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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 136

Session of  
1987

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INTRODUCED BY RHOADES, SINGEL, CORMAN, WENGER AND STOUT,  
JANUARY 15, 1987

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REFERRED TO LOCAL GOVERNMENT, JANUARY 15, 1987

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AN ACT

1 Empowering the Department of Community Affairs to declare  
2 certain municipalities as financially distressed; providing  
3 for the restructuring of debt of financially distressed  
4 municipalities; limiting the ability of financially  
5 distressed municipalities to obtain government funding;  
6 authorizing municipalities to participate in Federal debt  
7 readjustment actions and bankruptcy actions under certain  
8 circumstances; and providing for consolidation or merger of  
9 contiguous municipalities to relieve financial distress.

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

23 CHAPTER 1  
24 GENERAL PROVISIONS  
25 SUBCHAPTER A  
26 PRELIMINARY PROVISIONS

27 Section 101. Short title.

28 This act shall be known and may be cited as the Financially  
29 Distressed Municipalities Act.

30 Section 102. Purpose and legislative intent.

1       (a) Policy.--It is hereby declared to be a public policy of  
2 the Commonwealth to foster fiscal integrity of municipalities so  
3 that they provide for the health, safety and welfare of their  
4 citizens; pay due principal and interest on their debt  
5 obligations when due; meet financial obligations to their  
6 employees, vendors and suppliers; and provide for proper  
7 financial accounting procedures, budgeting and taxing practices.  
8 The failure of a municipality to do so is hereby determined to  
9 affect adversely the health, safety and welfare not only of the  
10 citizens of the municipality but also of other citizens in this  
11 Commonwealth.

12       (b) Legislative intent.--

13           (1) It is the intent of the General Assembly to:

14               (i) Enact procedures and provide powers and  
15 guidelines to ensure fiscal integrity of municipalities  
16 while leaving principal responsibility for conducting the  
17 governmental affairs of a municipality, including  
18 choosing the priorities for and manner of expenditures  
19 based on available revenues, to the charge of its elected  
20 officials, consistent with the public policy set forth in  
21 this section.

22               (ii) Enact procedures for the adjustment of  
23 municipal debt by negotiated agreement with creditors.

24           (2) The General Assembly further recognizes that  
25 changing and deteriorating economic conditions, developing  
26 technologies and attendant unemployment erode local tax bases  
27 and threaten essential municipal services. Under such  
28 circumstances, the General Assembly believes that such  
29 distressed governmental units may no longer be viable and  
30 that the citizens of those communities should be granted the

1 opportunity to voluntarily consolidate or merge their  
2 municipalities with other municipalities in an effort to  
3 allow municipal boundaries to reflect the geographic and  
4 economic realities of a distressed area, to merge a common  
5 community of interest, to take advantage of economies of  
6 scale in providing services, and to create an expanded  
7 revenue base to provide necessary public services to the  
8 citizens of financially distressed municipalities.

9 Section 103. Definitions.

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

13 "Chief executive officer." Mayor in a mayor-council form of  
14 government or manager in a council-manager form of government of  
15 a city operating under an optional form of government pursuant  
16 to the act of July 15, 1957 (P.L.901, No.399), known as the  
17 Optional Third Class City Charter Law; a mayor of a city of the  
18 first class; or an individual serving in such capacity as  
19 designated by a home rule charter or optional plan pursuant to  
20 the act of April 13, 1972 (P.L.184, No.62), known as the Home  
21 Rule Charter and Optional Plans Law.

22 "Claim." Right to payment, whether or not the right is  
23 reduced to judgment, liquidated, unliquidated, fixed,  
24 contingent, matured, unmatured, disputed, undisputed, legal,  
25 equitable, secured or unsecured; or right to an equitable remedy  
26 for breach of performance if the breach gives rise to a right to  
27 payment, whether or not the right to an equitable remedy is  
28 reduced to judgment, fixed, contingent, matured, unmatured,  
29 disputed, undisputed, secured or unsecured.

30 "Commonwealth agency." The Governor and the departments,

1 boards, commissions, authorities and other officers and agencies  
2 of this Commonwealth, whether or not subject to the policy  
3 supervision and control of the Governor.

4 "Consolidated or merged municipality." A municipal entity  
5 resulting from successful consolidation or merger proceedings  
6 under Subchapter A of Chapter 3.

7 "Consolidation or merger." The combination of two or more  
8 municipalities into one municipality.

9 "Contiguous territory." A territory of which a portion abuts  
10 the boundary of another municipality, including territory  
11 separated from the exact boundary of another municipality by a  
12 street, road, railroad or highway, or by a river or other  
13 natural or artificial stream of water.

14 "Creditor." An individual, partnership, corporation,  
15 association, estate, trust, governmental unit or the governing  
16 board of a pension fund of a municipality that has a claim  
17 against a municipality.

18 "Department." The Department of Community Affairs of this  
19 Commonwealth.

20 "Election officials." The county boards of election, except  
21 in a city of the first class where "election officials" means  
22 the city board of elections.

23 "Expenditures." When accounts are kept on an accrual basis  
24 or the modified accrual basis, this term designates the cost of  
25 goods delivered or services rendered, whether paid or unpaid,  
26 including expenses, provision for debt retirement not reported  
27 as a liability of the fund from which retired, and capital  
28 outlays, which are presumed to benefit a given fiscal year of a  
29 municipality. When accounts are kept on a cash basis, the term  
30 designates actual cash disbursements for these purposes.

1 "Governing body." The council in cities, boroughs and  
2 incorporated towns; the board of commissioners in counties; the  
3 board of commissioners in townships of the first class; the  
4 board of supervisors in townships of the second class, or the  
5 legislative policy-making body in home rule municipalities.

6 "Initiative." The filing with applicable election officials  
7 of a petition containing a proposal for a referendum to be  
8 placed on the ballot of the next election. The petition shall  
9 be:

10 (1) Filed at least 90 days before the election in which  
11 it will appear on the ballot.

12 (2) Signed by voters comprising 5% of the persons voting  
13 for the office of Governor in the last gubernatorial general  
14 election in the municipality where the proposal will appear  
15 on the ballot.

16 (3) Placed on the ballot by election officials in a  
17 manner fairly representing the content of the petition for  
18 decision by referendum at said election.

19 (4) Submitted not more than once in five years.

20 "Matured claim." A claim that has been reduced to judgment  
21 or liquidated in amount by agreement for a period of 90 days  
22 prior to the filing of a petition to commence fiscal distress  
23 proceedings under this act.

24 "Municipal record." A financial record and document of a  
25 municipality or of an authority incorporated by a municipality,  
26 excluding confidential information relating to personnel matters  
27 and matters relating to the initiation and conduct of  
28 investigations of violations of law.

29 "Municipality." Every county, city, borough, incorporated  
30 town, township and home rule municipality.

