally accepted accounting principles.

18 (iii) The city shall have issued notes in violation
19 of this act as amended from time to time.

20 (iv) The city shall have otherwise violated any
21 provision of this act and such violation substantially
22 impairs the ability of the city to pay principal of or
23 interest on its bonds or notes when due and payable or
24 its ability to adopt or adhere to a budget covering all
25 expenditures other than capital items balanced in
26 accordance with this act.

27 (v) The treasurer's joint certification at any time,
28 at the request of the board or on the treasurer's joint
29 initiative, which joint certification shall be made from
30 time to time as promptly as circumstances warrant and

1 reported to the board, that on the basis of facts
2 existing at such time, they could not make the joint
3 certification described in paragraph (2).

4 The board shall terminate any such reimposed control period when
5 it determines that none of the conditions which would permit the
6 board to reimpose a control period exist. After termination of a
7 control period, the board shall annually consider subparagraphs
8 (i) through (v) and determine whether, in its judgment, any of
9 the events described in such items have occurred, and the board
10 shall publish each such determination. Each such joint
11 certification made by the controller hereunder shall be based on
12 its separate written determinations, which shall take into
13 account a report and opinion of a nationally recognized
14 independent expert in the marketing of municipal securities
15 selected by the board, as well as any other information which
16 may be available to the treasurer.

17 "Debt service repayment account." The special account
18 established under section 111.

19 "Financial plan." The financial plan of the city and school
20 district developed under section 110.

21 "Fund." The general debt service fund established under
22 section 112.

23 "Mayor." The mayor of the city.

24 "Municipal assistance corporation" or "State financing
25 agency." The agency established under Chapter 2.

26 "RAN debt service account." The revenue anticipation note
27 debt service account established within the fund under section
28 112.

29 "Revenues." All taxes, Federal and State aid, rents, fees,
30 charges, payments, all proceeds from borrowings and other income

1 and receipts paid or payable to or for the account of the city
2 or school district.

3 "School district." A school district of the first class
4 contiguous with a city.

5 "Short-term obligations." Tax anticipation notes, bond
6 anticipation notes, revenue anticipation notes, budget notes and
7 urban renewal notes of the city.

8 "State." The Commonwealth of Pennsylvania.

9 "TAN debt service account." The tax anticipation note debt
10 service account established within the fund under section 112.

11 "Treasurer." The State Treasurer.

12 Section 103. Declaration of financial emergency.

13 The General Assembly hereby finds and declares that a state
14 of financial emergency continues to exist within the city of the
15 first class and school district of the first class. The General
16 Assembly further finds and declares that the maintenance by the
17 city of a balanced budget in accordance with generally accepted
18 accounting principles and the city's borrowing practices are and
19 will continue to be a matter of overriding State concern, and
20 that it is also appropriate and desirable for the General
21 Assembly to exercise its duty to restrict the powers of the city
22 to prevent abuses in taxation and assessments and in contracting
23 of indebtedness by the city.

24 Section 104. General rights and prohibitions.

25 (a) Compliance with act required.--Neither the city nor the
26 school district shall borrow or expend any moneys, or in any
27 way, directly or indirectly, expressly or implicitly, engage its
28 credit during any control period except in compliance with this
29 act.

30 (b) Existing contracts, etc.--Nothing contained in this act

1 shall limit the right of the city or the school district to
2 comply with the provisions of any existing contract with or for
3 the benefit of the holders of any bonds or notes of the city or
4 the school district or any public authority or public benefit
5 corporation.

6 (c) Collective bargaining.--Nothing contained in this act
7 shall be construed to impair the right of employees to organize
8 or to bargain collectively.

9 Section 105. Power of city or school district to determine the
10 expenditure of available funds.

11 Nothing contained in this act shall be construed to limit the
12 power of the city or school district to determine, from time to
13 time, within available funds for the city or for the school
14 district, the purposes for which expenditures are to be made by
15 the city or the school district and the amounts of such
16 expenditures consistent with the aggregate expenditures then
17 permitted under the financial plan for the city or school
18 district.

19 Section 106. Financial Control Board.

20 There is hereby created the Financial Control Board. The
21 board shall be a governmental agency and instrumentality of the
22 State and it shall have such powers and functions as are set
23 forth in this act.

24 Section 107. Administration of the board.

25 (a) Membership, meetings, etc.--The membership of the board
26 shall be the Governor, the State Treasurer, the mayor, the city
27 controller and three members appointed by the Governor with the
28 advice and consent of the Senate. At least two of the appointed
29 members shall be residents of the city or have their principal
30 place of business in the city. Such appointed members shall

1 serve at the pleasure of the Governor. The Governor shall be the
2 chairman of the board and the Governor or his representative
3 shall preside over all meetings of the board. The board shall
4 act by majority vote of the entire board. The board shall
5 maintain a record of its proceedings in such form as it may
6 determine, but such record shall indicate attendance and all
7 votes cast by each member. Every member of the board, who is
8 otherwise an elected official of the State or city, shall be
9 entitled to designate a representative to attend, in his place,
10 meetings of the board and to vote or otherwise act in his
11 behalf. Written notice of such designation shall be furnished to
12 the board by the designating member prior to any meeting
13 attended by his representative. Any such representative shall
14 serve at the pleasure of the designating member. No such
15 representative shall be authorized to delegate any of his duties
16 or functions to any other person.

17 (b) Membership compatible with other officer.--
18 Notwithstanding any inconsistent provisions of law, general,
19 special or local, no officer or employee of the State, or
20 political subdivision of the State, any governmental entity
21 operating any public school or college or other public agency or
22 instrumentality or unit of government which exercises
23 governmental powers under the laws of the State, shall forfeit
24 his office or employment by reason of his acceptance or
25 appointment as a member, representative, officer, employee or
26 agent of the board nor shall service as such member,
27 representative, officer, employee or agent of the board be
28 deemed incompatible or in conflict with such office or
29 employment.

30 (c) Expenses.--The members of the board appointed by the

1 Governor and all representatives designated by members of the
2 board shall serve without salary or per diem allowance but shall
3 be entitled to reimbursement for actual and necessary expenses
4 incurred in the performance of official duties under this act,
5 provided that the members and representatives are not, at the
6 time such expenses are incurred, public employees otherwise
7 entitled to such reimbursement.

8 (d) Executive director.--The Governor and the mayor,
9 jointly, shall appoint an executive director of the board who
10 shall serve at the pleasure of the board and may be removed by
11 the board. The board may delegate to the executive director or
12 to one or more of its other officers, employees or agents, such
13 powers and duties as the board may deem proper, except any
14 duties inconsistent with the duties and functions prescribed by
15 any other office or position any such person may hold.

16 Section 108. Functions of the board.

17 (a) Functions enumerated.--

18 (1) In carrying out the purposes of this act, the board
19 shall perform the following functions:

20 (i) Consult with the city and school district in the
21 preparation of the financial plan and certify to the city
22 the revenue estimates approved therein.

23 (ii) Prescribe the form of the financial plan and
24 the supporting information required in connection
25 therewith.

26 (iii) Exercise the rights of approval, disapproval
27 and modification with respect to the financial plan,
28 including, but not limited to, the revenue estimates
29 contained therein.

30 (2) The board, to the extent it deems it necessary or

1 appropriate in order to accomplish the purposes of this act,
2 shall establish and adopt procedures with respect to the:

3 (i) Proper maintenance of the Board Fund.

4 (ii) The deposit and investment of revenues in such
5 fund.

6 (iii) Disbursement of moneys from such fund.

7 (3) The board shall, from time to time and to the extent
8 it deems necessary or appropriate in order to accomplish the
9 purposes of this act:

10 (i) Review the operations, management, efficiency
11 and productivity of such city operations and of such
12 school district or portions thereof as the board may
13 determine, and make reports thereon.

14 (ii) Audit compliance with the financial plan in
15 such areas as the board may determine.

16 (iii) Recommend to the city and school district such
17 measures relating to their operations, management,
18 efficiency and productivity as it deems appropriate to
19 reduce costs and improve services so as to advance the
20 purposes of this act.

21 (iv) Obtain information of the financial condition
22 and needs of the city and the school district. Nothing
23 herein shall diminish the powers of the treasurer
24 otherwise provided by law and the board may request the
25 assistance of the treasurer in performing the above
26 functions.

27 (4) The board shall also:

28 (i) Receive from the city and review the report or
29 reports to be prepared on behalf of the city pursuant to
30 section 109.

1 (ii) Receive from the city and the school district
2 and review such financial statements and projections,
3 budgetary data and information, and management reports
4 and materials as the board deems necessary or desirable
5 to accomplish the purposes of this act.

6 (iii) Inspect, copy and audit such books and records
7 of the city and school district as the board deems
8 necessary or desirable to accomplish the purposes of this
9 act.

10 (5) All contracts entered into by the city or any school
11 district must be consistent with the provisions of this act
12 and must comply with the requirements of the financial plan
13 as approved by the board. With respect to all contracts or
14 other obligations to be entered into by the city or school
15 district, requiring the payment of funds or the incurring of
16 costs by the city or school district:

17 (i) Within 20 days from the effective date of this
18 act, the mayor shall present to the board proposed
19 regulations respecting the categories and types of
20 contracts and other obligations required to be reviewed
21 by the board pursuant to this paragraph. Within 30 days
22 from the effective date of this act, the board shall
23 approve or modify and approve such proposed regulations
24 or promulgate its own in the event that such proposed
25 regulations are not submitted to it within the 20 days as
26 provided for herein. Such regulations may thereafter be
27 modified by the board from time to time, on not less than
28 30 days' notice to the mayor, and the mayor may from time
29 to time propose modifications to the board. Unless
30 expressly disapproved or modified by the board within 30

1 days from the date of submission by the mayor, any such
2 proposed regulations or modifications shall be deemed
3 approved by the board.

4 (ii) Prior to entering into any contract or other
5 obligations subject to review of the board under its
6 regulations, the city or school district shall submit a
7 copy of such contract or other obligation to the board,
8 accompanied by an analysis of the projected costs of such
9 contract or other obligation and a certification that
10 performance thereof will be in accordance with the
11 financial plan, all in such form and with such additional
12 information as the board may prescribe. The board shall
13 promptly review the terms of such contract or other
14 obligation and the supporting information in order to
15 determine compliance with the financial plan.

16 (iii) During a control period, the board shall, by
17 order, disapprove any contract or other obligation
18 reviewed by it only upon a determination that, in its
19 judgment, the performance of such contract or other
20 obligation would be inconsistent with the financial plan
21 and the city or school district shall not enter into such
22 contract or other obligation.

23 (iv) During a control period, if the board approves
24 the terms of a reviewed contract or other obligation, the
25 city or school district may enter into such contract or
26 other obligation upon the terms submitted to the board.
27 Failure of the board to notify the city or school
28 district within 30 days (or such additional time, not
29 exceeding 30 days, as the board shall have notified the
30 city or school district that it requires to complete its

1 review and analysis after submission to it of a contract
2 or other obligation) that such contract or other
3 obligation has been disapproved shall be deemed to
4 constitute board approval thereof.

