

The following are brief biographies of the Mayor, his chief of staff, and his cabinet:

Edward G. Rendell, Mayor, was elected in November 1991 and re-elected in November 1995. He served as District Attorney of Philadelphia from 1978 through 1985, and is a former partner in the law firm of Mesirov Gelman Jaffe Cramer & Jamieson LLP. Mayor Rendell received his B.A. from the University of Pennsylvania and a J.D. from Villanova University School of Law.

Gregory S. Rost, Chief of Staff, served as Mayor Rendell's Deputy Mayor for Policy and Planning for four years prior to assuming his current position in April 1997. Prior to that, he served as Assistant Deputy Mayor for Policy and Planning from 1992 to 1993, and as Deputy Director of the Fels Center of Government at the University of Pennsylvania from 1989-1992. He holds a Masters in Government Administration from the University of Pennsylvania and was previously a doctoral candidate in Government and Politics at the University of Maryland, College Park.

Stephanie L. Franklin-Suber, City Solicitor, was a partner in the law firm of Schnader, Harrison, Segal & Lewis before coming to the Law Department in 1994 to assume the position of Chair of the Corporate Group. She served from 1983 until 1985 as Law Clerk to the Honorable A. Leon Higginbotham, Jr. of the United States Court of Appeals, Third Circuit, and from 1985 to 1986 as Law Clerk to the Honorable Clifford Scott Green of the United States District Court, Eastern District of Pennsylvania. She also served as a research associate, teaching assistant and lecturer at the University of Pennsylvania and has taken an active role in various bar associations. She received a B.A. from Vassar College and a J.D. from the University of Pennsylvania Law School in 1982.

Joseph C. Certaine, Managing Director, has worked in City government for over a decade. Before assuming his present position, he was Deputy Managing Director for Municipal Operations from 1992 to 1994. Prior to that, Mr. Certaine served as Deputy Commissioner of the Department of Public Property and Assistant Managing Director in Charge of Emergency Operations. He has also functioned as Special Assistant to the Mayor responsible for neighborhood service delivery issues.

Ben Hayllar, Director of Finance, served as the Director of Finance of the City of Pittsburgh for four years beginning in October 1989. Prior to that he served as a Vice President and Division Manager of Equibank. From 1977-1985, Dr. Hayllar was the Assistant Executive Secretary to Pittsburgh's Mayor Richard Caligiuri. He holds a B.A. in Literature and a Ph.D. in Communications and Urban Affairs from the University of Pittsburgh.

Stephen P. Mullin, City Representative and Director of Commerce, served as Director of Finance for the City for two years prior to assuming his current position in 1993. Prior to that, he served as the Budget Director of the City of St. Louis for seven years, as Director of Corporate Development for the Laclede Gas Company, and Deputy Director of the St. Louis Economic Development Corporation, St. Louis' main economic development agency. He holds an A.B. from Harvard University and an M.A. in Economics from the University of Pennsylvania.

Government Services

Municipal services provided by the City include: police and fire protection; health care; certain welfare programs; construction and maintenance of streets, highways, and bridges; trash collection and disposal; provision for recreational programs and facilities; maintenance and operation of the water and wastewater systems (the "Water and Wastewater Systems"); the acquisition and maintenance of City real and personal property, including vehicles; maintenance of building codes and regulation of licenses and permits; maintenance of records; collection of taxes and revenues; purchase of supplies and equipment; construction and maintenance of airport facilities, and maintenance of a prison system. The City owns the assets that comprise the Philadelphia Gas Works (the "Gas Works"). The Gas Works serves residential, commercial, and industrial customers in the City. The Gas Works is operated by Philadelphia Facilities Management Corporation ("PFMC"), a non-profit corporation specifically organized to manage and operate the Gas Works for the benefit of the City.

Local Government Agencies

There are a number of significant governmental authorities and quasi-governmental non-profit corporations that also provide services within the City.

The Southeastern Pennsylvania Transportation Authority ("SEPTA"), which is supported by transit revenues and Federal, Commonwealth, and local funds, is responsible for developing and operating a comprehensive and coordinated public transportation system in the southeastern Pennsylvania region. As of January 1, 1983, SEPTA's Regional High Speed Line Division assumed direct operation of the commuter rail system.

The Philadelphia Parking Authority is responsible for the construction and operation of parking facilities in the City and at the Philadelphia International Airport.

The Philadelphia Municipal Authority (formerly The Equipment Leasing Authority of Philadelphia) ("PMA") was originally established for the purpose of buying equipment and vehicles to be leased to the City. PMA's powers have been expanded to include the construction of municipal solid waste disposal facilities, correctional facilities, and other municipal buildings.

The Redevelopment Authority of the City of Philadelphia (the "Redevelopment Authority") and the Philadelphia Housing Authority develop and/or administer low and moderate income rental units and housing in the City. The Redevelopment Authority, supported by Federal funds through the City's Community Development Block Grant Fund and by Commonwealth and local funds, is responsible for the redevelopment of the City's blighted areas.

The Hospitals and Higher Education Facilities Authority of Philadelphia, formerly The Hospitals Authority of Philadelphia (the "Hospitals Authority") assists non-profit hospitals by financing hospital construction projects. The City does not own or operate any hospitals. The powers of the Hospitals Authority have been expanded to permit the financing of construction of buildings and facilities for certain colleges and universities and other health care facilities and nursing homes.

The Philadelphia Industrial Development Corporation ("PIDC") and its affiliate, the Philadelphia Authority for Industrial Development ("PAID"), coordinate the City's efforts to maintain an attractive business environment and to attract new businesses to the City.

The Pennsylvania Convention Center Authority (the "Convention Center Authority") maintains, manages, and operates the Pennsylvania Convention Center which opened on June 25, 1993.

The School District of Philadelphia (the "School District") was established by the Educational Supplement to the City's Home Rule Charter to provide free public education to the City's residents. Its board is appointed by the City and must submit a lump sum statement of expenditures to the City annually for approval. Certain financial information regarding the School District is included in the City's Annual Financial Report which is included as Appendix III hereto.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

General

The Pennsylvania Intergovernmental Cooperation Authority ("PICA") was created on June 5, 1991 by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act"). PICA was established to provide financial assistance to cities of the first class. The City is currently the only city of the first class in the Commonwealth. The PICA Act provides that, upon request by the City to PICA for financial assistance and for so long as any bonds issued by PICA remain outstanding, PICA shall have certain financial and oversight functions. Under the PICA Act, PICA no longer has the authority to issue bonds for new money purposes but may refund bonds previously issued by it. PICA has the power, in its oversight capacity, to exercise certain advisory and review procedures with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify non-compliance by the City with the then-existing five-year plan adopted by the City pursuant to the PICA Act. Under the PICA Act, such certification would require the Secretary of the Budget of the Commonwealth to withhold payments due

to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payment of the portion of the PICA Tax, hereinafter described, otherwise payable to the City). See "Source of Payment of PICA Bonds" below.

On June 16, 1992, PICA, at the request of the City, issued \$474,555,000 Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 PICA Bonds"). The proceeds of the 1992 PICA Bonds were used (i) to make grants to the City to fund the Fiscal Year 1991 General Fund cumulative deficit (\$153.5 million) and the then-projected Fiscal Year 1992 General Fund deficit (\$71.4 million); (ii) to make grants to the City to pay the costs of certain capital projects to be undertaken by the City; and (iii) to make a grant to the City to provide it with financial assistance to enhance productivity in the operation of City government. It had been anticipated that the proceeds of the 1992 PICA Bonds would also be used to fund the City's projected Fiscal Year 1993 General Fund deficit, however, because no deficit occurred, a grant from PICA for this purpose was not required. These proceeds, in the amount equal to \$23.5 million, were instead used to fund the City's Indemnity Fund and the "Day Backward/Day Forward Program".

On July 29, 1993, PICA, at the request of the City, issued \$643,430,000 Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993, the proceeds of which were used to make grants to the City to pay the costs of certain capital projects to be undertaken by the City and to make a grant to the City to provide for the defeasance of certain outstanding general obligation bonds of the City in the aggregate amount of \$336,225,000.

On September 14, 1993, PICA issued \$178,675,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A, the proceeds of which were used to advance refund \$136,670,000 principal amount of the 1992 PICA Bonds.

On December 15, 1994, PICA, at the request of the City, issued \$122,020,000 Special Tax Revenue Bonds (City of Philadelphia Funding Program) Series of 1994 (the "1994 PICA Bonds"), the proceeds of which were used to make grants to the City to pay the costs of certain capital projects to be undertaken by the City.

On May 30, 1996, PICA issued \$343,030,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 PICA Bonds"), the proceeds of which were used to advance refund \$304,160,000 principal amount of the 1992 PICA Bonds and \$120,180,000 principal amount of the 1994 PICA Bonds.

As of July 1, 1998, the principal amount of PICA bonds outstanding was \$1,054,995,000.

Source of Payment of PICA Bonds

The PICA Act authorized the City to impose a tax for the benefit of PICA. In connection with the adoption of the Fiscal Year 1992 budget, the City reduced the wage, earnings, and net profits tax on City residents by 1.5% and enacted a 1.5% tax on wages, earnings and net profits of City residents (the "PICA Tax"). Proceeds of the PICA Tax are solely the property of PICA and are not subject to appropriation by the Commonwealth or the City. The PICA Tax, collected by the City's Department of Revenue, is deposited in the "Pennsylvania Intergovernmental Cooperation Authority Tax Fund" (the "PICA Tax Fund") of which the State Treasurer is custodian. The PICA Tax Fund is not subject to appropriation by City Council or the General Assembly of the Commonwealth.

The PICA Act authorizes PICA to pledge the PICA Tax to secure its bonds and prohibits the Commonwealth and the City from repealing the PICA Tax or reducing the rate of the PICA Tax while any bonds secured by the PICA Tax are outstanding.

The PICA Act requires that proceeds of the PICA Tax in excess of amounts required for (i) debt service, (ii) replenishment of any debt service reserve fund for bonds issued by PICA, and (iii) certain PICA operating expenses be deposited in a trust fund established pursuant to the PICA Act exclusively for the benefit of the City and designated the "City Account." Amounts in the City Account are required to be remitted to the City not less often than monthly, but are subject to withholding if PICA certifies the City's non-compliance with the then-current five-year plan.

The PICA Act establishes a "Bond Payment Account" for PICA as a trust fund for the benefit of PICA bondholders and authorizes the creation of a debt service reserve fund for bonds issued by PICA. Since PICA has issued bonds secured by the PICA Tax, the PICA Act requires that the State Treasurer pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account, the debt service reserve fund created for bonds issued by PICA and the City Account. The total amount of PICA Tax remitted to PICA by the State Treasurer for each of the Fiscal Years 1992 through 1998 is set forth below:

Year	Amount
1992	\$169.0 million
1993	185.1 million
1994	205.5 million
1995	209.6 million
1996	218.8 million
1997	218.2 million
1998	236.1 million

PICA bonds are payable from the PICA revenues, including the PICA Tax, pledged to secure PICA's bonds, the Bond Payment Account and any debt service reserve fund established for such bonds and have no claim on any revenues of the Commonwealth or the City.

Five-Year Plans of the City

One of the conditions precedent to the issuance of bonds by PICA was the development by the City and approval by PICA of a five-year financial plan. The original five-year plan (the "Original Five-Year Plan"); which covered Fiscal Years 1992 through 1996, was prepared by the Mayor, approved by City Council on April 29, 1992 and by PICA on May 18, 1992.

In each subsequent year, the City updated the previous year's five-year plan, each of which was adopted by City Council, signed by the Mayor and approved by PICA. The following table lists each Five-Year plan.

Plan	Plan Fiscal Years
Original Five-Year Plan	1992-1996
Second Five-Year Plan*	1994-1998
Third Five-Year Plan	1995-1999
Fourth Five-Year Plan	1996-2000
Fifth Five-Year Plan	1997-2001
Sixth Five-Year Plan	1998-2002
Seventh Five-Year Plan	1999-2003
Eighth Five-Year Plan**	2000-2004

* Also included Fiscal Year 1993

** Approved by City Council on March 8, 1999

The Seventh Five-Year Plan was presented to City Council by the Mayor on January 27, 1998 and approved by City Council on March 26, 1998. PICA approved the Seventh Five-Year Plan on June 9, 1998. In the Seventh Five-Year Plan, the City projects a balanced budget in each of the five years covered by the plan through a continued strategy based upon implementation of management initiatives, productivity improvements, cost containments, certain workforce restructurings, and revenue enhancements.

CITY FINANCIAL PROCEDURES

Except as otherwise noted, the financial statements, tables, statistics, and other information contained in this Official Statement have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the Comprehensive Annual Financial Reports.

Independent Audit and Opinion of the City Controller

The Comprehensive Annual Financial Report of the City for the Fiscal Year ended June 30, 1998 and all prior years have been audited and reported upon by the City Controller.

The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement.

Fund Structure

The major operations of the City are conducted through the Principal Operating Funds (Debt Related) which include the General Fund. In addition, the City has three other Principal Operating Funds that are not debt related ("Non-Debt Related Funds"), two of which are financed solely from grants from the Commonwealth and Federal governments. Collectively, the Principal Operating Funds (Debt Related and Non-Debt Related Funds) are referred to herein as the "Principal Operating Funds".

Principal Operating Funds

The Unrestricted Debt Related Funds include the General Fund, the resources of which are available for any City purpose, and the County Liquid Fuels Tax Fund and the Special Gasoline Tax Fund, the resources of which are available only for servicing general obligation debt issued for construction of public roads or streets. The Other Debt Related Funds include the Water Fund and the Aviation Fund, the resources of which are not generally available for other City purposes.

The Non-Debt Related Funds, the resources of which are not available for other City purposes, include the Grants Revenue Fund, the Community Development Fund, the Hotel Room Rental Tax Fund and the HealthChoices Behavioral Health Revenues Fund.

Basis of Accounting

The City's basis of accounting for annual reporting purposes is as follows:

- A. Governmental Funds (which include the General Fund, County Liquid Fuels Tax Fund, Special Gasoline Tax Fund, Grants Revenue Fund, Community Development Fund, Hotel Room Rental Tax Fund, Capital Improvement Funds, and Debt Service Funds) and Expendable Trust and Agency Funds are accounted for on a modified accrual basis. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Payments for licenses and permits, charges for services, fines, and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, self-assessed taxes, and investment earnings are recorded when earned as they are measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenditures, and other long-term obligations which are recognized when paid.
- B. Proprietary Funds (which include the Water Fund and the Aviation Fund) and Pension Trust Funds are accounted for on the accrual basis, in which revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

During Fiscal Year 1979, financial statements for the Proprietary Funds were changed to conform to the description above in order to bring their presentation into accord with Generally Accepted Accounting Principles as recommended by the National Council on Governmental Accounting. However, because the City's operating budget is prepared on a modified accrual basis and to achieve a consistent presentation of the City's finances as a whole, the Proprietary Funds are also shown in the tables herein on a modified accrual basis.

Budget Procedure

At least thirty days before the end of each Fiscal Year, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing years. Within ten days after the adoption of each of such ordinances and its receipt by the Mayor, the Mayor must act upon such ordinance or the ordinance becomes effective.

The operating budget for the next Fiscal Year is prepared by the Mayor and must be submitted to City Council for adoption at least ninety days before the end of the Fiscal Year. The budget, as adopted, must be balanced and provide for discharging any estimated deficit from the current Fiscal Year and make appropriations for all items to be funded with City revenues. The Mayor's budgetary estimates of revenues for the ensuing Fiscal Year and projection of surplus or deficit for the current Fiscal Year may not be altered by City Council. Not later than the passage of the operating budget ordinance, City Council must enact such revenue measures as will, in the opinion of the Mayor, yield sufficient revenues to balance the budget.

The capital program is prepared annually by the City Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, Federal, and private) estimated to be required to finance each project. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon. See Table 18 for a summary of the City's capital improvement program for the Fiscal Years 1999 through 2004.

The capital budget ordinance, authorizing in detail the capital expenditures to be made or incurred in the ensuing Fiscal Year from funds that City Council appropriates, is adopted by City Council concurrently with the capital program. The capital budget must be in full conformity with that part of the capital program applicable to the Fiscal Year that it covers.

Certificate of Conformance in Financial Reporting

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Conformance in Financial Reporting, now called the Certificate of Achievement for Excellence in Financial Reporting (the "Certificate"), to the City for its Annual Financial Report for each of the fiscal years ended June 30, 1980 through June 30, 1997. In order to be awarded a Certificate, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. A Certificate is valid for a period of one year only.

Year 2000 Compliance Issue

Background - Many computer software programs, and some computers and other equipment utilizing embedded microchip technology, allocate two rather than four digits to the date field for "year," creating the concern that they will not correctly interpret the year 2000 and subsequent dates (for example, "2000," "2001," etc. may be interpreted as "1900," "1901," etc.) and will therefore fail or execute in an erratic manner when the date reaches January 1, 2000. Such failures in systems or equipment of the City or its vendors and suppliers could cause significant disruption in the City's financial processes and in the services provided by the City government and to the City government.

Critical Computer Systems - The City has identified 60 Citywide business application computer systems that are critical to maintaining the continuity of the City's essential financial processes. These systems include the financial, accounting and revenue collection systems on which depend the City's ability to assess, collect and disburse taxes and other revenues, its ability to pay contractual and other obligations timely, and its ability to issue required payments to bondholders, indenture trustees, fiscal agents and others in accordance with the City's debt obligations. The City began its assessment of these 60 systems for year 2000 compliance in September 1997 and completed the assessment in September 1998. Concurrently with the assessment, the City began remediation, by replacing or upgrading non-compliant hardware and software, or correcting software code. As of October 1998, the City determined that year 2000 compliance was achieved for 55 of these systems and for the City's mainframe computer and operating system, on which 95 percent of the critical business application systems depend for their operation. The City expects that remediation will be completed for the remaining 5 business application

systems by June 1999. All systems will be tested for year 2000 compliance and City expects that the mainframe and the 60 City-wide systems dependent on the mainframe will be tested and determined to be compliant by July 1999.

Risk Assessment and Contingency Planning – In July 1998, the City initiated a program of assessing individual operating agencies for their dependency on agency-specific computer hardware, software, and equipment containing embedded microchip technology that may be affected by the year 2000 issue. The assessment focuses on agencies that are responsible for the delivery of essential City services. For each dependency identified, the assessment determines the likelihood of year 2000 non-compliance; the effect of non-compliance, if any, on agency operations; and the severity of the impact on the agency's ability to maintain continuity of services. This assessment is intended to identify department-specific business application systems, non-information technology systems and equipment that depend on embedded microchip technology, and supply chain dependencies that have a significant impact and a significant risk of failure. The City expects to correct and test the identified dependencies as necessary to ensure continuity of essential services. For dependencies where a significant probability of non-compliance is identified, the agency will be responsible for developing contingency plans (e.g., reversion to manual processes) and recovery plans to ensure the continuity of services notwithstanding system or equipment failures. The City completed this assessment in December 1998; the City expects that replacement and testing of equipment and software will be completed by July 1999 and that contingency and recovery plans will be finalized and tested by September 1999.

Third Party Suppliers and Service Providers – The program described in the preceding section will seek to identify third party providers of goods and services that affect the City's ability to ensure the continuity of essential services. Such providers include, but are not limited to, financial services providers whose operation are essential to the City's timely payment of bond obligations, and its collection and administration of taxes and other revenues. The providers will be required to furnish information sufficient to permit the City to assess their risk of business interruption on account of systems that are not year 2000 compliant and the resulting likelihood of disruption to City processes. Where a significant risk of disruption is identified, the agency will be responsible for developing a contingency and recovery plan for the continuity of services notwithstanding disruptions in provider operations. The City has completed the assessment of third party providers and expects that contingency and recovery plans will be finalized and tested by September 1999.

The assessments and projected completion dates provided above are the City's best estimates and are based on numerous assumptions, including the availability of certain resources, the readiness and compliance plans of third party providers, and other factors that may not be within the City's control, including, but not limited to, the availability and cost of personnel required for remediation, the ability to identify and correct all non-compliant microchip technology and all non-compliant software code, and the correctness and completeness of information from third party providers. The City believes but cannot guarantee that the estimated dates and expected results will be achieved.

The City currently anticipates that it will be able to fund any Year 2000 compliance costs in its Fiscal Year 1999 General Fund budget and within the constraints of the Seventh Five-year Plan.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

Consolidated Cash

The Act of the General Assembly of the Commonwealth on June 25, 1919, P.L. 581, Art. XVII, § 6, gives the City the authority to make temporary inter-fund loans between operating and capital funds.

The Consolidated Cash Account provides for the physical commingling of cash of all City Funds, except those which for legal or contractual reasons cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, certain capital project funds, sinking fund reserves, funds of the Gas Works, the Water Fund, the Aviation Fund and certain other restricted purpose funds). A separate accounting is maintained for the equity of each member fund in the Consolidated Cash Account. The City manages the Consolidated Cash Account pursuant to written procedures adopted by the Finance Department.

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, the required advance is made from the Consolidated Cash Account but only to the extent of the balance of

that fund's capital component and only in the amount necessary to result in a zero balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a borrowing fund are applied in repayment of the advance.

All advances are made within the budgetary constraints of the borrowing funds. Within the General Fund, this system of inter-fund advances has historically resulted in the temporary use of tax revenues or other operating revenues for capital purposes and the temporary use of capital funds for operating purposes.

Written procedures governing the City's cash management operations require the General Fund-related operating fund to borrow initially from the General Fund-related capital fund, and only to the extent there is a deficiency in such fund may the General Fund-related operating fund borrow money from any other funds in the Consolidated Cash Account.

Investment Practices

Cash balances in each of the City's funds are invested by the City Treasurer's Office through the use of money market mutual funds and professional money managers under contract with the City. The Finance Director adopted a written Investment Policy (the "Policy") which went into effect in August 1994 and was revised in May 1997.

The Policy clearly delineates the authorized investments as approved by City Council Ordinance and the funds to which the Policy applies. The authorized investments include U.S. Government Securities, U.S. Treasuries, U.S. Agencies, Certificates of Deposit, Bankers Acceptance Notes, Eurodollar Deposits, Euro Certificates of Deposit, Commercial Paper, Corporate Bonds, Money Market Mutual Funds, Repurchase Agreements and Commonwealth of Pennsylvania securities, all of investment grade rating or better. Each category of instruments, excluding U.S. Government, Treasury and Agency securities which carry no limitation, is limited to investment of no more than 25% of the total portfolio, and no more than 10% of the total portfolio per institutional or corporate issuer. The Policy also restricts investments to those having a maximum maturity of two years. Daily liquidity is maintained through the use of SEC-registered money market mutual funds with the balance of funds invested by money managers in accordance with the Investment Policy.

The Policy provides for an ad hoc Investment Committee consisting of the Finance Director, City Treasurer and Deputy City Treasurer with ex-officio membership of each of the principal operating and capital funds, i.e. Water Fund, Aviation Fund, Philadelphia Gas Works and Philadelphia Municipal Authority. The Investment Committee meets quarterly with each of the investment managers to review each manager's performance to date and plans for the next quarter. Investment managers are given any changes in investment instructions at these meetings. All changes in the Policy are approved by the Investment Committee.

The Policy expressly forbids the use of any derivative investment product whose yield or market value does not follow the normal swings in interest rates. Investment in derivatives such as "inverse floaters", leveraged variable rate debt and interest-only or principal-only Collateralized Mortgage Obligations are specifically forbidden. The use of any other derivative investment products is restricted to identified "core cash" in any fund but never to exceed 25% of any fund's balance at the time of purchase. If the market values fall 5% below cost, a written explanation is required from the investment manager outlining the reasons for the decline and outlining the steps, if any, that are needed to correct the situation.

General Fund Cash Flow

Because the receipt of General Fund revenues lags behind expenditures during most of each fiscal year, the City issues notes in anticipation of General Fund revenues and makes borrowings from the Consolidated Cash Account to finance its on-going operations. The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972. Each issue was repaid when due, prior to the end of the fiscal year.

The timing imbalance referred to above results from a number of factors, principally the following: (1) real property and certain other taxes are not due until the latter part of the fiscal year; (2) large general obligation debt service payments occur in July and January and August and February of each year; and (3) the City experiences lags in reimbursement from other governmental entities for expenditures initially made by the City in connection with programs funded by other governments.

DISCUSSION OF FINANCIAL OPERATIONS

Fiscal Year 1998 General Fund Results

The City's Fiscal Year 1998 budget was presented to City Council on January 23, 1997, and was approved by City Council on March 26, 1997. This budget was prepared by the City in conjunction with the Sixth Five-Year Plan. Simultaneously, the City's Sixth Five-Year Plan was approved by City Council and then submitted to PICA, which approved it on May 20, 1997.

On an audited basis, the City ended Fiscal Year 1998 with a fund balance in the General Fund of \$169.2 million, an increase of \$40.4 million over the Fiscal Year 1997 fund balance. Revenues were \$2,497.2 million or \$32.7 million over the Fiscal Year 1998 General Fund adopted budget. Appropriations were \$2,479.6 million, or \$30.4 million under the Fiscal Year 1998 General Fund adopted budget. There was an operating surplus of \$17.6 million. The operating surplus plus certain prior year adjustments of \$22.8 million combined with the Fiscal Year 1997 fund balance to produce the Fiscal Year 1998 fund balance of \$169.2 million.

Fiscal Year 1999 Budget

The City's Fiscal Year 1999 budget was approved by City Council on March 26, 1998 and by PICA on June 9, 1998. This budget was prepared by the City in conjunction with the Seventh Five-Year Plan. The Seventh Five-Year Plan reflects a fund balance of \$51.1 million at the end of Fiscal Year 2003.

The adopted General Fund budget for Fiscal Year 1999, including prior year adjustments, was balanced for the seventh consecutive year without a deficit elimination grant from PICA. In preparing the budget for Fiscal Year 1999, the City took a conservative approach to revenue estimation while also reflecting revenue enhancement and operating expense reduction measures identified in the Seventh Five-Year Plan.

Fiscal Year 1999- Third Quarter Results

On May 17, 1999 the City issued its Quarterly City Managers Report which reported third quarter Fiscal Year 1999 results. These results were determined to be in compliance with the Seventh Five-Year Plan. Based upon conservative estimates of both revenues and appropriations, the City projects ending Fiscal Year 1999 with a \$171.6 million fund balance in the General Fund.

Fiscal Year 2000 Budget

The City's Fiscal Year 2000 budget was presented by the Mayor to City Council on January 26, 1999 and approved by City Council on March 18, 1999.

Table 1
City Of Philadelphia
General Fund
Summary Of Operations
(Legal Basis)
(Amounts In Millions)

	Actual					Adopted
	1994	1995	1996	1997	1998	Budget
REVENUES						
Real and Personal Property Taxes	\$ 346.0	\$ 339.5	\$ 346.6	\$ 358.2	\$ 333.9	\$ 342.6
Wage and Earnings Tax ^(a)	829.0	847.5	864.9	872.5	914.3	895.5
Net Profits Tax	11.9	10.1	12.6	12.8	12.6	12.9
Business Privilege Tax	221.6	230.2	237.5	246.4	237.4	252.0
Sales Tax ^(b)	82.6	86.1	82.4	91.4	94.5	96.0
Other Taxes ^(c)	78.3	79.9	77.7	93.9	122.1	98.6
Total Taxes	<u>1,569.4</u>	<u>1,593.3</u>	<u>1,621.8</u>	<u>1,675.2</u>	<u>1,714.8</u>	<u>1,697.6</u>
Locally Generated Non-Tax Revenue	157.3	179.0	194.6	178.7	180.9	167.8
Revenue from Other Governments ^(d)	564.9	490.0	535.3	546.4	579.0	622.3
Receipts from Other City Funds	20.3	13.4	13.1	24.5	22.5	64.3
Total Revenue	<u>2,311.9</u>	<u>2,275.7</u>	<u>2,364.8</u>	<u>2,424.8</u>	<u>2,497.2</u>	<u>2,552.0</u>
OBLIGATIONS/APPROPRIATIONS						
Personal Services	863.5	865.2	896.7	970.4	974.2	936.4
Purchase of Services	754.5	699.7	709.9	735.9	736.0	835.7
Materials, Supplies and Equipment	74.9	72.7	81.7	72.4	76.1	83.8
Employee Benefits	450.5	426.7	431.0	456.7	471.0	502.5
Communities, Contributions and Grants	60.5	52.4	100.6	84.0	79.9	97.5
Long Service	93.9	99.8	92.1	91.1	84.1	107.1
Other	21.8	16.1	29.4	29.7	29.5	29.3
Payments to Other City Funds	26.4	34.6	29.5	23.8	28.8	26.1
Total Obligations/Appropriations	<u>2,346.0</u>	<u>2,267.2</u>	<u>2,371.0</u>	<u>2,463.9</u>	<u>2,479.6</u>	<u>2,618.5</u>
Operating Surplus (Deficit) for the Year	(34.3)	8.5	(6.1)	(39.2)	17.6	(66.4)
Net Adjustments - Prior Year	46.7	56.6	44.1	49.5	22.8	33.0
Funding for Labor Contracts	0.0	0.0	0.0	0.0	0.0	(99.5)
Cumulative Fund Balance (Deficit) Prior Year	3.0	15.4	80.5	118.5	128.8	132.9
Year End Fund Balance	<u>15.4</u>	<u>80.5</u>	<u>118.5</u>	<u>128.8</u>	<u>169.2</u>	<u>0.0</u>
Cumulative Adjusted Year End Fund Balance (Deficit)	<u>\$ 15.4</u>	<u>\$ 80.5</u>	<u>\$ 118.5</u>	<u>\$ 128.8</u>	<u>\$ 169.2</u>	<u>\$ 0.0</u>

(a) Fiscal Year 1992 and for subsequent fiscal years during which the PICA bonds were outstanding, the City reduced the resident Wage & Earnings and Net Profits Tax rate from 4.96% to 3.46% and levied the PICA Tax at a rate of 1.50%. After payment of debt service on the PICA bonds and PICA expenses, net proceeds of the PICA Tax are remitted to the City. These proceeds are reflected in Revenue from Other Governments.