1 "Referendum." Placement of a question inserted on the  
2 ballot, by initiative or otherwise, by a majority vote of the  
3 electors voting thereon.

4 "Revenues." Moneys received by the municipality in a fiscal  
5 year from whatever source except:

6 (1) Subsidies or reimbursement from the Federal  
7 Government or from the Commonwealth measured by the cost of,  
8 or given or paid on account of, a particular project financed  
9 by debt.

10 (2) Project revenues, rates, receipts, user charges,  
11 special assessments and special levies which are or will be  
12 pledged or budgeted for specific self-liquidating debt or for  
13 payments under leases, guarantees, subsidy contracts or other  
14 forms of agreement which could constitute lease rental debt  
15 if the payments are payable solely from such sources; if a  
16 portion of the payments are returned to or retained by the  
17 municipality, that portion shall not be excluded.

18 (3) Interest on moneys in sinking funds, reserves and  
19 other funds, which interest is pledged or budgeted for the  
20 payment or security of outstanding debt and interest on bond  
21 or note proceeds, if similarly pledged.

22 (4) Grants and gifts in aid of or measured by the  
23 construction or acquisition of specified projects.

24 (5) Proceeds from the disposition of capital assets.

25 (6) Other nonrecurring items, including bond or note  
26 proceeds not considered income under generally accepted  
27 municipal accounting principles.

28 "Secretary." The Secretary of Community Affairs of the  
29 Commonwealth.

30 SUBCHAPTER B



ADMINISTRATIVE PROVISIONS

Section 121. Powers and duties of department.

(a) Compile financial data.--

(1) A power and duty of the department shall be to maintain accurate and current information and data on the fiscal status of municipalities to determine if criteria set forth in section 201 exist and, if so, whether the existence of those factors validly indicates fiscal distress.

(2) In compiling the information and data, the department shall mail, before January 1 of each year, a Survey of Financial Condition form to each municipality applicable to the municipality's prior fiscal year.

(i) The survey shall seek information necessary to determine the fiscal status of a municipality, shall be concise to facilitate prompt response and shall contain an attestation clause to be signed by the municipality's chief executive officer.

(ii) The survey shall be a supplement to and shall be included with the annual audit reports submitted to the department in accordance with law.

(iii) The survey shall include information based on the criteria specified in section 201.

(b) Assess data.--A power and duty of the department shall be to apply the criteria of section 201 to data and information on the fiscal status of municipalities to assess the validity and applicability of an indication of municipal financial distress. In determining validity and applicability, the department shall undertake a review process including, but not limited to, consultation, correspondence and visits with a municipality which appears to be financially distressed. If the

1 department determines that a municipality is not financially  
2 distressed but needs assistance to correct minor fiscal  
3 problems, the department shall offer appropriate  
4 recommendations. If the municipality adopts those  
5 recommendations, the department need take no further action.

6 (c) Make determination of fiscal distress.--A power and duty  
7 of the department shall be to make determinations of fiscal  
8 distress based upon its review and analysis of various data and  
9 information available to it pursuant to this act and their  
10 interrelationship with the fiscal distress criteria set forth in  
11 section 201 when the department determines a municipality is in  
12 a state of distress pursuant to section 203(f).

13 (d) Notify agencies of determination.--Upon the making of a  
14 determination that a municipality is distressed, the department  
15 shall immediately notify the heads of all Commonwealth agencies  
16 of the determination.

17 (e) Act as repository of municipal reports.--A power and  
18 duty of the department shall be to act as the Commonwealth  
19 repository and analyzer for all reports, data and information  
20 required by law to be filed by municipalities with any  
21 Commonwealth agency when such reports, data and information  
22 directly relate to the financial conditions of municipalities.  
23 The department shall, in consultation with every Commonwealth  
24 agency, determine which reports, data and information relate to  
25 the fiscal condition of municipalities.

26 (f) Furnish program data to municipality.--Upon receipt of  
27 information forwarded to the department by each Commonwealth  
28 agency pursuant to section 122(a), the department shall furnish  
29 this information to the distressed municipality coordinator for  
30 possible inclusion of such information into the plan developed

1 by the coordinator in accordance with Subchapter C of Chapter 2.

2 (g) Develop early warning system.--In conjunction with  
3 evaluating a municipality's current fiscal stability under  
4 subsections (a), (b) and (c) and section 201, the department  
5 shall develop an early warning system utilizing necessary fiscal  
6 and socioeconomic variables to identify municipal financial  
7 emergencies before they reach crisis proportions. The department  
8 shall be responsible for testing the validity and reliability of  
9 these variables and shall continuously monitor them to assure  
10 their effectiveness. In developing an early warning system, the  
11 department may employ or contract with municipal fiscal  
12 consultants as deemed necessary to execute the provisions of  
13 this subsection.

14 (h) Promulgate rules and regulations.--The department shall  
15 promulgate rules and regulations necessary to implement the  
16 provisions of this act.

17 Section 122. Duties of Commonwealth agencies.

18 (a) Review programs.--After the department makes a  
19 determination that a municipality is distressed and notifies  
20 Commonwealth agencies of its determination, pursuant to section  
21 121(d), each agency shall review all matters and programs  
22 pending, underway or about to be commenced or possible programs  
23 concerning the distressed municipality. An action which is  
24 within the authority and budget of a Commonwealth agency and  
25 which, in the judgment of the head of the agency, will help to  
26 improve the distressed municipality's financial situation shall  
27 be reported to the department.

28 (b) Transfer documented information.--Each Commonwealth  
29 agency shall forward to the department all documented reports,  
30 data and other information referred to in section 121(e) within

1 30 days of receipt.

2 Section 123. Powers and duties of municipalities.

3 (a) File completed survey.--On or before March 30 of each  
4 year, every municipality shall return to the department a  
5 completed Survey of Financial Conditions referred to in section  
6 121(a). No municipality shall receive its allotted payments  
7 pursuant to the act of June 1, 1956 (1955 P.L.1944, No.655),  
8 referred to as the Liquid Fuels Tax Municipal Allocation Law,  
9 unless it complies with the provisions of this section,  
10 notwithstanding a provision of law to the contrary, and the  
11 Department of Transportation may not disburse funds to a  
12 municipality pursuant to the Liquid Fuels Tax Municipal  
13 Allocation Law until notified by the department that the  
14 municipality has complied with the provisions of this section.

15 (b) Right to petition court for tax increase.--After a  
16 municipality has adopted a plan under Subchapter C of Chapter 2,  
17 it may petition the court of common pleas of the county in which  
18 the municipality is located to increase its rates of taxation  
19 for earned income, real property, or both, beyond maximum rates  
20 provided by law. If a tax increase above existing limits is  
21 granted by the court, the additional amount of taxes shall not  
22 be subject to sharing with a school district.