5 (6) Upon submission thereof by the city, the board shall
6 review the terms of each proposed long-term and short-term
7 borrowing by the city and school district to be affected
8 during a control period and no such borrowing shall be made
9 unless approved by the board. Each such proposed borrowing by
10 the school district shall be submitted to the city by the
11 school district before it may be considered by the board. Not
12 more than 30 days after any such submission by the school
13 district, the city shall transmit any such proposed terms of
14 borrowing to the board, together with the certification of
15 the city as to whether such proposed terms of borrowing are
16 in accordance with the financial plan and are consistent with
17 the objectives and purposes of this act. Any such submission
18 to the city shall be accompanied by a certificate of the
19 school district that the terms thereof are in accordance with
20 the financial plan and are consistent with the objectives or
21 purposes of this act. The transmittal by the city to the
22 board shall include a recommendation by the city for the
23 approval or disapproval of such proposed terms of borrowing
24 pursuant to the terms of this paragraph. In the event the
25 city does not make such transmittal within such 30-day
26 period, the school district may submit such proposed
27 borrowing directly to the board. The board shall disapprove
28 any borrowing if it determines that such borrowing is
29 inconsistent with the financial plan or the objectives or
30 purposes of this act. The board shall consult and coordinate

1 with the municipal assistance corporation with respect to
2 borrowings of the city and the school district and shall
3 receive reports from the municipal assistance corporation on
4 its review of borrowings by the city. The school district may
5 issue bonds or notes to pay outstanding bonds or notes.

6 (7) The board and the treasurer shall receive quarterly
7 reports from the city controller setting forth the debt
8 service requirements on all bonds and notes of the city and
9 the school district for the following quarter, which reports
10 shall be in such form and contain such information as the
11 board shall determine. Such reports shall be issued no later
12 than 60 days prior to the start of the quarter to which they
13 pertain and shall be updated immediately upon each issuance
14 of bonds or notes, after the date of such report, to reflect
15 any change in debt service requirements as a result of such
16 issuance. The board shall also receive from the city monthly
17 and quarterly financial reports, which reports shall be in
18 such form and contain such information as the board shall
19 determine and shall be made available by the city to the
20 public. In order to avoid duplicative reports and reporting
21 requirements, to the extent that the city is required to
22 submit monthly or quarterly financial reports to the
23 department of the treasury pursuant to any agreement or
24 arrangement made in connection with Federal guarantees of
25 notes or bonds issued by the city or a State financing
26 agency, copies of such reports shall be submitted to the
27 board in satisfaction of the monthly and quarterly reporting
28 requirements set forth above, together with such additional
29 information as the board may require. Each monthly and
30 quarterly report herein required to be submitted to the board

1 must indicate any variance between actual and budgeted
2 revenues, expenses or cash for the period covered by such
3 report.

4 (8) The board shall issue, to the appropriate officials
5 of the city and the school district, such orders as it deems
6 necessary to accomplish the purposes of this act, including,
7 but not limited to, timely and satisfactory implementation of
8 an approved financial plan. Any order so issued shall be
9 binding upon the official to whom it was issued. The board
10 shall coordinate with the municipal assistance corporation
11 with respect to the performance of its review and monitoring
12 of the revenues and expenditures of the city and the school
13 district.

14 (b) Certain agreements prohibited.--During a control period,
15 except upon approval by the board, neither the city nor a school
16 district shall enter any agreement or other arrangement, whether
17 or not it creates a debt of the city or school district,
18 pursuant to which the revenues or credit of the city may be
19 directly or indirectly pledged, encumbered, committed or
20 promised, contingently or otherwise, for the payment of
21 obligations of a public benefit corporation. Nothing in this
22 section shall limit the right of the city to comply with the
23 provisions of any existing agreement or other arrangement
24 relating to the obligations of a public benefit corporation.

25 (c) Consultants.--The board may employ such consultants as
26 it may deem necessary to assist it in performing its functions
27 required under this act.

28 (d) Certain agreements authorized.--The board shall have the
29 authority to make and execute agreements and all other
30 instruments which the board deems necessary for the exercise of

1 its powers and functions, including, in connection with any
2 agreement by the Federal Government or any agency or
3 instrumentality thereof, to guarantee the payment of the
4 principal of or interest on bonds or notes issued by the city or
5 by a State financing agency.

6 (e) Additional committees.--The board may appoint qualified
7 individuals to participate as members of such audit,
8 productivity or similar committees or councils as the city may
9 from time to time establish in consultation with the board. Such
10 individuals, however, shall not be deemed to be officers,
11 employees or agents of the board. The board shall review and
12 report on, not less than annually, the development and
13 implementation of methods for enhancing the productivity of the
14 city's labor force proposed by any such committee or council.
15 Section 109. Reports of the city.

16 The city shall take such action as may be necessary to enable
17 a nationally recognized independent certified public accounting
18 firm, or consortium of firms, one of which at least is a
19 nationally recognized independent certified public accounting
20 firm, to perform an annual audit in accordance with generally
21 accepted auditing standards and to furnish to the board the
22 report on such audit. The report shall include an opinion as to
23 whether the city's financial statements have been prepared in
24 accordance with generally accepted accounting principles and
25 shall state whether the audit of such financial statements was
26 made in accordance with generally accepted auditing standards
27 and accordingly included such tests of the accounting records
28 and such other auditing procedures as were considered necessary
29 under the circumstances. Such report shall note the nature and
30 extent of variations, if any, from generally accepted accounting

1 principles reflected in the city's financial statements. The
2 city shall make available for inspection and copying all books,
3 records, work papers and other data and material as required by
4 such auditors, and the city shall make its officers and
5 employees available to and shall cooperate with such auditors so
6 as to permit such annual audit to be completed and the report
7 issued to the city and to the board within four months after the
8 close of the city's fiscal year.

9 Section 110. Development of the financial plan.

10 (a) Four-year plan.--Pursuant to this section, the city
11 shall develop, and may from time to time modify, with the
12 approval of the board during a control period, a four year
13 financial plan covering the city and the school district.

14 (b) Standards.--Each such financial plan and financial plan
15 modification shall, except as otherwise provided in this
16 section, conform to the following standards:

17 (1) For its fiscal years ending June 30, 1992, 1993 and
18 1994, the city's budget covering all expenditures other than
19 capital items shall be prepared and balanced so that the
20 results thereof would not show a deficit when reported in
21 accordance with the standard accounting principles. For the
22 fiscal year ending June 30, 1995, and for each fiscal year
23 thereafter, the city's budget covering all expenditures other
24 than capital items shall be prepared and balanced so that the
25 results thereof would not show a deficit when reported in
26 accordance with generally accepted accounting principles and
27 that permit comparison of the budget with the report of
28 actual financial results prepared in accordance with
29 generally accepted accounting principles. With respect to
30 financial plans that include the fiscal years ending June 30,

1 1992, 1993 and 1994, the city's budget covering all
2 expenditures other than capital items shall be prepared in
3 accordance with generally accepted accounting principles, and
4 there shall be substantial progress in each such fiscal year
5 towards achieving a city budget covering all expenditures
6 other than capital items, the results of which would not show
7 a deficit when reported in accordance with generally accepted
8 accounting principles. The city shall eliminate expense items
9 from its capital budget not later than the commencement of
10 the fiscal year ending June 30, 1995. For the fiscal year
11 ending June 30, 1992, and for each fiscal year thereafter,
12 the budgets covering all expenditures other than a capital
13 item of the school district shall be prepared and balanced so
14 that the results thereof would not show a deficit when
15 reported in accordance with generally accepted accounting
16 principles; and for each fiscal year prior thereto, there
17 shall be substantial progress towards such goal.

18 (2) Provision shall be made for the payment in full of
19 the debt service on all bonds and notes of the city and
20 school district, other than notes held by the municipal
21 assistance corporation, to the extent that such corporation
22 has evidenced its intention not to present such notes for
23 payment during the fiscal year in which the determination is
24 made.

25 (3) All projections of revenues and expenditures
26 contained in a financial plan shall be based on reasonable
27 and appropriate assumptions and methods of estimation. All
28 cash flow projections shall be based upon reasonable and
29 appropriate assumptions as to sources and uses of cash,
30 including, but not limited to, the timing thereof, and shall

1 provide for operations of the city and school district to be
2 conducted within the cash resources so projected.

3 (4) The city shall provide a general reserve for each
4 fiscal year to cover potential reductions in its projected
5 revenues or increases in its projected expenditures during
6 each such fiscal year. The amount provided for such general
7 reserve shall be estimated by the city in accordance with
8 paragraph (3), but in no event shall it be less than
9 \$100,000,000 at the beginning of any fiscal year.

10 (5) For financial plans beginning with the fiscal year
11 ending June 30, 1996, or any succeeding fiscal year, the
12 first fiscal year included in any financial plan shall make
13 provision for the repayment of any deficit incurred by the
14 city during the preceding fiscal year.

15 (c) Stabilized work force.--In developing the financial plan
16 the city shall seek to achieve a stabilized work force for the
17 city and, to the extent a reduction in the work force is
18 required, primary recourse shall be had to an attrition process
19 to accomplish such reduction.

20 (d) Phasing of changes.--The city and the board shall confer
21 concerning the projected effect on the budgets of the city and
22 school district of any change in generally accepted accounting
23 principles, or change in the application of generally accepted
24 accounting principles to the city and school district, made
25 after the effective date of this act. If the board determines
26 that immediate compliance with such change will have a material
27 effect on such budgets over a time period insufficient to
28 accommodate the effect without a substantial adverse impact on
29 the delivery of essential services, the board may authorize and
30 approve a method of phasing the requirements of such change into

1 such budgets over such reasonably expeditious time period as the
2 board deems appropriate.

3 (e) Modification of plan.--The financial plan shall be
4 developed and, during a control period, shall be approved, and
5 may from time to time be modified in accordance with the
6 following procedures:

7 (1) The city shall prepare and submit a financial plan
8 to the board covering the four-year period which begins with
9 the fiscal year ending June 30, 1992. Thereafter, at least 50
10 days prior to the beginning of each fiscal year or on such
11 other date as the board may approve upon the request of the
12 city, the city shall prepare and submit a financial plan to
13 the board covering the four-year period beginning with such
14 fiscal year. On such dates the mayor shall also submit to the
15 board the city's executive expense, revenue and capital
16 budgets for the ensuing fiscal year and a certificate of the
17 mayor stating that such budgets are consistent with the
18 financial plan submitted therewith, that projections
19 contained in the budgets and financial plan are based upon
20 reasonable and appropriate assumptions and methods of
21 estimation and that operation within the budgets is feasible.

22 (2) (i) During a control period, the board shall
23 promptly review each financial plan and financial plan
24 modification submitted by the city. Not more than 45 days
25 after submission of a financial plan or more than 30 days
26 after submission of a financial plan modification, the
27 board shall determine whether the financial plan or
28 financial plan modification is complete and complies with
29 the standards set forth in this section and shall approve
30 or disapprove the financial plan or financial plan

1 modification in accordance with this section. If the
2 board determines that the financial plan or financial
3 plan modification is complete and complies with the
4 standards set forth in this section, the board shall
5 approve the financial plan or financial plan
6 modification. Upon making such determination, the board
7 shall make a certification to the city setting forth
8 revenue estimates approved by the board in accordance
9 with such determination.

10 (ii) At all times, other than during a control
11 period, the board shall promptly review each financial
12 plan and financial plan modification submitted by the
13 city. If the board determines, after such review, that
14 the financial plan or financial plan modification
15 submitted by the city is not in accordance with the
16 standards set forth in this section, the board shall
17 promptly so notify the city and may take such other
18 action under this act as it deems appropriate.

19 (3) The board shall disapprove a financial plan or
20 financial plan modification if, during a control period, it
21 determines that the financial plan or financial plan
22 modification is incomplete or fails to comply with the
23 provisions of this section. In disapproving a financial plan
24 or a financial plan modification, the board may order that
25 one or more of the following actions be taken:

26 (i) That expenditures or reserves, to assure
27 availability of amounts required for debt service
28 requirements on all bonds and notes of the city and the
29 school district or expenditures required for adequate
30 funding of programs of the city and the school district

1 mandated by State or Federal law and for which
2 obligations are going to be incurred during the fiscal
3 year, be increased to the levels required to provide for
4 their payment in full.

