
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 456 Session of
2021

INTRODUCED BY RYAN, GLEIM, KEEFER, LEWIS, KAUFFMAN, COOK,
B. MILLER, SAYLOR AND MOUL, FEBRUARY 9, 2021

REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, FEBRUARY 9, 2021

AN ACT

1 Providing for requirements for interest rate management
2 agreements entered into by a city or county of the first
3 class.

4 The General Assembly of the Commonwealth of Pennsylvania
5 hereby enacts as follows:

6 Section 1. Short title.

7 This act shall be known and may be cited as the First Class
8 City and County Interest Rate Management Agreement Act.

9 Section 2. 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 "Contracting authority." Any of the following that enter
14 into an interest rate management agreement under this act:

15 (1) A city of the first class.

16 (2) A county of the first class.

17 (3) A municipal authority created under 53 Pa.C.S. Ch.

18 56 (relating to municipal authorities) by an entity listed

1 under paragraph (1) or (2).

2 "Department." The Department of Community and Economic
3 Development of the Commonwealth.

4 "Interest rate management agreement." An agreement,
5 including a confirmation evidencing a transaction effected under
6 a master agreement, entered into by a contracting authority in
7 accordance with and fulfilling the requirements of section 3,
8 which agreement in the judgment of the contracting authority is
9 designed to manage interest rate risk or interest cost of the
10 contracting authority on any debt or other debt-related
11 obligations a contracting authority is authorized to incur,
12 including, but not limited to, swaps, interest rate caps,
13 collars, corridors, ceiling and floor agreements, forward
14 agreements, float agreements and other similar arrangements
15 which in the judgment of the contracting authority will assist
16 the contracting authority in managing the interest rate risk or
17 interest cost of the contracting authority.

18 Section 3. Interest rate management agreement requirements.

19 (a) General rule.--Notwithstanding any other law to the
20 contrary, any interest rate management agreement entered into by
21 a contracting authority shall comply with the provisions of this
22 section.

23 (b) Requirements.--The following requirements shall apply:

24 (1) A contracting authority shall authorize and award by
25 resolution each interest rate management agreement or any
26 confirmation of a transaction. The resolution is subject to
27 53 Pa.C.S. § 8003(a) and (b) (relating to advertisement and
28 effectiveness of ordinances) but may be valid and effective
29 for all purposes immediately upon adoption or as otherwise
30 provided in the resolution. The resolution authorizing and

1 awarding a qualified interest rate management agreement or
2 authorizing a transaction under the agreement must include in
3 the resolution or as an appendix to the resolution all of the
4 following:

5 (i) A copy of the qualified interest rate management
6 agreement or confirmation of the transaction under the
7 qualified interest rate management agreement in
8 substantially the form to be executed pursuant to the
9 resolution.

10 (ii) An interest rate management plan meeting the
11 requirements under 53 Pa.C.S. Pt. VII Subpt. B (relating
12 to indebtedness and borrowing):

13 (A) adopted by the contracting authority; or

14 (B) if the contracting authority is incurring
15 indebtedness which has or will be issued to a public
16 authority that has entered into or will enter into an
17 interest rate management agreement meeting the
18 requirements of this act, adopted by that public
19 authority.

20 (iii) A statement of the manner by which the award
21 of the interest rate management agreement is completed.

22 (2) No payments shall be made to or on behalf of a
23 contracting authority by the other party to an interest rate
24 management agreement except periodic scheduled payments,
25 termination payments and attorney fees and other consultant
26 fees incurred in connection with entering into an interest
27 rate management agreement.

28 (3) Periodic scheduled payments on an interest rate
29 management agreement must commence not later than three years
30 after the date of the confirmation associated with the

1 interest rate management agreement.

2 (4) The index or basis used for calculating the periodic
3 scheduled payments receivable by the contracting authority on
4 an interest rate management agreement shall be substantially
5 similar to the index or basis used for calculating the
6 interest due on the associated debt or other debt-related
7 obligations of the contracting authority.