23 SUBCHAPTER C

24 JUDICIAL PROVISIONS

25 Section 141. Jurisdiction of court of common pleas.

26 The court of common pleas of each county shall have  
27 jurisdiction to hear a petition filed by a municipality which  
28 has adopted a final plan pursuant to Subchapter C of Chapter 2  
29 to increase rates of taxation for earned income, real property,  
30 or both, beyond maximum rates provided by law. The court may not

1 extend the increased taxing powers of the municipality beyond  
2 the date for final consummation of a plan adopted by the  
3 municipality pursuant to Chapter 2.

4 CHAPTER 2

5 MUNICIPAL FINANCIAL DISTRESS

6 SUBCHAPTER A

7 DETERMINATION OF MUNICIPAL FINANCIAL DISTRESS

8 Section 201. Criteria.

9 The evaluation of a municipality's financial stability by the  
10 department under section 121 shall include each of the following  
11 criteria. If at least one criterion is present and the  
12 department finds pursuant to section 121(b) that it is a valid  
13 indication of municipal financial distress, then the department  
14 shall exercise its powers and duties pursuant to section 121.

15 (1) The municipality has maintained a deficit over a  
16 three-year period, with a deficit of 1% or more in each of  
17 the previous fiscal years.

18 (2) The municipality's expenditures have exceeded  
19 revenues for a period of three years or more.

20 (3) The municipality has defaulted in payment of  
21 principal or interest on any of its bonds or notes or in  
22 payment of rentals due any authority.

23 (4) The municipality has missed a payroll for 30 days.

24 (5) The municipality has failed to make required  
25 payments to judgment creditors for 30 days beyond the date of  
26 the recording of the judgment.

27 (6) The municipality, for a period of at least 30 days  
28 beyond the due date, has failed to forward taxes withheld on  
29 the income of employees or has failed to transfer employer or  
30 employee contributions for Social Security.

1           (7) The municipality has accumulated and has operated  
2 for each of two successive years a deficit equal to 5% or  
3 more of its revenues.

4           (8) The municipality has failed to make the budgeted  
5 payment of its minimum municipal obligation as required by  
6 section 302 of the act of December 18, 1984 (P.L.1005,  
7 No.205), known as the Municipal Pension Plan Funding Standard  
8 and Recovery Act, with respect to a pension fund during the  
9 fiscal year for which the payment was budgeted and has failed  
10 to take action within that time period to make required  
11 payments.

12           (9) A municipality has sought to negotiate resolution or  
13 adjustment of a claim in excess of 30% against a fund or  
14 budget and has failed to reach an agreement with creditors.

15           (10) A municipality has filed a municipal debt  
16 readjustment plan pursuant to Chapter 9 of the Bankruptcy  
17 Code (11 U.S.C. § 901 et seq).

18 Section 202. Standing to petition for a determination.

19 The following have standing to seek a determination of  
20 municipal financial distress from the department:

21           (1) The department itself, if, subsequent to its review  
22 and analysis under sections 121 and 201, it concludes that a  
23 municipality is substantially in a condition of financial  
24 distress.

25           (2) The governing body of the municipality upon passing  
26 a resolution by a majority vote of the governing body after a  
27 special public meeting duly advertised as provided by law.

28           (3) A creditor with a matured claim to whom the  
29 municipality owes \$10,000 or more, if the creditor agrees in  
30 writing to suspend pending actions and to forbear from

1 bringing an alternate or additional legal action against the  
2 municipality to collect the debt or part of it for a period  
3 of nine months or until the municipality adopts a plan under  
4 this act, whichever occurs first. The filing of a Federal  
5 debt adjustment action by a municipality pursuant to  
6 Subchapter D of Chapter 2 during the nine-month period  
7 cancels the forbearance obligation.

8 (4) Ten percent of the number of electors of the  
9 municipality that voted at the last municipal election, by  
10 petition to the department alleging the municipality is  
11 fiscally distressed.

12 (5) Trustee of a municipal pension fund; an actuary for  
13 a pension fund; or 10% or more of the beneficiaries of a  
14 pension fund upon petition to the department, provided that a  
15 municipality has not timely deposited its minimum obligation  
16 payment as required by section 302 of the act of December 18,  
17 1984 (P.L.1005, No.205), known as the Municipal Pension Plan  
18 Funding Standard and Recovery Act.

19 (6) Ten percent of the employees of the municipality who  
20 have not been paid for over 30 days from the time of a missed  
21 payroll, upon signing collectively the petition to the  
22 department.

23 (7) Trustees or paying agents of a municipal bond  
24 indenture.

25 (8) The elected auditors, appointed independent auditors  
26 or elected controllers of a municipality if they have reason  
27 to believe a municipality is in a state of financial distress  
28 pursuant to section 201.

29 Section 203. Procedure for determination.

30 (a) Petition.--A party with standing to petition under

1 section 202 may petition the secretary seeking a determination  
2 that the municipality involved is a financially distressed  
3 municipality. The petition shall:

4 (1) Allege the petitioner has standing to bring a  
5 determination of the distress.

6 (2) State why the petitioner believes the municipality  
7 is distressed under section 201.

8 (3) Include a listing of judgments recorded against the  
9 municipality.

10 (4) Include any other material allegation justifying the  
11 relief afforded by this act.

12 (b) Hearing.--Within ten days of receiving a petition, the  
13 secretary shall set a time and place for a public hearing which  
14 shall be scheduled to be held on a date at least two weeks but  
15 not more than 30 days later within the county of the subject  
16 municipality.

17 (c) Investigation.--After receiving the petition but before  
18 the public hearing, the secretary may make an investigation into  
19 the financial affairs of the municipality. The results of the  
20 investigation of any study previously conducted by the  
21 department under section 121 shall be placed in the record of  
22 the public hearing.

23 (d) Notice.--The secretary shall publish notice of the  
24 hearing in accordance with the act of July 3, 1986 (P.L.388,  
25 No.84), known as the Sunshine Act, at least once in a newspaper  
26 with general circulation in the subject municipality and shall  
27 give written notice by certified mail, with return receipt  
28 requested, upon the municipal clerk or municipal secretary, the  
29 mayor, the municipal solicitor, each member of the governing  
30 body of the municipality and the petitioner.



1 (e) Hearing officer.--The secretary or an official of the  
2 department designated by the secretary shall conduct the public  
3 hearing to hear testimony of the petitioners and other  
4 interested persons.

5 (f) Determination.--Within 30 days after the hearing, the  
6 secretary shall issue an administrative determination of whether  
7 the municipality is financially distressed and reasons for the  
8 determination.

9 Section 204. Commonwealth funds.

10 No municipality shall be deemed to be distressed by reason of  
11 circumstances arising as a result of the failure of the  
12 Commonwealth to make any payment of money, including any Federal  
13 money which passes through the Commonwealth, due the  
14 municipality at the time such payment is due.