5 (ii) That the revenue projections or any item
6 thereof during any period be adjusted to comply with the
7 standards set forth in this section.

8 (iii) That the aggregate expenditures projected for
9 any period be reduced to conform to revenue estimates
10 certified by the board in order to comply with the
11 standards set forth in this section.

12 (4) During a control period, in the event that the city
13 shall, for any reason, fail to submit a financial plan prior
14 to the beginning of a fiscal year or in the event that the
15 board has not, for any reason permitted under this act,
16 approved a financial plan submitted by the city prior to the
17 beginning of a fiscal year, the board shall formulate and
18 adopt a financial plan to be effective until the board
19 approves a financial plan submitted by the city. Any
20 financial plan so formulated by the board shall comply with
21 the standards set forth in this section. The budgets and
22 operations of the city and school district at all times shall
23 be in conformance and compliance with the financial plan then
24 in effect.

25 (5) (i) After the initial adoption by the city, or the
26 approval by the board, during a control period, of a
27 financial plan, projections of revenues and expenditures
28 and other estimates contained in the financial plan shall
29 be reexamined by the board at least quarterly in
30 consultation with the city and school district and,

1 during a control period, the city shall prepare and
2 submit to the board financial plan modifications at such
3 times, in such detail and within such time periods as the
4 board may require in order to modify the financial plan
5 to conform to the standards set forth in this section.

6 (ii) During a control period, in the event the board
7 determines that:

8 (A) revenue estimates or any item thereof must
9 be adjusted to ensure compliance with the standards
10 set forth in this section; or

11 (B) the city or a school district is expending
12 funds at a rate that would cause expenditures to
13 exceed the aggregate expenditure limitation for the
14 city or school district provided for in the financial
15 plan then in effect, prior to the expiration of the
16 fiscal year;

17 the city shall submit a financial plan modification to
18 effect such adjustments in revenue estimates and
19 reductions in total expenditures as may be necessary to
20 conform to such standards or aggregate expenditure
21 limitations. If, during a control period, the city fails
22 to submit such modification after such determination as
23 to adjustments in revenue estimates or such determination
24 as to rates of expenditures, or to submit a financial
25 plan modification in the detail or within the time period
26 specified by the board, or if such modification is
27 disapproved by the board as not conforming to the
28 standards set forth in this section, the board may
29 formulate and adopt such financial plan modification as
30 it deems appropriate to ensure that the financial plan

continues to meet such standards. Such modification shall become effective on its adoption.

(iii) Notwithstanding the provisions of this section, in the event the city shall determine that, due to unforeseen events during a fiscal year, compliance with the standards set forth in this section would result in a material adverse impact upon the delivery of essential services, the city shall notify the board of such determination, together with such information, projections or analyses relating thereto as the board may require, and shall submit a modification to the financial plan reflecting such determination. During a control period, the board shall disapprove any such modification unless it finds that:

(A) The city's determination is supported by information, projections and analyses which the board deems substantially accurate in all material respects.

(B) Such events, in its judgment, warrant such modification to the financial plan to avoid such adverse impact on the delivery of essential services.

(6) The city may, from time to time, submit financial plan modifications for review by the board. During a control period, the board shall approve such modifications unless it determines that such modifications would constitute grounds for disapproval of the financial plan.

(7) Anything contained in this act to the contrary notwithstanding, during a control period, the board may at any time disapprove or, after consultation with the city, revise the revenue estimates or any item thereof, prepared by

1 the city in connection with the preparation of a financial
2 plan or any modification thereto and determined by the board
3 not to be based on assumptions and methods of estimation
4 which are reasonable and appropriate under the circumstances
5 and in view of the objectives and purposes of this act. The
6 board may, after consultation with the city, determine the
7 estimated revenues of the city and school district, which
8 shall be based on reasonable and appropriate assumptions and
9 methods of estimation.

10 (f) Form and content of plan.--Each financial plan shall be
11 in such form and shall contain such information for each year
12 during which the financial plan is in effect as the board may
13 specify, and shall, in such detail as the board may from time to
14 time prescribe, include projections of all revenues,
15 expenditures and cash flows, including, but not limited to,
16 projected capital expenditures and debt issuances and a schedule
17 of projected capital commitments of the city and school
18 district. In addition, each financial plan and financial plan
19 modification shall include a statement of the significant
20 assumptions and methods of estimation used in arriving at the
21 projections contained therein, set forth in such form and in
22 such detail as the board may from time to time prescribe.

23 (g) Information.--The city and school district shall
24 promptly furnish the board with any information which the board
25 may request to satisfy itself that:

26 (1) Projected employment levels, collective bargaining
27 agreements and other action relating to employee costs,
28 capital construction and such other matters as the board may
29 specify, are consistent with the provisions made for such
30 costs in the financial plan.

1 (2) The city and the school district are taking whatever
2 action is necessary, with respect to programs mandated by
3 State and Federal law, to ensure that expenditures for such
4 programs are limited to and covered by the expenditures
5 stated in the financial plan.

6 (3) Adequate reserves are provided to maintain programs
7 mandated by State and Federal law, and for which obligations
8 are going to be incurred in the fiscal year, and other
9 essential programs, in the event revenues have been
10 overestimated or expenditures underestimated for any period.

11 (h) Power to determine aggregate expenditures.--For each
12 financial plan and financial plan modification to be prepared
13 and submitted by the city to the board under this section, the
14 school district shall submit to the city such information with
15 respect to its projected expenditures, revenues, cash flows and
16 a schedule of projected capital commitments for each year
17 covered by such financial plan or modification as the city shall
18 determine. Notwithstanding any other provision of law limiting
19 the authority of the city with respect to the school district,
20 the city, in the preparation and submission of the financial
21 plan and modifications thereof, shall, except for debt service
22 or for other expenditures to the extent that such expenditures
23 are required by law, have the power to determine the aggregate
24 expenditures to be allocated to the school district in the
25 financial plan and any modifications thereto.

26 Section 111. Establishment and application of the Board Fund.

27 (a) Status of revenues.--There is hereby established a fund,
28 designated the Board Fund. Commencing on October 20, 1988, and
29 for the duration of a control period, all revenues received or
30 to be received by the city or school district shall, unless

1 exempted by order of the board, be revenues of the Board Fund
2 and shall be for the account of the city or the appropriate
3 school district, except:

4 (1) to the extent expressly prohibited by Federal law;

5 (2) where revenues of the city are deposited in the
6 general debt service fund, the TAN debt service account or
7 the RAN debt service account; or

8 (3) where such revenues are pledged to the payment of
9 any outstanding bonds, notes or other obligations of the
10 school district.

11 Disbursement from the Board Fund shall be made by the board in
12 accordance with the approved financial plan. Commencing on
13 October 20, 1988, and for the duration of a control period, all
14 funds and accounts established or thereafter established by the
15 city or the school district shall, unless exempted by order of
16 the board, thereafter be funds and accounts of the Board Fund
17 except to the extent expressly prohibited by Federal law or to
18 the extent pledged by covenants or agreements relating to any
19 outstanding bonds, notes or other obligations of the school
20 district; and no moneys or funds held in the general debt
21 service fund, the TAN debt service account or the RAN debt
22 service account shall be part of the Board Fund. All such
23 accounts of the board shall have such captions and entries as
24 the board shall determine to be necessary to credit the
25 foregoing revenues and receipts to the Board Fund. The moneys of
26 the fund shall not be deemed to be money of the State or money
27 under its control.

28 (b) Procedure.--The deposit of revenues into the Board Fund
29 and the investment or deposit of moneys therein shall be made in
30 accordance with procedures established by the board.

1 (c) Disbursements.--In order to assure compliance with the
2 financial plan, the board shall, from time to time, adopt
3 procedures controlling the disbursement of moneys from the Board
4 Fund. The board shall authorize the city to make all
5 disbursements of city revenues from the Board Fund, which
6 disbursements shall be made in accordance with the approved
7 financial plan, provided that the board may withdraw such
8 authorization if it determines that:

9 (1) any disbursements made or to be made by the city
10 have not been or are likely not to be in compliance with the
11 approved financial plan;

12 (2) the city has violated any other provisions of this
13 act; or

14 (3) the city has violated an agreement with any holder
15 or guarantor of bonds or notes issued by the city or a State
16 financing agency.

17 (d) Debt service repayment account.--Within the Board Fund
18 there is hereby established a special account, designated the
19 debt service repayment account. The board shall from time to
20 time direct, in accordance with procedures adopted by the board,
21 the deposit in the debt service repayment account of such
22 amounts as the board shall, in its discretion, determine to be
23 sufficient to meet the debt service requirements of the school
24 district on its bonds and notes, other than bonds and notes of
25 the school district payable from revenues not included in the
26 Board Fund, as they become due. Amounts in the debt service
27 repayment account shall be used to meet such debt service
28 requirements of the school district.

29 (e) Priority of disbursements.--If at any time the board
30 determines that the amount then held in the Board Fund or the

1 amount estimated by the board to be held in the Board Fund is or
2 will be insufficient to meet the expenditures in the amounts and
3 at the times required by the financial plan, the board shall
4 require disbursements from the Board Fund to be made in the
5 following order or priority unless otherwise required by Federal
6 law:

7 (1) The payment of amounts from the Board Fund to the
8 debt service repayment account, the general debt service
9 fund, the TAN debt service account and the RAN debt service
10 account, to maintain therein the amount required and to meet
11 debt services requirements of the city and the school
12 district on their bonds and notes as they may become due.

13 (2) The payment of other liabilities having statutory or
14 contractual priority over remaining liabilities of the city
15 and the school district whose moneys are included in the
16 Board Fund.

17 (3) The payment of other obligations on an allocated
18 basis as specified by the city for expenditures in accordance
19 with the financial plan, provided that, in the event that the
20 city fails to so specify, the board may withhold payment of
21 any such other obligations or may direct their payment pro
22 rata.

23 (f) Preaudit reviews.--The board shall perform such preaudit
24 reviews of the Board Fund and disbursements therefrom as it may
25 determine.

26 Section 112. Establishment and application of a general debt
27 service fund.

28 (a) Purpose.--The city shall establish a general debt
29 service fund for the purpose of paying debt service due or
30 becoming due in the then current fiscal year and in subsequent

1 fiscal years. All moneys in the fund shall be held by the
2 treasurer, who shall administer and maintain the fund in
3 accordance with this section.

4 (b) Deposits and disbursements.--All payments of or on
5 account of real estate taxes or assessments, other than the
6 proceeds of tax anticipation notes, shall immediately, upon
7 receipt, be deposited in such fund. The treasurer shall retain,
8 disburse and apply moneys in the fund during each month as
9 follows:

10 (1) During the first month of each fiscal quarter, there
11 shall be retained in the fund all real estate tax payments
12 deposited in the fund until there shall have been retained
13 from moneys so deposited during such month an amount equal to
14 the total monthly debt service, computed as of the date of
15 any disbursement of money from the fund, for the second and
16 third months of such fiscal quarter, provided that such
17 amount shall be reduced by any amount already on deposit in
18 the fund which may be used to pay the monthly debt service
19 for such months.

20 (2) For purposes of this section, "fiscal quarter" shall
21 mean the three-month period beginning July 1, October 1,
22 January 1 or April 1, and "monthly debt service" shall mean,
23 as of any date of computation, the amount of moneys equal to
24 the sum of:

25 (i) All interest payable during such month on bonds
26 and notes of the city.