(b) New sales tax went into effect on September 28, 1991.

(c) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.

(d) Includes financing through PICA and subsequent PICA grants.

(e) Fund balance estimated at time budget adopted.

(f) FIGURES MAY NOT ADD DUE TO ROUNDING

Table 2
City Of Philadelphia
Principal Operating Funds (Debt Related)
Summary Of Operations
(Legal Basis)
(Amounts In Millions)

	1994	1995	1996	1997	1998	Adopted Budget 1999
REVENUES						
General Fund (a)	\$2,311.7	\$2,275.7	\$2,364.8	\$2,424.8	\$2,497.2	\$2,551.9
Water Fund (b)	348.8	376.8	377.7	384.0	398.7	408.1
Aviation Fund (c)	116.5	115.9	124.6	128.6	131.0	149.0
Other Operating Funds (d)	20.7	19.5	23.4	22.0	23.8	24.6
Total Revenue	<u>2,797.7</u>	<u>2,787.9</u>	<u>2,890.5</u>	<u>2,959.4</u>	<u>3,050.7</u>	<u>3,133.6</u>
OBLIGATIONS/APPROPRIATIONS						
Personal Services	978.6	980.7	1,019.7	1,098.4	1,101.9	1,074.6
Purchase of Services	841.8	787.4	807.1	836.3	843.5	954.1
Materials, Supplies and Equipment	111.4	111.4	126.1	117.5	122.2	137.2
Employee Benefits	495.8	471.6	478.9	504.9	520.8	557.0
Indemnities, Contributions and Taxes	67.7	61.5	104.9	89.5	86.2	108.0
Debt Service	245.2	271.8	260.9	256.9	253.4	301.5
Other	21.8	16.1	29.5	29.7	29.5	29.8
Payments to Other City Funds	104.1	88.5	81.3	77.2	92.1	60.4
Total Obligations/Appropriations	<u>2,866.4</u>	<u>2,789.0</u>	<u>2,908.4</u>	<u>3,010.3</u>	<u>3,049.6</u>	<u>3,222.5</u>
Operating Surplus (Deficit) for the Year	(68.7)	(1.1)	(17.9)	(50.9)	1.1	(88.9)
Net Adjustments Prior Year	60.8	81.9	58.2	64.9	39.2	47.7
Funding for Labor Contracts	--	--	--	--	--	(99.5)
Cumulative Fund Balance (Deficit) Prior Year	27.7	19.8	100.6	140.9	155.8	148.7
Cumulative Adjusted Year End Fund Balance (Deficit)	<u>\$ 19.8</u>	<u>\$ 100.6</u>	<u>\$ 140.9</u>	<u>\$ 154.9</u>	<u>\$ 196.1</u>	<u>\$ 80</u>

(a) Net of deficit financing through PICA and subsequent PICA grants.

(b) Water and Sewer rates were increased on July 1, 1993, July 1, 1994 and July 1, 1995. Revenues of the Water Fund are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied, and then only to the extent of \$4,994,000 per year, provided certain further conditions are satisfied. The City has determined that only \$4,136,000 per year shall be available for transfers from the Water Fund to the General Funds provided certain other conditions are met.

(c) Airport revenues are not available for other City purposes.

(d) Includes County Liquid Fuels Tax Fund and Special Gasoline Tax Fund.

FIGURES MAY NOT ADD DUE TO ROUNDING

Quarterly Reporting to PICA

On November 16, 1992, the City submitted the first of its quarterly reports to PICA. This reporting is required under the PICA Act so that PICA may determine whether the City is in compliance with the then-current Five-Year Plan. Under the PICA Act, a "variance" is deemed to have occurred as of the end of a reporting period if (i) a net adverse change in the fund balance of a covered fund of more than 1% of the revenues budgeted for such fund for that fiscal year is reasonably projected to occur, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year or (ii) the actual net cash flows of the City for a covered fund are reasonably projected to be less than 95% of the net cash flows of the City for such covered fund for that fiscal year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year. The Mayor is required to provide a report to PICA that describes actual or current estimates of revenues, expenditures, and cash flows by covered funds compared to budgeted revenues, expenditures, and cash flows by covered funds for such previous quarterly or monthly period and for the year-to-date period from the beginning of the then-current fiscal year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any variance existing as of such last day.

PICA may not take any action with respect to the City for variances if the City (i) within 30 days provides a written explanation of the variance that PICA deems reasonable; (ii) within 45 days proposes remedial action that PICA believes will restore overall compliance with the then-current Five-Year Plan; (iii) provides information in the immediately succeeding quarterly financial report demonstrating to the reasonable satisfaction of PICA that the City is taking remedial action and otherwise complying with the then-current Five-Year Plan; and (iv) submits monthly supplemental reports as required by the PICA Act.

The City's most recent quarterly report was submitted to PICA on May 7, 1999 and reported no adverse variance from the Seventh Five-Year Plan.

REVENUES OF THE CITY

General

In 1932, the Pennsylvania General Assembly adopted an act (commonly referred to as the Sterling Act) under which the City was permitted to levy any tax that was not specifically pre-empted by the Commonwealth. Prior to 1939, the City relied heavily upon the real property tax as the mainstay of its revenue system. Acting under the Sterling Act and other legislation, the City has taken various steps over the years to reduce its reliance on real property taxes as a source of income, including: (1) enacting the wage, earnings, and net profits tax in 1939; (2) introducing a sewer service charge to make the sewage treatment system self-sustaining after 1945; (3) requiring under the Home Rule Charter that the water, sewer, and other utility systems be fully self-sustaining; and (4) enacting in 1952 the Mercantile License Tax (a gross receipts tax on business done within the City), which was replaced as of the commencement of Fiscal Year 1985 by the Business Privilege Tax.

Major Revenue Sources of Principal Operating Funds (Debt Related)

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 for revenues by major source for Fiscal Years 1989-1999 and Table 4 for General Fund tax revenues for Fiscal Years 1994-1999. The following description does not take into account revenues in the Non-Debt Related Funds. See Table 5 for tax rates for Fiscal Years 1990 through 1999.

Real Property Taxes — The City levies real estate taxes on all taxable real property located within its boundaries. For Fiscal Year 1999, the rate for the City is 37.45 mills and the rate for the School District is 45.19 mills.

Wage, Earnings, and Net Profits Taxes — These taxes are levied on the wages, earnings, and net profits of all residents of the City and all non-residents employed within the City. The rate for both residents and non-residents was 4.3125% from Fiscal Year 1977 through Fiscal Year 1983. For Fiscal Years 1984 through 1991 the wage and earnings tax rate was 4.96% for residents and 4.3125% for non-residents and the net profits tax rate was 4.96% for both residents and non-residents.

In Fiscal Year 1992, the City reduced the City wage, earnings, and net profits tax on City residents by 1.5% and imposed the PICA Tax on wage, earnings and net profits at the rate of 1.5% on City residents. In Fiscal Year 1996, the resident wage and earnings tax rate was reduced from 3.46% to 3.36% and the non-resident wage and earnings tax rate was reduced from 4.3125% to 4.2256%. In Fiscal Year 1997, the resident wage and earnings tax rate was reduced from 3.36% to 3.34%, and the non-resident wage and earnings tax rate was reduced from 4.2256% to 4.2082%. In Fiscal Year 1998, further reductions of the resident and non-resident wage and earnings tax rate to 3.29% and 4.1647%, respectively, were implemented. In the Fiscal Year 1999, the resident rate has been reduced to 3.1869% and the non-resident rate has been reduced to 4.0750%. The Seventh Five-Year Plan also proposes further reductions in each of these tax rates in each of Fiscal Years 2000-2003, but there can be no assurance that this proposal will be implemented.

Business Privilege Tax — In May 1984, the City enacted an ordinance substituting the Business Privilege Tax for the Mercantile License Tax. The Business Privilege Tax has been levied since January 1985 on every entity engaging in business in the City.

The Business Privilege Tax is a composite tax. Tax rates vary according to business classification (regulated, non-regulated, persons registered under the Pennsylvania Securities Act of 1972, manufacturing, wholesale, or retail) and method of tax computation employed. The various methods of tax computation are as follows: effective Fiscal Year 1989, all regulated industries, banks, trust companies, insurance companies, and public utilities, among others, are taxed at an annual rate of 3.25 mills on annual receipts not to exceed 6.5% of their net income. The tax on annual receipts and net income of all businesses, other than regulated industries, is levied at 3.25 mills and 6.5%, respectively, provided that persons registered under the Pennsylvania Securities Act of 1972 shall in no event pay a tax of less than 5.711 mills on all taxable receipts plus the lesser of 4.302% of net income or 4.302 mills on gross taxable receipts.

Non-regulated industry manufacturers can opt for a lower 5.395% rate on receipts from sales after deducting the applicable cost of goods. Non-regulated wholesalers may choose a gross receipts tax on wholesale transactions at a lower rate of 7.55% after deducting applicable product and labor costs. Non-regulated retailers have the option of choosing the lower rate of 2.1% on receipts from retail sales after deducting applicable product and labor costs.

All persons subject to both the Business Privilege Tax and the Net Profits Tax are entitled to apply a credit of 60% of their Business Privilege Tax liability against what is due on the Net Profits Tax, which credit may be carried back or forward for up to three years.

In Fiscal Year 1996, the gross receipts portion of the Business Privilege Tax was reduced from its previous level of 3.25 mills to 3.00 mills and was further reduced in Fiscal Year 1997 to 2.95 mills. In Fiscal Year 1998, the rate was further reduced to 2.875 mills. In the Fiscal Year 1999 budget, the rate was reduced to 2.775 mills. In the Seventh Five-Year Plan, the Mayor also proposed further reductions in this tax rate for each of Fiscal Years 2000-2003, but there can be no assurance that this proposal will be implemented.

All business activity is also assessed a one-time \$200 licensing fee administered by the Department of Licenses and Inspections.

Sales and Use Tax — In connection with the adoption of the Fiscal Year 1992 Budget, the City adopted a 1% sales and use tax (the "City Sales Tax") for City general revenue purposes. The Commonwealth authorized the levy of this tax under the PICA Act. Vendors are required to pay this sales tax to the Commonwealth Department of Revenue together with the similar Commonwealth sales and use tax. The State Treasurer deposits the collections of this tax in a special fund and disburses the collections, including any investment income earned thereon, less administrative fees of the Commonwealth Department of Revenue, to the City on a monthly basis.

The City Sales Tax is imposed in addition to, and on the same basis as, the Commonwealth's sales and use tax. The City Sales Tax became effective September 28, 1991 and is collected for the City by the Commonwealth Department of Revenue. The amount of City Sales Tax collected in Fiscal Year 1992 (from September 28, 1991 through June 30, 1992) was \$51.4 million and the amount of City Sales Tax collected in Fiscal Years 1993, 1994, 1995, 1996 and 1997 was \$76.3 million, \$82.6 million, \$86.1 million, \$82.4 million and \$91.4 million, respectively. The City collected of \$94.5 million in Fiscal Year 1998 and has budgeted the collection of \$96.0 million in Fiscal Year 1999.

Other Taxes — The City also collects real property transfer tax, parking lot taxes, and other miscellaneous taxes such as the Amusement Tax.

Other Locally Generated Non-Tax Revenues — These revenues include license fees and permit sales, traffic fines and parking meter receipts, court related fees, stadium revenues, interest earnings and other miscellaneous charges and revenues of the City.

Revenue From Other Governments — The City's Fiscal Year 1999 General Fund budget projects that 19% of General Fund revenues will be received from other governmental jurisdictions, including: (1) \$251.8 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) \$194.7 million from the Federal government; (3) \$38.0 million from other governments, in which revenues are primarily principal and interest payments on loans made by the City on SEPTA's behalf, the Convention Center Service Fee offset and rents paid to the City by the Gas Works; and (4) \$3.0 million of "Other Authorized Adjustments." In addition, the projected net collections of the PICA Tax of \$134.8

million are included in "Revenue from Other Governments." These amounts do not include the substantial amounts of revenues from other governments received by the Grants Revenue Fund, Community Development Fund, and other operating and capital funds of the City.

Revenues from City-Owned Systems

In addition to taxes, the City realizes revenues through the operation of various City-owned systems such as the Water and Wastewater Systems and the Gas Works. The City has issued revenue bonds with respect to the Water and Wastewater Systems and the Gas Works to be paid solely from and secured by a pledge of the respective revenues of these systems. The revenues of the Water and Wastewater Systems and the Gas Works do not represent moneys that are unconditionally available for the payment of obligations of the City.

Effective June 1991, the revenues of the Water Department were required to be segregated from other funds of the City. Under the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "Water Ordinance"), an annual transfer may be made from the Water Fund to the City's General Fund in an amount not to exceed the lesser of (a) all Net Reserve Earnings, as defined below, or (b) \$4,994,000. Net Reserve Earnings means the amount of interest earnings during the fiscal year on amounts in the Debt Reserve Account and Subordinated Bond Fund, as defined in the Water Ordinance. The \$4,994,000 amount was reduced to \$4,138,000 by administrative agreement that will be in effect through Fiscal Year 2003. No such transfer was made in Fiscal Year 1992; however, the transfer has been made in each subsequent year. A transfer of \$4.138 million is also anticipated in Fiscal Year 1999.

The revenues of the Gas Works are segregated from other funds of the City. Payments for debt service on Gas Works Revenue Bonds are made directly by the Gas Works. The Gas Works also makes an annual payment of \$18,000,000 to the City's General Fund. The Fiscal Year 1999 General Fund budget includes the payment of \$18,000,000 to the City by the Gas Works.

Assessment and Collection of Real and Personal Property Taxes

The Board of Revision of Taxes (the "Board") appoints real estate assessors who annually assess all real estate located within the City. The assessors return assessments for each parcel of real estate to the Board. The Board may increase or decrease the property valuations contained in the returns of the assessors in order that such valuations conform with law. After the Board gives proper notice of all changes in property assessments, and after it has heard all assessment appeals, it then makes assessments and certifies the results to the Department of Revenue.

Real estate taxes, if paid by February 28, are discounted by 1%. If the tax is paid during the month of March, the gross amount of tax is due. If the tax is not paid by the last day of March, tax additions of 1.5% per month are added to the tax for each month that the tax remains unpaid through the end of the calendar year. Beginning in January of the succeeding year the 15% tax additions that accumulated during the last ten months of the preceding years are capitalized and the tax is registered delinquent. Interest is then computed on the new tax base at a rate of 0.5% per month until the real estate tax is fully paid. Commencing in February of the second year, an additional 1% per month penalty is assessed for a maximum of seven months. See Table 6 for assessed and market values of taxable realty in the City and Table 7 for levies and rates of collections.

During Fiscal Year 1997 and subsequent to the adoption of the Fiscal Year 1998 budget, the City reached the decision to abandon the collection of the Personal Property Tax due to uncertainty as to the outcome of litigation challenging specific aspects of the tax then pending in other jurisdictions of the Commonwealth. As a result, the City realized no Personal Property Tax revenues in Fiscal Year 1998 and has anticipated no Personal Property Tax receipts in its Fiscal Year 1999 budget. The Personal Property Tax had previously been levied on the value of certain personal property of residents of the City.

Table 3
City Of Philadelphia
Summary Of
Principal Operating Funds (Debt Related)
Revenues By Major Source
Fiscal Years 1989-1999

(Legal Basis)
(Amounts in Millions of Dollars)

Fiscal Year	Real & Personal Property Taxes ^(a)	Wage Earnings & Net Profits Taxes ^(a)	Business Privilege Tax ^(a)	Sales and Use Tax ^{(a)(b)}	Other Taxes ^(a)	Total Taxes	Water & Wastewater Charges ^(d)	Airport Charges	Other Locally Generated Revenue	Total Local Revenue	Revenue from Other Governments	Revenue from Other City Funds	Total Revenues
1989	286.7	913.9	201.7	-	89.1	1,491.4	207.7	62.4	167.2	1,928.7	347.3	34.8	2,310.8
1990	314.0	947.8	207.5	-	93.6	1,562.9	205.5	73.7	200.5	2,042.6	319.1	50.6	2,412.3
1991	326.6	923.6	217.3	-	72.7	1,591.1	217.7	89.7	149.6	2,048.1	341.3	42.7	2,432.0
1992	333.3	815.9 ^(c)	200.3	51.4	70.2	1,481.1	268.8	107.4	164.0	2,021.3	591.9	25.5	2,638.7
1993	315.2	830.0 ^(c)	215.1	76.3	69.0	1,525.6	294.8	113.5	176.5	2,110.4	617.1	31.8	2,759.3
1994	316.0	840.8 ^(c)	221.6	82.6	78.3	1,569.3	288.1	114.7	199.9	2,172.0	587.0	38.7	2,797.7
1995	319.5	857.6 ^(c)	230.2	86.1	79.9	1,593.3	288.9	114.0	244.7	2,240.9	515.9	31.1	2,787.9
1996	316.6	877.5 ^(c)	237.5	82.4	77.7	1,621.8	296.2	123.8	250.4	2,292.2	565.1	33.2	2,890.5
1997	358.2	885.4 ^(c)	246.4	91.3	93.8	1,675.2	291.0	125.8	236.8	2,328.8	587.9	44.1	2,960.8
1998	333.9 ^(e)	926.9 ^(c)	237.4	93.5	122.1	1,714.8	288.8	126.6	253.7	2,383.9	620.7	46.1	3,050.7
Adopted Budget 1999	312.6 ^(d)	908.1 ^(c)	252.0	96.0	98.6	1,697.6	294.9	146.2	226.2	2,364.9	654.7	114.5	3,134.1

(a) See Table 5 for Tax Rates.

(b) Effective September 28, 1991.

(c) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.

(d) Water and Wastewater rates were increased on December 1, 1991, and July 1, 1993, with inflation-indexed increases put into effect on July 1, 1994 and July 1, 1995.

(e) In Fiscal Year 1992, the City reduced the resident Wage and Earnings and Net Profits Taxes from 4.96% to 3.46% and levied the PICFA Tax at a rate of 1.50%, the proceeds of which are remitted to PICFA for payment of debt service on the PICFA bonds and PICFA's expenses.

(f) The City ceased collecting the Personal Property Tax in Fiscal Year 1998.

FIGURES MAY NOT ADD DUE TO ROUNDING

Table 4
City Of Philadelphia
General Fund
Tax Revenues ⁽¹⁾
Fiscal Years 1994-1999 ⁽²⁾
(Amounts In Millions)

	Actual					Adopted Budget
	1994	1995	1996	1997	1998	1999
REAL PROPERTY TAXES						
Current	\$ 304.9	\$ 306.1	\$ 299.2	\$ 310.1	\$ 305.8	\$ 315.6
Prior	26.7	21.4	30.4	44.7	28.1	27.0
Total	<u>\$ 331.6</u>	<u>\$ 327.5</u>	<u>\$ 329.6</u>	<u>\$ 354.8</u>	<u>\$ 333.9</u>	<u>\$ 342.6</u>
PERSONAL PROPERTY TAXES						
Current	13.9	11.8	16.7	0.0 ⁽³⁾	0.0	0.0 ⁽³⁾
Prior	0.5	0.2	0.3	3.4	0.0	0.0
Total	<u>\$ 14.4</u>	<u>\$ 12.0</u>	<u>\$ 17.0</u>	<u>\$ 3.4</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>
WAGE AND EARNINGS TAX ⁽⁴⁾						
Current	804.6	826.1	844.7	859.7	896.6	882.5
Delinquent	24.4	21.4	20.2	12.8	17.7	13.0
Total	<u>\$ 829.0</u>	<u>\$ 847.5</u>	<u>\$ 864.9</u>	<u>\$ 872.5</u>	<u>\$ 914.3</u>	<u>\$ 895.5</u>
BUSINESS TAXES						
Business Privilege						
Current	184.4	187.5	214.6	210.6	214.0	227.0
Delinquent	37.2	42.7	22.9	35.8	23.4	25.0
Sub-Total Business Privilege	<u>\$ 221.6</u>	<u>\$ 230.2</u>	<u>\$ 237.5</u>	<u>\$ 246.4</u>	<u>\$ 237.4</u>	<u>\$ 252.0</u>
Net Profits Tax						
Current	9.3	7.7	10.4	10.4	10.2	10.5
Delinquent	2.6	2.4	2.2	2.3	2.4	2.4
Sub-Total Net Profits Tax	<u>11.9</u>	<u>10.1</u>	<u>12.6</u>	<u>12.7</u>	<u>12.6</u>	<u>12.9</u>
Total Business Taxes	<u>\$ 233.5</u>	<u>\$ 240.3</u>	<u>\$ 250.2</u>	<u>\$ 259.2</u>	<u>\$ 250.0</u>	<u>\$ 264.9</u>
OTHER TAXES						
Sales and Use Tax	82.6	86.1	82.4	91.4	94.5	96.0
Amusement Tax	8.3	7.2	7.7	9.2	9.5	9.7
Real Property Transfer Tax	46.3	45.6	42.0	54.8	82.5	58.0
Parking Taxes	23.4	25.6	27.7	28.4	30.0	29.9
Other Taxes	0.2	1.4	0.2	1.4	1	1.0
Sub-Total Other Taxes	<u>\$ 160.8</u>	<u>\$ 166.0</u>	<u>\$ 160.1</u>	<u>\$ 185.2</u>	<u>\$ 216.6</u>	<u>\$ 194.6</u>
TOTAL TAXES	<u>\$1,569.3</u>	<u>\$1,593.3</u>	<u>\$1,621.8</u>	<u>\$1,675.2</u>	<u>\$1,714.8</u>	<u>\$1,697.6</u>

⁽¹⁾ See Table 5 for Tax Rates

⁽²⁾ Beginning in FY 1992, the City reduced the resident Wage and Earnings and Net Profits Tax from 4.96% to 3.46% and levied the PICA Tax at a rate of 1.5% the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and the PICA expenses. After paying debt service and PICA expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments.

⁽³⁾ Due to a clerical error, the Personal Property Tax during the latter part of Fiscal Year 1997

⁽⁴⁾ FIGURES MAY NOT ADD DUE TO ROUNDING

Table 5
Tax Rates Of The City Of Philadelphia
And School District
For The Ten-Year Period 1990 Through 1999

Tax Classification	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Real Property										
(%) on Assessed Valuation:										
City	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%
School District	4.120%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%
Total Real Property Tax	7.865%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%
Assessment Ratios										
Determined by Sales	23.800%	24.600%	25.200%	25.100%	27.300%	27.000%	27.070%	26.440%	NA	NA
Effective Tax Rate										
(Real Estate Tax Rate)										
Assessment Ratio	1.872%	2.033%	2.083%	2.074%	2.256%	2.231%	2.237%	2.185%	NA	NA
Wage, Earnings and Net Profits Taxes										
Residents	4.960%	4.960%	4.960%	4.960%	4.960%	4.960%	4.860% (i)	4.840% (ii)	4.790% (ip)	4.687% (ri)
Non-Residents	4.313%	4.313%	4.313%	4.313%	4.313%	4.313%	4.226% (j)	4.208% (m)	4.165% (q)	4.075% (s)
Real Property Transfer Tax (b)	4.070% (c)	3.920% (d)	3.690% (d)	3.460% (d)	3.240% (d)	3.000% (d)	3.000%	3.000%	3.000%	3.000%
Personal Property Tax (%) on										
Tangible Intangible Items	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%	— (n)	—	—
Business Privilege Taxes										
(%) on Gross Receipts	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.000% (k)	2.950% (o)	2.880% (q)	2.775% (s)
(%) on Net Income	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%
Sales and Use Taxes	—	—	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
Amusement Tax	5.000%	5.000%	5.000%	5.000%	5.000%	5.000%	5.000%	5.000%	5.000%	5.000%
Excise Tax (On Gross Receipts from Parking)	15.000%	15.000%	15.000%	15.000%	15.000%	15.000%	15.000%	15.000%	15.000%	15.000%
Sound Reproduction Tax										
(%) on Gross Income (f)	5.000%	5.000%	5.000%	—	—	—	—	—	—	—
Hoisting Alley Tax										
Annual Per Alley (f)	\$25.00	\$25.00	\$25.00	—	—	—	—	—	—	—
Mechanical Amusement Device Tax (Annual Per Device) (g)	\$100.00	\$100.00	\$100.00	\$100.00	—	—	—	—	—	—
Hotel Room Rental Tax										
(%) on Cost of Room	5.000%	5.000%	5.000%	5.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%

NOTES

- (a) The rate for the Wage, Earnings and Net Profits Tax for non-residents is 4.3125%. Effective July 1, 1991 the City's share of the Wage, Earnings and Net Profits Taxes for City residents is 3.46%, while PICA receives 1.5%.
- (b) Effective July 1, 1985, transfers made by corporate entities are subject to Realty Transfer Tax.
- (c) Increase effective July 1, 1988.
- (d) Phased decreases beginning July 1, 1990.
- (e) Effective September 28, 1991.
 - (i) These taxes were repealed in FY 1993.
 - (ii) The City converted this tax to a licensing fee in FY 1994.
 - (iii) Tax rate increase to 6% upon substantial completion of the Convention Center which occurred in FY 1994.
 - (iv) Tax decrease effective January 1, 1996. The City's share of the Wage, Earnings and Net Profits for City Residents is 3.36% while PICA receives 1.5%.
 - (v) Tax decrease effective January 1, 1996.
 - (vi) Tax decrease effective January 1, 1996. The City's share of Wage, Earnings and Net Profits for City Residents is 3.34% while PICA receives 1.5%.
 - (vii) Tax decrease effective July 1, 1996.
- (f) The City ceased the collection of the Personal Property Tax during FY 1997.
 - (i) Tax increase effective January 1, 1996.
 - (ii) Tax decrease effective July 1, 1997. The City's share of Wage, Earnings and Net Profits for City Residents is 3.29% while PICA receives 1.5%.
 - (iii) Tax decrease effective July 1, 1997.
 - (iv) Tax increase effective July 1, 1998. The City's share of Wage, Earnings and Net Profits for the City Residents is 3.18% while PICA receives 1.5%.
 - (v) Tax decrease effective July 1, 1998.

Table 6
City Of Philadelphia
Assessed And Market Value Of Taxable Realty In Philadelphia
For The Calendar Years 1989 Through 1998
(Amounts In Millions Of Dollars)

Calendar Year	Assessed Value Adjusted to 6/30/97 ^(a)		Market Value on Basis of STEB Ratio			Estimated Market Value Based on Sales		
	Amount	Percentage Increase (Decrease) Over Prior Year	Assessment Ratio of State Tax Equalization Board ^(b)	Amount	Percentage Increase (Decrease) Over Prior Year	Assessments Ratio as Determined by Sales ^(c)	Amount	Percentage Increase (Decrease) Over Prior Year
1989	7,573	(1.49%)	0.308	24,588	0.49%	0.250	30,292	(2.36%)
1990	8,316	11.13%	0.300	28,091	14.25%	0.238	35,376	16.78%
1991	8,794	4.49%	0.300	29,333	4.42%	0.246	35,806	1.22%
1992	8,925	1.49%	0.300	29,770	1.49%	0.252	35,459	(0.97%)
1993	8,867	(0.65%)	0.300	29,576	(0.65%)	0.251	35,299	(0.45%)
1994	9,012	1.64%	0.300	30,060	1.64%	0.273	33,072	(6.31%)
1995	8,900	(1.24%)	0.299	29,766	(0.98%)	0.270	32,926	(0.44%)
1996	8,907	0.08%	0.300	29,710	(0.19%)	0.271	32,904	(0.07%)
1997	8,992	0.95%	0.303	29,696	(0.05%)	0.264	34,009	3.36%
1998 ^(d)	9,098	1.18%	0.300	30,136	1.48%	N/A	N/A	N/A

(a) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments.

