

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1275

Session of
1987

INTRODUCED BY SWEET, FLICK, GAMBLE, LaGROTTA, TIGUE, HAYDEN,
LLOYD, McHALE, KUKOVICH, SHOWERS, BELFANTI, BALDWIN, DALEY,
PICCOLA, RYBAK, PISTELLA, DeLUCA, TRELLO, BUNT, LESCOVITZ,
E. Z. TAYLOR, BATTISTO, LEVDANSKY, LIVENGOD, VAN HORNE,
CAPPABIANCA, MORRIS, JOSEPHS, RAYMOND, SEMMEL, MELIO, BARLEY,
LUCYK, VEON, PETRARCA, MERRY, RITTER, JOHNSON, MICHLOVIC,
BELARDI, FOX, BORTNER, OLASZ AND G. SNYDER, APRIL 29, 1987

AS REPORTED FROM COMMITTEE ON LOCAL GOVERNMENT, HOUSE OF
REPRESENTATIVES, AS AMENDED, OCTOBER 5, 1987

AN ACT

1 Amending the act of July 12, 1972 (P.L.781, No.185), entitled,
2 as amended, "An act providing debt limits for local
3 government units, including municipalities and school
4 districts; providing the methods of incurring, evidencing,
5 securing and collecting debt; defining the powers and duties
6 of the Department of Community Affairs and certain other
7 public officers and agencies with respect thereto; exercising
8 the inherent legislative authority of the General Assembly by
9 providing additional over-all limitations on the incurring of
10 lease rental and other obligations for the acquisition of
11 capital assets to be repaid from the general tax revenues of
12 such local government units; imposing penalties for filing
13 false or untrue statements or refusing to give information
14 with respect to proceedings for the incurring of debt; and
15 conferring jurisdiction on the Commonwealth Court with
16 respect to certain proceedings relating to the incurring of
17 debt," further defining "project"; including capital costs as
18 project costs; FURTHER PROVIDING FOR SMALL BORROWING FOR
19 CAPITAL PURPOSES; and further providing for the determination
20 of the useful life of projects. <—

21 The General Assembly of the Commonwealth of Pennsylvania
22 hereby enacts as follows:

23 Section 1. Section 102(c)(12) of the act of July 12, 1972
24 (P.L.781, No.185), known as the Local Government Unit Debt Act,

1 reenacted and amended April 28, 1978 (P.L.124, No.52) and
2 amended April 30, 1986 (P.L.104, No.34), is amended to read:

3 Section 102. Definitions.--* * *

4 (c) As used in this act unless the context clearly otherwise
5 requires:

6 * * *

7 (12) "Project" means (i) any item of construction,
8 acquisition, extraordinary maintenance or repair which has been
9 undertaken by a local government unit, (ii) any preliminary
10 studies, surveying, planning, testing or design work for any
11 such, (iii) any lands or rights in land to be acquired, (iv) any
12 furnishings, machinery, apparatus or equipment normally
13 classified as capital items, but such items must have a useful
14 life of five years or more if financed separately and not as a
15 part of a construction or acquisition project, (v) the local
16 government unit's share of the cost of a project undertaken
17 jointly with one or more other local government units or the
18 Commonwealth or one of its agencies, (vi) [funding or refunding <—
19 of debt incurred for any or all of the foregoing purposes,
20 (vii)] county-wide revision of assessment of real property, [or <—
21 (viii)] ~~(viii)~~ (VII) funding of all, or any portion of, a <—
22 reserve, or a contribution toward a combined reserve, pool or
23 other arrangement, relating to self-insurance, which has been
24 established by one or more local government units, pursuant to
25 42 Pa.C.S. § 8564 (relating to liability insurance and self-
26 insurance), up to, but not exceeding the amount provided in
27 section 107 of this act, (VIII) FUNDING OR REFUNDING OF DEBT <—
28 INCURRED FOR ANY OR ALL OF THE FOREGOING PURPOSES, or (ix) any
29 combination of any or all of the foregoing, as any or all of the
30 above may be designated as a project by the governing body for

1 the financing of which it desires to incur debt. The term shall
2 also include any deficit to be funded by bonds or notes as
3 provided herein, or the creation of a revolving fund for
4 specific improvements. Where a local government unit has adopted
5 a capital budget, the term project shall mean any unfunded
6 portion of the capital budget selected by ordinance for current
7 funding.

