

## No. 1996-110

## AN ACT

HB 1174

Amending the act of May 2, 1945 (P.L.382, No.164), entitled "An act providing for the incorporation as bodies corporate and politic of "Authorities" for municipalities, counties and townships; prescribing the rights, powers and duties of such Authorities heretofore or hereafter incorporated; authorizing such Authorities to acquire, construct, improve, maintain and operate projects, and to borrow money and issue bonds therefor; providing for the payment of such bonds, and prescribing the rights of the holders thereof; conferring the right of eminent domain on such Authorities; authorizing such Authorities to enter into contracts with and to accept grants from the Federal Government or any agency thereof; and conferring exclusive jurisdiction on certain courts over rates," further providing for investment of authority funds.

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

Section 1. Section 7.1 of the act of May 2, 1945 (P.L.382, No.164), known as the Municipality Authorities Act of 1945, added July 10, 1981 (P.L.221, No.70), is amended to read:

Section 7.1. Investment of Authority Funds.—A. The board shall have the power to:

(a) make investment of Authority sinking funds in the manner provided for local government units by the act of July 12, 1972 (P.L.781, No.185), known as the "Local Government Unit Debt Act";

(b) make investment of moneys in the general fund and in special funds of the Authority other than the sinking funds as authorized by this section; and

(c) liquidate any such investment, in whole or in part, by disposing of securities or withdrawing funds on deposit. Any action taken to make or to liquidate any investment shall be made by the officers designated by action of the board.

B. The board shall invest Authority funds consistent with sound business practice[,] *and the standard of prudence applicable to the State Employees' Retirement System set forth in 71 Pa.C.S. § 5931(a) (relating to management of fund and accounts).*

C. The board shall provide for an investment program subject to restrictions contained in this act and in any other applicable statute and any rules and regulations adopted by the board.

D. Authorized types of investments for Authority funds shall be:

(a) United States Treasury bills.

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

(c) Deposits in savings accounts or time deposits or share 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.

(d) 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.

(e) 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 Authority funds listed in clauses (a) through (d).

***(f) Sovereign debt, provided that the instruments are dollar denominated and backed by the full faith and credit of the sovereign government, that said investments do not exceed more than two per centum of the market value of the Authority's assets at the time of investment, that the maturity of the instruments does not exceed fifteen years, that the obligations are permitted investments of the State Employees' Retirement System and that it is established that the issuer had issued such sovereign debt over a period of at least thirty years and has not defaulted on the payment either of principal or interest on its obligations. This clause shall only apply to a board in a county of the first class, second class or second class A or in a city of the first class, second class, second class A or third class.***

E. In making investments of Authority funds, the board shall have authority:

(a) To permit assets pledged as collateral under subsection D(c), 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 against deposits on a pooled basis; and authorizing the appointment of custodians to act as pledgees of assets."

(b) To combine moneys from more than one fund under Authority control for the purchase of a single investment, provided that lack of the funds combined for the purpose shall be accounted for separately in all respects and that earnings from the investment are separately and individually computed and recorded, and credited to the accounts from which the investment was purchased.

(c) To join with one or more other political subdivisions and municipal authorities in accordance with the act of July 12, 1972 (P.L.762, No.180), referred to as the Intergovernmental Cooperation Law, in the purchase of a single investment, provided that the requirements of clause (b) on separate accounting of individual funds and separate computation, recording and crediting of the earnings therefrom are followed.

Section 2. Section 18 of the act is amended by adding a subsection to read:

Section 18. Conveyance by Authorities to Municipalities or School Districts of Established Projects.—\* \* \*

*(D) Following any transfer of a project pursuant to this section, the municipality or municipalities, including an incorporated town or towns or home rule municipality or municipalities, which have acquired the project shall retain the reserves received from the Authority which have been derived from operations in a separate fund, which reserves shall be used only for the purposes of operating, maintaining, repairing, improving and extending the project. Money received from the Authority which represents the proceeds of financing shall be retained by the municipality or municipalities in a separate fund which shall be used only for improving or extending the project or other capital purposes related thereto.*

Section 3. This act shall take effect in 60 days.

APPROVED—The 11th day of July, A.D. 1996.

THOMAS J. RIDGE