(b) The State Tax Equalization Board (STEB) determines annually for each municipality in the Commonwealth a ratio of assessed valuation to true value. The ratio is used for the purpose of equalizing certain state school aid distribution.

(c) The Assessment Ratio as presented has not been adjusted to allow for the effects of large or unusual sales.

(d) At June 30, 1998.

Table 7
City Of Philadelphia
Real Property Taxes Levied And Collected
For The Calendar Years 1988 Through 1997
(\$ In Millions)

<u>Year</u>	<u>Adjusted Total Tax Levy</u>	<u>Amount Collected in Year of Levy</u>	<u>Collections Within Year as a Percent of Total Tax Levy</u>	<u>Net Collections of Delinquent Taxes Relating to Year of Levy</u>	<u>Total Collections</u>	<u>Total Collections as a Percent of Total Tax Levy</u>
1988	301.5	279.8	92.79%	14.3	294.1	97.52%
1989	315.5	284.6	90.21%	14.6	299.2	94.84%
1990	355.4	326.0	91.74%	17.8	343.8	96.76%
1991	408.9	356.3	87.14%	25.6	381.9	93.40%
1992	412.6	373.9	90.62%	27.7	401.6	97.35%
1993	412.4	366.6	88.89%	29.9	396.5	96.13%
1994	413.9	370.6	89.53%	28.3	398.9	96.37%
1995	414.1	371.2	89.62%	31.5	402.7	97.23%
1996	407.4 ^(a)	365.4	89.70%	40.2	405.6	99.58%
1997	405.8 ^(b)	N/A	N/A	N/A	N/A	N/A

Source: City of Philadelphia, Consolidated Annual Financial Report for Fiscal Year Ended June 30, 1998

(a) Certified by Board of Revision of Taxes including revisions through December 31, 1996

(b) Certified by Board of Revision of Taxes including revisions through June 30, 1997.

Table 8
Ten Largest Real Estate Assessments
Of Fully Taxable Property
January 1, 1998

<u>Rank</u>	<u>Location</u>	<u>1998 Certified Market Value</u>	<u>Assessment</u>
1	1500-42 Market (Centre Square)	\$165,000,000	\$52,800,000
2	1650 Market Street (One Liberty Place)	150,000,000	48,000,000
3	4301 Byberry Road (Franklin Mills Mall)	149,178,700	47,737,184
4	1717 Arch Street (Bell Atlantic Tower)	140,000,000	47,040,000
5	50 South 16 th Street (Two Liberty Place)	142,000,000	45,440,000
6	1735 Market Street (Mellon Bank Center)	142,000,000	45,440,000
7	1201 Market Street (Marrriott Hotel)	120,000,000	38,400,000
8	2001 Market Street	98,677,400	31,576,768
9	2005 Market Street	97,000,000	31,040,000
10	1600-22 Market Street	86,250,000	27,600,000

Source: City of Philadelphia, Board of Revision of Taxes

Table 9
Ten Largest Certified Market and Assessment Values
of Tax Abated Properties
January 1, 1998

Rank	Location	1998 Certified Market Value	Taxable Assessment Value	Assessment Value
1.	4301 Byberry Road	\$149,178,700	\$47,737,184	\$1,738,016
2.	1901-19 Market Street	98,826,600	8,806,162	22,818,350
3.	1675 Columbus Blvd.	8,200,000	1,573,120	1,050,880
4.	700 E. Hunting Park Avenue	7,729,500	235,392	2,238,048
5.	6201-31 N. Front Street	6,000,000	512,000	1,408,000
6.	6129-35 Palmetto Street	5,200,000	473,600	1,190,400
7.	3601 Market Street	5,000,000	852,000	748,000
8.	1435-41 Walnut	4,207,100	1,256,768	89,504
9.	10301 Decatur Road	4,190,000	843,200	497,600
10.	2001 Pennsylvania Avenue	2,909,000	404,000	526,880

Source: City of Philadelphia, Board of Revision of Taxes.

EXPENDITURES OF THE CITY

The major City expenditures are for personal services, employee benefits, purchase of services (including payments to SEPTA), and debt service.

Personal Services (Personnel)

As of June 30, 1998, the City employed 28,681 full-time employees with the salaries of 24,350 employees paid from the General Fund. Additional employment is supported by other funds, including the Water Fund and the Aviation Fund.

Additional operating funds for employing personnel are contributed by other governments, primarily for categorical grants, as well as for the conduct of the community development program. These activities are not undertaken if funding is not received.

The following table sets forth the number of filled full-time positions of the City as of the dates indicated.

Table 10
City Of Philadelphia
Filled, Full-Time Positions - All Operating Funds

	At June 30 Actual					Adopted Budget
	1994	1995	1996	1997	1998	1999
General Fund						
Police	6,894	7,109	6,960	7,630	7,801	7,858
Streets	2,259	2,268	2,131	2,160	2,135	2,180
Fire	2,342	2,398	2,418	2,462	2,468	2,489
Health	866	872	893	906	875	934
Courts	2,065	2,046	2,101	2,091	2,108	0
Other	<u>8,499</u>	<u>7,705</u>	<u>8,743</u>	<u>8,866</u>	<u>8,963</u>	<u>9,433</u>
Total General Fund	22,925	23,298	23,246	24,115	24,350	22,894
Other Funds	4,088	4,140	4,239	4,260	4,331	5,222
TOTAL	<u>27,013</u>	<u>27,438</u>	<u>27,485</u>	<u>28,365</u>	<u>28,681</u>	<u>28,116</u>

Labor Agreements

The City conducts collective bargaining with four major bargaining units. Approximately 16,000 non-uniformed employees are represented by District Councils 33 and 47 of the American Federation of State, County and Municipal Employees, AFL-CIO. The bargaining units for uniformed employees are the Fraternal Order of Police (the "F.O.P."), Lodge No. 5 and The Philadelphia Fire Fighters Association, Local 22, International Association of Fire Fighters, AFL-CIO ("Local 22"), which together represent a total of approximately 9,200 employees. Uniformed employees bargain under Act 111 of 1968 which provides for final and binding arbitration for collective bargaining disputes.

On June 30, 1996, new collective bargaining agreements were reached with District Councils 33 and 47. These four-year contracts included a \$1,100 bonus, with no general increase in base wages, in year one (Fiscal Year 1997), increases of 3% late in the second quarter of both the second and third years of these agreements (Fiscal Years 1998 and 1999), and an increase of 4% late in the third quarter of the fourth year of the agreements (Fiscal Year 2000). In addition, these agreements maintained the health benefit cost containment provisions, employee disability reforms, paid leave reductions (with the exception of Veterans Day, which was restored as a City holiday in Fiscal Year 1998) achieved in prior agreements, and strengthened management rights negotiated by the City in 1992.

In July and October 1996, respectively, arbitration panels awarded new contracts for the City's police and firefighters that parallel, but are slightly more generous than, the AFSCME agreements. The F.O.P. award provided for a two-year agreement, with wage increases of 4% in the first quarters of both Fiscal Year 1997 and 1998, and partial restoration of reductions in starting pay levels instituted in 1992. In most key respects, however, this award retained the benefits restructuring and management rights improvements gained by the City in 1992. In the award for Local 22, firefighters and paramedics received a four-year contract consistent with the other City agreements, with wage increases of 4% in the first quarters of both Fiscal Year 1997 and 1998, an increase of 3% in the third year (Fiscal Year 1999), and an increase of 4% in the fourth year (Fiscal Year 2000).

In August 1998, an arbitration panel issued a new F.O.P. award that expires June 30, 2000. The award maintains general parity with the firefighters' award by providing wage increases of 3% in Fiscal Year 1999 and 4% in Fiscal Year 2000. Additionally, the award will permit the Police Department to make a limited number of shift changes, which should reduce overtime costs.

On June 1, 1995, the Governor of the Commonwealth signed into law Act No. 5 of 1995. Act No. 5 amends the First Class City Home Rule Act to eliminate the City's ability to exempt itself from Commonwealth law setting disability compensation levels for police officers and firefighters. Commonwealth law generally requires that injured police officers and firefighters receive their "full rate of salary," which the City has interpreted to mean the net compensation for temporarily disabled uniformed personnel rather than the gross pay. The City has challenged Act No. 5 in litigation, and has received a favorable decision in the Court of Common Pleas; however, this decision has been appealed to the Commonwealth Court by the F.O.P. and Local 22. If the City's position is not sustained on appeal, the City anticipates an increase in disability compensation of approximately \$2.4 million per year.

The following table presents employee wage increases for the Fiscal Years 1989 through 2000.

Table 11
City Of Philadelphia
Employee Wage Increases
Fiscal Years 1989-2000

Fiscal Year	District Council No. 33	District Council No. 47	Fraternal Order of Police	International Association of Fire Fighters
1989	no increase	no increase	5.0%	5.0%
1990	5.0%	5.0%	6.0%	6.0%
1991	6.0%	6.0%	5.0%	5.0%
1992	8.0%	8.0%	5.0%	5.0%
1993	no increase	no increase	no increase	no increase
1994	no increase	no increase	no increase	no increase
1995	2.0%	2.0%	2.0%	2.0%
1996	3.0%	3.0%	3.0%	3.0%
1997	no increase (a)	no increase (a)	4.0% (b)	4.0% (c)
1998	3.0% (d)	3.0% (d)	4.0% (e)	4.0% (f)
1999	3.0% (g)	3.0% (g)	3.0% (h)	3.0% (i)
2000	4.0% (j)	4.0% (j)	4.0% (k)	4.0% (l)

- (a) First year of a four year contract: received a cash bonus of \$1,100 in July 1996.
 (b) First year of a two year contract: 4% effective July 1, 1996.
 (c) First year of a four year contract: 4% effective July 1, 1996
 (d) Second year of a four year contract: 3% effective December 15, 1997.
 (e) Second year of a two year contract: 4% effective September 15, 1997
 (f) Second year of a four year contract: 4% effective September 15, 1997.
 (g) Third year of a four year contract: 3% effective December 15, 1998
 (h) First year of a two year contract: 3% effective September 15, 1998
 (i) Third year of a four year contract: 3% effective September 15, 1998
 (j) Fourth year of a four year contract: 4% effective March 15, 2000.
 (k) Second year of a two year contract: 4% effective September 15, 1999.
 (l) Fourth year of a four contract: 4% effective September 15, 1999.

Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 1994 through 1999 are shown in the following table.

Table 12
City Of Philadelphia
General Fund Employee Benefit Expenditures
Fiscal Years 1994-1999
(Amounts In Millions)

	Actual					Adopted Budget
	1994	1995	1996	1997	1998	1999
Pension Contribution	\$207.7	\$187.3	\$195.8	\$207.2	\$219.2	\$230.3
Health-Medical-Dental	136.2	140.7	142.1	149.6	151.6	171.7
Social Security	42.3	43.5	46.4	46.2	48.2	47.5
Other	64.3	55.2	46.7	54.1	52.0	53.6
Total	<u>\$450.5</u>	<u>\$426.7</u>	<u>\$431.0</u>	<u>\$457.1</u>	<u>\$471.0</u>	<u>\$502.5</u>

Municipal Pension Fund (Related to All Funds)

The City is required by the Home Rule Charter to maintain an actuarially sound pension and retirement system covering all officers and employees of the City. Court decisions have interpreted this requirement to mean that the City must make contributions to the Municipal Pension Fund sufficient to fund:

- (a) Accrued actuarially determined normal costs.
- (b) Amortization of the unfunded actuarial accrued liability determined as of July 1, 1985. The portion of that liability attributable to a class action lawsuit by pension fund beneficiaries is amortized in level installments, including interest, over 40 years through June 30, 2009. The remainder of the liability is amortized over 34 years with increasing payments expected to be level as a percentage of each year's aggregate payroll.
- (c) Amortization in level dollar payments of the changes in the July 1, 1985 liability due to: nonactive member's benefit modifications (10 years); experience gains and losses (15 years); changes in actuarial assumptions (20 years); and active members' benefit modifications (20 years).

The pension fund was actuarially valued every two years through 1984, and beginning with the July 1, 1985 valuation report, is required to be actuarially valued each year.

The July 1, 1980 unfunded liability, as amended by subsequent reports, will be amortized over 38 years through annual contributions which will closely approximate a level percent of payroll. The Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, enacted December 18, 1984 adopted changes in funding of municipal pensions that have been reflected in the valuation report for July 1, 1985. In particular, this act generally requires that unfunded actuarial accrued liability be funded in annual level dollar payments. The City is permitted to amortize the July 1, 1985 unfunded actuarial accrued liability over 40 years ending in 2025.

Based on an actuarial schedule providing payments increasing at 5.0% per annum, the unfunded accrued liability should be fully amortized by 2019.

Non-uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service or upon attainment of age fifty-five. Upon retirement, non-uniformed employees may receive up to 80% of their average final compensation depending upon their years of credited service. Uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service or upon attainment of age forty-five. Upon retirement, uniformed employees may receive up to 100% of their average final compensation depending upon their years of credited service.

Effective January 1, 1987 the City adopted a new plan ("Plan 87") to cover employees hired after January 8, 1987, as well as members in the previous Plan who elected to transfer to Plan 87. Except for

elected officials. Plan 87 provides for less costly benefits and reduced employee contributions. For elected officials, Plan 87 provides for enhanced benefits, with participating elected officials required to pay for the additional normal cost. Police and Fire personnel became eligible for Plan 87 on July 1, 1988. Because of Court challenges, members of District Council 33 and Local 2187 of District Council 47 were not eligible for Plan 87 until October 2, 1992.

In February 1999, the Philadelphia Authority for Industrial Development issued \$1,291,913,112.35 Pension Funding Bonds (City of Philadelphia Retirement System) Series 1999A-1999C. The net proceeds of this issue, \$1,250,000,000, were deposited in the City's pension fund reducing the unfunded pension liability from approximately \$2.7 billion to \$1.45 billion.

The following table is a comprehensive statement of operations of the City Municipal Pension Fund for Fiscal Years 1993 through 1997. —

Table 1.3
 City of Philadelphia
 City Municipal Pension Fund
 Comparative Schedule of Operations
 For the Fiscal Years 1993 Through 1997
 (Amounts in Millions of Dollars)

	1993		1994		1995		1996		1997	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
REVENUE										
<i>Contributions</i>										
<i>Employees</i>										
Members' Contributions	\$ 35.0	10.7	\$ 44.3	9.6	\$ 44.2	10.1	\$ 45.6	7.2	\$ 47.0	4.9
Less: Refunds to Members	4.9	1.2	4.3	0.9	3.7	0.8	3.8	0.6	3.8	0.4
Net Members' Contributions	<u>30.1</u>	<u>9.5</u>	<u>40.0</u>	<u>8.6</u>	<u>40.5</u>	<u>9.2</u>	<u>41.8</u>	<u>6.6</u>	<u>43.2</u>	<u>4.5</u>
<i>Employer's</i>										
City of Philadelphia	174.3	41.3	233.7	50.5	212.8	48.5	222.5	35.3	237.0	24.8
Commonwealth of Pennsylvania Through City of Philadelphia	35.1	-	-	-	-	-	-	-	-	-
Quasi-Governmental Agencies	<u>3.6</u>	<u>0.9</u>	<u>2.8</u>	<u>0.6</u>	<u>4.6</u>	<u>1.0</u>	<u>4.8</u>	<u>0.8</u>	<u>5.2</u>	<u>0.5</u>
Total Employer's Contributions	<u>213.0</u>	<u>42.2</u>	<u>236.5</u>	<u>51.1</u>	<u>217.4</u>	<u>49.5</u>	<u>227.3</u>	<u>36.0</u>	<u>242.2</u>	<u>25.3</u>
Commonwealth of Pennsylvania	<u>6.5</u>	<u>1.5</u>	<u>2.7</u>	<u>0.6</u>	<u>1.3</u>	<u>0.3</u>	<u>4.5</u>	<u>0.7</u>	-	-
Total Contributions	<u>259.6</u>	<u>61.6</u>	<u>279.2</u>	<u>60.4</u>	<u>259.2</u>	<u>59.0</u>	<u>273.6</u>	<u>43.4</u>	<u>285.4</u>	<u>29.8</u>
Investment Earnings	161.6	38.3	182.9	39.5	178.9	40.8	156.4	24.5	669.9	70.1
Other	0.5	0.1	0.5	0.1	0.9	0.2	0.8	0.1	0.3	0.1
Total Revenues	<u>421.7</u>	<u>100.0</u>	<u>462.6</u>	<u>100.0</u>	<u>439.0</u>	<u>100.0</u>	<u>630.8</u>	<u>100.0</u>	<u>955.6</u>	<u>100.0</u>
DISBURSEMENTS (1)										
For Pension Benefits	312.5	-	326.2	-	338.6	-	353.4	-	372.0	-
For Other Purposes, Excluding Refunds	<u>43.2 (1)</u>	-	<u>26.8 (1)</u>	-	<u>28.1 (1)</u>	-	<u>21.4 (1)</u>	-	<u>23.6</u>	-
Total Disbursements	<u>355.7</u>	-	<u>353.0</u>	-	<u>366.7</u>	-	<u>374.8</u>	-	<u>385.6</u>	-
Excess of Revenue Over Disbursements	<u>\$ 66.0</u>	-	<u>\$ 109.6</u>	-	<u>\$ 72.3</u>	-	<u>\$ 256.0</u>	-	<u>\$ 570.0</u>	-
Net Assets										
Opening	\$ 1,847.1	-	\$ 1,913.1	-	\$ 2,022.7	-	\$ 2,095.0	-	\$ 2,351.0	-
Closing	<u>1,913.1</u>	-	<u>2,022.7</u>	-	<u>2,095.0</u>	-	<u>2,351.0</u>	-	<u>2,921.0</u>	-
Increase During the Year	<u>\$ 66.0</u>	-	<u>\$ 109.6</u>	-	<u>\$ 72.3</u>	-	<u>\$ 256.0</u>	-	<u>\$ 570.0</u>	-
EXHIBIT										
1. Pension Benefits Paid as a Percent of										
A. Net Contributions of Members	729.3	-	815.5	-	816.0	-	845.5	-	861.1	-
B. Revenue	74.1	-	70.5	-	77.1	-	56.0	-	38.9	-
C. Closing Net Assets	16.3	-	16.1	-	16.2	-	15.0	-	12.7	-
2. The Closing Net Assets as a Percent of										
Total Disbursements	537.8	-	573.0	-	571.3	-	627.3	-	757.5	-
3. Revenues as a Percent of Disbursements	118.6	-	131.0	-	119.7	-	168.3	-	247.5	-
4. Investment Earnings as a Percent of										
Pension Benefits	51.7	-	56.1	-	52.8	-	100.8	-	180.1	-

(1) Disbursements for Other Purposes include \$34.2 million in losses due to the permanent decline in market value of some investments. These losses amounted to \$34.2 million in Fiscal Year 1993, \$11.3 million in Fiscal Year 1994 and \$15.3 million in Fiscal Year 1995.

FIGURES MAY NOT ADD DUE TO ROUNDING

Purchase of Services

The City accounts for a number of expenditures as purchase of services. The following table presents major purchases of services in the General Fund in Fiscal Years 1994 through 1999.

Table 14
City Of Philadelphia
Purchase Of Services In The General Fund
Fiscal Years 1994-1999
•(Amounts In Millions)

	Actual					Adopted Budget
	1994	1995	1996	1997	1998	1999
Human Services (a)	\$215.1	\$232.4	\$240.2	\$249.4	\$275.3	\$318.3
Public Health (b)	136.9	64.2	51.0	54.2	55.6	63.1
Public Property (c)	141.7	146.8	145.7	135.9	139.1	144.3
Streets (d)	84.8	66.3	72.7	65.1	59.1	52.3
Banking Fund-Lease Debt (e)	36.9	37.8	38.6	38.5	38.2	39.4
Legal Services (f)	20.0	20.4	21.0	22.6	24.2	24.1
First Judicial District	27.2	26.6	26.5	29.9	27.1	0.0
Licenses & Inspections (g)	10.5	13.0	11.8	12.5	15.0	11.8
Emergency Services (h)	11.6	14.1	16.7	12.3	10.0	9.5
All Other	69.8	78.1	85.7	115.6	92.4	173.1
Total	<u>\$754.5</u>	<u>\$699.7</u>	<u>\$709.9</u>	<u>\$736.0</u>	<u>\$736.0</u>	<u>\$835.9</u>

(a) Includes payments for care of dependent and delinquent children.

(b) Prior to FY 1995, the purchased service category for the Department of Public Health included MH/MR payments. The FY 1995 Budget transfers these obligations to the Grants Revenue Fund. Prior to Fiscal Year 1996, the purchased service category for the Department of Public Health included funding for prison health services. The Fiscal Year 1996 budget transferred these obligations to the Philadelphia Prison System.

(c) Includes payments for SEPTA, space rentals, utilities, and telecommunications.

(d) Includes solid waste disposal costs.

(e) Includes Justice Center lease debt.

(f) Includes payments to the Defender Association to provide legal representation for indigents.

(g) Includes payments for demolition.

(h) Includes homeless shelter and boarding home payments.

FIGURES MAY NOT ADD DUE TO ROUNDING

City Payments to SEPTA

In recent years, SEPTA has faced increased operating costs. The City's Fiscal Year 1998 operating subsidy payment to SEPTA was \$56.8 million. The Fiscal Year 1999 budget projects an operating subsidy payment to SEPTA of \$59.3 million. The Seventh Five-Year Plan provides that the City's contribution to SEPTA will grow to \$66.8 million by Fiscal Year 2003.

DEBT OF THE CITY

The Constitution of the Commonwealth provides that the authorized debt of the City "may be increased in such amount that the total debt of said City shall not exceed 13.5% of the average of the annual assessed valuations of the taxable realty therein, during the ten years immediately preceding the year in which such increase is made, but said City shall not increase its indebtedness to an amount exceeding 3.0% upon such average assessed valuation of realty, without the consent of the electors thereof at a public election held in such manner as shall be provided by law." It has been judicially determined that bond authorizations once approved by the voters will not be reduced as a result of a subsequent decline in the average assessed value of City property.

The Constitution of the Commonwealth further provides that there shall be excluded from the computation of debt for purposes of the Constitutional debt limit, debt (herein called "self-supporting") incurred for revenue-producing capital improvements that may reasonably be expected to yield revenue in excess of operating expenses sufficient to pay interest and sinking fund charges thereon. In the case of general obligation debt, the amount of such self-supporting debt to be so excluded must be determined by the Court of Common Pleas of Philadelphia County upon petition by the City. Self-supporting debt is general obligation debt of the City, with the only distinction from tax-supported debt being that it is not used in the calculation of the Constitutional debt limit. Self-supporting debt has no lien on any particular revenues.

As of July 1, 1998, the Constitutional debt limitation for tax-supported general obligation debt was approximately \$1.215 billion. After legally authorized deductions, approximately \$850.0 million of tax-supported general obligation debt was authorized as of this date, leaving a balance of \$365 million available for future authorization. On May 19, 1998, the voters of the City authorized an increase in tax-supported general obligation debt of \$102,110,000.

The City is also authorized to issue revenue bonds pursuant to The First Class City Revenue Bond Act of 1972. Bonds so issued are excluded for purposes of the calculation of the Constitutional debt limit.

Short-Term Debt

The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972. Each note issue was repaid when due prior to the end of the fiscal year of issuance.

The City issued \$350 million of Tax and Revenue Anticipation Notes in July 1998. These notes are due on June 30, 1999.

Long-Term Debt

Table 15 presents a synopsis of the bonded debt of the City and its component units at the close of Fiscal Year 1998. Table 16 sets forth a ten year historical summary of tax-supported debt of the City and School District. Table 17 sets forth the debt service requirements to maturity of the City's outstanding bonded indebtedness. As of June 30, 1998, the City's tax-supported general obligation debt, less sinking fund assets, equaled \$474.1 million.

Of the total balance of City tax-supported general obligation bonds outstanding at June 30, 1998, 36% is scheduled to mature within 5 years and 53% is scheduled to mature within 10 years.

Other Long -Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations. These obligations include guarantees or the payment of debt service on certain bonds of the Philadelphia Municipal Authority, the Philadelphia Authority for Industrial Development, the Philadelphia Parking Authority, the Philadelphia Redevelopment Authority, the Philadelphia Hospitals and Higher Education Facilities Authority and the Pennsylvania Convention Center Authority. The principal amount of the City's obligation with regard to each of these authorities as of June 30, 1998 is as follows:

Philadelphia Municipal Authority	\$398,626,627
Philadelphia Authority for Industrial Development	75,530,491
Philadelphia Parking Authority	11,075,000*
Philadelphia Redevelopment Authority	4,805,000
Philadelphia Hospitals and Higher Education Facilities Authority	12,950,000
Pennsylvania Convention Center Authority	280,025,000

The Hospitals and Higher Education Facilities Authority of Philadelphia has issued bonds on behalf of the Community College of Philadelphia ("CCP"). These bonds are secured by, among other things, payments to be made by the City as the local sponsor pursuant to the enabling legislation that authorized the creation of CCP. As the local sponsor, the City is obligated to pay up to 50% of the debt service on bonds issued on behalf of CCP. The principal amount of bonds for which the City is obligated to make such payments was \$12,950,000 as of June 30, 1998; this amount represents 50% of the \$25,900,000 principal amount of bonds issued and outstanding for this purpose. --

Table 15
City Of Philadelphia
City Related Bond Indebtedness
June 30, 1998
(Amounts In Millions)

	General Fund Types				Enterprise Funds				Totals All Funds
	City General Fund	Municipal Authority Fund	PICA	Totals	Water Fund	Aviation Fund	Gas Works Fund	Totals	
Bonded Debt Outstanding, July 1, 1997	<u>\$512.0</u>	<u>\$415.0</u>	<u>\$1,102.4</u>	<u>\$2,029.4</u>	<u>\$1,561.1</u>	<u>\$511.4</u>	<u>\$741.6</u>	<u>\$2,814.1</u>	<u>\$4,835.5</u>
Bonds Issued:									
General Obligation	0.0	23.0	0.0	23.0	0.0	0.0	0.0	0.0	23.0
Revenue Bonds	0.0	0.0	0.0	0.0	350.0	0.0	0.0	350.0	350.0
Revenue Refunding	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>345.7</u>	<u>287.2</u>	<u>632.9</u>	<u>632.9</u>
Total Bonds Issued	0.0	23.0	0.0	23.0	350.0	345.7	287.2	982.9	1,005.9
Bonds Matured/Refunded:									
General Obligation	37.9	19.0	47.4	104.3	3.7	10.0	0.0	13.7	118.0
General Obligation-Refunded	0.0	20.4	0.0	20.4	0.0	0.0	0.0	0.0	20.4
Revenue	0.0	0.0	0.0	0.0	45.7	11.6	35.8	93.1	93.1
Revenue Refunded	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>250.0</u>	<u>152.1</u>	<u>402.1</u>	<u>402.1</u>
Total Bonds Matured/Refunded	37.9	39.4	47.4	124.7	49.4	271.6	187.9	508.9	633.6
Bonded Debt Outstanding, June 30, 1998									
General Obligation	474.1	398.6	1,055.0	1,927.7	21.0	40.0	0.0	61.0	1,988.7
Revenue	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1,840.7</u>	<u>545.5</u>	<u>840.9</u>	<u>3,227.1</u>	<u>3,227.1</u>
Total Bonded Debt Outstanding, June 30, 1998	474.1	398.6	1,055.0	1,927.7	1,861.7	585.5	840.9	3,288.1	5,215.8
Sinking Fund Assets Available for Payment of Principal	<u>0.0</u>	<u>7.2</u>	<u>86.7</u>	<u>93.9</u>	<u>149.1</u>	<u>45.7</u>	<u>84.8</u>	<u>279.6</u>	<u>373.5</u>
NET DEBT	<u>\$ 474.1</u>	<u>\$ 391.4</u>	<u>\$ 968.3</u>	<u>\$ 1,833.8</u>	<u>\$ 1,712.6</u>	<u>\$ 539.8</u>	<u>\$ 756.1</u>	<u>\$ 3,008.5</u>	<u>\$ 4,842.3</u>

Source: Annual Financial Report for FY 1998
FIGURES MAY NOT ADD DUE TO ROUNDING

City And School District Net Tax Supported Debt And Debt Service Ratios
For The Fiscal Years 1989 Through 1998
(Amounts In Millions Of Dollars)