27 (ii) The amount of principal, including payments
28 into sinking funds, maturing or otherwise coming due
29 during such month, on all bonds of the city, excluding
30 principal payments made from sinking funds required by

1 the terms of certain city bonds.

2 (iii) The amount of principal to be paid on notes of
3 the city during such month from sources other than the
4 proceeds of bonds or renewal notes, exclusive of revenue
5 anticipation notes and tax anticipation notes or renewals
6 thereof issued less than two years prior to the date of
7 computation.

8 (3) During the second and third months of each fiscal
9 quarter, there shall be retained in the fund, subject to the
10 provisions of subsection (c), all real estate tax payments
11 deposited in the fund until there shall have been retained,
12 from moneys so deposited during such month, an amount equal
13 to the total monthly debt service, computed as of the date of
14 any disbursement of moneys from the fund, for the first month
15 of the next succeeding fiscal quarter, provided that such
16 amount shall be reduced by any amount already on deposit in
17 the fund which may be used to pay the monthly debt service
18 for such month.

19 (4) During any month of a fiscal quarter, after the
20 retentions required by paragraphs (1) and (2) have been made
21 for such month, the treasurer shall deposit any remaining
22 balance of real estate taxes received during such month,
23 first into the TAN debt service account to the extent
24 required by subsection (f), and second into the Board Fund to
25 be applied in accordance with procedures of the board.

26 (5) The city may at any time pay into the fund any
27 moneys required by law to be used to pay monthly debt service
28 and any other moneys available for such purpose.

29 (c) Retention of portion of real estate tax receipts.--The
30 board may approve, subject to agreements made with the holders

1 or guarantors of outstanding notes or bonds issued by or for the
2 benefit of the city after the effective date of this act,
3 criteria for calculating a proportion of real estate tax
4 receipts to be retained in the fund in order to provide for the
5 retention of amounts required by subsection (b), in lieu of the
6 retention of all initial receipts as required by subsection (b),
7 provided that, if the board at any time determines that
8 retentions in the fund pursuant to that subsection are or are
9 likely to be insufficient to provide for the payment of monthly
10 debt service when due, in order to ensure that the amounts on
11 deposit in the fund will be sufficient to pay monthly debt
12 service when due, the board shall require:

13 (1) that real estate tax receipts be retained in the
14 fund in greater amounts or at earlier dates than the
15 provisions of that subsection require; or

16 (2) that other revenues or cash resources of the city be
17 paid into the fund.

18 The board shall consider the impact of earlier or larger
19 retention of real estate tax receipts on the city's seasonal
20 borrowing requirements when determining whether it shall require
21 such additional retention or that other revenues or cash
22 resources of the city be paid into the fund. Prior to the
23 issuance by the city of any bonds or notes, the board shall
24 review any criteria then in effect which determine the
25 proportion of real estate tax receipts to be retained in the
26 fund to determine whether the proposed debt service schedule for
27 such bonds or notes is consistent with the moneys which will be
28 available therefor or whether such criteria should be revised.
29 The board shall, from time to time, take such action as it
30 determines is necessary, including disapproval of a proposed

1 issue, so that the moneys in the fund shall be adequate to meet
2 debt service requirements.

3 (d) Payment of debt service.--Commencing on the first day of
4 the second month of the first full fiscal quarter subsequent to
5 the first sale of a federally guaranteed city obligation, the
6 payment of monthly debt service shall be made, first, from
7 amounts retained in the fund. Amounts retained in the fund shall
8 be used only to pay debt service of the city.

9 (e) Tax anticipation notes.--Upon the issuance of any tax
10 anticipation notes following the effective date of this act, the
11 treasurer shall establish and, so long as any tax anticipation
12 notes shall be outstanding, shall maintain a tax anticipation
13 note debt service account within the fund for the purpose of
14 paying the principal of tax anticipation notes.

15 (f) Payment of principal of tax anticipation notes.--The
16 city shall determine the date on which the principal due or to
17 become due on an outstanding issue of tax anticipation notes
18 shall equal 90% of the available tax levy with respect to such
19 issue, and upon reasonable notice thereof, the treasurer shall
20 commence on such date to pay into the TAN debt service account
21 from collections of such taxes and assessments, after retaining
22 amounts required to be deposited in the fund, amounts sufficient
23 to pay, when due, the principal of such issue of tax
24 anticipation notes. The payments of the principal of tax
25 anticipation notes shall be made, first, from amounts retained
26 in the TAN debt service account.

27 (g) Revenue anticipation notes.--Upon the issuance of any
28 revenue anticipation notes following the effective date of this
29 act, the treasurer shall establish and, so long as any revenue
30 anticipation notes shall be outstanding, shall maintain a

1 revenue anticipation note debt service account within the fund
2 for the purpose of paying the principal of revenue anticipation
3 notes. Each specific type of revenue, in anticipation of which
4 such notes are issued and available for such purpose, shall be
5 deposited in such account immediately upon receipt by the city.
6 Where such revenue consists of State aid or other revenue to be
7 paid to the city by the treasurer, on the date such revenue is
8 payable to the city, the treasurer shall deposit such revenue
9 directly into such account in lieu of payment to the city. All
10 revenues deposited in the RAN debt service account shall be paid
11 immediately into the Board Fund except as otherwise provided in
12 subsection (h).

13 (h) Payment of principal of revenue anticipation notes.--The
14 city shall determine the date on which the principal due or to
15 become due on an outstanding issue of revenue anticipation notes
16 shall equal 90% of the total amount of revenue, against which
17 such notes were issued, remaining to be paid to the city on or
18 before the fifth day prior to the maturity date of such notes
19 and upon reasonable notice thereof, the treasurer shall commence
20 on such date to retain in the RAN debt service account, from
21 amounts deposited or to be deposited therein of each specific
22 type of revenue, in anticipation of which revenue such
23 anticipation notes were issued, an amount sufficient to pay,
24 when due, the principal of such revenue anticipation notes.
25 Moneys retained in such account shall vest immediately in the
26 treasurer in trust for the benefit of the holders of the revenue
27 anticipation notes, in anticipation of which such notes were
28 issued. No person having any claim of any kind in tort, contract
29 or otherwise against such city shall have any right to or claim
30 against any moneys of the State appropriated by the State and in

1 anticipation of which such notes have been issued, other than a
2 claim for payment by the holders of such notes, and such moneys
3 shall not be subject to any order, judgment, lien, execution,
4 attachment, setoff or counter-claim by any such person. Nothing
5 contained in this subsection shall be construed to limit,
6 impair, impede or otherwise adversely affect in any manner the
7 rights or remedies of the purchasers and holders and owners of
8 any bonds or notes of the State or any agency, instrumentality,
9 public benefit corporation or political subdivision thereof,
10 including the city, under which such purchasers and holders and
11 owners have any right of payment of such bonds or notes by
12 recourse to State aid or local assistance moneys held by the
13 State or for the payment of which bonds or notes State aid or
14 local assistance moneys are a designated source. The payment of
15 the principal of revenue anticipation notes shall be made,
16 first, from amounts retained in the RAN debt service account.

17 (i) Disposition of excess moneys.--Whenever the amount
18 contained in the TAN debt service account or the RAN debt
19 service account exceeds the amount required to be retained in
20 such account, such excess moneys, including earnings on
21 investments of moneys in the fund, shall be withdrawn from such
22 account and paid into the Board Fund.

23 (j) Investments.--Subject to agreements made with holders or
24 guarantors of outstanding notes or bonds issued by or for the
25 benefit of the city, after the effective date of this act, the
26 treasurer shall invest the moneys retained in the fund in
27 accordance with law.

28 (k) Bank or trust company.--Notwithstanding any other
29 provision of this section, the city may, at any time, subject to
30 approval by the treasurer, designate a trust company or bank,

1 having its principal place of business in this Commonwealth and
2 having the powers of a trust company, to hold all or any part of
3 the moneys in the fund and to administer and maintain the moneys
4 so held in accordance with the applicable provisions of this
5 section and any agreements made pursuant thereto.

6 Section 113. Limitations on short-term borrowing.

7 (a) Tax anticipation notes.--

8 (1) For the purposes of this section, the terms "bond
9 anticipation notes," "tax anticipation notes," "revenue
10 anticipation notes" and "budget notes" shall not mean any
11 note held by the municipal assistance corporation on June 30,
12 1991, or any note of the city held by such corporation issued
13 in exchange for or in refunding or renewal of any such note.

14 (2) No tax anticipation notes shall be issued by the
15 city in anticipation of the collection of taxes or
16 assessments levied for a fiscal year which would cause the
17 principal amount of such issue of tax anticipation notes to
18 exceed an amount equal to 90% of the available tax levy with
19 respect to such issue.

20 (3) Tax anticipation notes and renewals thereof shall
21 mature not later than the last day of the fiscal year in
22 which they were issued.

23 (b) Revenue anticipation notes.--

24 (1) No revenue anticipation note shall be issued by the
25 city in anticipation of the collection or receipt of revenue
26 in a fiscal year which would cause the principal amount of
27 revenue anticipation notes outstanding to exceed 90% of the
28 available revenues for such fiscal year. For purposes of this
29 subsection, "available revenues" shall be the revenues, other
30 than real estate taxes and assessments, which have been

1 estimated in the financial plan to be realized in cash during
2 such year, less revenues previously collected, other than
3 revenues on deposit in the RAN debt service account or any
4 special fund established pursuant to law for the payment of
5 interest and principal of revenue anticipation notes.

6 (2) Each issue of revenue anticipation notes shall be
7 issued only in anticipation of the receipt of a specific type
8 or types of revenue, and the amount of revenue, the source of
9 revenue and the anticipated date of payment shall be stated
10 in the proceedings authorizing the issuance of such notes.

11 (3) Revenue anticipation notes shall mature not later
12 than the last day of the fiscal year in which they were
13 issued, and may not be renewed or extended to a date more
14 than ten days after the anticipated date of receipt of such
15 revenue.

16 (4) No such renewal note shall mature after the last day
17 of such fiscal year unless the board shall certify that the
18 revenue against which such renewal note is issued has been
19 properly accrued and estimated in the financial plan in
20 effect on the date of issuance of such renewal note, provided
21 that in no event shall any such renewal notes mature later
22 than one year subsequent to the last day of the fiscal year
23 during which such revenue anticipation notes were originally
24 issued.

25 (c) Bond anticipation notes.--

26 (1) No bond anticipation note shall be issued by the
27 city in any fiscal year which would cause the principal
28 amount of bond anticipation notes outstanding, together with
29 interest due or to become due thereon, to exceed 50% of the
30 principal amount of bonds issued by the city in the 12 months

1 immediately preceding the month in which the note is to be
2 issued.

3 (2) The proceeds of each bond issue shall be:

4 (i) held in trust for the payment, at maturity, of
5 the principal of and interest on any bond anticipation
6 notes of the city issued in anticipation of such bonds
7 and outstanding at the time of the issuance of such
8 bonds; and

9 (ii) paid into the general fund of the city in
10 repayment of any advance made from such fund.

11 After satisfying subparagraphs (i) and (ii), any remaining
12 balance shall be expended for the object or purpose for which
13 such bonds are issued.

14 (3) Bond anticipation notes shall mature not later than
15 six months after their date of issuance and may be renewed
16 for a period not to exceed six months.

17 (d) Budget notes.--No budget notes or renewals thereof shall
18 mature later than 60 days prior to the last day of the fiscal
19 year next succeeding the fiscal year during which such budget
20 notes were originally issued.