15 SUBCHAPTER B

16 COORDINATOR

17 Section 221. Appointment.

18 (a) Duties.--No later than 30 days following a determination  
19 of municipal financial distress under section 203, the secretary  
20 shall appoint a coordinator who shall prepare a plan addressing  
21 the municipality's financial problems.

22 (b) Qualifications.--The coordinator may be an employee of  
23 the department, furnished with additional staff or consultant  
24 assistance, if needed, or may be a consultant or consulting  
25 firm. No elected or appointed employee of the municipality shall  
26 be eligible for serving as coordinator. The coordinator shall be  
27 experienced in municipal administration and finance.

28 (c) Compensation.--The department shall be responsible for  
29 compensating the coordinator appointed by the secretary for  
30 reasonable salary and expenses. Notwithstanding any law to the

1 contrary, the appointment of a plan coordinator shall not be  
2 subject to contractual competitive bidding procedures.

3 Section 222. Access to information.

4 The coordinator shall have full access to all municipal  
5 records. If the coordinator believes that an official or  
6 employee of the municipality is not answering questions  
7 accurately or completely or is not furnishing information  
8 requested, the coordinator may notify the official or employee,  
9 in writing, to furnish answers to questions or to furnish  
10 documents or records, or both. If the official or employee  
11 refuses, the coordinator may seek a subpoena in the court of  
12 common pleas to compel testimony and furnish records and  
13 documents. An action is mandamus shall lie to enforce the  
14 provisions of this section.

15 Section 223. Public and private meetings.

16 (a) Public meetings authorized.--The coordinator may hold  
17 public meetings as defined in the act of July 3, 1986 (P.L.388,  
18 No.84), known as the Sunshine Act, in connection with plan  
19 preparation.

20 (b) Private meetings authorized.--Private negotiation  
21 sessions may be conducted by the coordinator between the  
22 municipality and the individual creditors in an effort to obtain  
23 the consent of each creditor to the proposed adjustment and  
24 handling of specific claims against the municipality.

25 Section 224. Coordinator barred from elective office.

26 The coordinator may not run for an elected office of the  
27 municipality or its coterminous political subdivisions within  
28 two years after the final adoption of a plan pursuant to this  
29 act.

COORDINATOR'S PLAN

Section 241. Contents.

A plan formulated by the appointed coordinator shall be consistent with applicable law and shall include any of the following factors which are relevant to alleviating the financially distressed status of the municipality:

(1) Projections of revenues and expenditures for the current year and the next two years, both assuming the continuation of present operations and as impacted by the measures in the plan.

(2) Recommendations which will:

(i) Satisfy judgments, past due accounts payable, and past due and payable payroll and fringe benefits.

(ii) Eliminate deficits and deficit funds.

(iii) Restore to special fund accounts money from those accounts that was used for purposes other than those specifically authorized.

(iv) Balance the budget, avoid future deficits in funds and maintain current payments of payroll, fringe benefits and accounts through possible revenue enhancement recommendations, including tax or fee changes.

(v) Avoid a fiscal emergency condition in the future.

(vi) Enhance the ability of the municipality to negotiate new general obligation bonds, lease rental debt, funded debt and tax and revenue anticipation borrowing.

(vii) Consider changes in accounting and automation procedures for the financial benefit of the municipality.

(viii) Propose a reduction of debt due on specific claims by an amortized or lump sum payment considered to be the most reasonable disposition of each claim possible for the municipality considering the totality of circumstances.

(3) Possible changes in collective bargaining agreements and permanent and temporary staffing level changes or changes in organization.

(4) Recommended changes in municipal ordinances or rules.

(5) Recommendations for special audits or further studies.

(6) An analysis of whether conditions set forth in section 261 exist, whether specific exclusive Federal remedies could help relieve the municipality's financial distress and whether filing a Federal debt adjustment action under Subchapter D is deemed to be appropriate.

(7) An analysis of whether the economic conditions of the municipality are so severe that it is reasonable to conclude that the municipality is no longer viable and should consolidate or merge with an adjacent municipality or municipalities pursuant to Chapter 3.

#### Section 242. Publication.

(a) Filing.--Within 90 days of being named, the coordinator shall formulate a plan for relieving the municipality's financial distress and shall deliver true and correct copies of it to:

(1) The municipal clerk or municipal secretary, who shall immediately place the copy on file for public inspection in the municipal office.

- 1           (2) The secretary.
- 2           (3) Each member of the municipal governing body.
- 3           (4) The mayor.
- 4           (5) The chief financial officer of the municipality.
- 5           (6) The solicitor of the municipal governing body.
- 6           (7) All parties who have petitioned the secretary under
- 7 section 203.

8       (b) Date of filing.--For purposes of this section, the date

9 of filing the plan shall be the date on which the municipal

10 clerk or municipal secretary places a true and correct copy of

11 the plan on file for public inspection in the municipal office.

12       (c) Notices of plan.--

13           (1) On the date of filing, notice that a plan has been

14 filed and is open for public inspection in the municipal

15 office shall be published by the coordinator in the county

16 legal reporter and in one or more newspapers with general

17 circulation serving the area in which the municipality is

18 located. The cost for publishing the notice shall be borne by

19 the department. The notice shall set forth the following

20 information:

21           (i) That a plan regarding the coordination and

22 relief of the municipality's financial distress was filed

23 pursuant to this act.

24           (ii) The date and place of filing.

25           (iii) That the public has 15 days from the date of

26 filing in which to file written comments on the plan.

27           (iv) The name and address of the coordinator to whom

28 written comments should be sent.

29           (v) Summary of the plan.

30       (2) Notice of a coordinator's public meeting on the plan

1 shall be published by the coordinator in the county legal  
2 reporter and in one or more newspaper with general  
3 circulation serving the area in which the municipality is  
4 located. The department shall bear the cost for publishing  
5 the notice. The notice shall contain the following  
6 information:

7 (i) That the purpose of the coordinator's public  
8 meeting is to receive public comments on the plan.

9 (ii) The date and place of the meeting.

10 (3) The coordinator may combine the publication of the  
11 notice that a plan has been filed with the publication of the  
12 notice of the public meeting.

13 (d) Comment period.--Written comments on the plan may be  
14 filed with the coordinator. Written comments shall be made no  
15 later than 15 days after the date of filing. Written comments  
16 judged by the coordinator to have value to the plan may be used  
17 to develop a revised plan.

18 (e) Coordinator's public meeting.--A meeting conducted by  
19 the coordinator in the municipality shall be set for a date not  
20 later than 20 days after the date of filing the plan. The  
21 coordinator shall request in writing that the chief executive  
22 officer, each member of the municipal governing body and the  
23 chief financial officer of the municipality to be present at the  
24 coordinator's meeting. Comments on the plan shall be received by  
25 the coordinator at that time.