Line #	Net Tax Supported Debt (Millions)	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
City											
1	Bonded Debt	\$ 721.6	\$ 811.1	\$ 855.4	\$ 823.9	\$ 792.6	\$ 480.2	\$ 451.4	\$ 522.6	\$ 486.1	\$ 454.7
2	Other Long Term Obligations (1)	1,061.4	1,238.0	1,326.8	1,682.0	1,817.3	1,753.1	1,796.3	1,799.8	1,836.3	671.3
3	Total City	1,783.0	2,049.1	2,182.2	2,505.9	2,609.9	2,233.3	2,247.7	2,322.4	2,322.4	1,125.0
Overlapping School District											
4	Bonded Debt	377.2	350.7	400.5	411.4	400.7	533.1	498.7	628.2	704.0	697.2
5	Other Long Term Obligations (2)	328.5	342.7	369.8	392.0	381.3	403.3	420.6	436.5	446.2	461.3
6	Total School District	705.7	693.4	770.3	803.4	782.0	936.4	919.3	1,064.7	1,140.2	1,158.5
7	Overlapping PICA Bonded Debt	0	0	0	0	0	1,156.7	1,237.5	1,146.2	1,102.4	1,055.0
8	Total Debt	\$2,488.7	\$2,742.5	\$2,952.5	\$3,309.3	\$3,391.9	\$4,137.4	\$4,404.5	\$4,533.3	\$4,565.0	\$3,338.5
9	Estimated Population (Thousands) (3)	1,543	1,586	1,573	1,553	1,539	1,524	1,499	1,478	1,451	1,451
10	Assessed Valuation (Millions) (4)	7,573	8,417	8,796	8,929	8,872	9,020	8,917	8,954	8,892	8,998
11	Estimated Market Value (Billions) (4)	10,292	35,380	35,814	35,475	35,318	33,101	32,989	33,126	34,009	N/A
City Net Tax Supported Annual Debt Service:											
12	Bonded Debt	118.7	116.4	124.8	225.4	176.4	168.0	69.1	67.6	68.1	61.4
13	Other Long Term Obligations	46.4	53.4	88.1	97.9	96.1	132.2	115.0	87.2	103.4	108.1
14	Total (Line 12 and Line 13)	165.1	169.8	212.9	323.3	272.5	300.2	184.1	154.8	172.5	169.5
15	City General Governmental Obligations (5)	2,225.9	2,250.0	2,379.1	2,552.7	2,623.3	2,785.2	2,832.4	2,952.5	3,155.5	3,393.2
Net Tax Supported Debt per Capita:											
16	City Bonded Debt (Line 1/Line 9)	467.7	510.3	543.8	530.5	515.0	321.7	301.1	353.6	335.0	312.7
17	City Total Long Term Debt (Line 2/Line 9)	1,155.5	1,310.9	1,387.3	1,613.6	1,695.8	1,172.6	1,499.5	1,571.3	1,600.6	775.3
18	School District Total (Line 6/Line 9)	457.4	437.2	489.7	517.3	508.1	614.4	613.3	720.4	785.8	798.4
19	PICA Bonded Debt (Line 7/Line 9)	0	0	0	0	0	759.0	825.6	775.5	759.8	727.1
20	Total (Line 8/Line 9)	1,612.9	1,748.1	1,877.0	2,130.9	2,204.0	2,846.1	2,938.3	3,067.2	3,146.1	2,300.8
Net Tax Supported Debt as a Percentage of Assessed Valuation:											
21	City Bonded Debt (Line 1/Line 10)	9.53	9.99	9.73	9.23	8.94	5.44	5.07	5.87	5.47	4.99
22	City Total Long Term Debt (Line 2/Line 10)	23.54	24.70	24.81	28.06	29.43	24.90	25.26	26.07	26.12	12.17
23	School District Total (Line 6/Line 10)	9.32	8.24	8.76	9.00	8.82	10.39	10.33	11.95	12.82	12.73
24	Total (Lines 3&6/Line 10)	32.86	32.94	33.57	37.08	38.25	35.29	35.58	38.03	38.94	25.10
Net Tax Supported Debt as a Percentage of Estimated Market Value:											
25	City Bonded Debt (Line 1/Line 11)	2.38	2.38	2.39	2.32	2.24	1.48	1.37	1.58	1.43	N/A
26	City Total Long Term Debt (Line 2/Line 11)	5.89	5.88	5.88	7.05	7.39	6.78	6.81	7.01	6.83	N/A
27	School District Total (Line 6/Line 11)	2.33	1.96	2.15	2.26	2.21	2.83	2.79	3.21	3.35	N/A
28	Total (Lines 3&6/Line 11)	8.22	7.84	8.24	9.33	9.60	9.61	9.60	10.22	10.18	N/A
City Net Tax Supported Debt Service as a Percentage of City General Governmental Obligations:											
29	City Bonded Debt (Line 12/Line 15)	5.33	5.17	5.25	8.83	6.72	6.03	2.44	2.29	2.16	1.81
30	City Total Long Term Obligations (Line 13/Line 15)	7.42	7.55	8.95	12.67	10.39	10.78	6.50	5.23	5.47	5.00

(1) Consists of leasing obligations and payments on contingent liabilities and accrued compensated absences.

(2) Consists of amounts due the Commonwealth of Pennsylvania for vocational education, the State Public Building Authority and leasing obligations, and accrued Terminal and Severance Pays.

(3) Source: U.S. Department of Commerce, Bureau of the Census and WEEA.

(4) See Table 6.

(5) Consists of General Fund and Special Revenue Funds, all of which account for general governmental functions.

Source: Annual Financial Report Fiscal Year Ended June 30, 1998.

1998
City of Philadelphia
City-Related Annual Debt Service on Long-term Debt
As of June 30, 1998
(Amounts in Millions of Dollars)

Fiscal Year	Tax-Supported			General Obligation Bonds - Self-Supporting			Total GO			Water and Sewer			Revenue Bonds - Gas Works			Aviation Fund		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1999	\$ 45.7	\$ 76.9	\$ 122.6	\$ 15.7	\$ 10.7	\$ 26.4	\$ 51.4	\$ 30.9	\$ 82.3	\$ 48.4	\$ 100.7	\$ 149.1	\$ 28.9	\$ 35.8	\$ 64.7	\$ 13.0	\$ 31.0	\$ 44.0
2000	31.1	21.3	52.4	18.7	2.8	21.5	19.8	27.1	46.9	56.6	91.9	148.5	35.2	40.2	75.4	14.0	30.3	44.3
2001	31.8	22.1	53.9	17.6	1.6	19.2	19.4	23.7	43.1	59.1	89.4	148.5	36.6	38.8	75.4	18.0	29.6	47.6
2002	31.8	20.6	52.4	8.2	0.8	9.0	10.0	21.4	31.4	61.4	87.1	148.5	36.4	37.4	73.8	18.9	28.6	47.5
2003	31.1	19.0	50.1	4.6	0.6	5.2	15.7	19.6	35.3	63.9	84.7	148.6	40.7	35.9	76.6	20.0	27.6	47.6
2004	32.8	17.3	50.1	4.7	0.4	5.1	17.7	17.7	35.4	66.6	82.0	148.6	37.2	34.3	71.5	21.1	26.5	47.6
2005	19.1	15.5	34.6	3.6	0.2	3.8	22.7	15.7	38.4	69.4	79.2	148.6	36.3	33.0	69.3	22.3	25.3	47.6
2006	8.1	14.1	22.2	1.3	0.1	1.4	9.4	14.5	23.9	74.7	73.9	148.6	36.0	31.2	67.2	23.6	24.0	47.6
2007	8.9	13.9	22.8	1.2	0.1	1.3	10.1	14.0	24.1	78.8	69.9	148.7	28.7	29.4	58.1	17.1	22.6	39.7
2008	9.8	13.3	23.1	1.2	0.1	1.3	11.0	13.4	24.4	82.4	66.2	148.6	32.7	27.6	60.3	18.1	21.6	39.7
2009	10.6	12.7	23.3	1.2	--	1.2	11.8	12.7	24.5	85.7	62.9	148.6	32.3	25.6	57.9	19.1	20.5	39.6
2010	11.4	12.0	23.4	1.2	--	1.2	12.6	12.0	24.6	89.2	59.4	148.6	22.1	23.6	45.7	20.1	19.5	39.6
2011	12.3	11.3	23.6	1.2	--	1.2	13.5	11.3	24.8	95.3	53.4	148.7	40.9	22.2	63.1	21.2	18.4	39.6
2012	13.2	10.4	23.6	1.0	--	1.0	14.2	10.4	24.6	101.6	47.0	148.6	32.8	20.9	53.7	22.4	17.2	39.6
2013	14.2	9.5	23.7	--	--	--	14.2	9.5	23.7	107.4	41.3	148.7	21.5	20.0	41.5	23.7	16.0	39.7
2014	15.2	8.6	23.8	--	--	--	15.2	8.6	23.8	113.5	35.1	148.6	27.7	18.5	46.2	25.0	14.6	39.6
2015	16.3	7.6	23.9	--	--	--	16.3	7.6	23.9	119.8	29.0	148.8	23.2	16.8	40.0	26.4	13.3	39.7
2016	13.2	6.7	19.9	--	--	--	13.2	6.7	19.9	126.3	22.4	148.7	23.7	15.4	39.1	21.8	11.8	33.6
2017	14.0	5.8	19.8	--	--	--	14.0	5.8	19.8	41.0	16.0	57.0	23.6	14.0	37.6	23.0	10.5	33.5
2018	14.9	4.9	19.8	--	--	--	14.9	4.9	19.8	43.1	13.9	57.0	23.4	12.7	36.1	23.5	9.2	32.7
2019	16.1	3.9	20.0	--	--	--	16.1	3.9	20.0	36.1	11.8	47.9	23.2	11.3	34.5	14.5	7.9	22.4
2020	17.4	2.8	20.2	--	--	--	17.4	2.8	20.2	27.9	10.3	38.2	23.0	10.0	33.0	15.4	7.0	22.4
2021	18.8	1.7	20.5	--	--	--	18.8	1.7	20.5	29.3	8.9	38.2	22.8	8.7	31.5	16.3	6.1	22.4
2022	6.0	1.3	7.3	--	--	--	6.0	1.3	7.3	30.8	7.4	38.2	22.5	7.5	30.0	17.3	5.1	22.4
2023	6.3	1.0	7.3	--	--	--	6.3	1.0	7.3	32.4	5.9	38.3	22.8	6.2	29.0	18.3	4.1	22.4
2024	6.6	0.7	7.3	--	--	--	6.6	0.7	7.3	18.1	4.3	22.4	22.5	5.0	27.5	19.4	3.0	22.4
2025	7.0	0.3	7.3	--	--	--	7.0	0.3	7.3	19.0	3.4	22.4	22.2	3.8	26.0	20.5	1.8	22.3
2026	--	--	--	--	--	--	--	--	--	20.0	2.4	22.4	16.4	2.8	19.2	5.6	0.6	6.2
2027	--	--	--	--	--	--	--	--	--	20.9	1.5	22.4	16.9	1.9	18.8	5.9	0.3	6.2
2028	--	--	--	--	--	--	--	--	--	22.0	0.4	22.4	14.0	1.1	15.1	--	--	--
2029	--	--	--	--	--	--	--	--	--	--	--	--	14.7	0.4	15.1	--	--	--
Total	\$ 453.7 (a)	\$ 288.5 (b)	\$ 742.2	\$ 81.4 (c)	\$ 10.7	\$ 92.1	\$ 535.1	\$ 299.2	\$ 834.3	\$ 1,840.7	\$ 1,261.7	\$ 3,102.4	\$ 840.9	\$ 592.0	\$ 1,432.9	\$ 545.5	\$ 454.0	\$ 999.5
Sinking																		
Assets Held by Fiscal Agent	--	2.4	2.4	--	--	--	--	2.4	2.4	--	--	--	--	--	--	--	--	--
Available City Sinking Fund Assets	--	0.4	0.4	--	--	--	--	0.4	0.4	149.1	1.5	150.6 (d)	84.8	1.3	86.1	45.7	25.6	71.3
Net	\$ 453.7	\$ 285.7	\$ 739.4	\$ 81.4	\$ 10.7	\$ 92.1	\$ 535.1	\$ 296.4	\$ 831.5	\$ 1,691.6	\$ 1,260.2	\$ 2,951.8	\$ 756.1	\$ 590.7	\$ 1,346.8	\$ 499.8	\$ 428.4	\$ 928.2

(a) Included in this amount is \$16.7 million issued for Port purposes which has been reclassified as Tax-Supported due to the sale of the Port Corporation
 (b) On March 22, 1990, \$148.0 million was issued as 30-year variable rate bonds. The variable rate bonds were hedged with a ten-year 6.85% interest rate swap transaction. A 6.85% interest rate was assumed for the remaining term of the bonds.
 (c) Of this amount, bonds have been issued for the following major purposes: Water and Sewer, \$21.0 million; Airport, \$40.0 million; Veterans Stadium, \$5.8 million and Subways, \$12.9 million. Issues for five other purposes account for the balance of \$1.7 million.
 (d) In addition to the \$150.6 million available in Sinking Fund Assets, \$203.6 million has been reserved in the Water and Sewer Rate Stabilization Fund in accordance with the Seventh Supplemental Amendment to the General Water and Sewer Revenue Bond Ordinance of 1974 as amended by Bill No. 514 dated June 24, 1993.
 (e) In addition to the \$71.3 million available on Sinking Fund Assets, \$2.5 million has been reserved in a Renewal, Replacement and Contingency Fund which has been funded by the proceeds of the Series 1978 Aviation Revenue Bonds.

ROUNDING DIFFERENCES ACCOUNT FOR MINOR DEVIATIONS FROM 1997 CAIR

Table 17 (continued)
City of Philadelphia
City Related Debt Service on Long-term Debt
As of June 30, 1998
(Amounts in Millions of Dollars)

Fiscal Year	Total Revenue Bonds			Total General Obligation and Revenue Bonds			Other Long Term Obligation			Total Long Term Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1999	\$ 98.3	\$ 162.5	\$ 257.8	\$ 131.7	\$ 198.4	\$ 330.1	\$ 23.9	\$ 39.7	\$ 63.6	\$ 185.6	\$ 218.1	\$ 403.7
2000	105.8	162.4	268.2	155.6	189.5	345.1	41.1	18.7	62.8	199.7	208.2	407.9
2001	113.7	153.8	271.5	163.1	181.5	344.6	41.2	17.8	59.0	204.3	199.3	403.6
2002	116.7	153.1	269.8	156.7	174.5	331.2	40.7	16.8	57.5	197.4	191.3	388.7
2003	121.6	148.2	272.8	160.3	167.8	328.1	38.2	15.7	53.9	198.5	183.5	382.0
2004	124.9	142.8	267.7	162.4	160.5	322.9	33.7	14.6	48.3	196.1	175.1	371.2
2005	128.0	132.5	265.5	150.7	153.2	303.9	32.7	13.6	46.3	183.4	166.8	350.2
2006	133.3	129.1	263.4	143.7	143.6	287.3	33.7	12.6	46.3	177.4	156.2	333.6
2007	137.6	121.9	246.5	133.7	135.9	270.6	35.2	11.5	46.7	169.9	147.4	317.3
2008	133.2	115.1	248.6	134.2	128.8	273.0	27.6	10.4	38.0	171.8	139.2	311.0
2009	137.1	109.0	246.1	138.9	121.7	270.6	28.2	9.8	38.0	177.1	131.5	308.6
2010	131.4	102.5	233.9	131.0	114.5	258.5	29.2	9.0	38.2	173.2	123.5	296.7
2011	157.4	94.0	251.4	170.9	105.3	276.2	76.0	8.3	84.3	246.9	113.6	360.5
2012	156.8	85.1	241.9	171.0	95.5	266.5	22.9	7.4	30.3	193.9	102.9	296.8
2013	152.6	77.3	229.9	166.8	86.8	253.6	30.2	6.6	36.8	190.3	93.4	283.7
2014	166.2	68.2	234.4	181.4	76.8	258.2	24.0	5.6	29.6	205.4	82.4	287.8
2015	169.4	59.1	228.5	185.7	66.7	252.4	24.3	4.7	29.0	210.0	71.4	281.4
2016	171.8	49.6	221.4	185.0	56.3	241.3	17.9	3.6	21.5	202.9	59.9	262.8
2017	87.6	40.5	128.1	101.6	46.3	147.9	19.0	2.5	21.5	120.6	48.8	169.4
2018	90.0	35.8	125.8	104.9	40.7	145.6	24.8	1.6	26.4	129.7	42.3	172.0
2019	73.8	31.0	104.8	89.9	34.9	124.8	10.5	0.3	10.8	100.4	35.2	135.6
2020	66.3	27.3	93.6	83.7	30.1	113.8	--	--	--	83.7	30.1	113.8
2021	68.4	23.7	92.1	87.2	25.4	112.6	--	--	--	87.2	25.4	112.6
2022	70.6	20.0	90.6	76.6	21.3	97.9	--	--	--	76.6	21.3	97.9
2023	73.5	16.2	89.7	79.8	17.2	97.0	--	--	--	79.8	17.2	97.0
2024	60.0	12.3	72.3	66.6	13.0	79.6	--	--	--	66.6	13.0	79.6
2025	61.7	9.0	70.7	68.7	9.3	78.0	--	--	--	68.7	9.3	78.0
2026	42.0	5.8	47.8	42.0	5.8	47.8	--	--	--	42.0	5.8	47.8
2027	43.7	3.7	47.4	43.7	3.7	47.4	--	--	--	43.7	3.7	47.4
2028	36.0	1.5	37.5	36.0	1.5	37.5	--	--	--	36.0	1.5	37.5
2029	14.7	0.4	15.1	14.7	0.4	15.1	--	--	--	14.7	0.4	15.1
Total	\$ 1,227.1	\$ 2,307.7	\$ 5,534.8	\$ 1,762.2	\$ 2,446.9	\$ 6,369.1	\$ 671.3	\$ 210.8	\$ 882.1	\$ 4,433.5	\$ 2,817.7	\$ 7,251.2
Sinking Fund Assets Held by Fiscal Agent Available City Sinking Fund												
Assets	279.6	28.4	308.0	279.6	28.8	308.4	--	--	--	279.6	28.8	308.4
Net Debt	\$ 2,947.5	\$ 2,379.3	\$ 5,226.8	\$ 3,482.6	\$ 2,575.7	\$ 6,058.3	\$ 671.3	\$ 210.8	\$ 882.1	\$ 4,153.9	\$ 2,786.5	\$ 6,940.4

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 1999-2004 contemplates a total expenditure of \$4.132 billion, of which \$1.832 billion is to be provided from Federal, Commonwealth, and other sources and \$2.300 billion is to be provided for through City funding. The following table shows the amounts anticipated to be spent each year from various sources of funds for capital projects.

Table 18
City Of Philadelphia
Fiscal Years 1999-2004
Capital Improvement Program
(Amounts In Thousands)

	1999	2000	2001	2002	2003	2004	Total
City Funds - Tax Supported							
New Loans	\$127,514	\$108,422	\$112,036	\$110,892	\$106,763	\$77,590	\$643,217
Operating Revenue	39,664	2,000	2,000	2,000	2,000	2,000	49,664
Carry Forward	186,286	--	--	--	--	--	186,286
Pre-financed Loans	7,300	--	--	--	--	--	7,300
Tax-Supported Total	360,764	110,422	114,036	112,892	108,763	79,590	886,467
City Funds - Self-Sustaining							
New Loans	215,831	190,816	121,946	112,306	109,351	113,741	863,991
Operating Revenue	34,694	15,160	15,310	15,460	15,570	15,570	111,764
Carry Over	336,969	--	--	--	--	--	336,969
Self-Sustaining Total	587,494	205,976	137,256	127,766	124,921	129,311	1,312,724
Other City Funds							
PICA-Grants	78,399	--	--	--	--	--	78,399
Revolving Funds	7,500	3,000	3,000	3,000	3,000	3,000	22,500
Other City Funds Total	85,899	3,000	3,000	3,000	3,000	3,000	100,899
Total City Funds	1,034,157	319,398	254,292	243,658	236,684	211,901	2,300,090
Other Than City Funds							
Federal	166,598	31,398	35,848	84,092	24,885	48,189	391,010
Federal Off Budget	93,273	175,747	145,275	136,355	139,811	23,200	713,661
State	51,582	4,719	3,919	12,225	3,591	7,490	83,526
State Off Budget	46,542	71,268	70,416	48,190	29,127	4,832	270,375
Private	206,706	61,351	1,204	1,565	1,216	66	272,108
Private Off-Budget	7,200	2,250	1,200	250	350	350	11,600
Other Governments & Agencies	86,844	--	--	--	--	--	86,844
Other Governments & Agencies Off-Budget	565	929	547	363	265	155	2,824
Total Other Than City Funds	659,310	347,662	258,409	283,040	199,245	84,282	1,831,948
TOTAL ALL FUNDS	\$1,693,467	\$667,060	\$512,701	\$526,698	\$435,929	\$296,183	\$4,132,038

Source: City of Philadelphia, Office of Budget and Program Evaluation, Capital Program Office

LITIGATION

Generally, judgements and settlements on claims against the City are payable from the General Fund, except for the claims against the Water Department, the Aviation Division, and the Gas Works. Claims against the Water Department are paid first from the Water Fund and only secondarily from the General Fund. Claims against the Aviation Division, to the extent not covered by insurance, are paid first from the Aviation Fund and only secondarily from the General Fund. Claims against the Gas Works, to the extent not covered by insurance, are paid first from the Gas Works revenues and only secondarily from the General Fund.

In addition to routine litigation incidental to performance of the City's governmental functions and litigation arising in the ordinary course relating to contract and tort claims and alleged violations of law, certain special litigation matters are currently being litigated and adverse outcomes of such litigation could have substantial or long-term adverse effect on the City's General Fund. Holders of Gas Works Revenue Bonds have no recourse, right or claim to the City's tax and general revenues which are accounted for in the General Fund. A description of claims and litigation affecting the General Fund can be found in Official Statements of the City relating to City obligations payable from the General Fund, copies of which are on file at one or more of the Nationally Recognized Municipal Securities Information Repositories. The most recent such filing was made on or about May 28 1999 relating to The Philadelphia Parking Authority's \$47,390,000 Parking System Revenue Bonds, Series of 1999A.

CITY SOCIOECONOMIC INFORMATION

Introduction

The City includes within its boundaries an area of approximately 130 square miles and a resident population of approximately 1.5 million people. The City is in the heart of a nine-county metropolitan area with approximately 5.5 million residents. Air, rail, highway, and water routes provide easy access to the City.

The City is strategically located on the east coast with easy access to markets, resources, government centers, and transportation. The City's metropolitan area is the nation's fourth largest in terms of total retail sales and disposable income with approximately one-half of the population of the United States living within an overnight drive.

Quality of Life

The City is a very livable city with relatively low housing costs. Philadelphia is the most affordable of the nation's 27 largest housing markets.

The City is rich in history, art, architecture, and entertainment. World-class cultural and historic attractions include the Philadelphia Museum of Art (which houses the third largest art collection in the United States), the Philadelphia Orchestra, Academy of Music, Pennsylvania Ballet, Pennsylvania Academy of Fine Arts, Franklin Institute, Mann Music Center, Opera Company of Philadelphia, and the Rodin Museum. The South Philadelphia sports complex, consisting of Veterans Stadium and the First Union Spectrum and Arena (together, the "First Union Complex"), is home to the Philadelphia Phillies, 76ers, Flyers, and Eagles. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell, as well as Fairmount Park, which includes Pennypack Park and the Country's first zoo within its 8,000 acres.

The City is a center for health, education, and science facilities with presently more than 45 hospitals, seven medical schools, two dental schools, two pharmacy schools, as well as schools of optometry and podiatry and veterinary medicine, and the Philadelphia Center for Health Care Sciences in West Philadelphia. The City is one of the largest health care and health care education centers in the world, and a number of the nation's largest pharmaceutical companies are located in the Philadelphia area.

The City has eighty degree-granting institutions of higher education with a total enrollment of over 110,000 students. Included among these institutions are the University of Pennsylvania, Temple University, Drexel University, St. Joseph's University, and LaSalle University. Within a short drive from the City are such schools as Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University. The undergraduate and graduate programs at these institutions help provide a well-educated and trained work force to the Philadelphia community.

The City also has major research facilities, including those located at its universities, the medical schools, the Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. The Children's Hospital of Philadelphia has recently completed the construction of a new \$100 million biomedical research facility located within the Philadelphia Center for Health Care Sciences in West Philadelphia.

Demographics

During the ten year period between 1980 and 1990, the population of the City decreased from 1,688,210 to 1,585,577. This 6% loss of population was less than half of the 13% loss experienced during the 1970's. The City estimates that a further population decline occurred subsequent to the 1990 Census.

Table 19
Population
City, PMSA & Nation

	1980	1990	% Change 1980-1990
Philadelphia	1,688,210	1,585,577	(6.1)%
Philadelphia PMSA*	4,716,818	4,856,881	3.0%
United States	226,500,000	249,632,692	10.2%

Source: U.S. Dept. of Commerce, Bureau of the Census

- * The Philadelphia, PA-NJ Primary Metropolitan Statistical Area includes the counties of Bucks, Chester, Delaware, Montgomery, and Philadelphia in Pennsylvania and the counties of Burlington, Camden, and Gloucester in New Jersey. In 1993, Salem County, New Jersey was added to the Philadelphia, PA-NJ PMSA.

Table 20
Population Age Distribution

Age	Philadelphia				Pennsylvania			
	1980	% of Total	1990	% of Total	1980	% of Total	1990	% of Total
0-24	633,899	38.4	563,816	35.6	4,623,651	38.9	4,021,585	33.8
25-44	435,458	26.4	490,224	30.9	3,068,618	25.9	3,657,323	30.8
45-64	340,744	20.6	290,803	18.3	2,641,397	22.3	2,373,629	20.0
65-84	219,272	13.3	217,913	13.7	1,404,884	11.8	1,657,270	13.9
85 & up	20,966	1.3	22,801	1.4	125,345	1.1	171,836	1.4
Total	1,650,339	100.0	1,585,577	100.0	11,863,895	100.0	11,881,643	100.0

Source: U.S. Dept. of Commerce, Bureau of the Census

Table 20 (continued)
United States

Age	1980	% of Total	1990	% of Total
0-24	93,756,684	41.4	90,342,198	36.2
25-44	62,706,876	27.7	80,754,835	32.3
45-64	44,497,132	19.7	46,371,009	18.6
65-84	23,304,412	10.3	28,161,666	11.3
85 & up	<u>2,239,721</u>	<u>1.0</u>	<u>3,080,165</u>	<u>1.2</u>
Total	226,504,825	100.0	248,709,873	100.0

Source: U.S. Dept. of Commerce, Bureau of the Census

The Economy

Philadelphia's economy is composed of diverse industries, with virtually all classes of commercial businesses represented. The City is a major business and personal service center with strengths in insurance, law, finance, health, education, and utilities.

The cost of living in Philadelphia is relatively moderate compared to other major metropolitan areas. The City, as one of the country's education centers, offers the business community a large, diverse, and industrious labor pool.

Table 21
Office Rental Rates in Cities
Throughout the United States
(In \$ Per Square Foot)

	June, 1997	June, 1998
Atlanta	19.50	20.07
Chicago	19.05	21.77
Dallas	17.54	19.43
Denver	15.78	16.98
Detroit	15.57	16.01
Houston	14.53	17.28
Los Angeles	18.12	20.04
New York	30.10	34.88
Philadelphia	18.50	19.50
Phoenix	17.62	18.15
Portland	16.29	17.93
San Francisco	33.79	43.93
St. Louis	19.15	19.88
Tampa	14.50	14.65
Washington, D.C.	24.20	24.68

Source: Insignia/ESG Commercial Market Report, Mid-Year 1998, National Market Overview

Employment

Employment data for City residents is reflected in the following table. In 1997, City residents represented 27% of all employed residents of the PMSA.

The employment and unemployment rates and the total number of jobs within the City are reflected in Tables 23 and 24, respectively. The Philadelphia PMSA gained a net of 19,800 jobs in 1994, 7,200 jobs in 1995, 41,600 jobs in 1996 and 1,400 jobs in 1997.

The employment changes within the City principally have been due to declines in the manufacturing sector and the relatively stronger performance of the service economy. The City's and region's economies are diversified, with strong representation in the health care, government, and education sectors but without the domination of any single employer or industry.

In accordance with the federal government's plans to close military facilities, the Philadelphia Navy Base and Shipyard (the "Shipyard") has been closed. The Shipyard had over 15,000 employees in 1991, at the time of the closure decision.

Since the closing, the City has obtained over \$3.3 million in grant funds to support planning and study efforts related to converting the shipyard to alternative uses, and has obtained an \$82 million grant to provide financing and retraining assistance to business and workers. In 1997, Kvaerner ASA, a Norwegian firm which is one of the largest shipbuilders in the world, signed an agreement to renovate a portion of the Shipyard and create a state-of-the-art commercial shipbuilding facility. Kvaerner has also located its North American headquarters in Philadelphia. The total project cost is \$429 million, which will result in infrastructure and other capital improvements, extensive employment training and jobs creation for 1,000 workers. Despite a recent announcement by Kvaerner that they intend to sell their ship building business, they have reaffirmed their commitment to the Shipyard project even if they are unable to sell their interest in the facility.