8 (5) At the time an interest rate management agreement is
9 entered into, the sum of the notional amount thereof, without
10 duplication for the notional amount of any offsetting
11 transactions, and all other interest rate management
12 agreements entered into or guaranteed, and then in effect of
13 a contracting authority, shall not exceed 30% of the total
14 principal amount of the aggregate general obligation debt and
15 other debt-related obligations payable from or supported by
16 its general fund then outstanding. If an interest rate
17 management agreement is payable from or supported by another
18 specified fund or revenues, the limitation shall apply based
19 solely on interest rate management agreements and debt and
20 other debt-related obligations payable from or supported by
21 the specified fund or revenues.

22 (6) Scheduled periodic payments and termination payments
23 received by a contracting authority on an interest rate
24 management agreement shall be deposited in a payment account
25 to:

26 (i) Pay periodic swap payments or to pay principal
27 and interest on the debt or debt-related obligations
28 related to the interest rate management agreement.

29 (ii) If the interest rate management agreement
30 described under subparagraph (i) has been terminated and

1 none of the related debt or debt-related obligations are
2 outstanding, pay periodic swap payments on interest rate
3 management agreements or principal and interest on debt
4 or debt-related obligations payable from or supported by
5 the same fund or revenues as the interest rate management
6 agreement described under subparagraph (i).

7 (iii) If all of the interest rate management
8 agreements described under subparagraph (ii) have been
9 terminated and no debt or debt-related obligations
10 described under subparagraph (ii) are outstanding, pay
11 any other obligations of the contracting authority.

12 (7) The scheduled expiration date of an interest rate
13 management agreement shall not exceed 10 years from the date
14 of the related confirmation unless the interest rate
15 management agreement contains a provision allowing the
16 contracting authority to terminate the same at any time after
17 10 years from the date of the related confirmation without
18 making a termination payment.

19 (8) An interest rate management agreement shall contain
20 a certification by the other party to the interest rate
21 management agreement in which the other party:

22 (i) acknowledges that the contracting authority
23 which is entering into the interest rate management
24 agreement under this subpart is a political subdivision
25 of this Commonwealth or a municipal authority created
26 under 53 Pa.C.S. Ch. 56 (relating to municipal
27 authorities) by a city of the first class or a county of
28 the first class;

29 (ii) acknowledges that it has read this act;

30 (iii) acknowledges that a contracting authority may

1 only enter into an interest rate management agreement to
2 manage interest rate risk or interest cost of the
3 contracting authority on debt or other debt-related
4 obligations of the contracting authority; and

5 (iv) acknowledges and agrees that it will notify the
6 department, in writing, promptly upon the payment to the
7 other party of a termination payment by the contracting
8 authority, including the date and amount of the payment
9 and the identity of the interest rate management
10 agreement under which the payment was made.

11 Section 4. Notice and retention of records.

12 (a) Notice.--Within 15 days following the adoption of a
13 resolution authorizing an interest rate management agreement, a
14 contracting authority shall file with the department certified
15 copies of the resolution, including any appendix to the
16 resolution, together with an itemized statement of all attorney
17 fees, consultant fees and any other costs expected to be paid on
18 behalf of a contracting authority by the other party to
19 such interest rate management agreement.

20 (b) Records.--The department shall keep copies of all
21 documents filed with the department under this section as long
22 as an interest rate management agreement is in effect.

23 Section 5. Financial reporting.

24 A contracting authority which has entered into an interest
25 rate management agreement shall include in its annual financial
26 statements information with respect to each interest rate
27 management agreement it has authorized or entered into,
28 including any information required under any statement issued by
29 the Governmental Accounting Standards Board.

30 Section 6. Applicability.

1 The following shall apply:

2 (1) This act shall apply to all interest rate management
3 agreements entered into by a contracting authority on or
4 after the effective date of this section.

5 (2) This act shall not apply to any amendment,
6 termination or novation of an interest rate management
7 agreement if the interest rate management agreement was
8 entered into prior to the effective date of this section if
9 the term of the interest rate management agreement is not
10 extended.

11 (3) Notwithstanding any other provision of law, this act
12 shall apply to an interest rate management agreement entered
13 into by any of the following:

14 (i) A city of the first class.

15 (ii) A county of the first class.

16 (iii) A municipal authority created under 53 Pa.C.S.
17 Ch. 56 (relating to municipal authorities) by an entity
18 listed under subparagraph (i) or (ii).

19 Section 7. Effective date.

20 This act shall take effect in 60 days.