26 Section 243. Review of plan.

27 (a) General rule.--The coordinator, in his discretion, shall  
28 consider comments made on the plan. Creditors who do not consent  
29 to the handling of their claim by the plan, shall notify the  
30 coordinator of their rejection of the plan not later than ten

1 days before the public meeting scheduled by the governing body  
2 under section 245.

3 (b) Rejected claims.--If a creditor has rejected the plan,  
4 the coordinator shall make a written report to the governing  
5 body stating whether the timing and amount of payment or  
6 proposed resolution of the claim is the best disposition the  
7 municipality can make.

8 (c) Additional negotiations authorized.--Additional  
9 negotiations between the municipality and creditors rejecting  
10 the plan shall be encouraged and presided over by the  
11 coordinator.

12 (d) Governing body proposals.--The governing body of the  
13 municipality may propose to the coordinator resolutions of  
14 claims which have been the reason for rejection of the proposed  
15 plan, and the coordinator may revise the plan accordingly.

16 (e) Revision on own initiative.--Nothing in this section  
17 shall preclude the coordinator from revising a plan of his own  
18 initiative.

19 Section 244. Revision.

20 Neither the secretary nor the chief executive officer or the  
21 governing body, as appropriate, may revise the coordinator's  
22 plan. However, the coordinator shall consult with the secretary  
23 and either the chief executive officer or the governing body  
24 throughout the revision of the plan and shall give consideration  
25 to comments they may propose.

26 Section 245. Adoption by municipality.

27 Not later than 15 days following the coordinator's public  
28 meeting, the municipal governing body shall either enact an  
29 ordinance approving the implementation of the plan, including  
30 enactment of necessary related ordinances and revisions to

ordinances, or shall reject the plan and proceed under section 246. If the ordinance takes effect in a municipality operating under an optional plan form of government or a home rule charter, the chief executive officer may issue an order directing the implementation of the plan no later than seven days from the enactment of the ordinance by the governing body. Section 246. Preparation and action on alternate plan.

(a) Chief executive officer's plan.--If the governing body of a municipality that operates under an optional plan form of government or a home rule charter enacts an ordinance directing implementation of the coordinator's plan and the chief executive officer refuses or fails to issue an order as provided in section 245, or if the governing body refuses to enact an ordinance approving the coordinator's plan, then the chief executive officer, within 14 days of the action or refusal to act on the ordinance by the governing body, shall develop a plan, including a signed order implementing it, which shall be the subject of a public meeting no later than ten days following its completion.

(1) The chief executive officer may conduct private sessions before the public meeting with individual creditors in an effort to obtain the consent of each creditor to proposed adjustment and handling of specific claims against the municipality. An agreement reached as a result of these private sessions shall become a matter of record and part of the proceedings of the public meeting conducted pursuant to this subsection.

(2) The chief executive officer shall be responsible for placing notice that a public meeting will be held on his plan. Notice shall be published in the same manner as



1 provided in section 242(c). The coordinator shall attend the  
2 public meeting and furnish written and oral comments on the  
3 chief executive officer's plan.

4 (b) Governing body's plan.--In the case of a municipality  
5 operating under a form of government other than an optional plan  
6 form of government or a home rule charter, if the governing body  
7 by majority vote refuses to enact an ordinance approving and  
8 implementing the coordinator's plan as provided in section 245,  
9 then within 14 days of its refusal the governing body shall  
10 develop a plan which shall be the subject of a public meeting  
11 held not later than ten days following plan completion.

12 (1) The governing body may conduct private sessions  
13 before the public meeting with individual creditors in an  
14 effort to obtain consent of each creditor to proposed  
15 adjustment and handling of specific claims against the  
16 municipality. An agreement reached as a result of these  
17 private sessions shall become a matter of record and part of  
18 the proceedings of the public meeting conducted pursuant to  
19 this subsection.

20 (2) The governing body shall be responsible for placing  
21 notice that a public meeting will be held on its plan. Notice  
22 shall be published in the same manner as provided in section  
23 242(c). The coordinator shall attend the public meeting and  
24 furnish written and oral comments on the governing body's  
25 plan.

26 (c) Approval or rejection of plan.--Following the public  
27 meeting on the chief executive officer's plan or the governing  
28 body's plan, the governing body may enact an ordinance,  
29 including necessary related implementing ordinances or revisions  
30 to ordinances, approving the plan.

1 (d) Failure to adopt or implement plan.--If no plan is  
2 adopted pursuant to this chapter, then sections 250 and 264  
3 shall apply.

4 Section 247. Plan implementation.

5 (a) Coordinator's plan.--If the coordinator's plan is  
6 adopted by the municipal governing body, the coordinator shall  
7 be charged with implementing his plan and shall:

8 (1) Give written notice of plan adoption to creditors,  
9 collective bargaining units and other parties who will be  
10 directly affected by plan implementation. In the notice he  
11 shall outline the provisions of the plan and specify how that  
12 person's claim or interest will be treated.

13 (2) Initiate plan implementation and continue its  
14 implementation for at least four months.

15 (3) Oversee completion of the plan either by directly  
16 controlling the implementation process or by turning the  
17 implementation process over to a person designated by the  
18 governing body or by the chief executive officer, as the case  
19 may be. The person designated shall supply the coordinator  
20 with monthly reports.

21 (4) Terminate the plan upon its completion.

22 (5) Suggest amendments to the plan which may be  
23 necessary to implement or complete the plan.

24 (b) Chief executive officer's plan.--If the plan adopted is  
25 the plan proposed by the chief executive officer in an optional  
26 plan form of government or home rule charter, the chief  
27 executive officer shall have the duties of the coordinator set  
28 forth in subsection (a).

29 (c) Municipal governing body's plan.--If the plan adopted is  
30 the plan proposed by the municipal governing body, a person

1 designated by the governing body shall have the duties of the  
2 coordinator set forth in subsection (a).

3 Section 248. Plan amendments.

4 An amendment to an adopted plan may be initiated by the  
5 coordinator, the chief executive officer, or the governing body  
6 of a municipality, as the case may be. The adoption of an  
7 amendment shall be by ordinance.

8 Section 249. Debt provisions.

9 Adoption of a plan by ordinance is a condition precedent for  
10 the approval of long-term debt or funding debt under the act of  
11 July 12, 1972 (P.L.781, No.185), known as the Local Government  
12 Unit Debt Act. A debt financing provision of the plan may be  
13 waived by agreement of the lender and the municipality; but any  
14 such waiving must be expressly set forth in the indenture or  
15 contract securing the debt.

16 Section 250. Commonwealth agency payments or assistance.

17 (a) Withholding of certain Commonwealth funds.--Upon  
18 certification by the secretary that a financially distressed  
19 municipality has failed to implement an adopted plan as proposed  
20 under this act, the municipality shall not receive a grant,  
21 loan, entitlement or payment from the Commonwealth or any of its  
22 agencies. Moneys withheld shall be held in escrow by the  
23 Commonwealth until the secretary has rescinded the  
24 certification.