In addition, nearly 550,000 square feet of space had been leased by mid-1998 to firms relocating all or part of their companies' operations to the Shipyard. Activity at the Shipyard is expected to increase now that the City has taken title to the property.

Table 22
Labor Force Data Annual Average
Based On Residency

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994⁽¹⁾</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Philadelphia (000)*									
Labor Force	728.9	699.1	689.4	695.1	672.8	657.0	644.4	652.1	652.6
Employment	686.6	655.1	631.0	634.1	608.7	604.6	594.5	606.9	617.1
Unemployment	42.3	43.9	58.4	61.0	64.1	52.5	49.9	45.2	35.5
Unemployment Rate (%)	5.8	6.3	8.5	8.6	9.5	8.0	7.7	6.9	6.6
Philadelphia PMSA (000)									
Labor Force	2,420.0	2,470.0	2,465.5	2,457.4	2,434.9	2,428.5	2,430.0	2,459.2	2,460.7
Employment	2,320.2	2,353.6	2,304.5	2,276.8	2,261.0	2,280.5	2,287.7	2,329.3	2,330.7
Unemployment	99.8	116.3	161.0	180.5	173.9	148.0	142.3	130.0	130.0
Unemployment Rate (%)	4.1	4.7	6.5	7.3	7.1	6.1	5.9	5.3	5.3
United States (000,000)									
Labor Force	121.7	125.8	126.3	128.1	129.2	131.1	132.3	135.0	137.5
Employment	115.0	118.8	117.7	118.5	120.3	123.1	124.9	127.7	131.1
Unemployment	6.7	7.0	8.6	9.6	8.9	8.0	7.4	7.3	6.4
Unemployment Rate (%)	5.5	5.6	6.8	7.5	6.9	6.1	5.6	5.3	4.7

Source: Pennsylvania Department of Labor and Industry, Bureau of Research and Statistics. Pennsylvania Civilian Labor Force Series by County of Residence and Pennsylvania Civilian Labor Force Series by Labor Market Area.

Important Notice: Labor force data beginning January 1994 are not comparable to earlier data due to the implementation of revised survey methodology by the U.S. Department of Labor.

Table 23
Philadelphia
Total Monthly Employment And Monthly Unemployment Rates
Based On Residency
January 1993 - December 1997

Month	Total Employment					Unemployment Rate %				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
January	601.5	592.9	582.7	586.6	606.1	9.4	8.3	7.8	7.4	6.2
February	600.9	590.8	582.6	591.6	608.7	9.2	8.0	7.5	7.1	6.2
March	601.3	594.0	586.5	597.5	610.6	9.2	7.8	7.5	7.0	6.3
April	602.2	596.5	588.2	602.1	611.4	9.5	7.8	7.6	6.9	6.6
May	604.7	597.6	589.4	604.2	615.9	10.1	8.3	8.2	7.3	7.0
June	612.6	606.4	599.0	614.7	625.5	10.1	8.0	7.6	6.8	6.8
July	612.7	609.0	601.8	618.9	629.3	10.3	8.2	7.9	7.1	7.0
August	611.5	608.0	601.3	616.7	615.5	9.9	7.9	7.7	6.8	6.8
September	608.6	598.1	594.2	606.1	605.6	10.0	8.4	8.2	7.4	7.5
October	615.9	605.9	601.3	613.6	611.9	9.5	8.3	8.1	7.1	6.8
November	615.4	604.4	602.3	614.3	614.9	9.3	8.1	7.8	6.6	6.6
December	616.5	604.9	605.5	617.1	617.1	7.9	7.1	7.0	5.7	5.4

Source: Pennsylvania Department of Labor and Industry, Bureau of Research & Statistics.

Table 24
Philadelphia City
Non-Farm Payroll Employment*
(Amounts In Thousands)

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Total Employment	760.3	772.3	775.9	761.6	746.7	718.4	696.1	687.0	678.5	665.9	676.2	681.2
Manufacturing	99.8	96.0	92.2	87.0	81.6	74.8	68.9	66.0	64.5	61.1	60.4	60.2
Non-Manufacturing	650.5	676.3	683.7	674.6	694.6	627.1	620.9	615.3	614.0	604.8	615.8	621.0
Construction & Mining	17.2	17.3	17.5	17.0	16.0	13.4	11.4	10.7	11.8	10.5	10.2	10.1
Transportation & Public Utilities	44.3	45.0	44.4	40.9	39.9	89.5	37.4	37.9	38.0	33.4	32.6	33.1
Wholesale & Retail Trade	148.1	148.1	149.3	144.3	136.3	126.5	119.9	117.0	114.3	114.8	113.9	117.2
Finance, Insurance & Real Estate	69.5	72.8	71.5	68.6	64.7	61.3	59.8	57.7	58.0	56.0	53.9	55.2
Services	242.5	250.3	257.2	262.1	265.2	264.4	263.5	265.8	271.6	272.1	278.0	279.5
Government	138.9	142.8	143.8	141.7	143.0	139.5	135.1	131.8	132.1	128.5	127.2	125.9

Source: Pennsylvania Department of Labor and Industry, Bureau of Research and Statistics.

* Includes persons employed within the City, without regard to residency.

Table 25
City of Philadelphia
Largest Non-Governmental Employers In Philadelphia
December 31, 1997

Employer	1997 Wage Tax Collected	Percentage of Total Collections
University of Pennsylvania	\$ 30,753,176	2.80%
CoreStates Services Corporation ⁽¹⁾	14,756,847	1.34
Temple University	11,979,014	1.09
Hospital of the University of Pennsylvania	11,485,048	1.05
Allegheny University for the Health Services ⁽²⁾	9,810,400	0.89
Thomas Jefferson University Hospital	9,185,286	0.84
Albert Einstein Medical Center	7,697,591	0.70
Conrail Inc.	7,410,612	0.68
Bell Atlantic - PA	7,073,550	0.64
Hahneman University Hospital ⁽²⁾	6,987,950	0.64
Smith Kline Beecham	6,006,901	0.55
PECO Energy	5,839,575	0.53
Children's Hospital of Philadelphia	5,766,819	0.53
Thomas Jefferson Hospital	5,742,932	0.52
Bell Atlantic Network Services	5,406,533	0.49
Independence Blue Cross	5,187,523	0.47
Sun Company	5,054,566	0.46
Philadelphia Newspapers, Inc.	5,012,427	0.46
Insurance Company of North America	4,969,849	0.45
SDN, Inc. ⁽²⁾	4,882,506	0.44
PNC Bank	4,668,417	0.43
Temple University Hospital	4,517,619	0.41
Pennsylvania Hospital ⁽³⁾	4,374,329	0.40
Rohm & Haas	4,003,004	0.36
Acme Markets, Inc.	<u>3,851,244</u>	<u>0.35</u>
	<u>\$ 192,423,718</u>	<u>17.54%</u>
Total Wage Tax Collected for Calendar Year	<u>\$1,097,257,082</u>	<u>100.00%</u>

(1) Acquired by First Union in 1998

(2) Now part of Tenet Health Systems

(3) Now part of the University of Pennsylvania Health System

Source: Philadelphia Department of Collections

Table 26
Fortune 500
Largest Corporations
With Headquarters In Philadelphia, 1998

Corporation	Type of Industry	Ranking	Revenues (\$ Millions)
CIGNA	Health Care	57	21,437.0
Crown Cork & Seal	Metal Products	198	8,300.0
Sunoco	Petroleum Refining	240	7,024.0
Aramark	Diversified Outsourcing Services	262	6,377.3
Comcast	Specialist Retailers	292	5,590.56

Source: Fortune Magazine, April 26, 1999.

Table 27
Fortune 500
Largest Service Corporations
With Headquarters In Philadelphia, 1998

Corporation	Type of Industry	Ranking	Revenues (\$ Millions)
CIGNA	Health Care	1	21,437.0
Aramark	Diversified Outsourcing Services	2	6,377.3
Comcast	Specialist Retailers	13	5,590.5
PECO Energy	Utilities	22	5,210.5

Source: Fortune Magazine, April 26, 1999.

Table 28
Total Industry Employment By Establishment
Annual Averages
(Amounts In Thousands).

Philadelphia PMSA								
	1990	1991	1992	1993	1994	1995	1996	1997
Non-Agricultural Employment	2,203.1	2,126.6	2,095.5	2,129.3	2,169.1	2,178.9	2,214.4	2,257.5
Goods Producing	446.6	405.8	386.7	390.9	392.7	386.0	384.9	393.0
Construction & Mining	97.3	79.0	73.7	77.0	79.2	77.9	79.1	87.8
Manufacturing	349.3	326.8	313.0	313.8	313.5	308.1	305.8	305.2
Durable Goods	177.4	160.4	149.9	148.5	149.0	148.9	146.6	146.0
Non-durable Goods	171.9	166.4	163.1	165.3	164.5	159.2	159.3	159.2
Service Producing	1,756.5	1,720.8	1,708.8	1,738.4	1,776.4	1,792.9	1,829.5	1,864.5
Transp. & Public Utilities	101.5	100.7	97.8	102.3	105.4	103.6	104.6	106.9
Wholesale & Retail Trade	502.1	481.1	486.9	468.8	479.5	487.2	493.3	498.3
Fin., Insurance & Real Estate	160.9	156.3	157.4	156.3	158.0	153.9	154.4	157.3
Services	687.4	681.6	685.0	708.9	729.1	744.1	774.8	806.6
Government	304.7	301.1	299.7	302.1	304.4	304.1	302.3	295.4
Federal Government	80.4	78.8	75.0	73.1	73.6	69.0	65.0	58.1
State & Local Government	224.3	222.3	224.7	229.0	230.8	235.1	237.4	237.3

Source: Pennsylvania Department of Labor and Industry, Bureau of Labor Research and Statistics

Income

The following table presents data relating to per-capita income for the City, the PMSA, and the United States. It illustrates that, for the past few years, real per-capita income has generally outpaced the urban cost of living index, suggesting that on average, the newly created service jobs have generated positive real income growth for City wage earners.

Table 29
Consumer Price Indices and Personal Income Levels

	1985	1990	1995	1996	1997
CPI-U United States ^{1a}	107.6	130.7	153.5	155.1	160.5
CPI-U Philadelphia PMSA ^{1a}	108.8	135.8	158.7	164.3	166.5
Personal Income Per Capita ^{2b}					
Philadelphia	\$12,410	\$16,721	\$19,633	\$20,199	N/A
Philadelphia PMSA	\$15,253	\$21,347	\$24,397	\$25,220	\$25,257 ^{1c}
United States	\$13,899	\$18,696	\$21,699	\$23,208	\$24,776 ^{1c}

^{1a} Consumer Price Index - All Urban Consumers - U.S. Bureau of Labor Statistics

^{2b} U.S. Department of Commerce - Bureau of Economic Analysis - Regional Economic Information System

^{1c} World Bank - Economics Inc. - Washington, D.C.

Table 30
Number Of Households By Income Range In Philadelphia County

Income	Number of Households*			Percentage of Households**		
	1990	1980	1970	1990	1980	1970
Under \$5,000	59,823	127,401	N/A	9.9%	20.5%	N/A
\$5,000-9,999	76,512	116,931	N/A	12.7	18.8	N/A
\$10,000-14,999	59,331	98,540	N/A	9.9	15.9	N/A
\$15,000-24,999	108,405	150,851	N/A	18.1	24.3	N/A
\$25,000-49,999	190,237	142,508	N/A	31.7	18.1	N/A
\$50,000 and over	106,432	14,408	N/A	17.7	2.3	N/A
Total	600,740	620,639	N/A	100.0%	100.0%	N/A

Source: U.S. Department of Commerce, Bureau of the Census.

* A household includes all the persons who occupy a housing unit.

Number Of Households By Income Range In United States

Income	Number of Households (000's)			Percentage of Households		
	1990	1980	1970	1990	1980	1970
Under \$5,000	5,684	10,663	10,373	6.2%	13.3%	20.3%
\$5,000-9,999	8,530	12,772	16,630	9.3	15.9	32.5
\$10,000-14,999	8,133	12,342	13,617	8.8	15.3	26.6
\$15,000-24,999	16,124	21,384	8,177	17.5	26.6	16.0
\$25,000-49,999	31,003	19,614	2,371*	33.7	24.3	4.6*
\$50,000 and over	22,519	3,692	N/A*	24.5	4.6	N/A*
Total	91,994	80,467	51,168	100.0%	100.0%	100.0%

Source: U.S. Department of Commerce, Economics and Statistics Administration, 1990 Census of Population

* In 1970 the highest income range was \$25,000 and over.

Retail Sales

The following table reflects taxable sales for Philadelphia from fiscal years 1992 to 1997.

Table 31
Philadelphia
Taxable Retail Sales 1992-1997
(**\$000's**)

<u>Fiscal Year</u>	<u>Taxable Sales</u>
1992	7,451,387
1993	8,447,600
1994	8,366,567
1995	8,636,921
1996	10,249,166
1997	9,637,833

Source: Figures determined by dividing remitted sales tax reported by the Pennsylvania Department of Revenue by the sales tax rate of 0.06

The following table compares retail sales activity among the City, the PMSA, Pennsylvania, and the United States.

Table 32
Retail Sales By Store Group (\$000)*
1997

	<u>Philadelphia</u>	<u>PMSA</u>	<u>Pennsylvania</u>	<u>United States</u>
Total Retail Sales*	9,495,206	48,187,372	116,303,592	2,546,287,000
Food	1,884,041	7,799,340	19,111,674	428,841,850
Eating & Drinking	1,227,873	3,838,910	9,289,563	245,313,800
Gen. Merchandise	761,008	4,492,325	12,478,989	322,463,172
Furniture, Furnishings	407,407	2,251,748	5,098,422	141,851,365
Automotive	1,700,768	12,666,651	30,504,500	631,625,438

Source: Sales and Marketing Management, "1998 Survey of Buying Power"

* Total Retail Sales reflects net sales (less refunds and allowances for returns) for all establishments primarily engaged in retail trade. Receipts from repairs and other services are also included, but retail sales by wholesalers and service establishments are not.

Effective Buying Income and Household Income

The median household effective buying income for the City in 1996 was \$28,551, 82.5% of the Commonwealth median household effective buying income, and 85.3% of the U.S. median household effective buying income. In 1997 the Philadelphia metropolitan area had the nation's 10th largest total effective buying income. Effective buying income ("EBI") is defined as all personal income less personal taxes, non-tax payments (fines, fees and penalties), and contributions to social security. EBI is also commonly referred to as disposable or after-tax income.

Table 33
City And PMSA Effective Buying Income
1997

	Total EBI (000)	Median Household EBI	- % of Households by EBI		
			\$20,000 34,999	\$35,000- 49,999	\$50,000 and Over
Philadelphia(City)	\$ 20,920,180	\$29,488	21.9	16.7	25.9
Bucks Co.	12,797,970	52,969	15.6	18.0	53.7
Chester Co.	11,210,485	60,324	13.8	15.5	60.2
Delaware Co.	11,215,896	45,734	18.4	18.2	44.8
Montgomery Co.	18,360,979	51,566	16.8	17.6	51.9
Burlington Co., N.J.	8,195,295	48,483	18.2	19.8	47.9
Camden Co., N.J.	8,626,392	38,703	20.4	18.6	36.0
Gloucester Co., N.J.	4,179,051	44,594	18.7	20.3	42.5
Salem Co., N.J.	1,183,134	41,955	18.8	18.3	39.8
Pennsylvania	208,774,378	36,104	22.1	18.5	32.9
United States	4,399,998,035	34,618	22.5	18.2	31.3

Source: Sales and Marketing Management, "1998 Survey of Buying Power"

Transportation

The residents of the City and surrounding counties are served by a commuter transportation system operated by SEPTA. This system includes two subway lines, a network of buses and trolleys, and a commuter rail network joining Center City and other areas of the City to the airport and to the surrounding counties. A high speed train line runs from southern New Jersey to Center City and is operated by the Delaware River Port Authority. An important addition to the area's transportation system was the opening of the airport high speed line between Center City and the Philadelphia International Airport in 1985. The line places the airport less than 25 minutes from the Center City business district and connects directly with the commuter rail network and the Convention Center which opened in June 1993. The opening of the commuter rail tunnel in 1984 provided a unified City transportation system linking the commuter rail system, the SEPTA bus, trolley, and subway lines, the high speed line to New Jersey, and the airport high speed line.

Amtrak, SEPTA, CSX Transportation, and the Canadian Pacific provide inter-city commuter and freight rail services connecting Philadelphia to the other major cities and markets in the United States. More than 100 truck lines serve the Philadelphia area.

The City now has one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of I-95; the Vine Street Expressway (I-676), running east-to-west through the Central Business District between I-76 and I-95; and the "Blue Route" (I-476) in suburban Delaware and Montgomery Counties which connects the Pennsylvania Turnpike and I-95 and thereby feeds into the Schuylkill Expressway (I-76) and thus into Center City Philadelphia.

The City owns Philadelphia International Airport ("PHL") located eight miles southwest of Center City and a smaller reliever airport in Northeast Philadelphia. PHL is accessible by major highways within the City and from surrounding communities and SEPTA's high speed train line. PHL provides its passengers with service on eleven domestic carriers and eleven regional and commuter carriers, while four foreign flag carriers and one U.S. carrier provide international service. In addition, there are eight all-cargo carriers. PHL serves as a key connecting hub for USAirways. PHL has recently completed the financing of a new international terminal and a new commuter terminal which are expected to open in 2001 and 2000, respectively.

In 1997, PHL ranked 21st in the nation in terms of total passengers, up from 24th in 1996 according to data reported by Airports Council International. From 1996 to 1997, total passenger traffic at PHL increased 16.2%, the fastest growth among the top 100 U.S. airports.

In addition to the new international terminal and the new commuter terminal which are expected to open in 2001 and 2000, respectively, ramp and roadway development and two new parking garages to be owned by the Philadelphia Parking Authority are also planned.

The Port of Philadelphia is one of the busiest ports in the United States, holding a leadership position in the handling of many labor-intensive cargoes. It is the leading handler among all U.S. ports of Chilean fruit entering the country and a leader in the handling of high-quality paper and other forest products. Containerized cargo is handled at the Port's two modern container-handling facilities, Packer Avenue Marine Terminal and Tioga Marine Terminal. The Port's publicly-owned facilities are now benefiting from a \$56 million Commonwealth capital program for facility modernization and expansion. The Port also services a growing number of cruise-ship calls. Foreign trade zones are located in the port district.

Water and Wastewater Systems

The water and wastewater systems of Philadelphia are owned by the City and operated by the City's Water Department. The water system provides water to the City (130 square mile service area) and to the Bucks County Water and Sewer Authority. The City obtains approximately 55.3 percent of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 487,500 households through 3,270 miles of mains and provides fire protection through more than 27,700 fire hydrants.

The wastewater system services a total of 360 square miles of which 130 square miles are within the City and 230 square miles are in suburban areas. The total population served was approximately 2,286,000, according to the 1990 census. The wastewater system contains three water pollution control plants, a biosolids processing facility, 16 pumping stations and approximately 2,955 miles of sewers. By order of the Delaware River Basin Commission, the City is required to achieve effluent limitations that are considered more stringent than those required to achieve secondary treatment levels as defined in the Federal Water Pollution Control Act, as amended.

Municipal Solid Waste Disposal

The City is responsible for collecting solid wastes from sources other than industrial or commercial institutions. Approximately 3,000 tons of solid waste per day are collected by the City. Municipal solid waste is disposed of at various landfills operated outside of the City limits. The City significantly reduced its waste disposal costs over the past five years after entering into new contracts effective in July 1994 and again in July 1998 with private contractors for landfill space. The current disposal contracts were extended through June 2002 and may be extended further for up to three additional years.

Housing

The City boasts a diversity of neighborhoods and housing opportunities. There are over 100 neighborhoods, some of which trace their origin to the seventeenth century and the early settlements of the City. Approximately 60% of the City's housing units are owner-occupied.

Housing costs are low relative to the largest metropolitan areas in the United States, and costs are very competitive with major metropolitan areas in the Northeast. Since 1988, home ownership and rental costs in Philadelphia have increased more slowly than costs in Pittsburgh, Baltimore, and Washington, D.C.

Table 34
Housing Affordability In Major Markets

American Housing Survey Data: Value of Recently Built Homes**

MSA Name	1997 MIRS* Sample Conventionally Financed New Construction	Median Value Constructed 1994-1997	Average Value Constructed in 1994-1997	Year of AHS Survey
Atlanta, GA	\$135,500	\$139,146	\$154,420	96
Buffalo, NY	N/A	170,926	174,320	94
Charlotte, NC/SC	155,500	118,181	135,340	95
Chicago, IL	185,000	191,502	203,740	95
Cleveland, OH	203,000	194,787	207,660	96
Columbus, OH	N/A	145,018	155,800	95
Dallas, TX	160,354	121,613	138,850	94
Denver, CO	179,195	193,707	203,530	95
Detroit, MI	167,900	162,605	176,070	95
Forth Worth/Arlington., TX	148,473	147,684	155,980	94
Hartford, CT	153,000	197,534	201,620	96
Indianapolis, IN	147,758	139,085	150,400	96
Kansas City, MO/KS	167,248	148,990	159,780	95
Los Angeles/Long Beach, CA	222,665	N/A	198,840	95
Memphis, TN/ARMS	160,157	124,638	134,020	96
Miami/Ft. Lauderdale, FL	132,995	145,897	158,850	95
Milwaukee, WI	175,285	179,154	185,990	94
New Orleans, LA	N/A	113,277	120,340	95
New York/Nassau/Suffolk, NY	231,500	N/A	200,970	95
Newark, NJ	195,000	145,873	176,940	95
Oklahoma City, OK	121,102	121,968	130,200	96
Orange County, CA	251,000	250,053	N/A	94
Philadelphia/PA,NJ	191,815	157,881	174,500	95
Phoenix, AZ	154,671	137,881	153,450	94
Pittsburgh, PA	169,000	174,180	173,800	95
Portland, OR	161,275	181,465	191,340	95
Riverside/San Bernadino, CA	169,440	138,327	151,660	94
Sacramento, CA	185,475	172,890	185,230	96
St. Louis, MO/IL	161,786	143,477	155,150	96
San Antonio, TX	124,990	116,069	125,150	95
San Diego, CA	235,000	226,279	N/A	94
Seattle/Everett, WA	180,000	209,419	210,190	96

* MIRS data is from the Federal Housing Finance Board. Sample is national in design, thus, in some MSAs the data may come from only a small number of lenders.

** AHS data as of year of survey.

Source: U.S. Department of Housing and Urban Development Office of Policy Development and Research.

Table 35
Characteristics Of Housing Units

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>
Total Housing Units				
City of Philadelphia	649,033	673,524	685,629	674,899
Philadelphia PMSA	1,333,962	1,536,877	1,554,651	1,491,310
Pennsylvania	3,581,877	3,924,757	4,597,412	4,938,140
Percent Owner Occupied				
City of Philadelphia	61.9%	59.7%	61.0%	62.0%
Philadelphia PMSA	70.0%	67.1%	63.4%	68.5%
Median Value of Owner Occupied Housing				
City of Philadelphia	\$7,000	\$10,600	N/A	\$48,400
Philadelphia PMSA	7,100	14,900	\$41,700	96,700
Pennsylvania	7,100	13,600	39,100	67,900
Number of Persons per Housing Unit				
City of Philadelphia	3.00	2.50	2.66	2.63

Source: U.S. Department of Commerce, Bureau of the Census.

While the City's housing market has remained fairly stable, there has been significant development in the commercial real estate sector. The table below summarizes certain information concerning construction activity.

Table 36
Construction Authorized By Building Permit
Declared Valuation
(Millions Of Dollars)

	<u>Residential</u>	<u>Commercial</u>	<u>Other *</u>	<u>Total</u>	<u>Housing Units</u>
1983	56.6	40.2	125.8	322.6	1,152
1984	66.7	213.3	261.7	541.7	1,498
1985	147.7	352.1	91.7	591.5	3,027
1986	113.6	252.6	264.6	630.8	2,569
1987	98.0	427.0	118.3	643.3	1,561
1988	163.4	765.8	98.5	1,027.7	2,981
1989	104.9	434.9	118.7	658.5	1,496
1990	84.9	469.9	108.0	662.8	1,213
1991	55.1	391.0	41.7	487.8	614
1992	47.7	371.7	97.4	516.7	361
1993	81.8	319.5	54.3	455.6	307
1994	89.7	304.9	54.3	448.9	N/A
1995	82.5	298.6	53.7	434.8	N/A
1996	--	--	--	--	N/A
1997	--	--	--	--	N/A

Source: City of Philadelphia, Department of Licenses and Inspections

* Includes construction by government, industrial, medical and educational units

Economic Development

Philadelphia is in the midst of the biggest wave of development since the development of the Center City office towers in the mid-1980's. The policy decision to emphasize the hospitality industry, including tourism and entertainment, as a sector for economic growth has yielded significant results. In 1996 tourism accounted for \$2.8 billion in revenue, \$50 million in local taxes, and 43,000 jobs with a total payroll of \$1 billion. While much of this development has been concentrated in Center City, projects are occurring all over the City.

Philadelphia as a Corporate Location - Since 1995, several major corporations have either moved into the City, built corporate headquarters in the City, expanded an existing headquarters presence, or built a major back office operation.

This trend began when Crown Cork and Seal, the largest container corporation in the world and a Fortune 500 firm, broke ground in 1995 on a \$23 million corporate headquarters on a 40 acre site in Northeast Philadelphia at which it employs approximately 600 employees. The same year, Colonial Penn Life Insurance Company and Day & Zimmerman, Inc., two veteran Center City corporations, decided to remain and expand in Philadelphia.

In 1996, PNC Bank opened a new \$70 million, 280,000 square-foot Bank Operations Center near Philadelphia International Airport as the first of a multi-phase development that is scheduled to bring 1,100 jobs to the area by the year 2000. Phase II began in 1998. Also in 1997, Smith Kline Beecham announced plans to remain in the City and build a headquarters addition at 16th and Vine Streets that will result in the retention of 2,000 employees and add 500 jobs in the City. In addition, Philadelphia won out over a number of other locations as the site of one of Amtrak's three national Reservation Sales Call Centers that is expected to bring 545 new jobs to the City when it opens in the first quarter of 1999.

The Pennsylvania Convention Center Spurs New Development of Market East - The Pennsylvania Convention Center, completed in June 1993, is the keystone of the City's emphasis on the hospitality industry as a tool of economic revitalization. The \$523 million Center offers 440,000 square feet of meeting and exhibit space and significantly boosts the demand for hotel and retail services in Center City. The Center connects directly to the Reading Terminal Market and the 1,200 room Marriott, which opened in January 1995. According to a Pennsylvania Economy League report on the Center's economic and revenue impact, during the first three years of its operations, 661,000 people came to Philadelphia to attend conventions and meetings. Convention Center attendees generated \$363 million in direct spending, and an additional \$315 million in indirect spending. Plans to expand the Center by as much as 300,000 square feet are under discussion.

Center City Hotel Development - The City established a goal of having 2,000 additional hotel rooms within walking distance of the Convention Center by the year 2000. The City currently anticipates exceeding this goal with a total of 4,000 additional hotel rooms available by the year 2000. In addition to the Marriott Convention Center Hotel, four new Center City hotels were under construction at the beginning of 1998, and two others have been announced. Five of the hotels are in spaces that had been vacant, one for as long as a decade.

A \$23 million 294-suite Hawthorne Suites at 11th and Vine Streets opened in a previously abandoned multi-story loft building in the summer of 1998. Scheduled to open in late 1999 is the \$71 million 350-room Grand Bay Hotel at Broad and Chestnut Streets in the vacant Two Mellon Tower and adjacent Mellon Dome. Scheduled to open in the fall of 1999 is the \$76 million, 499-room Courtyard by Marriott Hotel, in the former City Hall Annex, directly across from the Philadelphia City Hall. Construction began in late 1997 on a \$41 million Philadelphia Convention Marriott Hotel expansion at 11th and Market Streets. The 215-room all-suites hotel will connect to the Convention Center. Construction began in summer 1998 to convert the abandoned, historic PSFS building into a \$110 million, 590-room first class Loews/PSFS Hotel. Plans were announced in 1997 to construct a \$23 million, 282-room Hilton Garden above the Gallery Garage in Market East. In addition, in mid-1998, 536 new hotel rooms were either open or under construction at Philadelphia International Airport. Several other projects are underway which will result in over 4,000 new hotel rooms citywide by the year 2000.