21 (e) Other obligations.--The city shall issue no obligations
22 which shall be inconsistent with the financial plan or with the
23 limitations set forth in subsections (a) through (d).

24 Section 114. Wage freeze.

25 (a) Suspension of increases.--Increases in salary or wages
26 of employees of the city and employees of the school district
27 which have taken effect since June 30, 1988, or which will take
28 effect after that date pursuant to collective bargaining
29 agreements or other analogous contracts, now in existence or
30 hereafter entered into, requiring such salary increases as of

1 July 1, 1988, or as of any date thereafter are hereby suspended.
2 All increased payments for holiday and vacation differentials,
3 shift differentials, salary adjustments according to plan and
4 step-ups or increments for employees of the city and employees
5 of school districts which have taken effect since June 30, 1988,
6 or which will take effect after that date pursuant to collective
7 bargaining agreements or other analogous contracts requiring
8 such increased payments as of July 1, 1988, or as of any date
9 thereafter are hereby, in the same manner, suspended. For the
10 purposes of computing the pension base of retirement allowances,
11 the suspended salary or wage increases and the other suspended
12 payments shall not be considered as part of compensation or
13 final compensation or of annual salary earned or earnable. The
14 suspensions provided herein shall be effective for the first pay
15 period ending on or subsequent to September 1, 1988, and shall
16 continue until one year thereafter and, to the extent of any
17 determination of the board that a continuation of such
18 suspensions, to a date specified by the board, is necessary in
19 order to achieve the objectives of the financial plan, such
20 suspensions shall be continued to the date specified by such
21 board, which date shall in no event be later than the end of the
22 emergency period.

23 (b) Application of section.--This section shall not be
24 applicable to employees of the city or school district covered
25 by a collective bargaining agreement or an employee of the city
26 or school district not covered by a collective bargaining
27 agreement where the collective bargaining representative or such
28 unrepresented employee has agreed to a deferment of salary or
29 wage increase by an instrument in writing which has been
30 certified by the mayor on or before September 1, 1988, or

1 certified by the board after September 1, 1988, as being an
2 acceptable and appropriate contribution toward alleviating the
3 fiscal crisis of the city. The board may, if it finds that the
4 fiscal crisis has been sufficiently alleviated or for any other
5 appropriate reason, direct that the suspensions of salary or
6 wage increases or suspensions of other increased payments shall,
7 in whole or in part, be terminated.

8 Section 115. Covenants, authorizations to agree and remedies.

9 (a) Terms enumerated.--In the event that after the effective
10 date of this act, any notes or bonds are issued by the city
11 prior to July 1, 1995, or any bonds are issued by a State
12 financing agency, the Commonwealth hereby authorizes the city
13 and authorizes and requires such State financing agency to
14 include a pledge and agreement of the State in any agreement
15 made by the city or such State financing agency with holders or
16 guarantors of such notes or bonds that the State will not take
17 any action which will substantially impair, modify or alter one
18 or more of the following:

19 (1) The authority of the board during a control period,
20 as in effect on the date such notes or bonds are issued, in
21 relation to one or more of the following:

22 (i) to approve, disapprove or modify any financial
23 plan or financial plan modification, including the
24 revenue projections (or any item thereof) contained
25 therein, subject to the standards set forth in section
26 110 as in effect on the date such notes or bonds are
27 issued from time to time;

28 (ii) to disapprove a contract of the city or school
29 district if the performance of such contract would be
30 inconsistent with the financial plan or to approve or

1 disapprove proposed short-term or long-term borrowing of
2 the city or school district or any agreement or other
3 arrangement; or

4 (iii) to establish and adopt procedures with respect
5 to the deposit in and disbursement from the board fund of
6 city revenues.

7 (2) The authority of the board to review financial
8 plans, financial plan modifications, contracts of the city or
9 school district and proposed short-term or long-term
10 borrowings of the city and the school district.

11 (3) The independent maintenance of a separate fund for
12 the payment of debt service on bonds and notes of the city.

13 (4) The requirement that the city's financial statements
14 be audited by a nationally recognized independent certified
15 public accounting firm or consortium of firms and that a
16 report on such audit be furnished to the board.

17 (5) The definition of a control period set forth herein,
18 as in effect on the date such notes or bonds are issued, or
19 the authority of the board, as set forth in this subsection,
20 to reimpose or terminate a control period. The foregoing
21 pledge and agreement shall not, however, be of any further
22 force and effect if at any time:

23 (i) there is on deposit in a separate trust account
24 with a bank, trust company or other fiduciary sufficient
25 moneys or direct obligations of the United States or
26 obligations guaranteed by the United States, the
27 principal of and interest on which will provide moneys to
28 pay punctually, when due, at maturity or prior to
29 maturity, by redemption, in accordance with their terms,
30 all principal of and interest on all outstanding notes

1 and bonds of the city or such State financing agency
2 containing this pledge and agreement, and irrevocable
3 instructions from the city or such State financing agency
4 to such bank, trust company or other fiduciary for such
5 payment of such principal and interest with such moneys
6 shall have been given; or

7 (ii) such notes and bonds, together with interest
8 thereon, have been paid in full at maturity or have
9 otherwise been refunded, redeemed or discharged.

10 The foregoing pledge and agreement shall be of full force and
11 effect upon its inclusion in any agreement made by the city or
12 State financing agency with holders or guarantors of such notes
13 or bonds.

14 (b) Consideration and waiver of immunity.--Upon payment for
15 such obligations issued under this act by the original and all
16 subsequent holders, inclusions of the foregoing covenant shall
17 be deemed conclusive evidence of valuable consideration received
18 by the State and city for such covenant and of reliance upon
19 such pledge and agreement by any such holder. The State hereby
20 grants any such benefited holder the right to sue the State in a
21 court of competent jurisdiction and enforce this covenant and
22 agreement and waives all rights of defense based on sovereign
23 immunity in such an action or suit.

24 (c) Redemption.--Every such bond or note which shall contain
25 the pledge and agreement referred to in subsection (a) shall be
26 callable for redemption commencing not later than the eleventh
27 anniversary of its date of issuance and shall contain on its
28 face a recital to such effect, together with the terms and
29 conditions under which such obligation may be redeemed.

30 (d) Security.--The finance board of the city is hereby

1 authorized to enter into agreements and to make covenants with
2 any purchaser, holder or guarantor of obligations issued by the
3 city or by a State financing agency to protect and safeguard the
4 security and rights of a purchaser, holder or guarantor or to
5 protect and safeguard the source of payment of such obligations
6 or as deemed appropriate by the finance board, which agreements
7 or covenants may contain provisions providing for:

8 (1) The compliance by the city with any of the
9 provisions of this act.

10 (2) Restrictions on the issuance by the city of its
11 obligations, limitations on the inclusion of expense items in
12 its capital budgets and financial records, reporting and
13 disclosure requirements, in addition to any such
14 restrictions, limitations or requirements contained in this
15 act.

16 (3) Compliance by the city with its financial plan as
17 modified from time to time.

18 (4) Conditions that would give rise to an event of
19 default on such obligations.

20 (5) Remedies available to a purchaser, holder or
21 guarantor of such obligations, other than acceleration or the
22 required elimination or reduction of specific municipal
23 expenditures, including the circumstances, if any, under
24 which a trustee or trustees or a fiscal agent may be
25 appointed or may act as a representative of holders of
26 obligations issued by the city in connection with an issue or
27 issues of obligations of the city and the rights, powers and
28 duties which may be vested in such trustee, trustees for
29 fiscal agent as such representative.

30 The State hereby pledges and agrees that it will take no action

1 that would impair the power of the city to comply with or to
2 perform any covenant or agreement made pursuant to this
3 subsection, or any right or remedy of a purchaser, holder or
4 guarantor to enforce such covenant or agreement; and the city or
5 a State financing agency is hereby authorized to include such
6 pledge and agreement in any agreement made pursuant to this
7 subsection. Nothing contained in this subsection shall preclude
8 the State from authorizing the city to exercise, or the city
9 from exercising, any power provided by law to seek application
10 of laws then in effect under the bankruptcy laws of the United
11 States or shall preclude the State from validly exercising its
12 police powers.

13 (e) Purchase by retirement funds, etc.--Notwithstanding any
14 other provision of law, the trustees of any retirement, pension
15 or annuity fund or system of the State or of the city are hereby
16 authorized to enter into commitments to purchase and to purchase
17 notes, bonds or other obligations of the city or of a State
18 financing agency, or to purchase other bonds or notes of such
19 city or of a State financing agency prior to June 30, 1995, or
20 in the case of the trustees of any retirement, pension or
21 annuity fund or system of the city, to enter into commitments to
22 purchase such other bonds or notes of such city or of a State
23 financing agency prior to June 30, 1995. Such commitments to
24 purchase shall be binding upon and enforceable against successor
25 trustees of such retirement, pension or annuity funds or systems
26 of the State or city.

27 (f) Legal remedy.--The treasurer shall have the right to
28 initiate a proceeding in the court of common pleas to obtain a
29 court order or other relief in connection with any agreements or
30 other transactions entered into by the treasurer relative to his

1 guarantee of the principal or interest, or both, of city
2 indebtedness.

3 (g) Guarantee of payment by Governor.--Notwithstanding any
4 other provision of law to the contrary, the Governor shall have
5 the authority to guarantee the payment of the principal of or
6 interest on bonds or notes issued by the city or by a State
7 financing agency.

8 (h) Bankruptcy.--Nothing in this section shall preclude the
9 State from authorizing the board or the city to exercise, or the
10 board or city from exercising, any power provided by law to seek
11 application of laws then in effect under the bankruptcy laws of
12 the United States.

13 Section 116. Enforcement.

14 (a) Contracts and other liabilities.--During a control
15 period:

16 (1) No officer or employee of the city or school
17 district shall make or authorize an obligation or other
18 liability in excess of the amount available therefor under
19 the financial plan as then in effect.

20 (2) No officer or employee of the city or school
21 district shall involve the city or school district in any
22 contract or other obligation or liability for the payment of
23 money for any purpose required to be approved by the board
24 unless such contract, obligation or liability has been so
25 approved or deemed to be approved as provided herein and
26 unless such contract or obligation or liability is in
27 compliance with the financial plan as then in effect.

28 (b) Cooperation with board.--No officer or employee of the
29 city or school district shall take any action in violation of
30 any valid order of the board or shall fail or refuse to take any

1 action required by any such order or shall prepare, present or
2 certify any information, including any projections or estimates
3 or report for the board or any of its agents, that is false or
4 misleading, or, upon learning that any such information is false
5 or misleading, shall fail promptly to advise the board or its
6 agents thereof.

7 (c) Penalty.--In addition to any penalty or liability under
8 other law, any officer or employee of the city or school
9 district who shall knowingly and willfully violate subsection
10 (a) shall be subject to appropriate administrative discipline,
11 including, when circumstances warrant, suspension from duty
12 without pay or removal from office by order of either the
13 Governor or the mayor and shall, upon conviction, be guilty of a
14 misdemeanor of the third degree.

15 (d) Report of violation to board.--In the case of a
16 violation of subsection (a) or (b) by an officer or employee of
17 the city or school district, the mayor or the chief executive
18 officer of such school district shall immediately report to the
19 board all pertinent facts, together with a statement of the
20 action taken thereon.