25 (b) Exceptions to the withholding of Commonwealth funds.--  
26 Notwithstanding the provisions of subsection (a), the following  
27 funds shall not be withheld from a municipality.

28 (1) Capital projects under contract in progress.

29 (2) Moneys received by a municipality from an agency of  
30 the Commonwealth or the Federal Government subsequent to the

1 declaration of a disaster resulting from a catastrophe.

2 (3) Pension fund disbursements made pursuant to State  
3 law.

4 Section 251. Plan not affected by certain collective bargaining  
5 agreements or settlements.

6 A collective bargaining agreement or arbitration settlement  
7 executed after the adoption of a plan shall not in any manner  
8 violate, expand or diminish its provisions.

9 Section 252. Termination of status.

10 (a) Determination by secretary.--Following a duly advertised  
11 public hearing with notices given as provided in section 203,  
12 the secretary may issue a determination that the conditions  
13 which led to the earlier determination of municipal financial  
14 distress municipality are no longer applicable. The  
15 determination shall rescind the status of municipal financial  
16 distress and shall include a statement of facts as part of the  
17 final order.

18 (b) Determination upon petition by a municipality.--A  
19 financially distressed municipality may petition the secretary  
20 to make a determination that the conditions which led to the  
21 earlier determination of municipal financial distress are no  
22 longer present. Upon receiving the petition, the secretary may  
23 issue a determination to rescind following a duly advertised  
24 public hearing with notices given as provided in section 203.

25 SUBCHAPTER D

26 APPLICATION OF FEDERAL LAW

27 Section 261. Filing municipal debt adjustment under Federal  
28 law.

29 (a) Authorization.--In the event one of the following  
30 conditions is present, a municipality is hereby authorized to

1 file a municipal debt adjustment action pursuant to the  
2 Bankruptcy Code (11 U.S.C. § 101 et seq.):

3 (1) After recommendation by the plan coordinator  
4 pursuant to section 241(6).

5 (2) Imminent jeopardy of an action by a creditor,  
6 claimant or supplier of goods or services which is likely to  
7 substantially interrupt or restrict the continued ability of  
8 the municipality to provide health or safety services to its  
9 citizens.

10 (3) One or more creditors of the municipality have  
11 rejected the proposed or adopted plan, and efforts to  
12 negotiate resolution of their claims have been unsuccessful  
13 for a ten-day period.

14 (4) A condition substantially affecting the  
15 municipality's financial distress is potentially solvable  
16 only by utilizing a remedy exclusively available to the  
17 municipality through the Federal Municipal Debt Readjustment  
18 Act (48 Stat. 798).

19 (5) A majority of the current or immediately preceding  
20 governing body of a municipality determined to be financially  
21 distressed has failed to adopt a plan or to carry out the  
22 recommendations of the coordinator pursuant to this act.

23 (b) Majority vote.--This authority may be exercised only  
24 upon the vote by a majority of the municipality's governing  
25 body.

26 Section 262. Significance and duty on filing Federal action.

27 (a) Status.--A municipality which files a municipal debt  
28 adjustment action under Federal law shall be deemed to be a  
29 financially distressed municipality under this act.

30 (b) Notice.--The municipality shall immediately notify the

1 secretary and the plan coordinator, if one has been assigned, of  
2 the Federal filing.

3 (c) Appointment of coordinator.--Upon receipt of notice of  
4 filing of the Federal action by a municipality, the secretary  
5 shall appoint a plan coordinator under section 221, if none had  
6 yet been appointed. The coordinator shall formulate a plan  
7 approvable by the Federal court.

8 Section 263. Application of this act during Federal action.

9 (a) Existing plan.--After filing a Federal municipal debt  
10 adjustment action, if there is a plan in process under the terms  
11 of this act, the municipality shall utilize the plan and the  
12 expertise of the plan coordinator, among others available to it,  
13 to work out a revised plan to be proposed through the Federal  
14 action, adapting it to incorporate Federal remedies which are  
15 appropriate in the circumstances.

16 (b) Necessary plan development.--A municipality which files  
17 a municipal debt adjustment action under Federal law, whether or  
18 not a proceeding under this act had been commenced as of the  
19 date of such filing, shall utilize the procedures set up by this  
20 act concurrently with the processing of the Federal action, so  
21 as to efficiently expedite the formulation of a plan, its timely  
22 confirmation by the Federal court having jurisdiction of the  
23 Federal action and its adoption by ordinance.

24 (c) Plan implementation.--After adoption of a plan by the  
25 municipality as an ordinance and confirmation of the plan by the  
26 Federal court, implementation of the plan shall be coordinated  
27 through this act and in accordance with requirements set by the  
28 Federal court.

29 Section 264. Suspension of Commonwealth funding.

30 (a) General rule.--A municipality which remains classified

1 as financially distressed by the department and has failed to  
2 adopt or implement a plan within a period set by the Federal  
3 court, or has failed or refused to follow a recommendation by a  
4 coordinator, shall be notified in writing by the coordinator  
5 that he is requesting the secretary to issue a suspension of  
6 Commonwealth funding to the municipality for its failure to take  
7 the steps enumerated in the notice.

8 (b) Certification.--Ten days after receipt by the secretary  
9 of the request, if the municipality has not shown cause to the  
10 secretary and coordinator why such action should not be taken,  
11 the secretary shall certify to the municipality in writing that  
12 each grant, loan, entitlement or payment by the Commonwealth or  
13 any of its agencies shall be suspended pending adoption of a  
14 plan calculated to fully resolve the municipality's financial  
15 distress. Suspended funds shall be held in escrow by the  
16 Commonwealth until the secretary has rescinded the  
17 certification.

18 (c) Exception.--Notwithstanding the provisions of subsection  
19 (b), the following funds shall not be withheld from a  
20 municipality:

21 (1) Capital projects under contract in progress.

22 (2) Moneys received by a municipality from an agency of  
23 the Commonwealth or the Federal Government subsequent to the  
24 declaration of a disaster resulting from a catastrophe.

25 (3) Pension fund disbursements made pursuant to State  
26 law.

27 CHAPTER 3

28 CONSOLIDATION OR MERGER OF ECONOMICALLY NONVIABLE

29 MUNICIPALITIES

30 SUBCHAPTER A

1 GENERAL PROVISIONS

2 Section 301. Determination.

3 If a municipality has been determined to be financially  
4 distressed pursuant to this act and the coordinator has further  
5 determined under section 241 that consolidation or merger of the  
6 municipality with an adjacent municipality or municipalities is  
7 in the public interest, then the municipality may utilize the  
8 provisions of this chapter.