The Central Waterfront District – Development will also focus on Philadelphia's Central Waterfront District. A \$180 million entertainment complex to be developed by Simon DeBartolo was announced in 1998, and construction plans for a \$64 million, 350-room, full service Hyatt Regency Hotel at Penn's Landing are moving ahead. These planned developments follow public investments of more than \$50 million in infrastructure improvements that have been made to the Central Waterfront District over the last seven years. The investment, much of which is designed to enhance access to the Waterfront, includes pedestrian bridges at Walnut and South Streets, better vehicular connections, a renovated Christopher Columbus Boulevard, and a landscaping program. River Link, the ferry service between Penn's Landing and the New Jersey State Aquarium and the Blockbuster Sony Music Entertainment Center at the Waterfront, transported more than 307,000 passengers in 1997.

Farther south, extensive renovation of a Cruise Ship Terminal at the base of Broad Street within the Philadelphia Naval Business Center began in 1997, and the first cruise ship arrived in late spring 1998.

Adding to a growing restaurant and night life scene are specialty restaurants including The Liberty Belle II, a new \$5 million dinner cruise ship which now docks in the Penn's Landing Marina; a restored 1904 square rigged ship, the Moshulu, which has been renovated into a floating restaurant; and the Spirit of Philadelphia, a restaurant/cruise ship.

Avenue of the Arts – The Avenue of the Arts is a multi-million dollar effort to convert the area along Broad Street in Center City north and south of City Hall into a concentrated district of performing arts and culture. Avenue of the Arts South consists of 14 different projects ranging from the \$3 million Clef Club of Jazz and the Performing Arts to the \$8 million Wilma Theater, the first new theater to be built in Center City in 67 years to the \$31 million High School for the Creative and Performing Arts, which opened in September, 1997 in the long-shuttered Ridgway Library building at Broad and Christian Streets. All of the projects on Avenue of the Arts South have been completed except for a \$40 million renovation of the Academy of Music which is currently under construction, the current home of the Philadelphia Orchestra, and the Regional Performing Arts Center (RPAC), the orchestra's proposed home. Ground breaking for the \$245 million RPAC occurred in November 1998.

RPAC is the keystone of Avenue of the Arts South. It is a \$245 million performing arts center to be built at Broad and Spruce Streets which will include a 2,500 orchestra hall that will be home to the Philadelphia Orchestra and a smaller performance theater to be shared by a number of area arts groups. Groundbreaking occurred in November 1998.

Avenue of the Arts North includes a variety of renovation and new construction projects north of City Hall on Broad Street, with concentration around Temple University. Projects include The Apollo of Temple, the \$85 million multi-purpose convocation and recreation complex that opened in December 1997, Rock Hall/Temple University Esther Boyer College of Music, a 325-seat recital hall, and Freedom Theater, Pennsylvania's oldest African American theater. The \$10 million multi-phase project broke ground on the second phase, a 299-seat theater, in October 1997.

Empowerment Zone – When the cities of Philadelphia and Camden were awarded the nation's only bi-state Empowerment Zone designation by the U.S. Department of Housing and Urban Development in December 1994, the neighborhoods of the Philadelphia Empowerment Zone had among them the highest rates of poverty and the lowest educational attainment. They also had the fewest viable businesses and the highest unemployment. By the end of 1997, however, the zone began seeing some positive changes. Thirty-six businesses have received financial assistance to move into the zone or expand at their current locations within the zone, and 38 additional businesses are operating in the zone. Through October, 1997, the total of all sources of public support for business development within the zone exceeded \$21.5 million. This investment has helped leverage more than \$10 million in private capital. One of the more visible signs of improvement in North Philadelphia is the clean up of the 3.2 acre Sovereign Oil brownfields site at American and Berks Streets. In West Philadelphia, an 80,000 square foot commercial and retail shopping center has been proposed along 52nd Street just off Parkside Avenue; land acquisition has been completed.

Hospitals and Medical Centers – The following table presents the most recent published data regarding hospitals and medical centers in Philadelphia. Due to mergers and consolidations that have occurred or may occur in the future, this table is accurate only as of its initial publication date.

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Table 37
City Of Philadelphia
Hospitals and Medical Centers
(as of 1996)

Institution	Beds	Full-Time Employees
Albert Einstein Medical Center	767	N/A
Belmont Center For Treatment	145	378
Charter Fairmount Institute	146	N/A
Chestnut Hill Hospital	169	821
Children's Hospital of Philadelphia	304	3,073
Children's Seashore House	77	445
Episcopal Hospital	173	1,165
Fox Chase Cancer Center	100	525
Frankford Hospital	333	1,879
Franklin Hospital of the Home for the Jewish Aged	566	722
Friends Hospital	192	590
Germantown Hospital & Medical Center	177	830
Graduate Hospital, main campus ⁽¹⁾	222	1,564
Hahnemann University Hospital ⁽¹⁾	618	N/A
Graduate Hospital, City Avenue ⁽¹⁾	190	N/A
Graduate Hospital, Parkview ⁽¹⁾	146	510
University of Pennsylvania Medical Center	649	5,408
Jeanes Hospital	188	1,011
John F. Kennedy Memorial Hospital	141	516
Kensington Hospital	45	N/A
Magee Rehabilitation Hospital	96	472
Medical College Hospitals, main campus ⁽¹⁾	374	N/A
Methodist Hospital	279	1,096
Mt. Sinai Hospital ⁽¹⁾⁽²⁾	170	377
Nazareth Hospital	235	1,053
Neumann Medical Center	166	N/A
North Philadelphia Health System	315	N/A
Northeastern Hospital of Philadelphia	148	N/A
Pennsylvania Hospital	471	N/A
Presbyterian Medical Center of Philadelphia	325	1,644
Roxborough Memorial Hospital	129	659
Saint Agnes Medical Center	182	621
Shriners Hospital for Crippled Children	80	N/A
St. Christopher's Hospital ⁽¹⁾	178	1,341
Temple University Hospital	450	2,580
Thomas Jefferson University Hospital	647	N/A
Veterans Affairs Medical Center	656	N/A
Wills Eye Hospital	115	596
	<u>10,364</u>	<u>29,876</u>

Source: AHA Guide to Hospital Statistics, 1996/97 Edition

(1) Acquired by Tenet Health Systems in 1998

(2) No longer renders services

Philadelphia Industrial Development Corporation – The City's efforts to retain and attract industry are directed by PIDC. Established in 1958, PIDC is a non-profit partnership between the City of Philadelphia and the Greater Philadelphia Chamber of Commerce. The many programs provided by PIDC include (i) direct mortgage funding in a subordinate position at reduced interest rates for fixed asset improvement to companies who intend to build or expand in Philadelphia; (ii) tax-exempt bond funding to eligible borrowers such as non-profit institutions through PAID; (iii) funding through the PIDC/Penn Venture Fund for start-up companies or those in the early stage of development as well as to those established firms which seek to expand by introducing a new product or technology; (iv) offering of fully improved parcels of land for sale in more than a dozen designated industrial parks and districts across the City; and (v) offering of development assistance and project management to a range of Philadelphia's development and non-profit corporations.

Recent Construction – The following table lists projects that were under construction in the City as of the close of 1997. Construction has been completed on several of the projects. Completion dates vary, but all projects are expected to be completed by 2000.

**Table 38
Projects Under Construction**

Project	Estimated Cost
Frankford Elevated Reconstruction	\$733,000,000
Kvaerner (Philadelphia Naval Shipyard)	240,000,000
Philadelphia International Airport Runway	221,000,000
City Hall Tower Restoration	200,000,000
*Grays Ferry Cogeneration Project	167,000,000
Walt Whitman Bridge Corridor Improvement Project	150,000,000
Hospital of the University of Pennsylvania Renovations	135,000,000
Children's Hospital of Philadelphia Renovations	100,000,000
*Apollo of Temple	75,000,000
Bell of Pennsylvania Building for City of Philadelphia	60,000,000
Six Penn Center	51,000,000

* Completed

Philadelphia Naval Shipyard – Kvaerner has begun construction of a new commercial shipyard at the Philadelphia Naval Business Center (the former Navy Base) at a cost of over \$240 million. This shipyard will begin ship construction in 1999.

University of Pennsylvania and Children's Hospital of Philadelphia – The University of Pennsylvania and Children's Hospital of Philadelphia are seeking approval to construct an 8.5 acre medical research and patient care complex on the former Civic Center site in West Philadelphia. This complex will cost over \$265 million, have 775,000 square feet of facilities and parking garages for 2,700 cars. Ground breaking is expected in summer 1999.

Philadelphia International Airport – Design is underway for two new terminals at Philadelphia International Airport funded by a \$435 million bond issue in 1998. US Airways is designing and will construct the new International Terminal and new Commuter Terminal.

Other projects currently under construction include a Smith Kline corporate headquarters, the Loews Hotel, a Marriott Courtyard Hotel and the Reading Headhouse.

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Appendix E

Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

City of Philadelphia, Pennsylvania

\$62,315,000 Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series

\$113,965,000 Gas Works Revenue Bonds (1998 General Ordinance), Second Series

This **Continuing Disclosure Agreement** ("Disclosure Agreement") is executed and delivered as of this 23rd day of June, 1999 by and between **The City of Philadelphia, Pennsylvania** ("City"), and First Union National Bank, a national banking association, having a corporate trust office in Philadelphia, Pennsylvania, as Fiscal Agent and dissemination agent ("Dissemination Agent"), in connection with the issuance by the City of its \$62,315,000 aggregate principal amount Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series (the "Sixteenth Series Bonds") and its \$113,965,000 aggregate principal amount Gas Works Revenue Bonds (1998 General Ordinance), Second Series (the "Second Series Bonds") each dated June 1, 1999 (collectively the "Bonds").

The Sixteenth Series Bonds are being issued and secured pursuant to the First Class City Revenue Bond Act of the Commonwealth of Pennsylvania, Act No. 234, approved October 18, 1972, P.L. 955 (the "Act") and the General Gas Works Revenue Bond Ordinance of 1975, approved May 30, 1975, Bill No. 1871, as amended and supplemented from time to time (the "1975 General Ordinance") and the Sixteenth Supplemental Ordinance to the 1975 General Ordinance duly adopted by City Council of the City of Philadelphia on May 27, 1999 and signed by the Mayor on May 31, 1999, Bill No. 990285 (the "Sixteenth Supplemental Ordinance") and a determination by the Bond Committee of the City (consisting of the Mayor, the City Controller and the City Solicitor), or a majority of them dated June 11, 1999 (the "Sixteenth Series Bond Authorization" and together with the Act, the 1975 General Ordinance and the Sixteenth Supplemental Ordinance, the "Sixteenth Series Ordinance") and shall be described in the Official Statement of the City dated June 11, 1999 with respect to the Bonds (the "Official Statement").

The Second Series Bonds are being issued and secured pursuant to the Act and the General Gas Works Revenue Bond Ordinance of 1998, approved May 8, 1998, Bill No. 980232, as amended and supplemented from time to time (the "1998 General Ordinance") and the Second Supplemental Ordinance to the 1998 General Ordinance duly adopted by City Council of the City of Philadelphia on May 27, 1999 and signed by the Mayor on May 31, 1999, Bill No. 990286 (the "Second Supplemental Ordinance") and a determination by the Bond Committee of the Issuer (consisting of the Mayor, the City Controller and the City Solicitor), or a majority of them dated June 11, 1999 (the "Second Series Bond Authorization" and together with the Act, the 1998 General Ordinance and the Second Supplemental Ordinance, the "Second Series Ordinance") and shall be as described in the Official Statement.

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

Section 1. Definitions.

In this Disclosure Agreement and any agreement supplemental hereto (except as otherwise expressly provided or unless the context clearly requires otherwise) terms defined in the recitals hereto shall have such meanings throughout this Disclosure Agreement, and, in addition, the following terms shall have the meanings specified below:

"Annual Financial Information" shall mean the financial information or operating data with respect to PGW delivered at least annually pursuant to Section 3 hereof, substantially similar to the type set forth in Appendix "A" attached hereto and in accordance with the Rule. The financial statements comprising the Annual Financial Information are prepared according to accounting methods and procedures which conform to generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board.

"Business Day" or "Business Days" shall mean any day other than a Saturday or Sunday or, in the City, a legal holiday or a day on which banking institutions are authorized by law to close or a day on which the Dissemination Agent is closed.

"Disclosure Representative" shall mean the Director of Finance of the City, the City Treasurer or such other official or employee of the City as the Director of Finance or the City Treasurer shall designate in writing to the Dissemination Agent.

"Dissemination Agent" shall mean First Union National Bank, acting in its capacity as Dissemination Agent hereunder or any successor Dissemination Agent designated in writing by the City which has filed with First Union National Bank a written acceptance of such designation.

"Fiscal Agent" shall mean First Union National Bank, as Fiscal Agent for the Bonds.

"Fiscal Agent Agreement" shall mean the Fiscal Agent Agreement dated as of January 1, 1993 between the City and First Union National Bank, as Fiscal Agent, and any successors or assigns thereof, as amended by a First Amendment to Fiscal Agent Agreement dated as of June 1, 1999.

"Material Event" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement, if material within the meaning of the Rule.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement dated June 11, 1999 relating to the Bonds.

"Obligated Person" means (i) the City, for and on behalf of PGW, and (ii) any other entity for which annual financial information is required under the Rule and as to which the Representative has notified the City in writing, accompanied by an opinion of counsel, that such entity is an Obligated Person within the meaning of the Rule.

"Participating Underwriters" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with their purchase and reoffering of the Bonds.

"PGW" means the Philadelphia Gas Works of the City of Philadelphia.

"Registered Owner" or "Owners" shall mean the person or persons in whose name a Bond is registered on the books of the City maintained by the Fiscal Agent in accordance with the 1975 General Ordinance, the 1998 General Ordinance and the Bonds. For so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, the term "Registered Owners" shall also mean and include, for the purposes of this Disclosure Agreement, beneficial owners and the owners of book-entry credits in the Bonds evidencing an interest in the Bonds; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book entry credits in the Bonds, except those who have filed their names and addresses with the Dissemination Agent for the purposes of receiving notices or giving direction under this Disclosure Agreement.

"Repository" or "Repositories" shall mean each nationally recognized municipal securities information repository which has received a no-action letter from the staff of the Securities and Exchange Commission recognizing it as such a repository. The Repositories as of the date of this Disclosure Agreement are set forth in Appendix "B" attached hereto and made a part hereof.

"Rule" shall mean Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as such rule may be amended from time to time.

"Securities Depository" shall mean The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto appointed pursuant to the 1975 General Ordinance or the 1998 General Ordinance.

"State Information Depository" shall mean any public or private repository designated by the Commonwealth of Pennsylvania as a state information depository within the meaning of the Rule. As of the date of this Disclosure Agreement, there is no State Information Depository.

"Representative" shall mean Merrill Lynch & Co., acting on behalf of itself and the other Participating Underwriters.

All words and terms used in this Disclosure Agreement and not defined above or elsewhere herein shall have the same meanings as set forth in the Sixteenth Series Ordinance, the Second Series Ordinance or the Fiscal Agent Agreement, if defined therein.

Section 2. Authorization and Purpose of Disclosure Agreement.

This Disclosure Agreement is authorized to be executed and delivered by the City pursuant to the Sixteenth Series Bond Authorization and the Second Series Bond Authorization in order to enable the Participating Underwriters to comply with the requirements of the Rule.

Section 3. Provision of Annual Financial Information.

(a) Within 240 days of the close of each fiscal year of the City, commencing with the City's fiscal year ending June 30, 1999, the Disclosure Representative shall file with the Dissemination Agent Annual Financial Information for such fiscal year. The Dissemination Agent shall promptly upon receipt thereof file the Annual Financial Information with each Repository and with the State Information Depository, if any. The Annual Financial Information will be in the form of the City's Comprehensive Annual Financial Report and will contain unaudited financial statements if audited financial statements are not available, together with the other information listed in Appendix A.

(b) As soon as audited financial statements for the City are available, commencing with the audited financial statements for the fiscal year ending June 30, 1999, the Disclosure Representative shall file the audited financial statements with the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file the audited financial statements with each Repository and the State Information Depository, if any.

(c) The City agrees to use its reasonable efforts to cause any other Obligated Person (to the extent such entity is not otherwise required under federal law to do so) to make annual financial information available as contemplated by this Section 3. The City takes no responsibility for the timeliness, accuracy or completeness of such filing by any such Obligated Person.

(d) The City reserves the right to modify from time to time the specific types of information provided and the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City; provided that the City agrees that any such modification will be done in a manner consistent with the Rule. The City may, at its option, satisfy the obligation of section 3(a) by providing an official statement for one or more series of general obligations or by specific reference, in accordance with the Rule to one or more official statements provided previously and available from the MSRB or any Repository.

Section 4. Material Events.

(a) The City agrees that it shall provide through the Dissemination Agent, in a timely manner, to each Repository or to the MSRB and to the State Information Depository, if any, notice

of any of the following events with respect to the Bonds if material within the meaning of the Rule (each a "Material Event"):

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) Modifications to the rights of the security holders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the securities;
and
- (11) Rating changes.

The foregoing eleven (11) events are quoted from the Rule. No liquidity facility has been obtained with respect to the Bonds. No mandatory redemption shall be deemed a Material Event.

(b) Whenever the City concludes that a Material Event has occurred, the Disclosure Representative shall promptly notify the Dissemination Agent in writing of such occurrence, specifying the Material Event. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with each Repository or the MSRB and the State Information Depository, if any. Upon receipt, the Dissemination Agent shall promptly file such notice with each Repository or the MSRB and the State Information Depository, if any. In addition, the Dissemination Agent shall promptly file with the each Repository or the MSRB and the State Information Depository, if any, notice of any failure by the City or the Dissemination Agent to timely file the Annual Financial Information as provided in Section 3 hereof, including, any failure by the City or the Dissemination Agent to provide the Annual Financial Information on or before the date specified in Section 3(a) hereof. Any filing with each Repository or the MSRB and the State Information Depository, if any, shall be accompanied by the form annexed hereto as Appendix "C" and made a part hereof.

(c) Notwithstanding the foregoing, the Dissemination Agent shall, promptly after obtaining actual knowledge of an event listed in clauses (a) (1), (3), (4), (5), (8), or (a) (9) of this Section 4, notify the Disclosure Representative of the occurrence of such event and shall, within

three (3) Business Days of giving notice to the Disclosure Representative, file notice of such occurrence with the MSRB and the State Information Depository, if any, unless the Disclosure Representative gives the Dissemination Agent written instructions not to file such notice because the event has not occurred or the event is not material within the meaning of the Rule.

(d) The Dissemination Agent shall prepare an affidavit of mailing for each notice delivered pursuant to clauses (b) and (c) of this Section 4 and shall deliver such affidavit to the City no later than three (3) Business Days following the date of delivery of such notice.

(e) The Dissemination Agent shall request the return from each Repository, the MSRB and the State Information Depository, if any, of written acknowledgment or receipt of any notice delivered to each Repository, the MSRB and the State Information Depository, if any. Upon the return of all completed acknowledgments of a notice, the Dissemination Agent shall prepare an affidavit of receipt specifying the date and hour of receipt of such notice by each recipient to the extent such information has been provided to the Dissemination Agent. Such affidavit of receipt shall be delivered to the City no later than three (3) Business Days following the date of receipt by the Dissemination Agent of the last completed acknowledgment.

Section 5. Amendment; Waiver.

(a) Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend the Disclosure Agreement or waive any of the provisions hereof, provided that no such amendment or waiver shall be executed by the parties hereto or effective unless:

(i) the amendment or waiver is made in writing and in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in identity, nature or status of the City or the governmental operations conducted by the City;

(ii) the Disclosure Agreement, as amended by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the Registered Owners of the Bonds.

(b) Evidence of compliance with the conditions set forth in clause (a) of this Section 5 shall be satisfied by the delivery to the Dissemination Agent of an opinion of counsel having recognized experience and skill in the issuance of municipal securities and federal securities law, acceptable to both the City and the Dissemination Agent, to the effect that the amendment or waiver satisfies the conditions set forth in clauses (a)(i), (ii), and (iii) of this Section 5.

(c) Notice of any amendment or waiver containing an explanation of the reasons therefor shall be given by the Disclosure Representative to the Dissemination Agent upon execution of the

amendment or waiver and the Dissemination Agent shall promptly file such notice with each Repository, the MSRB and the State Information Depository, if any. The Dissemination Agent shall also send notice of the amendment or waiver to each Registered Owner, including owners of book-entry credits in the Bonds who have filed their names and addresses with the Fiscal Agent.

Section 6. Other Information; Duties Under the Fiscal Agent Agreement, the Sixteenth Series Ordinance or the Second Series Ordinance.

(a) Nothing in this Disclosure Agreement shall preclude the City from disseminating any other information with respect to the City or the Bonds, using the means of communication provided in this Disclosure Agreement or otherwise, in addition to the Annual Financial Information and the notices of Material Events specifically provided for herein, nor shall the City be relieved of complying with any applicable law relating to the availability and inspection of public records. Any election by the City to furnish any information not specifically provided for herein in any notice given pursuant to this Disclosure Agreement or by the means of communication provided for herein shall not be deemed to be an additional contractual undertaking and the City shall have no obligation to furnish such information in any subsequent notice or by the same means of communication.

(b) Nothing in this Disclosure Agreement shall relieve the Dissemination Agent of any of its duties and obligations under the Fiscal Agent Agreement, the Sixteenth Series Ordinance or the Second Series Ordinance.

(c) Except as expressly set forth in this Disclosure Agreement, the Dissemination Agent shall have no responsibility for any continuing disclosure to the Registered Owners, the MSRB, any Repository or State Information Depository.

Section 7. Default.

(a) In the event that the City or the Dissemination Agent fails to comply with any provision of this Disclosure Agreement, any Registered Owner of the Bonds shall have the right, by mandamus, suit, action or proceeding at law or in equity, to compel the City or the Dissemination Agent to perform each and every term, provision and covenant contained in this Disclosure Agreement. The Dissemination Agent shall be under no obligation to take any action in respect of any default hereunder unless it has received the direction in writing to do so by the Registered Owners of at least 25% of the outstanding principal amount of the Bonds and if, in the Dissemination Agent's opinion, such action may tend to involve expense or liability, unless it is also furnished with indemnity and security for expenses satisfactory to it.

(b) A default under the Disclosure Agreement shall not be or be deemed to be an Event of Default under the Bonds, the Sixteenth Series Ordinance, the Second Series Ordinance, the Act or any other agreement related thereto and the sole remedy in the event of a failure of the City or the Dissemination Agent to comply with the provisions hereof shall be the action to compel performance described in Section 7(a) above.

Section 8. Concerning the Dissemination Agent.

(a) The Dissemination Agent accepts and agrees to perform the duties imposed on it by this Disclosure Agreement, but only upon the terms and conditions set forth herein. The Dissemination Agent shall have only such duties in its capacity as are specifically set forth in this Disclosure Agreement. To the extent that the duties of First Union National Bank, as Dissemination Agent under this Disclosure Agreement, conflict with its duties as Fiscal Agent, the duties of First Union National Bank, as Fiscal Agent, shall take precedence. The Dissemination Agent may execute any powers hereunder and perform any duties required of it through attorneys, agents, and other experts, officers, or employees, selected by it, and the written advice of such counsel or other experts shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Dissemination Agent shall not be answerable for the default or misconduct of any attorney, agent, expert or employee selected by it with reasonable care. The Dissemination Agent shall not be answerable for the exercise of any discretion or power under this Disclosure Agreement or liable to the City or any other person for actions taken hereunder, except for its own willful misconduct or negligence.

(b) The City shall pay the Dissemination Agent reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, including reasonable fees and expenses of its counsel or other experts, as shall be agreed upon by the Dissemination Agent and the City. Nothing in this Section 8(b) shall be deemed to constitute a waiver of governmental immunity by the City. The provisions of this paragraph shall survive termination of this Disclosure Agreement.

(c) The Dissemination Agent shall be protected and shall incur no liability for acting on any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Disclosure Agreement; and the Dissemination Agent shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement in the absence of actual notice to the contrary. The Dissemination Agent shall be under no obligation to institute any suit, or to take any proceeding under this Disclosure Agreement, or to enter any appearance or in any way defend in any suit in which it may be made a defendant, or to take any steps in the execution of the duties hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified by the Registered Owners to its satisfaction against any and all costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements, and against all liability; the Dissemination Agent may, nevertheless, begin suit or appear in and defend suit, or do anything else in its judgment proper to be done by it as Dissemination Agent, without indemnity.

Section 9. Term of Disclosure Agreement.

This Disclosure Agreement shall terminate upon (1) payment or provision for payment in full of the Bonds, or (2) repeal or rescission of Section (b)(5) of the Rule; or (3) a final determination that Section (b)(5) of the Rule is invalid or unenforceable.

Section 10. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent and the Registered Owners from time to time of the Bonds and nothing herein contained shall confer any right upon any other person.

Section 11. Notices.

Any written notice to or demand may be served, presented or made to the persons named below and shall be sufficiently given or filed for all purposes of this Disclosure Agreement if deposited in the United States mail, first class postage prepaid or in a recognized form of overnight mail or by telecopy with confirmation of receipt, addressed:

- (a) To the Dissemination Agent at:

First Union National Bank
123 South Broad Street
Philadelphia, Pa. 19109-1199
Attention: Corporate Trust Administration
Telecopy No. : (215) 985-7290

- (b) To the City or the Disclosure Representative at:

City of Philadelphia
Office of the Director of Finance
Municipal Services Building
1401 J.F.K. Boulevard
Philadelphia, PA 19102
Attention: Director of Finance
Fax: (215) 568-1947; or

City of Philadelphia
Office of the City Treasurer
Municipal Services Building
1401 J.F.K. Boulevard
Philadelphia, PA 19102
Attention: City Treasurer
Fax: (215) 686-3815

(c) To the MSRB at:

Municipal Securities Rulemaking Board
1640 King Street, Suite 300
Alexandria, VA 22314-2719
Attention: CDI
Fax: (703) 683-1930

or such other addresses as may be designated in writing to all parties hereto.

Section 12. No Personal Recourse.

No personal recourse shall be had for any claim based on this Disclosure Agreement against any member, officer, or employee, past, present or future, of the City (including without limitation, the Disclosure Representative), or of any successor body as such, either directly or through the City or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

Section 13. Controlling Law.

The laws of the Commonwealth of Pennsylvania shall govern the construction and interpretation of this Disclosure Agreement.

Section 14. Removal and Resignation of the Dissemination Agent.

The provisions of Section 7.09 of the Fiscal Agent Agreement shall govern the removal or resignation of the Dissemination Agent and are hereby incorporated by this reference as if set forth at length.

Section 15. Successors and Assigns.

All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the City or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 16. Headings for Convenience Only.

The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 17. Counterparts.

This Disclosure Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

Section 18. Entire Agreement.

This Disclosure Agreement sets forth the entire understanding and agreement of the City and the Dissemination Agent with respect to the matters herein contemplated and no modification or amendment of or supplement to this Disclosure Agreement shall be valid or effective unless the same is in writing and signed by the parties hereto.

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA, has caused this Disclosure Agreement to be executed by th. Director of Finance and First Union National Bank, as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its duly authorized officers, all as of the day and year first above written.

**THE CITY OF PHILADELPHIA,
PENNSYLVANIA**

By: _____
Director of Finance

FIRST UNION NATIONAL BANK,
as Dissemination Agent

By: _____
Authorized Officer

APPENDIX "A"

1. Commencing with the fiscal year ending June 30, 1999, a copy of the Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, prepared by the office of the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units; and

2. Commencing with the fiscal year ending August 31, 1999, to the extent such information is not contained in the CAER, an update of the information in Appendix A - Financial Statements for PGW for Fiscal Years ended August 31, 1998 and 1997 of the Official Statement.

APPENDIX "B"

Repositories

Any information to be provided to the Repositories pursuant to this Disclosure Agreement shall be sent via United States mail, first class postage prepaid, or a recognized form of overnight mail or electronic mail delivery to each of the Repositories. The names and addresses of the Repositories designated as such as of the date hereof are as follows:

Bloomberg Municipal Repositories
P.O. Box 840
Princeton, NJ 08542-0840
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

DPC Data, Inc.
One Executive Drive
Fort Lee, 0702
Phone: (201) 446-0701
Fax: (201) 947-0107

Kenny Information Systems, Inc.
65 Broadway - 16th Floor
New York, NY 10006
Attn: Kenny Repository Service
Phone: (212) 770-4595
Fax: (212) 797-7994

Thomson NRMSIR
Attn: Municipal Disclosure
395 Hudson Street, 3rd Floor
New York, NY 10004
Phone: (212) 807-5001
or (800) 689-8466
Fax: (212) 989-2078
E-mail: Disclosure@Muller.com

APPENDIX "C"

MUNICIPAL SECONDARY MARKET DISCLOSURE
INFORMATION COVER SHEET

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12 or any analogous state statute.

