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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**HOUSE BILL**  
**No. 1194** Session of  
1981

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INTRODUCED BY LEVI, SIRIANNI, DeMEDIO, FRYER AND  
A. C. FOSTER, JR., APRIL 21, 1981

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REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, APRIL 21, 1981

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AN ACT

1 Amending the act of July 28, 1953 (P.L.723, No.230), entitled,  
2 as amended, "An act relating to counties of the second class  
3 and second class A; amending, revising, consolidating and  
4 changing the laws relating thereto," further providing for  
5 investment of funds.

6 The General Assembly of the Commonwealth of Pennsylvania  
7 hereby enacts as follows:

8 Section 1. Section 1963, act of July 28, 1953 (P.L.723,  
9 No.230), known as the "Second Class County Code," is amended.

10 Section 1963. Designation and Qualification of  
11 Depositories.--At said meeting or at any subsequent meeting  
12 agreed upon, said board shall designate the depositories and the  
13 rate of interest to be paid by them to the county.

14 Depositories so designated shall, upon receipt of notice of  
15 their selection as a depository of county funds, furnish  
16 collateral to secure payment of deposits and interest to the  
17 county by depositing in escrow securities to be approved by the  
18 board. Such securities shall be of the kind and in the amount to  
19 be fixed by the board. Substitution of such securities may be

1 made with the approval of the board in each case. The board may  
2 designate a branch bank of the Federal Reserve Bank of the  
3 district, located within the county, as escrow agent for the  
4 keeping of securities and to perform such functions as the board  
5 may prescribe.

6 The county treasurer, upon the designation of such depository  
7 or depositories, shall immediately transfer thereto all county  
8 funds to be deposited, and shall thereafter keep such deposits  
9 solely in such depository or depositories, in the name of the  
10 county.

11 Section 2. Section 1964 of the act, added November 5, 1971  
12 (P.L.516, No.124), is amended to read:

13 Section 1964. Investment of Moneys.--(a) The county  
14 treasurer shall have the power, subject to subsection (b) and  
15 the hereinafter stated conditions and limitations, to invest and  
16 reinvest the moneys of the general fund and special funds as  
17 shall have accumulated beyond the ordinary needs of said various  
18 funds[, and which are not authorized by law to be invested by  
19 any board, commission or county officer, in the following type  
20 investments:

21 (1) In any and all obligations of the United States, of this  
22 Commonwealth, or of any municipality or other political  
23 subdivision of this Commonwealth, registered or otherwise as to  
24 principal and interest.

25 (2) Savings accounts or share accounts of institutions  
26 insured by the Federal Deposit Insurance Corporation or the  
27 Federal Savings and Loan Insurance Corporation to the extent  
28 that such accounts are so insured.

29 (3) In one or more banks or bank and trust companies in one  
30 or more special accounts, and each of such special accounts to

1 the extent the same is not insured shall be continuously secured  
2 by a pledge of direct obligations of the United States of  
3 America or of the Commonwealth or of any of its political  
4 subdivisions having an aggregate market value, exclusive of  
5 accrued interest, at all times at least equal to the balance on  
6 deposit in such account.

7 (b) As used herein "commercial paper" shall mean unsecured  
8 promissory notes issued at a discount from par by any  
9 industrial, common carrier, public utility or finance company  
10 and "prime commercial paper" shall mean notes issued by  
11 corporations whose credit has been approved by the National  
12 Credit Office, Incorporated, New York, or its successor. The  
13 treasurer shall have obtained the following prior to any  
14 commitment to purchase commercial paper:

15 (1) A certification or other evidence that such commercial  
16 paper is rated prime by the National Credit Office,  
17 Incorporated;

18 (2) A certification or other evidence that the paper  
19 proposed to be delivered is not subordinate to any other debt of  
20 the issuer;

21 (3) A certificate or other evidence that there is no  
22 litigation pending or threatened affecting said paper;

23 (4) A certificate or other evidence that the issuer is not  
24 in default as to the payment of principal and interest upon any  
25 of its outstanding obligations; and

26 (5) A certificate or other evidence that the issuer was  
27 incorporated within the United States, is transacting business  
28 within the United States, and has assets of one billion dollars  
29 (\$1,000,000,000) or more, or is a wholly owned subsidiary of a  
30 Pennsylvania corporation having assets of one billion dollars

1 (\$1,000,000,000) or more.