9 Section 302. Procedure for consolidation or merger.

10 Two or more municipalities may be consolidated or merged into  
11 a single municipality, whether within the same or different  
12 counties, if each of the municipalities is contiguous to at  
13 least one of the other consolidating or merging municipalities,  
14 and if together such municipalities would form a consolidated or  
15 merged municipality. Consolidation or merger may be commenced by  
16 one of the following:

17 (1) Joint agreement of the governing bodies of the  
18 municipalities proposed for consolidation or merger approved  
19 by ordinance.

20 (2) Initiative of electors.

21 Section 303. Joint agreement of governing bodies.

22 (a) General rule.--The governing body of each municipality  
23 to be consolidated or merged shall enter into a joint agreement  
24 under the official seal of each municipality to consolidate or  
25 merge into one municipality.

26 (b) Elements.--The joint agreement shall set forth:

27 (1) The name of each municipality that is a party to the  
28 agreement.

29 (2) The name and the territorial boundaries of the  
30 consolidated or merged municipality.



1           (3) The type and class of the consolidated or merged  
2 municipality.

3           (4) Whether the consolidated or merged municipality  
4 shall be governed solely by the code and other general laws  
5 applicable to the kind and class of the consolidated or  
6 merged municipality or whether it shall be governed by a home  
7 rule charter or an optional plan of government previously  
8 adopted by one of the consolidating or merging  
9 municipalities.

10          (5) The number of wards, if any, into which the  
11 consolidated or merged municipality will be divided for the  
12 purpose of electing all or some members of its governing  
13 body.

14          (6) Terms for:

15           (i) The disposition of existing assets of each  
16 municipality.

17           (ii) The liquidation of existing indebtedness of  
18 each municipality.

19           (iii) The assumption, assignment or disposition of  
20 existing liabilities of each municipality, either  
21 jointly, separately or in certain defined proportions, by  
22 separate rates of taxation within each of the constituent  
23 municipalities until consolidation or merger becomes  
24 effective pursuant to section 307.

25           (iv) The implementation of a legally consistent  
26 uniform tax system throughout the consolidated or merged  
27 municipality which provides the revenue necessary to fund  
28 required municipal services.

29          (7) The governmental organization of the consolidated or  
30 merged municipality insofar as it concerns elected officers.

1           (8) A transitional plan and schedule applicable to  
2       elected officers. The transitional plan shall provide for the  
3       abolition of the elected offices of each component  
4       municipality and the termination of the terms of office of  
5       the elected officials of each municipality and for the  
6       election of the first officers of the consolidated or merged  
7       municipality so that election and tenure shall conform to  
8       those in other municipalities of the same kind and class in  
9       the Commonwealth with properly staggered terms where required  
10      or desired.

11          (9) The common administration and enforcement of  
12      ordinances enforced uniformly within the consolidated or  
13      merged municipality.

14 Section 304. Initiative of electors.

15      (a) General rule.--In order for consolidation or merger  
16      proceedings to be initiated by petition of electors, petitions  
17      containing signatures of at least 5% of the electors voting for  
18      the Office of Governor in the last gubernatorial general  
19      election in each municipality proposed to be consolidated or  
20      merged shall be filed with the county board of elections of the  
21      county in which the municipality, or the greater portion of its  
22      territory, is located.

23      (b) Notice to governing bodies affected.--When election  
24      officials find that a petition is in proper order, they shall  
25      send copies of the initiative petition without the signatures  
26      thereon to the governing bodies of each of the municipalities  
27      affected by the proposed consolidation or merger.

28      (c) Contents.--A petition shall set forth:

29          (1) The name of the municipality from which the signers  
30      of the petition were obtained.

1           (2) The names of the municipalities proposed to be  
2 consolidated or merged.

3           (3) The name of the consolidated or merged municipality.

4           (4) The type and class of the consolidated or merged  
5 municipality.

6           (5) Whether the consolidated or merged municipality  
7 shall be governed solely by the code and other general laws  
8 applicable to the kind and class of the consolidated or  
9 merged municipality, or whether it shall be governed by a  
10 home rule charter or an optional plan of government  
11 previously adopted by one of the consolidating or merging  
12 municipalities.

13           (6) The number of wards, if any, into which the  
14 consolidated or merged municipality will be divided for the  
15 purpose of electing all or some members of its governing  
16 body.

17       (d) Time limitations.--Once the circulation of a petition  
18 has begun, the petition shall be submitted to the county board  
19 of elections within 21 days. Failure to do so within that  
20 prescribed time limit will invalidate the petition.

21 Section 305. Conduct of referenda.

22       (a) Duty to place on ballot.--Following initiation of  
23 proceedings for consolidation or merger by the procedures set  
24 forth either in section 303 or 304, the question of  
25 consolidation or merger shall be placed before the electors of  
26 each of the municipalities proposed to be consolidated or  
27 merged. A referendum shall be held at the first primary,  
28 municipal or general election after either:

29           (1) the date of the general agreement entered into under  
30 the provisions of section 303; or

1           (2) the date of filing of the petition filed under the  
2       provisions of section 304.

3       (b) Approval.--Consolidation or merger shall not be  
4       effective unless the referendum question is approved by a  
5       majority of the electors voting in each of the municipalities in  
6       which the referendum is held. If in any one of the  
7       municipalities in which the referendum is held a majority in  
8       favor of consolidation or merger does not result, the referendum  
9       shall fail and consolidation or merger shall not take place. The  
10      question described in the consolidation or merger proposal shall  
11      not be voted on again for a period of five years.

12      Section 306. Consolidation or merger agreement.

13      (a) Form.--Upon favorable action by the electorate on  
14      consolidation or merger, in cases where consolidation or merger  
15      was initiated otherwise than by joint agreement of municipal  
16      governing bodies under section 303, the governing bodies of the  
17      municipalities to be consolidated or merged shall meet within 60  
18      days after the certification of the favorable vote and shall  
19      make a consolidation or merger agreement, as follows:

20           (1) If the governing body, or part of the governing  
21      body, of the consolidated or merged municipality is to be  
22      elected on a ward basis, the agreement shall set forth the  
23      ward boundaries and the ward designation, by number, and the  
24      number of members of the municipal governing body to be  
25      elected from each ward.

26           (2) The agreement shall set forth terms for:

27               (i) The disposition of the existing assets of each  
28      municipality.

29               (ii) The liquidation of the existing indebtedness of  
30      each municipality.

1 (iii) The assumption, assignment, and disposition of  
2 the existing liabilities of each municipality, either  
3 jointly, separately or in certain defined proportions, by  
4 separate rates of taxation within each of the constituent  
5 municipalities until consolidation or merger becomes  
6 effective pursuant to section 307.

7 (3) The agreement shall set forth the governmental  
8 organization of the consolidated or merged municipality,  
9 insofar as it concerns elected officers, and shall contain a  
10 transitional plan and schedule applicable to elected  
11 officers. The agreement shall provide for the abolition of  
12 elected offices and for the termination of the terms of  
13 office of elected officers of each municipality being merged  
14 or consolidated, and the election of the first officers of  
15 the consolidated or merged municipality so that election and  
16 tenure shall conform to those in other municipalities of the  
17 same kind and class in the Commonwealth, with properly  
18 staggered terms, where required or desired.