Issuer's and/or Other Obligated Person's Name: _____
CUSIP Numbers (attach additional sheet if necessary): _____

Nine-Digit CUSIP Number(s) to which this material event notice relates:

Information relates to all securities issued by Issuer having the following six-digit numbers: _____

Number of pages of attached material event notice: _____

Description of Material Events Notice (Check One)

- 1. _____ Principal and interest payment delinquencies
- 2. _____ Non-Payment related defaults
- 3. _____ *Unscheduled draws on debt service reserves reflecting financial difficulties*
- 4. _____ *Unscheduled draws on credit enhancements reflecting financial difficulties*
- 5. _____ *Substitution of credit or liquidity providers, or their failure to perform*
- 6. _____ *Adverse tax opinions or events affecting the tax-exempt status of the security*
- 7. _____ Modifications to rights of security holders
- 8. _____ Bond calls
- 9. _____ Defeasances
- 10. _____ *Release, substitution, or sale of property securing repayment of the security*
- 11. _____ Rating changes
- 12. _____ Failure to provide annual financial information as required
- 13. _____ Other material event notice (specify)

* 14. _____ Financial information: Please check all appropriate answers:

CAFR (a) ___ includes / ___ does not include Annual Financial information

(b) Audited? ___ Yes ___ No

Annual Financial Information: Audited? ___ Yes ___ No

Operating Data

Fiscal Period Covered: _____

*Financial Information should not be filed with the MSRB.

I hereby represent that I am authorized by the Issuer as an agent to distribute this information publicly:

Signature _____

Name: _____ Title: _____

Employer: _____

Address: _____

City, State, Zip Code: _____

Voice Telephone Number () _____

Please print the material event notice attached to this cover sheet in 10-point type or larger.

The cover sheet and notice may be faxed to the MSRB at (703) 683-1930. Contact the MSRB at (202) 223-9503 with questions regarding this form or the dissemination of this notice.

Appendix F

Text of Proposed Opinion of Co-Bond Counsel

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TEXT OF PROPOSED OPINION
OF CO-BOND COUNSEL

The City of Philadelphia, Pennsylvania
640 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Re: \$ 62,315,000 City of Philadelphia Gas Works Revenue
Bonds (1975 General Ordinance), Sixteenth Series and
\$113,965,000 City of Philadelphia Gas Works Revenue
Bonds (1998 General Ordinance), Second Series

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to The City of Philadelphia, Pennsylvania (the "City") in connection with the issuance and sale by the City of \$62,315,000 aggregate principal amount of its Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series (the "Sixteenth Series Bonds") pursuant to The First Class City Revenue Bond Act of the Commonwealth of Pennsylvania, Act No. 234, approved October 18, 1972 (P.L. 955) (the "Act"), the City's General Gas Works Revenue Bond Ordinance of 1975, approved May 30, 1975, as amended (the "1975 General Ordinance"), and the Sixteenth Supplemental Ordinance to the 1975 General Ordinance, approved May 31, 1999 (the "Sixteenth Supplemental Ordinance") and the issuance and sale by the City of \$113,965,000 aggregate principal amount of its Gas Works Revenue Bonds (1998 General Ordinance), Second Series (the "Second Series Bonds") pursuant to the Act, the City's General Gas Works Revenue Bond Ordinance of 1998, approved May 8, 1998 (the "1998 General Ordinance"), and the Second Supplemental Ordinance to the 1998 General Ordinance, approved May 31, 1999 (the "Second Supplemental Ordinance"). The 1975 General Ordinance, the Sixteenth Supplemental Ordinance, the 1998 General Ordinance and the Second Supplemental Ordinance are referred to herein collectively as the "Ordinances" and the Sixteenth Series Bonds and the Second Series Bonds are referred to herein collectively as the "Bonds."

The proceeds from the sale of the Sixteenth Series Bonds will be used to (i) refund certain Gas Works Revenue Bonds issued under the 1975 General Ordinance, (ii) pay the costs of issuance of the Sixteenth Series Bonds and make any required deposit to the Sinking Fund Reserve under the 1975 General Ordinance, and (iii) pay any other Project Costs (as defined in the Act) relating to the refunding of the prior bonds or the issuance of the Sixteenth Series Bonds.

The proceeds from the sale of the Second Series Bonds will be used to (i) pay the costs of capital projects of the Philadelphia Gas Works (the "Gas Works"), (ii) pay the costs of issuance of the Second Series Bonds and make any required deposit to the Sinking Fund Reserve under the 1998 General Ordinance, and (iii) pay any other Project Costs (as defined in the Act).

In our capacity as Co-Bond Counsel to the City, we have examined such statutes of the Commonwealth of Pennsylvania and such ordinances of the City and proceedings relating thereto as we have deemed necessary to enable us to render the opinion set forth below. We have also examined and relied upon the proceedings authorizing the issuance of the Bonds and certain certifications, agreements (including an Arbitration and Tax Compliance Certificate intended to satisfy certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable Treasury Regulations), affidavits, receipts and other documents, including specimen Bonds, which we have considered relevant. We have also relied on the Fiscal Agent's certification as to its execution of the Bonds.

In rendering the opinion set forth below, we have relied upon the genuineness, authenticity, truthfulness and completeness of all documents, records and other instruments we have examined and the genuineness of all signatures. We have not undertaken to verify the factual matters set forth therein by independent investigation. Except as set forth in paragraphs 4 and 5 below, our opinion is given only with respect to the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof and Ordinance).

On the basis of the foregoing and subject to the qualifications hereinafter stated, we are of the opinion, under existing law, that:

1. The City has the power to perform its obligations under the Ordinances and to issue and sell the Bonds.

2. All conditions precedent to the issuance of the Bonds pursuant to the Act and the Ordinances have been satisfied, and the purposes for which the Bonds have been issued are permitted purposes under the Act and the respective Ordinances.

3. The Bonds have been duly authorized, executed, issued and delivered by the City and are the legal, valid and binding limited obligations of the City, enforceable in accordance with their terms.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes. The opinion set forth in the preceding sentence is subject to the condition that the City complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such

requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements.

5. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to certain corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations.

6. Under the laws of the Commonwealth of Pennsylvania, the interest on the Bonds is exempt from Pennsylvania personal income tax and from Pennsylvania corporate net income tax, and the Bonds are exempt from personal property taxes in Pennsylvania.

With respect to the foregoing, it is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally or equitable principles, whether considered in a proceeding at law or in equity.

We express no opinion as to any matter not set forth herein, including federal or state tax consequences arising with respect to the Bonds other than as expressed in paragraphs 4, 5 and 6 above, or as to the accuracy, adequacy or completeness of the Official Statement prepared with respect to the Bonds, and we make no representation that we have independently verified the contents of such Official Statement.

We call to your attention that the Sixteenth Series Bonds are limited obligations of the City, payable only out of Project Revenues (as defined in the 1975 General Ordinance) and moneys which may be available therefor in the Sinking Fund under the 1975 General Ordinance, including the Sinking Fund Reserve therein, and that the Second Series Bonds are limited obligations of the City, payable only out of the Gas Works Revenues (as defined in the 1998 General Ordinance) and moneys which may be available therefor in the Sinking Fund under the 1998 General Ordinance, including the Sinking Fund Reserve therein, and that neither the credit nor taxing power of the City is pledged for the payment of the principal of or interest on the Bonds. The Sixteenth Series Bonds and the Second Series Bonds do not create a charge against the tax or general revenues of the City or any property of the City other than the Project Revenues and Gas Works Revenues, respectively, and amounts available therefor in the Sinking Fund under the 1975 General Ordinance and the Sinking Fund under the 1998 General Ordinance, respectively.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur.

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Appendix G

Specimen Municipal Bond Insurance Policy

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made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 580NY (5/90)



**FINANCIAL
SECURITY
ASSURANCE.**

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER:

BONDS:

Policy No. N

Effective Date

Premium \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby **UNCONDITIONALLY AND IRREVOCABLY** agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment on the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment



**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER: City of Philadelphia, Pennsylvania

Policy No.: 25306-N

BONDS: \$62,315,000 in aggregate principal amount of
Gas Works Revenue Bonds (1975 General
Ordinance), Sixteenth Series dated June 1,
1999

Effective Date: June 23, 1999

Premium: \$520,875.59

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

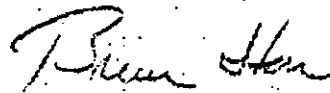
To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy:

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By



Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)



**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER: City of Philadelphia, Pennsylvania

Policy No.: 25311-N

BONDS: \$113,965,000 in aggregate principal amount of
Gas Works Revenue Bonds, (1998 General
Ordinance), Second Series dated June 1, 1999

Effective Date: June 23, 1999

Premium: \$1,241,564.02

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

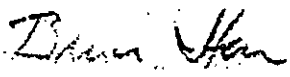
Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By 
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

**Independent Consultant's Report
for
Philadelphia Gas Works**

**Gas Works Revenue Bonds,
(1998 General Ordinance), Second Series
and
Gas Works Revenue Bonds,
(1975 General Ordinance), Sixteenth Series**

May, 1999

▲ Stone & Webster Management Consultants, Inc.

May 6, 1999

Honorable Ben Hayllar
Director of Finance
City of Philadelphia
1401 John F. Kennedy Boulevard
1330 Municipal Services Building
Philadelphia, Pennsylvania 19102

**Subject: Independent Consultant's Report
City of Philadelphia, Pennsylvania
Gas Works Revenue Bonds (1998 General Ordinance), Second Series and
Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series**

Dear Mr. Hayllar:

The attached report contains the findings and conclusions of Stone & Webster Management Consultants, Inc., (Stone & Webster) with respect to the issuance of up to \$115,000,000 of Gas Works Revenue Bonds (1998 General Ordinance), Second Series (the "Second Series Bonds") and up to \$80,000,000 of Gas Works Revenue Bonds (1975 General Ordinance) Sixteenth Series (the "Sixteenth Series Bonds") (collectively the "Bonds").

The Second Series of Bonds are being issued in order to fund a portion of the Philadelphia Gas Works' (PGW) capital improvement program, fund a sinking fund reserve and pay the costs of issuance. These Bonds will constitute the second debt issued under the 1998 General Ordinance. The Sixteenth Series Bonds are being issued to refund all or a portion of the City's outstanding Gas Works Revenue Bonds, Eleventh Series C and Fourteenth Series as well as fund a sinking fund reserve and pay costs of issuance. These Bonds will be issued under the 1975 General Ordinance.

Stone & Webster has broad experience in the technical and financial analysis of the operation of a gas distribution system of the magnitude and scope of PGW and has a favorable reputation for competence in such field and is qualified to do such work (see Appendix for Stone & Webster qualifications).

SCOPE OF WORK

Stone & Webster has prepared a detailed report including historic and forecast schedules. The basis for the report is our review of PGW's operations, facilities, and its customer, sales, and financial forecasts. As the basis for our report, we have conducted an independent investigation of such physical properties and books and records that we deemed necessary in order to make the findings and conclusions contained herein. The report also provides an assessment of the condition of the physical plant including PGW's existing production, storage and distribution facilities, among others, based upon on-site inspections of facilities. It reviews and evaluates existing and planned natural gas transport and supply contracts with respect to volumes of gas to be delivered and evaluates the adequacy of present inventory, current and future gas supplies, pipeline transportation

Stone & Webster Management Consultants, Inc.

One Penn Plaza, 250 W. 34th Street

New York, New York 10119-2998

Phone: 212.290.7000

Fax: 212.290.7033

www.stoneweb.com

capacity, and supplemental gas production capabilities. Furthermore, an evaluation and description of PGW's capital improvement program for fiscal years 1999 through 2005 is addressed with the objective of judging the consistency and reasonableness of the major replacements and improvements which will be made to the gas system.

The report provides an overview of PGW's long-term capital program and an assessment of the regulatory and rate setting environment under which the imposition and collection of rates and charges will occur. This financial assessment, based on PGW's 1999 through 2005 financial forecast, is structured to permit the reader to make an estimate of PGW's ability to meet the current and future costs of operation and maintenance, as well as its ability to meet debt service coverage tests and other bond covenants set forth in the legislation which governs debt financing.

FINDINGS AND CONCLUSIONS

Detailed findings and conclusions are contained in the attached report; however, subject to such findings and conclusions, the following points summarize Stone & Webster's key opinions relevant to issuance of the Bonds:

Operations

- PGW is a competently managed and operated gas distribution utility. PGW and its facilities are organized, operated and maintained at a level equal to or in excess of regulatory requirements and generally accepted industry practices. Based upon our investigation, we believe PGW's facilities are in good operating condition.

Finance

- Based on our investigation and evaluation of financial forecast information covering the period 1999 through 2005, and on the basis of actual and estimated future annual financial operations of PGW's facilities and certain assumptions with respect thereto over the amortization period of either the Second Series Bonds or the Sixteenth Series Bonds, which assumptions we believe are reasonable, current and future project revenues which are pledged under the General Ordinances (hereinafter defined) comply with the requirements of the definition of project revenues in Section 2 of The First Class City Revenue Bond Act (the "Act") and, over the amortization period of the Bonds, will be adequate to meet all expenses of operation and maintenance, repair and replacement, reserve fund deposits, debt service on the bonds issued under the General Ordinances as the same shall become due and payable and the surplus requirements of the rate covenants contained in Section 4.03(b) of the Ordinance of City Council approved May 30, 1975, Bill Number 1871, as amended (the "1975 General Ordinance") and in Section 4.03(b) of the General Gas Works Revenue Bond Ordinance of 1998 (the "1998 General Ordinance") (collectively the "General Ordinances").
- The project revenues which are pledged as security for the bonds issued under the General Ordinances are projected to be sufficient to comply with the rate covenants set forth in Section 4.03(b) of each of the General Ordinances. The forecast projects an increase in the amount of \$20 million of revenue enhancement in 2002 which continue thereafter. These enhancements can be effected by either a general rate increase or from equivalent savings in operating expenses or from a combination of both.
- The capital improvements included in this forecast which are needed to meet current budgeted and forecasted results, 2000 through 2005, are premised on additional funds amounting to \$75 million. It is anticipated that this will be financed by a revenue bond placement in fiscal year 2003. It is assumed for purposes of this report that all revenue bonds will be tax exempt and the 2003 bonds will be issued at an interest rate no greater than 6.5%.

Management

- Since October, 1998, there has been significant turnover in senior management. These positions have been filled either on a temporary or permanent basis, except for the Chief Financial Officer whose functions have been otherwise allocated.

Capital Expenditures

- The capital improvements proposed during the budget and forecast period, 2000 through 2005, will, along with continued good operation and maintenance practices, enable PGW to maintain its system in good operating condition. Our review of present management practices indicates that this is likely to continue, provided the necessary capital budgets of PGW are approved. (Detailed engineering quality assurance inspections and testing were not performed.)

RFP Process

- In early 1999 the Philadelphia Facilities Management Corporation ("PFMC") Board, a non-profit Pennsylvania corporation incorporated by the City for the purpose of operating PGW, requested qualifications from and initiated discussions with a large number of utilities to determine their interest and ability and the feasibility and desirability of contracting out for all or a portion of the management functions of PFMC. After an interview and review process, PFMC has determined to proceed with a request for proposal (RFP) process to possibly contract out only the gas management and supply function. PFMC has decided not to pursue an RFP for more general management services at this time.

Gas Supplies

- Contracted PGW gas supplies plus spot market purchases plus anticipated additional contracted supplies plus supplemental gas capacities as well as the pipeline transport capacity to move these supplies to PGW are adequate to meet PGW's forecast of demand on a day of maximum demand (a design peak day), or an hour of maximum demand (a design peak hour), and during a year of maximum demand (a design peak year). If PGW's plans for outsourcing of supply services materialize, in Stone & Webster's opinion this would not impact PGW's ability to continue to meet maximum demands.

Sales

- The continuing decline in Philadelphia population (estimated to have declined 9.4% between 1990 and 1998) and loss of jobs (decline of 4.0% between 1980 and 1990), if they continue, will eventually limit residential customer growth. This assumption is included in PGW's forecast.
- Fiscal year 1999 is turning out to be warmer than most years. PGW's current estimate (based on actual data through February 1999 and six months of best projections based upon currently available information) is that fiscal year 1999 will have 14.7% fewer degree days than an average year, decreasing expected firm sales for the year.

- PGW firm sales volumes over the forecast period (2000 to 2005) are expected to increase by 1.7 percent. Interruptible sales volumes are forecasted to increase 21.6% over the same period and transport sales are projected to be flat.

Legislation

- No change in current legislation has been factored into these forecasts, since bills pending in the Pennsylvania state legislature concerning open access on distribution systems have not been enacted at the date of this report and at such date such bills do not apply to municipal utilities such as PGW.

The accompanying forecasts are based on assumptions of future events and should not be construed as a statement of fact. These assumptions have been provided by or have been reviewed with and approved by PGW and are based on present circumstances and information currently available. During this assignment, we analyzed such information as was considered appropriate for use in evaluating the assumptions pertaining to the financial statement forecasts. Based on current information, we believe that the assumptions are reasonable. These assumptions may be affected by future events and, therefore, the actual results that will be achieved may vary from the forecast.

Sincerely,

STONE & WEBSTER MANAGEMENT CONSULTANTS, INC.



Edward A. McGee
Vice President
(Responsible Officer)



Christopher A. Pioli
Executive Consultant
(Project Manager)

INDEPENDENT CONSULTANT'S
REPORT ON THE PHILADELPHIA GAS WORKS

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Notes * Figures, Tables and Exhibits are based on data supplied by PGW.

** Figures 3 and 4 are based on data supplied by the Delaware Valley Regional Planning Commission and the PA Department of Labor & Industry, respectively.

INTRODUCTION

The Philadelphia Gas Works ("PGW"), a city owned gas distribution utility in the City of Philadelphia (City), retained Stone & Webster Management Consultants, Inc. ("Stone & Webster") to prepare this report in connection with the issuance of up to \$115,000,000 Gas Works Revenue Bonds (1998 General Ordinance), Second Series (the "Second Series Bonds") and up to \$80,000,000 Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series (the "Sixteenth Series Bonds"). Stone & Webster was asked to investigate, evaluate and state conclusions regarding:

- The adequacy of PGW gas supplies and their transport capacity on feeder pipelines;
- The adequacy of current and future PGW revenues to meet operation and maintenance expenses, reserve fund deposits, debt service on the Bonds, lease payments on certain leased assets, and the rate covenant requirements of the General Ordinances rate covenants; and,
- The appropriateness of the capital improvements (being financed with the proceeds of the Bonds as well as through leases and internally generated funds) to maintain the PGW system in good operating condition.

The findings and conclusions regarding these issues are contained in this report. Historical and forecast statistics and related figures are displayed in Figures 1-10, Tables 1-18 and Exhibits I-VI which are an integral part of this report. This report also contains Stone & Webster's independent assessment of PGW's organization, management, and overall strategic plan.

During the second quarter of 1999, a review and evaluation, based upon on-site inspections, was made of production, storage, distribution and general plant facilities. The adequacy of gas supply and transport resources to meet forecast requirements was determined. The capital improvements program was evaluated as to the appropriateness of quantities and estimates of material and labor prices, and justification of improvements and benefits to the gas physical system. An evaluation was also conducted of the five major computer mainframe systems being purchased and customized during the early years of the forecast, since they also represent a major portion of the capital program. Finally, Stone & Webster assessed the regulatory and rate setting environment which was factored into a series of pro-forma financial forecasts for purposes of analysis. This analysis permitted us to estimate PGW's ability to meet the current and future costs of operations, maintenance and debt service coverage requirements and other bond covenants set forth in the statutes which govern debt financing.

Fiscal year 1999 is turning out to be warmer than most years. PGW's most recent estimate (based on six months of actual results through February and six months of projections based upon currently available information is that the year will produce 3,925 degree days, a decrease of 14.7% from average weather. On this basis a "Current Estimate" of operations and financial results was compiled and is shown together with expectations for the budget and forecast years in most tables and exhibits at the end of this report.

Major factors and key assumptions relative to the forecast are listed below and are discussed in more detail in the report:

- Based on our financial analyses, continuing GCR (gas cost recovery) adjustments will be required in order for PGW to meet the financial forecasts included herein and the terms of its bond covenants.

- The forecast envisions an increase in the amount of \$20 million in 2002 from either a general rate increase or from savings in operating expenses or from a combination of both.
- Capital Improvement Program – An additional revenue bond issue will be required to fund the capital program in the year 2003. The revenue bond issue is assumed to be tax exempt and have no greater than a 6.5% interest rate.
- Legislation - No change in current legislation has been factored into these forecasts, since various Commonwealth of Pennsylvania proposals concerning open access on distribution systems are still unresolved and since there is no clear indication regarding which, if any, portions of such legislation might apply to a municipal utility such as PGW.
- Accounts Receivable - The decline in Accounts Receivable observed over the five year period from 1994 through 1998 as a result of continuing and increasing emphasis on collections is assumed to continue during the current year 1999 and the budget year 2000 before turning up slightly as revenues increase in forecast years over the forecast period.
- Information Technology - The aggressive effort to convert all five major business applications during the past year is expected to lead to their implementation prior to the end of calendar 1999. One of the five applications (Accounting and Finance) has been implemented. Should any of the remaining applications not continue on schedule for implementation prior to the end of calendar 1999, contingency plans are in place to continue use of the prior application(s) and modify them to assure operability through and beyond Year 2000.

GENERAL

THE PHILADELPHIA GAS WORKS

The Philadelphia Gas Works consists of real and personal property, whether tangible or intangible, owned by the City of Philadelphia, plus the organization and personnel necessary for the acquisition, transport, delivery and sale of natural gas within the City.

In March 1835 a City Ordinance was passed authorizing private ownership and operation of a public gas utility under trustee management. This Ordinance also contained an option clause permitting the City to take ownership of PGW by issuing City bonds to the private stockholders. This option initiating City ownership of PGW was exercised March 1, 1841, and has since been continuously in effect. Manufactured gas production commenced February 8, 1836 and service was inaugurated February 10, 1836 to 46 gas lamps along Second Street. PGW thus has completed 163 years of service to the citizens of Philadelphia.

During its 163 years of existence, the operation and management of PGW has evolved to its present configuration through a variety of arrangements. Initially it was managed by the private owners. In 1841, a Board of Trustees assumed management of PGW in accordance with an enabling City Ordinance. This arrangement continued through April, 1887 when management and operation of PGW was assumed by the City under the Director of Public Works. Serious financial and operating problems led to replacement of this arrangement on November 12, 1897. At that time, the City, unable to sell PGW, contracted with the United Gas Improvement Company (UGI), now UGI Corporation, for the operation and management of PGW under authority granted by the City Charter. Operation and management by UGI continued through December 31, 1972.

On January 1, 1973 the Philadelphia Facilities Management Corporation ("PFMC"), a not-for-profit Pennsylvania corporation, was incorporated by the City for the specific purpose of operating PGW. PFMC currently manages PGW in accordance with the original Agreement with the City dated December 29, 1972 as subsequently amended (the "Agreement").

<u>Organization</u>	<u>Function</u>
City of Philadelphia	Owens PGW property and establishes legislation for PGW functioning.
The Gas Commission	Established under the Philadelphia Home Rule Charter, and is responsible for overseeing operation of PGW by the PFMC and is charged with regulating rates.
PFMC	Provides executive management and operates PGW facilities.
PGW	Manages construction, operation and maintenance of the gas system on a day-to-day basis.

The Agreement states that for the operation of PGW the PFMC shall provide:

- A Chief Executive Officer,
- A Chief Operating Officer,
- A Chief Financial Officer, and
- Other personnel as deemed appropriate by PFMC.

All PFMC personnel are subject to the approval of the Philadelphia Gas Commission (the "Commission"). The Commission consists of five members: the City Controller (or his designee), two Mayoral appointees, and two City Council appointees. The Commission has the general responsibility to oversee operation of PGW by PFMC and retains all powers not specifically granted to PFMC. In addition, the Agreement specifies certain functions of the Commission, mainly:

- Approval of PFMC personnel,
- Review and make recommendations regarding gas supply contracts for City Council approval,
- Approval of PGW's annual operating budget,
- Review and make recommendations regarding PGW capital budgets for City Council approval,
- Approval of short-term loans,
- Power to establish procurement standards and to fix and regulate rates and charges for supplying gas to customers other than the City and the Board of Education, which will annually produce revenues sufficient to:
 - pay all operating and maintenance expenses of PGW and the interest and amortization expense of its debt,
 - pay \$18,000,000 to the City each year and,
 - provide such other funds as may be approved by the Gas Commission or City Council.
- Review and approval of all PGW real estate acquisitions, sales, or leases for submittal to City Council for approval by ordinance.

ORGANIZATION AND ADMINISTRATION

The current PGW organization, a typical line organization, is shown in Figure 1. In preparing this study interviews were conducted with a Board Member of PFMC and all of PGW's officers: Interim President, Executive Vice President, Senior Vice President, and six of the eight Vice Presidents. We also interviewed PGW's Controller, and a number of its Managers and Directors. The interviews were supplemented by review of PGW policies, practices, procedures and field observation of numerous employees at various facilities performing their functions. Based on these interviews, reviews and observations, it is our opinion that PGW is suitably organized, managed, and operated by qualified personnel.

Total PGW employment as of March 31, 1999 was 1,903. The Gas Works Employees' Union of Philadelphia, Local #686, Service Employees' International Unit (an AFL-CIO affiliated union) represents 1,521 employees. The Amalgamated Plant Guard Workers of America union contract expired August 31, 1998 and was not renewed. These figures represent a substantial decrease from personnel levels a decade ago in accordance with the Gas Commission's order of October, 1988, directed at reduction of expenses, and recommendations contained in the revitalization plan of 1995 by a turnaround consulting/management firm.

On August 6, 1993 there was a work stoppage by the Gas Works Employees' Union over a number of issues, including salary issues, in the proposed contract. This work stoppage lasted 85 days until it was settled in October, 1993 with a five-year agreement. It was the third work stoppage in the history of PGW. The first two which occurred in 1971 and 1989 were of shorter duration. The May 15, 1998 contract expires May 15, 2001.

During 1998 PGW experienced a number of changes in its management. In the Fall of 1998, at the expiration of employment contracts for previous management¹, PFMC assigned Mr. Benjamin Hayllar as Interim President and Chief Executive Officer of PGW. Dr. Hayllar was selected based on his strong financial background and previous experience as Director of Finance for the City of Philadelphia. The following brief resumes provide pertinent information on the major management qualifications of the current PFMC/PGW Senior Officers:

PGW Officers

Ben Hayllar – Interim President and Chief Executive Officer

Dr. Hayllar is currently Interim President and Chief Executive Officer of PGW. He also serves on the Philadelphia Facilities Management Corporation's Board of Directors, the governing board for PGW, having been appointed to the Board on December 19, 1994.

Dr. Hayllar also serves as the Director of Finance, City of Philadelphia, appointed by Mayor Edward G. Rendell on October 4, 1993. As a member of the Mayor's Cabinet and the Chief Financial Officer of the City, he is responsible for financial and fiscal policy development and directly oversees all City financial activities, including Budget, Accounting, Revenue Collection, Treasury, Procurement, Minority Business Enterprise Council, Risk Management and Bureau of Administrative Adjudication.

Prior to joining the City of Philadelphia, Dr. Hayllar was the Director of Finance for the City of Pittsburgh (1989-1993) responsible for tax revenue collection and investment, employee benefits and payroll, long range fiscal planning and municipal debt management, and was Trustee for maintenance and disposition of properties acquired through tax. From 1985-1989, he was Vice President/Division manager, Metropolitan Banking, at Equibank.

Dr. Hayllar received his Ph.D. in communications from the University of Pittsburgh. His M.A. and B.A. are also from the University of Pittsburgh.

Gregory D. Martin, Executive Vice President and Chief Operating Officer

Mr. Martin is Executive Vice President and Chief Operating Officer of the PGW. In this capacity, Mr. Martin manages the gas operations, customer service and systems technology activities.

¹ An investigation is ongoing into expense spending and certain other actions on the part of certain outgoing previous senior personnel.

Prior to his appointment to PGW, Mr. Martin was Vice President, Gas Management at Equitable Gas Company in Pittsburgh, Pennsylvania. There, he directed and managed the gas supply purchasing, planning, off-system marketing and sales, federal regulatory, retail transportation and gas measurement functions. He also held the position of Vice President, Consumer Products at Equitable Gas - Energy, a non-regulated marketing affiliate of Equitable Gas Company. Mr. Martin has also held positions as Gas Procurement Administrator, with the Charlottesville Gas Utility Division in Charlottesville, Virginia, Special Assistant to Commissioner Wesley Long at the District of Columbia Public Service Commission and Special Assistant to Commissioner Matthew Holder at the Federal Energy Regulatory Commission.