21 Section 117. Indemnification.

22 (a) Circumstances.--The State shall hold harmless and
23 indemnify members, officers and employees of and representatives
24 to the board, all of whom shall be deemed officers and employees
25 of the State, against any claim, demand, suit or judgment
26 arising by reason of any act or omission to act by such member,
27 officer, employee or representative occurring in the discharge
28 of his duties and within the scope of his service on behalf of
29 such board, including any claim, demand, suit or judgment based
30 on allegations that financial loss was sustained by any person

1 in connection with the acquisition, disposition or holding of
2 securities or other obligations. In the event of any such claim,
3 demand, suit or judgment, a member, officer or employee of or
4 representative to the board shall be held harmless and
5 indemnified, unless such individual is found by a final judicial
6 determination not to have acted, in good faith, for a purpose
7 which he reasonably believed to be in the best interest of the
8 board or not to have had reasonable cause to believe that his
9 conduct was lawful.

10 (b) Representation.--In connection with any such claim,
11 demand, suit or judgment, any member, officer or employee of or
12 representative to the board shall be entitled to representation
13 by private counsel of his choice in any civil judicial
14 proceeding whenever the Attorney General determines, based upon
15 his investigation and review of the facts and circumstances of
16 the case, that representation by the Attorney General would be
17 inappropriate. The Attorney General shall notify the individual
18 in writing of such determination that the individual is entitled
19 to be represented by private counsel. The Attorney General may
20 require, as a condition to payment of the fees and expenses of
21 such representative, that appropriate groups of such individuals
22 be represented by the same counsel. If the individual or groups
23 of individuals is entitled to representation by private counsel
24 under the provisions of this section, the Attorney General shall
25 so certify to the treasurer. Reasonable attorney fees and
26 litigation expenses shall be paid by the State to such private
27 counsel from time to time during the pendency of the civil
28 action or proceeding, subject to certification that the
29 individual is entitled to representation under the terms and
30 conditions of this section by the chairman of the board, upon

1 the audit and warrant of the treasurer. The provisions of this
2 section shall inure only to members, officers and employees of
3 and representatives to the board, shall not enlarge or diminish
4 the rights of any other party, and shall not impair, limit or
5 modify the rights and obligations of any insurer under any
6 policy of insurance.

7 CHAPTER 2

8 MUNICIPAL ASSISTANCE CORPORATION

9 Section 201. Definitions.

10 The following words and phrases when used in this chapter
11 shall have the meanings given to them in this section unless the
12 context clearly indicates otherwise:

13 "City." A first class city.

14 "City budget director." The director of management and
15 budget of a city.

16 "City controller." The controller of a city.

17 "Corporation." The corporate governmental agency created by
18 this chapter.

19 "Mayor." The mayor of a first class city.

20 "Short-term obligations." Tax anticipation notes, revenue
21 anticipation notes, bond anticipation notes, budget notes and
22 urban renewal notes.

23 "State." The Commonwealth of Pennsylvania.

24 Section 202. Creation of the Municipal Assistance Corporation.

25 (a) Creation, status and termination.--There is hereby
26 created the Municipal Assistance Corporation. The corporation
27 shall be a corporate governmental agency and instrumentality of
28 the State and shall have the powers, privileges and duties of a
29 corporation under the laws of this Commonwealth. The corporation
30 shall continue for a term of one year after all its liabilities

1 have been fully paid and discharged. Upon the termination of the
2 existence of the corporation, all of its rights and property
3 shall pass to and be vested in the State.

4 (b) Limitation on bonds and notes.--Subject to any contract
5 with noteholders or bondholders, the corporation shall not issue
6 bonds and notes in an aggregate principal amount exceeding
7 \$10,000,000,000, excluding bonds and notes issued to refund
8 outstanding bonds and notes. No bonds or notes shall be issued
9 for any purpose other than to pay for items which are permitted
10 by law to be included in the city's capital budget or to make
11 deposits into Capital Reserve Funds, if at the time such bonds
12 or notes are issued or as a result of their issuance, the
13 aggregate principal amount of bonds and notes issued by the
14 corporation, exclusive of bonds and notes issued for any purpose
15 described herein, exceeds \$8,800,000,000.

16 (c) Notes for essential services.--In addition to the
17 authority provided in subsection (b), the corporation may, until
18 June 30, 1991, issue notes in an aggregate principal amount
19 which the mayor certifies to the corporation is required by the
20 city to provide, without interruption, services essential to its
21 inhabitants while meeting its obligation to the holders of its
22 outstanding securities to June 30, 1991, but not to exceed
23 \$500,000,000. Such notes shall finally mature no later than June
24 30, 1991. Such notes shall not be renewable. The terms of
25 issuance of such notes shall not contain any provision creating
26 rights in the holders of such notes to convert such notes to or
27 exchange such notes for bonds of the corporation. The
28 corporation shall pay the proceeds of such notes to the city to
29 be used to provide services essential to its inhabitants.

30 (d) Issuance and maturity.--

1 (1) No note or bond:

2 (i) shall mature more than 30 years from the date of
3 the original issue of such note or bond and, in any
4 event, not later than July 1, 2021; or

5 (ii) shall be issued on a date later than December
6 31, 1997, unless such note or bond is a renewal or
7 refunding of an outstanding note or bond.

8 (2) Whenever all or a portion of a series of notes or
9 bonds of the corporation is issued for a lawful purpose under
10 this act, to the extent that the payment of the proceeds of
11 such series is evidenced by a bond or bonds of the city, not
12 more than one year following a scheduled payment of principal
13 on any such city bond (including sinking fund installments),
14 a substantially equal payment of principal (including sinking
15 fund installments) shall be scheduled with respect to the
16 notes or bonds included in such series of the corporation.

17 (e) Obligations receivable in lieu of cash payments.--If the
18 bond resolution or other resolution pursuant to which any
19 obligations of the corporation are issued shall designate, with
20 the approval of any emergency financial control board then
21 established for the city or, if none, then with the approval of
22 the mayor, the corporation may hereafter issue obligations which
23 shall, upon maturity, at the election of the holder thereof if
24 so provided in such obligations, be receivable at full face
25 value and in lieu of cash in payment of any tax of the city, any
26 installment of estimated tax of the city, or any interest or
27 penalties thereon. Any obligations of the corporation so
28 received in payment of any such tax or installment of estimated
29 tax or interest or penalties shall be presented to the
30 corporation for payment to the city.

1 Section 203. Administration of the corporation.

2 (a) Board of directors.--The corporation shall be
3 administered by a board of directors, consisting of nine
4 directors, none of whom shall be officers or employees of the
5 Federal Government or of the State or political subdivisions
6 thereof. All of the directors shall be appointed by the Governor
7 with the advice and consent of the Senate, provided that four of
8 such directors shall be appointed upon written recommendation of
9 the mayor. Each director shall hold office until his successor
10 has been appointed and qualified. Each director appointed by the
11 Governor shall serve a term of four years, except that any
12 director appointed to fill a vacancy shall serve only until the
13 expiration of his predecessor's term.

14 (b) Powers.--The corporation shall have the power to make
15 and execute contracts to pay the expenses of operation of the
16 emergency financial control board for the city, within the
17 appropriation available therefor and including the repayment to
18 the State of any advance to such board under any agreement
19 between the board and the director of the budget, out of any
20 revenues available to the corporation and not otherwise pledged
21 except the proceeds of its notes and bonds.

22 Section 204. Exchange of notes or bonds of the corporation for
23 short-term obligations of the city.

24 (a) Exchange amount.--The corporation may issue its notes or
25 bonds in exchange for short-term obligations of the city,
26 provided that the principal amount of the corporation's notes or
27 bonds issued in any such exchange shall not exceed the principal
28 amount of such short-term obligations and accrued interest
29 thereon at the stated rate to the date of such exchange.

30 (b) Cancellation, further exchange, etc.--

(1) Upon or at any time after receipt of the short-term obligations of the city exchanged in accordance with subsection (a), the corporation may deliver any or all of such short-term obligations to the city for cancellation, without receiving payment of principal or interest in respect thereof, in which event the city shall thereupon cancel such obligations without making any payment of principal amount or accrued interest thereon and the city shall have no further liability with respect thereto. Notwithstanding the foregoing, the corporation shall not deliver at any time bond anticipation notes received pursuant to subsection (a) to the city for cancellation without receiving payment of principal or interest in respect thereof unless the mayor and the city controller shall have requested in writing that such short-term obligations be delivered for cancellation.

(2) Upon or at any time after receipt of the short-term obligations of the city exchanged in accordance with subsection (a), the corporation may exchange any or all of such short-term obligations for other short-term obligations issued by the city pursuant to the local finance law, and the corporation may exchange any or all of such bond anticipation notes included in such short-term obligations for bonds of the city, all on such terms and conditions as the corporation may deem proper.

(c) Prejudice to rights of holders.--The corporation shall not exchange any of its bonds or notes for short-term obligations of the city pursuant to subsection (a) unless the board of directors of the corporation shall have determined that the terms of such exchange will not prejudice the rights of holders of other bonds and notes of the city.

1 Section 205. Funds of the corporation.

2 (a) Schedule of cash requirements.--Not less than 120 days
3 before the beginning of each fiscal year of the corporation, the
4 chairman of the board of directors of the corporation shall
5 certify to the treasurer and to the mayor a schedule setting
6 forth the cash requirements of the corporation for such fiscal
7 year and the time or times when such cash is required. The total
8 amount so certified by such chairman for such fiscal year shall
9 be equal to:

10 (1) The amounts which are required to be deposited in
11 the Capital Reserve Fund during such fiscal year in order to
12 maintain such Capital Reserve Fund of the corporation at the
13 level required in accordance with subsection (e).

14 (2) The amounts required to be deposited in the debt
15 service fund of the corporation to pay all interest and all
16 payments of principal and redemption premium, if any, on
17 notes and bonds secured by such debt service fund maturing or
18 otherwise coming due during such fiscal year.

19 (3) The amounts required to be deposited in the
20 operating fund of the corporation, as determined by the
21 corporation, to meet the operating requirements and other
22 expenses of the corporation during such fiscal year.

23 If any increase shall occur in the cash requirements specified
24 above, or if payments are required at a time or times earlier
25 than previously certified, or if the city shall for any reason
26 fail to make timely payment of the principal and accrued
27 interest due on any obligation issued by the city to the
28 corporation and maturing within the same fiscal year, such
29 chairman shall certify a revised schedule of cash requirements
30 for such fiscal year to the treasurer and to the mayor. The

1 schedule accompanying each certification, or revision thereof,
2 shall provide for such payment dates as the corporation deems
3 appropriate to assure that sufficient funds will be available
4 from the sources identified below to enable it to meet its
5 current obligations as they come due. Upon receipt of such
6 certification, or any revision thereof, the treasurer shall pay
7 such amount to the corporation for deposit in the appropriate
8 funds, in accordance with such certification from the special
9 account established for the corporation in the municipal
10 assistance tax fund, including any amount transferred to the
11 municipal assistance tax fund from the stock transfer tax fund.
12 Any such payment shall be made within 30 days of receipt of the
13 certification or at the time specified in the certification,
14 whichever is later, provided that any such amounts shall have
15 been first appropriated by the State for such purpose or shall
16 have been otherwise made available.

17 (b) Priority of payment.--Notwithstanding subsection (a),
18 prior to any transfers from the stock transfer tax fund to the
19 municipal assistance tax fund, moneys, if any, payable to any
20 other public benefit corporation from such fund pursuant to the
21 provision of any law, the effective date of which is prior to
22 the effective date of this act, shall be paid in full to such
23 other corporation.

24 (c) Capital Reserve Fund.--The corporation shall create and
25 establish a special fund, herein referred to as Capital Reserve
26 Fund, and shall pay into such Capital Reserve Fund:

27 (1) Any moneys appropriated and made available by the
28 State for the purposes of such fund.

29 (2) Any proceeds of sale of notes or bonds, to the
30 extent provided in the resolution of the corporation

1 authorizing the issuance thereof.