2 (c) A Board of Investment is hereby created. Said board  
3 shall be composed of three members, to wit: the treasurer, who  
4 shall act as chairman of the board; the chairman of the county  
5 commissioners; and the controller. The treasurer shall not, at  
6 any time, have invested in prime commercial paper more than an  
7 aggregate of such total sum as the board shall have prescribed.  
8 Two members of the board shall be sufficient for a quorum,  
9 provided reasonable notice of the meeting has been given to all  
10 board members.

11 (d) All income earned on any of the aforesaid investments  
12 shall inure to the benefit of the county and shall be placed in  
13 the general fund.] consistent with sound business practice.

14 (b) A Board of Investment is hereby created. Said board  
15 shall be composed of three members, to wit: the treasurer, who  
16 shall act as a chairman of the board; the chairman of the county  
17 commissioners; and the controller. The board shall provide for  
18 an investment program, including temporary investments, subject  
19 to restrictions contained in this act, and in any other  
20 applicable statute and any rules and regulations adopted by the  
21 board. County boards, commissions or other county officers  
22 authorized to make investments under subsection (a) shall make  
23 investments in conformity with the board's investment program.

24 (c) Authorized types of investments for county funds shall  
25 be:

26 (1) United States Treasury bills.

27 (2) Short-term obligations of the United States Government  
28 or its agencies or instrumentalities.

29 (3) Deposits in savings accounts or time deposits or share  
30 accounts of institutions insured by the Federal Deposit

Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

(4) Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

(5) Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for county funds listed in clauses (1) through (4).

(d) In making investments of county funds, the county treasurer (or other elected officials when authorized as provided in subsection (a)) shall have authority:

(1) To permit assets pledged as collateral under subsection (c)(3), to be pooled in accordance with the act of August 6, 1971 (P.L.281, No.72), entitled "An act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged

1 against deposits on a pooled basis; and authorizing the  
2 appointment of custodians to act as pledgees of assets,"  
3 relating to pledges of assets to secure deposits of public  
4 funds.

5 (2) To combine moneys from more than one fund under county  
6 control for the purchase of a single investment, provided that  
7 each of the funds combined for the purpose shall be accounted  
8 for separately in all respects and that the earnings from the  
9 investment are separately and individually computed and  
10 recorded, and credited to the accounts from which the investment  
11 was purchased.

12 (3) To join with one or more other political subdivisions  
13 and municipal authorities in accordance with the act of July 12,  
14 1972 (P.L.762, No.180), entitled "An act relating to  
15 intergovernmental cooperation," in the purchase of a single  
16 investment, provided that the requirements of clause (2) on  
17 separate accounting of individual funds and separate  
18 computation, recording and crediting of the earnings therefrom  
19 are adhered to.

20 (e) All income earned on any of the aforesaid investments  
21 shall inure to the benefit of the county and shall be placed in  
22 the general fund.

23 Section 3. Section 1994 of the act is repealed.

24 Section 4. Section 1995 of the act is amended to read:

25 Section 1995. [Deposits of Money Received; Interest.--All  
26 moneys received by the commission at any time shall immediately  
27 be deposited in one or more banks or banking institutions which  
28 are now or hereafter shall be designated as county depositories.  
29 The rate of interest to be paid by depositories to the  
30 commission shall be the highest rate obtainable, calculated on

1 daily balances. The commission may reinvest said interest with  
2 the other income from the bonds in their possession.] Investment  
3 of Sinking Fund Moneys.--The commission shall have power to make  
4 investment of county sinking funds as authorized by the act of  
5 July 12, 1972 (P.L.781, No.185), known as the "Local Government  
6 Unit Debt Act"; make investment of moneys in the general fund  
7 and in special funds of the county other than the sinking funds  
8 as authorized by section 1964; and liquidate any such  
9 investment, in whole or in part, by disposing of securities or  
10 withdrawing funds on deposit. Any action taken to make or to  
11 liquidate any investment shall be made by the commission.

12 Section 5. This act shall take effect in 60 days.