19 (4) The agreement shall provide for common  
20 administration and enforcement of ordinances to be enforced  
21 uniformly within the consolidated or merged municipality.

22 (5) The agreement shall also provide, consistent with  
23 existing law, for the implementation of an uniform tax system  
24 throughout the consolidated or merged municipality which  
25 shall provide the revenue necessary to fund required  
26 municipal services.

27 (b) Filing.--A copy of the consolidation or merger agreement  
28 shall be filed with the Department of Community Affairs, the  
29 Department of Transportation, the Governor's Office of Policy  
30 Development or its successor, the Department of Education, State

1 Tax Equalization Board, the Legislative Reapportionment  
2 Commission and the court of common pleas and the board of county  
3 commissioners of the county or counties in which municipalities  
4 affected are located.

5 Section 307. Effectuation of consolidation or merger.

6 Municipalities consolidated or merged shall continue to be  
7 governed as before consolidation or merger until the first  
8 Monday of January following the municipal election next  
9 succeeding the election at which consolidation or merger  
10 referenda were held. At that municipal election, the necessary  
11 officers of the consolidated or merged municipality shall be  
12 elected in accordance with the terms of the general law  
13 affecting municipalities of the kind or class of the  
14 consolidated or merged municipality, or, in case of a  
15 consolidated or merged municipality operating under a home rule  
16 charter or optional plan of government, in accordance with the  
17 charter or optional plan or with general law affecting home rule  
18 or optional plan municipalities, as applicable. The officers  
19 elected at that municipal election shall be elected for terms of  
20 office under the plan and schedule set forth in the  
21 consolidation or merger agreement authorized by section 303 or  
22 306, as the case may be. They shall take office as officers of  
23 the consolidated or merged municipality on the first Monday of  
24 January following the municipal election at which they were  
25 elected, and thereupon, the consolidated or merged municipality  
26 shall begin to function and the former municipalities  
27 consolidated or merged into it shall be abolished.

28 Section 308. Collective bargaining agreements; furlough of  
29 employees; disputes.

30 (a) Collective bargaining contracts, agreements or

1 arbitration awards.--A collective bargaining agreement or  
2 contract in existence in a municipality or an arbitration award  
3 in effect in a municipality prior to a consolidation or merger  
4 shall remain effective after consolidation or merger until the  
5 contract, agreements, or awards expire. After the expiration of  
6 the contracts, agreements or awards, a subsequent collective  
7 bargaining agreement, contract or award shall not impair the  
8 implementation of a plan adopted pursuant to this act.

9 (b) Reduction in existing work force.--Subsequent to  
10 consolidation or merger, the consolidated or merged municipality  
11 may, in accordance with existing contracts or arbitration award  
12 provisions and consistent with applicable laws, reduce the  
13 number of uniformed and nonuniformed employees to avoid  
14 overstaffing and duplication of positions in the consolidated or  
15 merged municipality. If a consolidated or merged municipality  
16 determines in its discretion that it is necessary to increase  
17 the number of uniformed or nonuniformed employees, employees of  
18 the constituent municipalities shall be reinstated in the order  
19 of their seniority if they had been previously furloughed.

20 (c) Disputes.--The Pennsylvania Labor Relations Board shall  
21 have jurisdiction to determine labor disputes or controversies,  
22 except those arising out of interpretation or construction of a  
23 collective bargaining agreement containing provision for binding  
24 arbitration, between the consolidated or merged municipality and  
25 its employees.

26 (d) Effect on existing law.--Nothing in this section shall  
27 prohibit a consolidated or merged municipality from exercising  
28 its powers and responsibilities pursuant to provisions of law  
29 related to collective bargaining, including, but not limited to,  
30 the act of June 24, 1968 (P.L.237, No.111), referred to as the

1 Policemen and Firemen Collective Bargaining Act, and the act of  
2 July 23, 1970 (P.L.563, No.195), known as the Public Employe  
3 Relations Act.

4 Section 309. Procedures.

5 (a) Ordinance book.--After consolidation or merger becomes  
6 effective, a new ordinance book shall be used by the  
7 municipality and the first document to be recorded in it shall  
8 be the consolidation or merger agreement.

9 (b) Ordinance codification.--No later than two years after  
10 consolidation or merger goes into effect, codification of all  
11 the ordinances of the municipality shall be completed. This  
12 shall include tabulation or indexing of those ordinances of the  
13 component municipalities that are of permanent effect in the  
14 consolidated or merged municipality.

15 (c) Vesting of rights, privileges, property and  
16 obligations.--All rights, privileges and franchises of each  
17 component municipality and all property belonging to each  
18 component municipality shall be vested in the consolidated or  
19 merged municipality. The title to real estate vested in any of  
20 those municipalities shall not revert or be in any way impaired  
21 by reason of the consolidation or merger. All liens and rights  
22 of creditors shall be preserved. Agreements and contracts shall  
23 remain in force. Debts, liabilities and duties of each of the  
24 municipalities shall be attached to the consolidated or merged  
25 municipality and may be enforced against it.

26 SUBCHAPTER B

27 ECONOMIC ASSISTANCE

28 Section 321. Eligibility.

29 In the event a municipality has been determined to be  
30 distressed pursuant to section 203(f) and has subsequently



1 consolidated or merged under provisions of this chapter, the  
2 consolidated or merged municipality shall be eligible for  
3 economic and community development assistance as provided in  
4 section 322.

5 Section 322. Priority.

6 Notwithstanding law to the contrary, if the electors of two  
7 or more municipalities at least one of which has been determined  
8 to be distressed pursuant to section 203(f), have voted to  
9 approve the consolidation or merger of those municipalities, the  
10 consolidated or merged municipality shall receive priority in  
11 all economic and community development programs funded by the  
12 Commonwealth. The secretary, upon notification of consolidation  
13 or merger of such municipalities shall notify Commonwealth  
14 agencies that the consolidated or merged municipality shall  
15 receive priority in funding as provided in this subchapter.

#### 16 CHAPTER 4

#### 17 TECHNICAL PROVISIONS

18 Section 401. Repeal.

19 The act of June 11, 1935 (P.L.323, No.146), entitled "An act  
20 designating the Department of Internal Affairs as the agency of  
21 the Commonwealth to approve or disapprove petitions to courts,  
22 and plans for the readjustment of debts of political  
23 subdivisions, under the act of Congress relating to the  
24 bankruptcy of political subdivisions; and defining the powers  
25 and duties of said department in relation thereto," is repealed  
26 insofar as it related to a municipality as defined in section  
27 103 of this act.

28 Section 402. Effective date.

29 This act shall take effect in 60 days.