2 (3) Any other moneys which may be made available to the
3 corporation for the purpose of such fund from any other
4 source or sources.

5 All moneys held in the Capital Reserve Fund, except as
6 hereinafter provided, shall be used solely for the payment of
7 the principal of bonds secured by such Capital Reserve Fund of
8 the corporation, as the same mature or otherwise become due, the
9 purchase of such bonds of the corporation, the payment of
10 interest of such bonds of the corporation or the payment of any
11 redemption premium required to be paid when such bonds are
12 redeemed prior to maturity. If the amount contained in the
13 Capital Reserve Fund exceeds the amount required to be contained
14 in such fund, plus any additional amounts required to be
15 contained in the fund pursuant to the terms of issuance of any
16 bonds or notes, such excess moneys may be withdrawn from the
17 Capital Reserve Fund by the corporation, provided that moneys in
18 the fund shall not be withdrawn therefrom at any time in such
19 amounts as would reduce the amount of such fund to less than the
20 amount of principal and interest maturing or otherwise becoming
21 due in the succeeding calendar year on all bonds of the
22 corporation secured by such Capital Reserve Fund then
23 outstanding, except for the purpose of paying principal of and
24 interest on such bonds of the corporation maturing or otherwise
25 due or becoming due and for the payment of which other moneys of
26 the corporation are not available. Any income or interest earned
27 by, or increment to, the Capital Reserve Fund due to the
28 investment thereof may be transferred by the corporation to any
29 other fund of the corporation to the extent it does not reduce
30 the amount of the Capital Reserve Fund below the amount of

1 principal and interest maturing or otherwise due or becoming due
2 in the succeeding calendar year on all bonds of the corporation
3 secured by such Capital Reserve Fund then outstanding.

4 (d) Additional funding.--In order further to assure the
5 maintenance of the Capital Reserve Fund, there shall be annually
6 appropriated and paid to the corporation for deposit in the
7 Capital Reserve Fund such sum, if any, as shall be certified by
8 the chairman to the Governor and city budget director as
9 necessary to restore the Capital Reserve Fund to an amount equal
10 to the Capital Reserve Fund requirement. The chairman of the
11 board of directors of the corporation shall, annually, on or
12 before December 1, make and deliver to the Governor and director
13 of the budget his certificate stating the sum, if any, required
14 to restore the Capital Reserve Fund to the amount aforesaid; and
15 the sum or sums so certified, if any, shall be appropriated and
16 paid to the corporation during the then current State fiscal
17 year.

18 (e) Bonds, deposits, funds, etc.--The corporation shall not
19 issue bonds at any time if the amount of principal and interest
20 maturing or otherwise due or becoming due in the succeeding
21 calendar year on such bonds then to be issued and on all other
22 bonds of the corporation secured by the Capital Reserve Fund
23 then outstanding will exceed the amount of the Capital Reserve
24 Fund requirement with respect to the Capital Reserve Fund at the
25 time of issuance, unless the corporation, at the time of such
26 issuance, shall deposit in the Capital Reserve Fund from the
27 proceeds of the bonds so to be issued, or otherwise, an amount
28 which, together with the amount then in such fund, will not be
29 less than the amount of principal and interest maturing or
30 otherwise due or becoming due in the succeeding calendar year on

1 such bonds then to be issued and on all other bonds of the
2 corporation secured by the Capital Reserve Fund then
3 outstanding. Such amount is herein sometimes referred to as the
4 Capital Reserve Fund requirement. Notwithstanding the foregoing
5 provisions of this subsection, for each of the calendar years
6 set forth below, the Capital Reserve Fund requirement, as of any
7 date of calculation, shall equal the percentage, set forth
8 opposite such calendar year, of the amount of principal and
9 interest maturing or otherwise due or becoming due during such
10 calendar year on all bonds of the corporation secured by such
11 Capital Reserve Fund outstanding on such date:

12	Calendar Year	Percentage
13	1988	0
14	1989	0
15	1990	25
16	1991	50
17	1992	75
18	1993	100

19 (f) Valuation of securities.--In computing the amount of the
20 Capital Reserve Fund, for the purposes of this section,
21 securities in which all or a portion of such fund shall be
22 invested shall be valued at par or if purchased at other than
23 par, at amortized value.

24 (g) Accounts.--The corporation shall create a debt service
25 account and an operating account and may create and establish
26 such accounts as may be necessary or desirable for its corporate
27 purposes.

28 (h) Fiscal year.--The fiscal year of the corporation shall
29 be the same as the fiscal year of the city.

30 Section 206. Payments to or purchases of obligations of the

1 city.

2 (a) Purposes.--The mayor may, from time to time, certify to
3 the corporation an amount required by the city to enable it to
4 do one or more of the following:

5 (1) To pay, at maturity, the principal of and interest
6 on any short-term obligations of the city.

7 (2) To pay for any item which is permitted by law to be
8 included in the city's capital budget for the fiscal year for
9 which such certification is made, including payments to
10 reimburse the general fund for moneys advanced and expended
11 for any such item.

12 (3) To make any payment in a fiscal year to the extent
13 the mayor certifies such payment will have the effect of
14 reducing, from the then existing level, the city's
15 requirements for an advance by the State, during such fiscal
16 year or the succeeding fiscal year, of State assistance
17 moneys payable to the city.

18 (4) To meet its seasonal borrowing requirements for the
19 fiscal year in which such certification is made.

20 (5) To pay operating expenses of the city other than
21 those included in paragraph (2), (3) or (4).

22 In such event, the corporation may pay to the city or purchase
23 from the city obligations hereafter issued by the city in an
24 amount equivalent to part or all of such certified amount.

25 Moneys thus paid to the city shall be held in trust for the
26 payment of short-term obligations or shall be used to make the
27 payment for which such moneys have been so certified.

28 (b) Duties of city.--Any obligations issued by the city and
29 purchased by the corporation pursuant to this section in
30 consideration of the payments made to the city under subsection

1 (a)(1) or (5) shall mature on a date not later than 15 years
2 from the original date of issue of such obligations. The
3 corporation shall not make any payment to the city, or purchase
4 any obligations from the city, under this section unless the
5 city shall have agreed to observe the conditions set forth in
6 Chapter 1, subject to such modifications as are permitted
7 thereunder. The outstanding amounts paid to the city for
8 operating expenses which are described in subsection (a) shall
9 not exceed \$2,000,000,000, provided that not more than
10 \$900,000,000 shall be obligations maturing in a fiscal year
11 succeeding the fiscal year in which issued (of which not less
12 than \$750,000,000 shall be applied for welfare or public
13 education purposes, as to which State assistance payments have
14 been or will be advanced to the city) and shall be evidenced by
15 city obligations, and any balance shall be short-term
16 obligations payable in the fiscal year in which issued.

17 (c) Bonds.--The outstanding amounts paid to the city for the
18 purpose set forth in subsection (a)(5), other than to pay for
19 expense items permitted to be included in the capital budget of
20 the city, shall be evidenced by city bonds.

21 (d) Rights and powers.--At all times after receipt of short-
22 term obligations, other than bond anticipation notes, of the
23 city acquired pursuant to this section, the corporation shall
24 have the same rights and powers with respect to such short-term
25 obligations as the corporation shall have with respect to short-
26 term obligations, other than bond anticipation notes, of the
27 city received under section 204(a). The corporation shall have
28 the same rights and powers with respect to bond anticipation
29 notes and bonds so received as the corporation shall have with
30 respect to bond anticipation notes received under section

1 204(a). The corporation shall not deliver any bond received
2 pursuant to this section for cancellation unless the city pays
3 the principal amount and accrued interest thereon or pays
4 accrued interest and exchanges such bond for another bond of the
5 city in equal principal amounts in refunding thereof. The
6 corporation may not sell or transfer to any person other than
7 the city any bond of the city acquired by it pursuant to this
8 section unless the mayor and the city controller have requested
9 in writing that the corporation sell or transfer such bond and,
10 if such bond be sold or transferred at private sale, unless the
11 terms of such sale have been approved by the city controller.

12 (e) Definition.--For purposes of this section, the term
13 "seasonal borrowing requirements" means amounts which are
14 required by the city to enable it to pay current operating
15 expenses, provided such expenses are included in an expense
16 budget of the city and such amounts are required solely because
17 the city's revenues and expenditures, even when in balance on an
18 annual basis, are not received and disbursed at equivalent rates
19 throughout the year.

20 Section 207. Conditions on extension of benefits to the city.

21 (a) General rule.--The corporation shall, at the time of any
22 exchange of the corporation's bonds and notes for short-term
23 obligations of the city or any payment of funds of the
24 corporation to the city or of any purchase from the city of its
25 obligations, require the city to agree to observe and perform
26 the conditions set forth in this section, with such limitations
27 as to the implementation of such conditions as the corporation
28 may, subject to any contract with bondholders or noteholders,
29 then approve, provided that no such specific limitations shall
30 be so substantial as to effectively constitute a waiver of any

1 such conditions. Any such conditions may thereafter, in the
2 discretion of the corporation, be subject to any contract with
3 bondholders or to the introduction and adoption of such
4 accounting system and the accounting methods referred to in
5 Chapter 1, until the expiration of the fiscal year ending June
6 30, 1991. The corporation and the city may formulate a mutually
7 acceptable method of phasing such adjustments into the
8 accounting system described in this subsection over such
9 reasonable period, not exceeding ten years, as the corporation
10 may determine to be appropriate; and the financial statements
11 and other information to be furnished to the corporation may be
12 prepared in accordance with such determination.

13 (b) Preparation of city budget.--For the fiscal year ending
14 June 30, 1992, and for each fiscal year thereafter, the city's
15 expense budget shall be prepared in accordance with Chapter 1.

16 (c) Audit.--The city shall take such action as may be
17 necessary to enable the treasurer, or at his election an
18 independent certified public accounting firm retained by the
19 city but satisfactory to the treasurer, to perform an annual
20 audit and to furnish to the corporation an annual report, for
21 the fiscal year ending June 30, 1991, upon the financial
22 statements of the city. For each subsequent fiscal year the city
23 shall take such action as may be necessary to enable a
24 nationally recognized independent certified public accounting
25 firm selected and retained by the city, at its cost, pursuant to
26 Chapter 1, to perform an annual audit and to furnish to the
27 corporation an annual report upon the financial statements of
28 the city. The city shall make available for inspection and
29 copying all books, records, work papers and other data and
30 materials as required by the treasurer or the independent

1 certified public accounting firm conducting such audit and the
2 city shall make its officers and employees available to and
3 shall cooperate with such auditors so as to permit such annual
4 audit to be completed and the report issued to the city and to
5 the corporation within 120 days after the close of the fiscal
6 year. Such report shall be made available to the public promptly
7 thereafter.

8 (d) Delivery of proposed budget.--Beginning with the fiscal
9 year ending June 30, 1990, and for each fiscal year thereafter,
10 the city shall deliver a proposed expense budget to the
11 corporation. Delivery to the corporation shall be made
12 concurrently with the initial submission of the proposed expense
13 budget to the board of estimate and the city council, but in any
14 event not later than 50 days prior to the beginning of such
15 fiscal year or such other date as the corporation may approve
16 upon the request of the city. Beginning with the fiscal year
17 ending June 30, 1991, and for each fiscal year thereafter, the
18 proposed expense budget submitted to the corporation shall be
19 prepared in accordance with the accounting methods referred to
20 in subsections (a) and (b). Such budget shall be identical to
21 the proposed expense budget submitted to the board of estimate
22 and city council. The proposed expense budget delivered to the
23 corporation shall be accompanied by:

24 (1) A statement setting forth in detail the assumptions
25 of income and expense used in its preparation for the fiscal
26 year ending June 30, 1991.