8 * * *

9 Section 2. Section 107 of the act is amended to read:

10 Section 107. Cost of a Project.--The cost of a project shall
11 include the amount of all payments to contractors or for the
12 acquisition of a project or for lands, easements, rights and
13 other appurtenances deemed necessary for the project, fees of
14 architects, engineers, appraisers, consultants, financial
15 advisors, and attorneys incurred in connection with the project
16 financing costs, costs of necessary printing and advertising,
17 the costs of preliminary feasibility studies and tests, cost
18 estimates, and interest on money borrowed to finance the
19 project, if capitalized, to the date of completion of
20 construction and, if deemed necessary, for one year thereafter,
21 amounts to be placed in reserve funds, if any, a reasonable
22 initial working capital for operating the project [and], a
23 proper allowance for contingencies and any amount which
24 constitutes, under generally accepted accounting principles, a
25 capital cost of, and which has been determined by an independent <—
26 actuary or other expert to be required for the purposes of, a
27 reserve or an appropriate A contribution toward a combined <—
28 reserve, pool or other arrangement, for losses or liabilities
29 covered by a self-insurance arrangement established by one or
30 more local government units.

1 SECTION 3. SECTION 409(A) OF THE ACT, AMENDED MAY 22, 1981 <—
2 (P.L.54, NO.19), IS AMENDED TO READ:

3 SECTION 409. SMALL BORROWING FOR CAPITAL PURPOSES.--(A) ANY
4 LOCAL GOVERNMENT UNIT IS HEREBY AUTHORIZED TO INCUR DEBT BY
5 RESOLUTION RATHER THAN BY ORDINANCE TO BE EVIDENCED BY NOTES TO
6 PROVIDE FUNDS FOR A PROJECT AS DEFINED IN THIS ACT WITHOUT
7 COMPLYING WITH THE REQUIREMENTS OF ARTICLE VIII PROVIDED: (I)
8 THAT THE AGGREGATE AMOUNT OF SUCH DEBT OUTSTANDING AT ANY ONE
9 TIME SHALL NOT EXCEED THE LESSER OF [\$50,000] \$100,000 OR THIRTY
10 PERCENT OF THE BORROWING BASE; (II) THAT THE PRINCIPAL OF EACH
11 SUCH DEBT SHALL MATURE NOT LATER THAN FIVE YEARS FROM THE DATE
12 OF ISSUANCE; (III) THAT THE INCURRENCE OF SUCH DEBT SHALL NOT
13 CAUSE THE DEBT LIMITS OF ARTICLE II TO BE EXCEEDED; AND (IV)
14 THAT THE PROVISIONS OF SECTION 10 OF ARTICLE IX OF THE
15 CONSTITUTION SHALL HAVE BEEN OBSERVED AND PROVIDED FURTHER THAT
16 THE PROVISIONS OF SECTION 808 SHALL APPLY TO NOTES ISSUED IN
17 VIOLATION OF THE FOREGOING REQUIREMENTS.

18 * * *

19 Section ~~3~~ 4. Section 602(a) of the act, amended April 30, <—
20 1986 (P.L.104, No.34), is amended to read:

21 Section 602. Limitations on Stated Maturity Dates.--(a) No
22 bonds or notes shall be issued with a stated maturity date
23 exceeding the sooner to occur of:

24 (1) Forty years from the date of the series of any bonds or
25 notes issued to evidence debt for the purpose of financing the
26 cost of actually constructing, acquiring or improving a project
27 or a separately financed portion of a project; or

28 (2) (i) The useful life of the project being financed as
29 stated in the ordinance of the local government unit enacted in
30 connection with the series of bonds or notes to be issued for

1 such project, which statement in such ordinance shall be
2 conclusive for all purposes. If projects have been combined for
3 financing pursuant to section 401 and such projects have
4 different useful lives, it shall be sufficient for this section
5 if an aggregate principal amount of bonds or notes equal to the
6 separate cost of each project having a shorter useful life shall
7 have been stated to mature prior to the end of such useful life,
8 and the balance prior to the end of the longest useful life. For
9 the purpose of this section, the inclusion of furnishings,
10 machinery, apparatus or equipment for a construction or
11 acquisition project shall not be deemed to be the combining of
12 projects but the useful life of such project shall be that of
13 the building, structure or improvement constructed or acquired.

14 (ii) Where capital budgeting is practiced, and bonds are
15 issued to fund the current portion of a capital budget involving
16 projects of varying useful lives a uniform term of thirty years
17 may be used.

18 (iii) Where the project being financed is a county-wide
19 revision of assessment of real property, the useful life shall
20 be a term of no more than ten years.

21 (iv) Where a project consists of the funding of all or a
22 portion of a reserve, or a contribution toward a combined
23 reserve, pool or other arrangement, relating to self-insurance,
24 the useful life shall be equal to the term, if any, specified <—
25 for the existence of the arrangement in the applicable governing
26 documents, or if none is specified, then the useful life shall
27 be deemed to be ten years. THE TERM SPECIFIED IN THE ORDINANCE <—
28 OF THE LOCAL GOVERNMENT UNIT, NOT TO EXCEED TWENTY YEARS, OR IF
29 NONE IS SPECIFIED, THEN THE USEFUL LIFE SHALL BE DEEMED TO BE
30 TWENTY YEARS.

1 * * *

2 Section 4 5. This act shall take effect in 60 days.

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