27 (2) A reconciliation of the differences, if any, between
28 such proposed expense budget and the proposed expense budget
29 based on the applicable accounting methods set forth in
30 subsections (a) and (b) but without adjustments or

1 modifications permitted by this act, and for each subsequent
2 fiscal year a reconciliation between such proposed expense
3 budget and the proposed budget based on the principles
4 described in Chapter 1.

5 (3) A certificate of the mayor stating that such
6 assumptions are reasonable and that operation within the
7 budget is feasible and explaining the reasons for any
8 differences therein from the proposed expense budget
9 described in paragraph (2). Subject to and in accordance with
10 Chapter 1, the city shall in every fiscal year adopt and
11 maintain an expense budget in which the total of all income
12 items equals or exceeds the total of all expenditure items.
13 For the fiscal year ending June 30, 1991, and each subsequent
14 fiscal year, the total of all income items shall also equal
15 or exceed the total of all expenditure items in each expense
16 budget as adopted by the city, after the adjustments, if any,
17 required to conform to the accounting methods referred to in
18 subsections (a) and (b), except as may be modified by the
19 application of subsection (e), and the city shall also
20 maintain a budget balanced in accordance with such accounting
21 principles. Prior to July 1, 1995, and notwithstanding any
22 other provision of this section to the contrary, any expense
23 item in the expense budget for any fiscal year, which item
24 relates to contributions by the city or other public employer
25 to any retirement system or pension fund, shall include only
26 the amounts which, under the provisions of law, rules or
27 regulations expressly prescribing the method of determining
28 employer contributions to such retirement system or pension
29 fund and the time of payment thereof, are due and payable in
30 such fiscal year, and no such expense item shall include

1 amounts for any such contribution which, under such laws,
2 rules or regulations, do not become due and payable in such
3 fiscal year.

4 (e) Includable expenses.--The city shall, over a period of
5 six fiscal years, beginning with its fiscal year ending June 30,
6 1990, eliminate from its capital budget those expenses that are
7 properly includable only in its expense budget in consultation
8 with the city controller. The determination of which items are
9 properly includable only in the city's expense budget shall be
10 made in accordance with the aforesaid accounting principles
11 regardless of any act of the Legislature prior or subsequent to
12 the effective date of this act otherwise classifying such items.
13 To implement the foregoing:

14 (1) The mayor and the city controller shall, not later
15 than October 31, 1988, certify to the corporation, a list, to
16 the best of their information, of the expense items in the
17 city's capital budget for the fiscal year ending June 30,
18 1989, and the amount of each such item.

19 (2) The treasurer or the independent certified public
20 accounting firm then retained pursuant to subsection (c)
21 shall prepare a determination of and shall report upon the
22 expense items and the amount thereof in the city's capital
23 budget for the fiscal year ending June 30, 1989, and for each
24 subsequent fiscal year, in accordance with the aforesaid
25 accounting principles. Such report shall also include a
26 statement as to the city's compliance with the conditions of
27 this subsection for the fiscal year reported upon and in the
28 budget for the succeeding fiscal year.

29 (3) Unless the corporation shall approve the inclusion
30 of a greater amount with respect to any such fiscal year, the

1 aggregate amount of all such expense items included in the
2 capital budget, including judgments and claims related to
3 other than capital projects, for the fiscal year ending June
4 30, 1990, and for the following fiscal year shall be reduced
5 at the cumulative rate of 10% per year from the aggregate
6 amount for the 1989 fiscal year. For the fiscal year ending
7 June 30, 1992, the maximum aggregate amount of all such
8 expense items included in the capital budget shall be
9 \$450,000,000 and for each of the following two fiscal years
10 the aggregate amount of all such expense items included in
11 the capital budget shall be substantially reduced from the
12 aggregate amount for 1992. For the fiscal year ending June
13 30, 1995, and thereafter, no such expense items shall be
14 included in the city's capital budget.

15 (4) For the fiscal year ending June 30, 1990, and
16 continuing thereafter, the city shall not include any new or
17 additional item in its capital budget which, in accordance
18 with the aforesaid accounting principles, is properly
19 includable only in its expense budget.

20 (5) In order to provide full disclosure of all expense
21 items properly includable only in the expense budget, the
22 city shall include in its expense budget for each fiscal
23 year, by appropriation, all expense items which are included
24 in its capital budget for such fiscal year under paragraph
25 (3), including judgments and claims related to other than
26 capital projects. Such items shall be stated separately and
27 distinctly and the city may include in such expense budget,
28 as items of income, in addition to all other items of income
29 properly includable in such expense budget pursuant to this
30 section, all amounts to be applied to the payment of such

1 expense items, which amounts may be derived from any source
2 available to the city during such fiscal year, provided that
3 such income shall be listed separately and distinctly.

4 (f) Increase of budget.--If, after the adoption of the
5 expense budget for any fiscal year, any increase therein or an
6 increase in total expenditures shall be proposed, the mayor
7 shall cause such proposal to be submitted to the corporation
8 concurrently with its submission to the board of estimate and
9 the city council, together with a statement of the source of
10 current income or other identifiable and currently available
11 funds required for the payment of such additional amounts.

12 (g) Quarterly expenditure plan.--Commencing at such time as
13 the corporation may specify, but not later than December 1,
14 1988, the city budget director shall deliver to the corporation,
15 not less than 30 days before each fiscal quarter, an expenditure
16 plan to implement the city expense budget for such fiscal
17 quarter and within amounts based on current income or other
18 identifiable and currently available funds. The city budget
19 director shall deliver to the corporation, within 30 days after
20 the end of each such fiscal quarter covered by an expenditure
21 plan, an operations report reflecting results of city operations
22 for such fiscal quarter and whether the city has operated within
23 the related expenditure plan. Each expenditure plan and
24 operations report shall be in such form as the corporation may
25 specify and shall be certified by the city budget director and
26 shall detail and report upon action taken by the city to
27 maintain a balanced expense budget.

28 (h) Duty of city.--The city shall comply in all material
29 respects with the expenditure limitations in its budgets as
30 adopted or modified in accordance with Chapter 1.

1 (i) Limitations.--

2 (1) The city shall not at any time issue any short-term
3 obligations which would cause the aggregate principal amount
4 of its outstanding short-term obligations, plus the aggregate
5 principal amount of all notes and bonds issued by the
6 corporation less any notes or bonds of the corporation which
7 have been refunded, renewed, redeemed, paid or canceled and
8 less any notes and bonds deemed to have been paid pursuant to
9 the provisions of any contract with noteholders or
10 bondholders and less any notes other than notes issued in
11 anticipation of the issuance of bonds of the corporation, or
12 bonds of the corporation issued for a lawful purpose under
13 this act and less any notes other than notes issued in
14 anticipation of the issuance of bonds of the corporation, or
15 bonds of the corporation issued for the purpose of making
16 deposits into any of its Capital Reserve Funds, and less any
17 short-term obligations of the city then held by the
18 corporation, to exceed:

19 (i) six billion six hundred million dollars,
20 hereinafter called the base debt limit, plus;

21 (ii) an additional amount, not exceeding 10% of the
22 base debt limit. During the fiscal years ending June 30,
23 1989 and 1990, however, such additional amount may not
24 exceed 30% of the base debt limit; during the fiscal year
25 ending June 30, 1991, the additional amount may not
26 exceed 25% of the base debt limit; during the fiscal year
27 ending June 30, 1992, the additional amount may not
28 exceed 20% of the base debt limit; and during the fiscal
29 year ending June 30, 1993, the additional amount may not
30 exceed 15% of the base debt limit.

1 (2) In addition to the foregoing limitation, the city
2 shall not, at any date, issue any short-term obligations
3 which would cause the aggregate principal amount of its
4 outstanding short-term obligation, excluding bond
5 anticipation notes, plus the aggregate principal amount of
6 all notes and bonds issued by the corporation, to exceed
7 \$4,500,000,000, less:

8 (i) any notes or bonds which have been refunded or
9 renewed and any notes or bonds in an amount equal to the
10 aggregate principal amount of bond anticipation notes of
11 the city acquired by the corporation, whether or not then
12 held by the corporation except bond anticipation notes of
13 the city acquired by the corporation in consideration of
14 the surrender by the corporation to the city of bond
15 anticipation notes of the city, and any notes or bonds
16 issued for a lawful purpose under this act, and less any
17 notes or bonds of the corporation issued for the purpose
18 of making deposits into any of its Capital Reserve Funds;

19 (ii) any short-term obligations of the city then
20 held by the corporation other than bond anticipation
21 notes; and

22 (iii) any short-term obligations of the city issued
23 and payable within the same fiscal year.

24 (3) Notwithstanding any other provision of this act, the
25 corporation shall not have the authority to modify or waive
26 the limitations on the aggregate amount of outstanding short-
27 term obligations of the city permitted to be outstanding in
28 excess of the limits specified in paragraphs (1) and (2).

29 (4) Not less than 20 days prior to the issuance of any
30 short-term obligations by the city, other than such

obligations to be issued to the corporation, on or after July 1, 1988, the city controller shall deliver to the corporation a notice of intent to issue such obligations, specifying the amount and proposed terms thereof and the authority under which such obligations are proposed to be issued, together with a certificate of the city budget director specifying the purpose and the proposed source of funds for the redemption thereof. The city controller and the city budget director shall provide such additional information and shall be available for consultation as the corporation may request.

If, within ten days after the receipt of such a notice from the city, the corporation determines, after consultation with the city controller and the city budget director, that the issuance of such obligations would violate the limitation of this section, the corporation shall deliver to the city controller a certified copy of such determination within such ten-day period and the city controller shall not thereafter issue such obligations.

Section 208. Review by the corporation.

In order to determine whether the city has taken or is taking action to effect compliance with any conditions imposed by this act, the corporation may from time to time conduct a review of the records, accounts, budgets, forecasts, projections and other relevant materials of the city. The corporation may conduct such review by using:

- (1) its own employees;
- (2) its agents; or
- (3) any State employees provided to the corporation for such purpose.

The city shall make available for such review all books and

1 records, and shall furnish copies of all financial statements,
2 budgets, forecasts, projections, information or corrective
3 action taken by the city in response to any notices from the
4 corporation, and all information related to the foregoing, as
5 requested by the persons conducting such review, and shall make
6 its officers and employees available to and shall otherwise
7 cooperate with such persons to permit such review to be
8 completed as promptly as possible.

9 Section 209. Remedies of the corporation.

10 (a) Review of all budgets, etc.--The corporation shall cause
11 each proposed expense budget, including related revenue
12 estimates, submitted to it, each report on expense items in the
13 capital budget, each proposed modification furnished to it and
14 each expenditure plan and operations report, to be reviewed
15 promptly by the corporation's staff or designee.

16 (b) Corrective action.--If, within 45 days after such
17 receipt of a proposed expense budget, report on expense items,
18 expenditure plan or operations report, or, if within 30 days
19 after such receipt of a proposed modification, the board of
20 directors shall, in its judgment, determine that any such
21 expense budget will not be balanced in accordance with this act,
22 either by its terms or because income is overestimated or
23 expenditures are underestimated therein, or that a report of
24 proposed modification reflects that the expense budget would
25 thereafter not be balanced, or that a condition imposed has not
26 been met or will not be met, with respect to such fiscal year,
27 then the corporation shall promptly notify the mayor of such
28 determination and shall review with him the manner in which
29 corrective action may be taken in order to comply with such
30 conditions.