Mr. Martin holds an M.A. and B.A. in Political Science from the University of Wisconsin and University of New Orleans, respectively.

Abby L. Pozefsky, Sr. Vice President and General Counsel

Ms. Pozefsky was appointed Senior Vice President and General Counsel of PGW in July 1998. She serves as General Counsel, managing all legal work, and is also responsible for oversight of the Human Resources Department.

Ms. Pozefsky previously held the position of Chief Deputy City Solicitor of Regulatory Affairs for the City of Philadelphia Law Department. In her twelve years with the City Law Department she served in various capacities, including General Counsel to the Water Department, the Philadelphia Airport and the City Municipal Energy Office.

Ms. Pozefsky received a B.A. degree from the University of Pennsylvania and a Juris Doctor degree from New York University Law School.

Thomas M. Smyth, Vice President, Controller and Chief Accounting Officer

Mr. Smyth was appointed the Vice President, Controller and Chief Accounting Officer, in February 1999. He is responsible for all financial reporting, accounts payables, fixed assets and related duties. He previously held the position of Executive Director-Internal Auditing since starting with PGW in July 1997.

Before joining PGW, Mr. Smyth held various positions with the Bell Atlantic Corporation and a major transportation company.

Mr. Smyth received his B.S. degree from Delaware Valley College and an M.B.A. from LaSalle University. He is a member of the American Institute of Certified Public Accountants and the Pennsylvania Institute of Certified Public Accountants.

PFMC Board of Directors

J. Gregory Driscoll serves as Chairman of the Board of PFMC. Other members of the Board, most of whom have been appointed since 1995 include Andre L. Dennis, Esq., Ben Hayllar, William J. Marrazzo, Rev. William B. Moore, Dennis Arouca, Esq. and Jamie Sheller, Esq.

SERVICE AREA

Philadelphia Gas Works is the largest municipally-owned gas utility in the nation. PGW purchases, sells, and distributes natural and supplemental gas within the limits of the City of Philadelphia (see Figure 2). The City's borders envelop a predominately urbanized area of 129 square miles in southeastern Pennsylvania along the Delaware River. Within these boundaries PGW maintains a distribution system with approximately 6,000 miles of gas mains and service pipes with customer billings of approximately 514,000 customers.

The City is the largest incorporated area in the Delaware Valley region. The 1990 U.S. census, as reported by the Delaware Valley Regional Planning Commission (DVRPC) in April, 1991, counted 1,585,577 inhabitants in the City, a decrease of 6.1% since 1980. The latest Census population estimate (for 1998) reflects a population of 1,436,000, a decrease of 9.4% since 1990 (see Figure 3). The average annual reduction in population in the city since 1996 is estimated at 1.4%. The region is comprised of Bucks, Chester, Delaware, Montgomery, and Philadelphia counties in Pennsylvania, and Burlington, Camden, Gloucester, and Mercer counties in New Jersey. Seven of these nine counties (all except Philadelphia and Delaware) are estimated to have increased their population in 1998 over their 1990 census figures.

Philadelphia's economic orientation has been shifting steadily towards service-related activities. Whereas Government and most private sectors are estimated to have declined in employment statistics, service sector jobs within the City are estimated to have increased to nearly 300,000 in 1997 (see Figure 4). This increase is on top of an increase of 8.5% from 1986 through 1992. The main service industries in the City of Philadelphia are law, health, hospitality and education. The relatively low costs of living and office space compared to cities of similar size, along with a prime location at the heart of the Washington-New York-Boston corridor, and the presence of major research universities helps assure Philadelphia a continuing capacity to attract and retain a dynamic private sector.

The City of Philadelphia has formulated a number of aggressive plans to counteract recent trends of jobs and residents transferring from the City to the Suburbs. Plans include continuing to reduce city resident taxes, reduce crime and focus on capital improvements. The City expects to spend \$800 million between 2000 and 2005 directed at infrastructure renewal to continue revitalization of the community. The revitalization of Philadelphia's central neighborhoods has included the construction of new office buildings, hotels, and the renovation of existing structures. Many of the City's older sections continue to be rejuvenated through the restoration of existing buildings for residential use.

The City has also focused on the *tourism and hospitality* industry. PGW has already secured the Convention Center as a heating and air-conditioning customer, and it has become one of PGW's largest customers. In addition, private business is investing in the development of up to 3,000 new hotel rooms by 2001, an increase of over 30% of current hotel space in the city.

While PGW will indisputably benefit from the growth in commercial market and office space in the City, the residential outlook is mixed. The return of urban professionals and so-called "empty nesters" to the City, attracted by a shorter commute and the advantages of urban life, will be somewhat counter-balanced by continuing out-migration by other City residents and the concentration of residential growth outside the City limits. Only slight declines have occurred in customer counts, since increases in commercial and industrial customers have partially offset residential losses. (See Table 1.)

Table 2 shows the historical pattern of PGW's sales. In fiscal year 1998, PGW sold 53.6 billion cubic feet (Bcf) to firm customers. Firm sales volumes have varied due to changes in the number of heating

degree days and the number of firm customers. Total PGW interruptible sales have varied up and down between 9.5 Bcf and 12.5 Bcf over recent years, with 1998 sales at 9.6 Bcf. Gas transportation, a new service provided to PGW's largest commercial and industrial customers whereby the customer arranges his own gas supply and PGW only delivers it, has grown from zero in 1990 to 8.3 Bcf in 1998. Current estimates for 2000 transportation services show a further increase to 15.2 Bcf due to the addition of a very large cogeneration customer.

An explanation of abbreviations used throughout this report for gas volume and energy units as well as for heating units is provided in the Appendix at the end of this report.

SALES AND TRANSPORT FORECAST

Gas Sales Volume

PGW's anticipated sales for fiscal 1999-2005 are shown in Table 3. This current budget estimate contains six months of actual known data (September 1998 through February 1999) and six months of best projections based upon currently available information. The 2000 Budget year and all five forecast years are based on the expectation of 4,600 degree days of cold weather.

The sales forecast excluding Load Balancing Service (LBS) sales is based on an analysis of historical usage patterns and utilizes a normal (average) weather pattern containing 4,600 degree days. Factors considered in the forecast include the historical growth or decline in number of customers, PGW marketing programs (e.g. oil heat conversions), changes in rates of consumption by customers in each rate classification, the existing and anticipated price advantage of natural gas over alternative fuels, the availability of natural gas, and the likelihood of PGW's participation in new construction and rehabilitation projects. The forecast for LBS sales is based upon the availability of gas for sale at a competitive price after the demand for gas by all other classes of customers has been satisfied.

Total firm sales are forecast to increase by 1.0 Bcf from fiscal years 2000 through 2005. Although the residential market, which is the largest, is expected to decrease slightly over the timeframe, increases in the commercial and industrial are projected to result in greater aggregate firm sales.

Interruptible sales are expected to increase to 12.0 Bcf in 2005 as shown on Table 3. This represents an increase of 38% over current 1999 budget estimates. Much of this increase is expected from PGW's Boiler and Power Services and Load Balancing Services.

PGW's sales forecasting assumptions result in some differences in comparison to past forecasting efforts. *These differences are evident when looking at some of the individual sectors. Most notably, the 2000 budget and all forecast years show a sizable increase in industrial sales, which had been forecast to decrease in prior forecasts. The current forecast is designed around a revised marketing assumption which minimizes the shift of gas loads from industrial sales to transportation customers (which had been forecast in prior years). PGW's Marketing Department has noted eligible customers who could shift to transportation gas have been reluctant to make the change due to gas balancing requirements and gas pricing which has closely tracked alternative fuel prices (#2 and #6 fuel oil). In addition, uncertainty over retail competition in the gas market in Pennsylvania and specifically PGW's customers, has reduced erosion from industrial to transportation customers.*

Another area of differences in the forecast versus prior years is evident in the residential sales. The 1999 budget forecast reflects sales considerably lower for residential sales than estimates developed in the 1998 forecast. These differences are in the order of nearly 2 Bcf. According to PGW staff, these differences and the resulting shift to a lower sales forecast value for the residential sector are based on

the application of actual metered customer data as an input into the development of customer use factors. The customer use factors are an important input into the development of a regression analysis used to characterize segment consumption. Prior years included data reflecting estimated readings used to develop use factors, however the saturation of automatic meter reading capabilities has improved the actual recording of customer use and resulted in lower use factors for customers. This reflects a significant and permanent difference in the residential consumption forecast for PGW.

Transport Volume

Currently PGW has a small number of very large customers taking advantage of the company's gas transportation services. This translates to an estimated 15.2 Bcf of gas by year 2000 and there is no projected change in volume over the planning horizon. Any customer shift to transport gas would impact the sales forecast estimates. PGW continues to closely monitor the price differentials between gas and alternative fuels as a possible signal of customer movement to gas transportation.

Other Sales

Another significant shift in marketing is PGW's decision to exit its "point-of-sale" marketing programs. The early results of these initiatives were marginal and a business decision was made to focus upon more profitable marketing efforts. For example, PGW will be advancing its Parts and Labor Plan activities to increase revenues through value-added services. In addition, PGW has targeted those Center City customers with accessibility to the city's steam loop. Efforts are in place to try to switch customers from steam to gas equipment while addressing customer concerns over initial equipment costs.

Competition

PGW faces retail competition from a number of sources, all of which impact sales. PGW's market share of the residential heating market within its service territory is approximately 80 percent, with oil holding approximately 18 percent of the market and the remaining 2 percent utilizing other energy sources. PGW's potential for residential customer, end-use growth within its service territory is estimated as follows: 150,000 space heating customers; 50,000 water heating customers, and 400,000 clothes drying customers. Within the residential market share held by PGW end-use saturations are as follows:

Space heating:	90%
Water Heating:	80%
Cooking:	76%
Clothes Drying:	47%

It is estimated that PGW's market share of the light commercial market (businesses with less than 50 employees) is 46 percent.

Customer Counts

Table 4 presents PGW's budgeted average number of customers for 2000 and a five-year customer forecast on the same average billings basis. Between 2000 and 2005, the total number of customers is forecast to decrease by approximately 945 customers or less than one percent. The number of residential customers are forecast to decrease by 3,400 customers. Increases in customer billings are expected for the other major customer categories. Commercial customers are expected to increase by

1,866 customers, or 8 percent. Minor increases also occur in the other five customer categories as shown on Table 4.

In general, it is our opinion that PGW's sales forecast is a reasonable projection of sales in light of existing economic conditions within its service territory. It is critical to note that the forecast is dependent on a number of factors. It is highly dependent on winter weather conditions which have not been as cold as normal in the last three years and have impacted sales. The forecast is also dependent on the assumption that the erosion of customers to gas transportation status will be negligible during the planning horizon and the assumption that no open access/customer choice will occur in PGW's service territory. Changes in gas retail competition in the state and/or continued changes in the price of oil may result in changes to customer behavior and impact forecast sales.

FACILITIES

PROCESSING FACILITIES

The principal PGW peaking or supplemental facilities include nine City Gate stations and two major gas production plants, Richmond and Passyunk. Located at the plants are two liquefied natural gas (LNG) facilities, a gas control center, a de-activated propane/air plant, and two gas holders (one of which has been removed from service).

a) **City Gate Stations**

Natural gas is received through nine city gate stations from two pipeline transmission companies - Texas Eastern Transmission Corporation (TETCO) and Transcontinental Gas Pipe Line Corporation (TRANSCO). The two pipelines also own facilities and land at the nine gate stations. PGW's facilities at each of the city gate stations perform two basic functions - to meter the flow of gas and to control the pressure delivered to PGW's distribution system.

b) **Gas Control Center**

The gas control dispatchers, located at the Richmond Plant, monitor and control gas flow and pressure from the nine city gate stations to the high pressure distribution system. The gas control dispatchers also provide direction to the production plant operators concerning startup, shutdown and gas flow output from the supplemental facilities. Operations are facilitated through the use of a computer system which includes a backup unit and an auxiliary power supply.

c) **Liquefied Natural Gas Facilities**

There are two LNG facilities - one at the Passyunk Plant and one at the Richmond Plant.

The smaller LNG storage and vaporization facility at the Passyunk Plant receives its liquefied gas supply from the larger Richmond Plant via cryogenic trailer trucks. The Passyunk LNG facility consists of one LNG storage tank of 3,066,000 gallons gross capacity (i.e., the equivalent of 253,300 Mcf (thousand cubic feet) of natural gas) and three LNG vaporizers, each having a capacity of 45,000 Mcf per day - 90,000 Mcf per day planned capacity and 45,000 Mcf per day reserve.

The Richmond LNG plant is one of the largest facilities in the U.S. for liquefaction in addition to storage and vaporization. During the non-heating season, PGW uses the Richmond LNG Plant to liquefy and store natural gas from the pipelines. The plant has the capacity to liquefy and store approximately 23,500 Mcf per day and the two storage tanks have a combined gross capacity of 48,970,000 gallons of LNG (4,045,800 Mcf). Regasification of the liquid is accomplished with six vaporizers having a total output of 450,000 Mcf per day with none in reserve.

d) **Propane/Air Facilities**

The Passyunk propane/air plant has the air compression and propane vaporization capacity to produce 60,000 Dth (Dekatherms) of propane/air mix per day (45,000 Dth per day planning basis) and has a liquid propane storage capacity of approximately 662,250 gallons. This facility has been idle since 1994 and its use is not anticipated in the current five-year gas supply forecast.

e) **Gas Holder Storage Facilities**

The Richmond plant has a low pressure gas holder. The Passyunk holder has been removed from service. The Richmond holder has an operating capacity of 1,000 Mcf. It was installed in the manufactured gas era and is in good working order. It is used to enhance operational flexibility at the LNG plant

DISTRIBUTION FACILITIES

The principal gas distribution facilities consist of approximately 3,006 miles of main, 511,453 services, 205 regulator stations, 599,189 total meters (of which 520,811 are active), miscellaneous valves, instruments and other appurtenances. There are five different operating pressure systems, each system is connected to the other by control regulators. The high pressure systems operate at approximately 110, 60, and 35 psig; the intermediate pressure system operates at 5 psig; the low pressure system operates between 6 and 9 inches of water column (approximately 0.25 pounds per square inch). The majority of customers are served from the low pressure system.

Approximately 58 percent of the gas mains are cast iron pipe, 34 percent are steel pipe, 5 percent are ductile iron pipe and 3 percent are plastic pipe. Approximately 53 percent of the service lines are steel and 47 percent plastic.

OTHER FACILITIES

PGW has its executive and operating offices located at 800 W. Montgomery Avenue, which is a 150,000 square foot office building constructed in 1988. The adjacent former general office building now houses distribution and customer service dispatch centers, a customer information center, operating stations, and warehousing, as well as management information systems, a meter shop, and a metal fabrication shop. Additional facilities include eight district offices and three operating stations for field service and distribution crews. There are also a warehousing facility and an automotive maintenance and repair facility. The automotive maintenance and repair facility is responsible for the upkeep of PGW's fleet of approximately 1,000 vehicles and related equipment. PGW also maintains minor automotive repair facilities at its operating stations.

CONDITION OF FACILITIES

In April, 1999 Stone & Webster conducted site inspections of certain PGW facilities as deemed appropriate. During the inspections Stone & Webster emphasized three evaluation criteria:

- 1) Were facilities in place and fully operational in order to provide dependable service to PGW customers,
- 2) Were the facilities in good condition and operated by trained personnel, and
- 3) Were any conditions evident that might indicate that the facilities were not designed, constructed, operated or maintained in accordance with either current regulatory standards or generally accepted industry practices.

In the course of these inspections the following facilities were visited:

800 W. Montgomery

- General Offices

1800 N. 9th Street (former general office building)

- General Warehouse
- Distribution and Field Service Dispatch Centers
- Distribution and Field Service work stations
- Information Systems
- Customer Service call center

1849 North 9th Street

- Vehicle maintenance facilities
- Vehicle refueling station
- General offices

5138 Belfield (Distribution Satellite Operations Center)

- Distribution and Field Services Facilities

Tioga Satellite Service Center

- Distribution and Field Services Facilities
- LNG Facilities
- Propane/Air Facilities (idle)
- Gas Holder (idle)

Richmond Plant

- LNG Plant
- Gas Control Center
- Gas Holder

City Gate Stations

- Richmond (TRANSCO)

District Regulator

- Underground regulator pit – Mascher St. & Olney Avenue

Large Volume Meters

- First Union Center sports complex

On site observations of PGW's operating procedures were made at the following locations:

Chestnut Street from 6th Street to Broad Street

- Replacement of a 6" O.D. (outside diameter) cast iron main with a 6" O.D. polyethylene main.

6th Street south of Race Street

- Installation of a 6" O.D. polyethylene main and 2" O.D. polyethylene service for television station and studios of WHYY.

Martins Mill Road and Montour Street

- Excavation to determine the location of a short circuit in the cathodic protection system for a 12"O.D. steel main.

1700 block on Cayuga Street

- 12" O.D. cast iron joint encapsulation to stop leaking gas.

155 E. Chelton Avenue

- 16" O.D. cast iron joint leak repair.

Parrish Street from 10th Street to 11th Street

- Installation of new 6" O.D. polyethylene main to replace an existing cast iron main due to housing renovation.

Walnut Lane and McCallum Street

- Prudent main and service replacement project. Existing 3" O.D. cast iron main replaced by 3" O.D. polyethylene main and 1¼" and 2" O.D. services replaced by like size polyethylene.

5400 Germantown Avenue

- Repair of leaking 16" O.D. cast iron bell joint.

4199 Stout Road south of City Line Avenue

- Tie-in and purging of a 3" O.D. polyethylene main and 2" O.D. polyethylene service line extension.

1500 Belmont Avenue

- Repair of leaking 12" O.D. cast iron bell joint.

On the above job sites visited, all observed facilities, vehicles, equipment and warehouse stock were maintained in good working condition and operated and maintained in accordance with generally accepted gas industry practices. Employees appeared to be knowledgeable of their job requirements and well trained.

In addition to the site inspections, Stone & Webster interviewed the Interim President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, the Senior Vice President and General Counsel, the Vice Presidents of Marketing, Human Resources, Operations, Gas Management, Information Technology, and Public Policy; and the directors or managers of the Gas Processing, Transportation, Collection, Customer Service, Application Services, Field Services, Engineering and Building Services, Distribution, Technical Administration, Budget and Financial Forecasting, Residential Sales, Commercial and Industrial Sales, and Business and Economic Development Departments. On this or on previous inspections we have reviewed construction, maintenance and operating practices, system design criteria, inventory levels, material and construction standards, safety, regulatory compliance and maps and records.

PGW's highest operating priority is response to emergencies and the maintenance of a safe gas distribution system. PGW maintains maps and other records of the distribution system in good order, and has comprehensive written construction, operating and maintenance standards and procedures. Its personnel are well trained in the operation and maintenance of the gas distribution system. PGW is actively involved in entering their records (Corrosion, Service and Leak Records) into computer databases, thus facilitating and improving the accuracy of accessing information. Reasonable security measures are provided at the major facilities visited such as the two production facilities, the city gate stations and the headquarters building.

Based on the inspections and interviews conducted, it is our opinion that PGW operates and maintains its system prudently and in accordance with current regulatory standards and generally accepted industry practices.

GAS MANAGEMENT

On April 15, 1999 the PGW Search Committee met and decided to request proposals for supply management services. Earlier in 1999 a request for qualifications had generated interest from a number of parties. The RFP seeks performance guarantees and/or savings guarantees.

SUPPLY SERVICES

PGW is directly connected with two major interstate pipeline companies; Texas Eastern Transmission Corporation (TETCO) and Transcontinental Gas Pipe Line Corporation (TRANSCO), and has pipeline contracts with both. These two pipeline companies are expected to deliver virtually all of PGW's supplies over the forecast period. The pipeline contracts provide for the transportation of gas purchased by PGW. In order to utilize these contracts in an economic manner, PGW has contracted for a variety of storage services which PGW uses to store gas during low-demand summer periods. In addition PGW owns and operates two LNG (liquefied natural gas) plants which also serve a storage role. These storage gas options permit the matching of supplies to winter-period peak demands.

As shown in Table 5, PGW has two existing transportation contracts on the TRANSCO system and another two transportation contracts on the TETCO system for direct service. These firm transportation agreements are used to move gas to the Philadelphia city gates either directly from producers or from storage facilities. The FT, FT-1 and CDS contracts are for 365 days per year, whereas the smaller PSFT contract is a winter peaking service available for 90 days per year. Additional transportation contracts are in place to move storage gas; these contracts work in conjunction with storage services as described below.

On the TETCO system, PGW employs four storage contracts (SS-1, CNG-GSS-TE, ANR and Equitrans). The SS-1 storage service is directly connected to TETCO. ANR, Equitrans and CNG-GSS-TE are off-system storage facilities. PGW has adequate transportation contracts in place to deliver gas withdrawn from these facilities to PGW. PGW's total daily deliverability from these four storage contracts amounts to 103,856 DTh.

On the TRANSCO system, PGW has four storage contracts (GSS, S-2, WSS, and ESS), with a total daily deliverability from storage of 114,452 DTh. Detailed information for PGW contracts is provided as Table 5.1.

PGW also owns supplemental LNG facilities at Richmond and Passyunk to meet contingent winter demand in excess of pipeline and storage supplies. LNG is produced from pipeline gas during the summer and stored in PGW's two large facilities and one satellite tank within the City. PGW has evaluated upgrades to its LNG capabilities. One upgrade is to add an additional liquefaction unit which would enable it to liquefy gas during the winter. Another is to add an LNG barge capability to the Richmond facility. Both upgrades could provide PGW with significant additional commercial opportunities, as well as potentially reducing the need for off-system storage and peaking services.

A Propane/air (LPG) plant also exists at Passyunk, but has been mothballed. Its usage is not contemplated over the forecast period or beyond.

Figure 5A pictorially depicts the peak day gas supply delivery sources available to PGW.

SUPPLY/DEMAND BALANCE

Table 6 presents PGW's forecast of supply and demand under normal weather conditions (4,600 HDD (Heating Degree Days)) for fiscal years 2000-2005. Over this fiscal period it is expected that daily pipeline deliveries (including storage deliveries) will account for about 95% of PGW's requirements on a current receipt basis, with the balance supplied from inventories of LNG.

Table 7 restates PGW's forecast of supply and demand under design weather (5,280 degree days) conditions for fiscal years 2000-2005. Daily pipeline deliveries through Texas Eastern and Transco from gas producers/marketers account for approximately 78 percent of total requirements; and storage gas accounts for approximately 16 to 17 percent of demand throughout the forecast period. Remaining demand is met with LNG.

Figure 5B pictorially depicts normal and design year annual gas requirements for 1999-00 by delivery sources to PGW.

As shown in Table 5, the pipeline transportation contracts provide PGW with up to 109.7 million Dth annually. To the extent practicable and most prudent, PGW intends to maintain flexibility on both pipelines by continuing to contract gas supplies from both marketers and producers.

Table 8 restates PGW's forecast of supply and demand under peak day and peak hour conditions. Sendout requirements are based upon the assumptions of a peak winter week day with an average daily temperature of zero degrees Fahrenheit (F) (equivalent to 65 Heating Degree Days) and an hourly peak temperature of minus five degrees Fahrenheit. Under these conditions interruptible sales are planned to be suspended in accordance with provisions in the contracts for such rates. Under peak day conditions, projected firm demand could be met throughout the forecast period by pipeline deliveries and the use of PGW's LNG capacity. Figures 6 and 7 compare peak day and peak hour demand to PGW's maximum availability (sendout capability) for each of the forecast years. Figure 7 shows a small sendout safety factor exists for peak hour demand, even in fiscal year 2005.

The maximum daily sendout during recent winters has been characterized as follows:

<u>Winter</u>	<u>Average Temp. deg. F.</u>	<u>Total Sendout MMCF</u>	<u>Pipeline Supply MMCF</u>	<u>LNG MMCF</u>	<u>Date</u>
98-99	23	541.9	448.7	93.2	5 Jan'99
97-98	28	464.5	407.5	57.0	11 Mar'98
96-97	12	661.7	434.2	227.5	18 Jan'97

The system Historical Peak Day occurred on 19 January 1994 with a sendout of 752.7 MMCF at an average temperature of 2 degrees F.

In addition to having adequate provisions for the supply and delivery of gas to its customers, PGW has also maintained aggressive cost management of its supply portfolio. Figure 5C displays an objective gas cost comparison of major Pennsylvania utilities. The analysis displayed removes gross receipts tax from the investor owned utilities and removes the social costs assigned to PGW's gross fuel cost in order to provide an objective comparison. PGW is among the lowest cost gas providers in the state.

PGW management has also designed a gas supply financial hedging program which is currently before the Philadelphia Gas Commission for review. A cost-benefit study has been conducted with the current fiscal

year as a basis which has demonstrated that further savings in gas costs may be achieved through the use of an appropriate hedging program.

In summary, based upon our review of PGW's gas supply acquisition policies, proposed budget, and the analyses described herein, it is our opinion that transportation, storage and supplies of natural gas under contract, along with LNG normally available to PGW, are adequate to meet PGW's forecast of peak hour, peak day and peak year demand through the 2005 fiscal year in a prudent and commercially competitive manner.

CAPITAL IMPROVEMENT PROGRAM

BUDGET PROCESS

PGW's capital budget and five-year forecast are the result of a formal process starting when a list of budgeting and operating assumptions is developed to provide overall direction and is circulated to all departments. Individual departments use these assumptions as well as certain specified economic parameters to prepare the capital requirement estimates that form the basis for departmental budgets. These budget requirements and forecasts are based on meeting PGW's design hour and design day forecasts that are prepared by the Gas Management Department. The major operating departments determine their capital requirements by identifying the capital improvements necessary to safely and reliably meet the system-wide conditions calculated for a design day of zero degrees Fahrenheit average temperature, a minus five degrees Fahrenheit design hour, and a normal annual weather pattern producing 4,600 annual degree days. Additional facilities for serving new customers and systems (primarily information technology) to improve customer service are also proposed as part of the budgeting process.

All capital projects and requests are assigned a priority: the highest priorities (priorities 1 and 2) are reserved for expenditures required to maintain the integrity (safety and reliability, respectively) of PGW's system. The next priority (priority 3) signifies expenditures for enforced facility relocations which are based on city, state, or federal mandated projects. The fourth priority relates to expenditures for revenue production from load growth, and the lowest priority category (priority 5) covers expenditures for improved operating efficiencies and/or discretionary items.

PGW's capital budget and forecasts incorporate several changes from earlier forecast periods which reflect improvements to internal policies, procedures and the level of detail information. The most significant changes include:

- Approved capital budget work orders have a defined life span and adjustments must be approved by the Chief Financial Officer.
- Multi-year capital projects are submitted for initial project approval and subsequently submitted for the budget years when funds will be required.
- Approved projects not adequately progressing are reviewed as to whether they are still necessary.
- Capital project priorities and needs are presented within a matrix format which highlights the relationship between priorities and project needs (e.g. Table 10 for budget year 2000).

CAPITAL BUDGET AND FORECAST

Proposed capital expenditures for both the fiscal 2000 capital budget and the five-year capital forecast (fiscal 2001 through fiscal 2005) total \$317.2 million on a net basis (after reimbursements, contributions, and salvage). The Capital Improvement Programs for fiscal years 2000 - 2005 is summarized in Table 9 and shown graphically in Figures 8, 9 and 10. The projected expenditures against these authorizations are summarized in Exhibit IV.

The fiscal 2000 capital budget totals \$60.9 million on a gross basis (\$59.6 million net), an increase of \$11.1 million (22.2%) from the previous year 1999 Capital Budget of \$49.8 million. The 2000 budget is comprised of \$45.6 million (75.0%) of replacements and \$15.2 million (25.0%) of additions. As shown on Table 9 and pictured in Figure 10, the largest portion of the 2000 budget is allocated as usual to the Distribution Department, which will receive \$26.2 million, 43.1% of the budget. The second largest portion (\$14.5 million or 23.9% of the budget) is represented by the Gas Processing Department which is primarily for Phase I of the Richmond LNG Plant Liquefaction Plant Replacement/Enhancement. Unlike the Distribution budget which recurs in similar amounts annually, the Gas Processing budget is more of a one-time expenditure to replace and upgrade the near 30-year old liquefaction equipment and does not recur throughout the forecast. Phase 2 is forecast to occur in 2003 and 2004.

Table 10 lists twenty four of the largest items in the fiscal 2000 capital budget. Together these twenty four major projects account for \$48.2 million or 79.1% of the total gross budget. These same twenty four project categories (many of which are annually recurring items) also accounted for \$43.2 million of last year's budget. This indicates that both the largest projects and the majority of PGW's 2000 budget are accounted for by annually recurring activities.

This year's five-year (2001-2005) capital forecast totals \$264.9 million gross, an increase of \$14.4 million (5.8%) over last year's five-year forecast of \$250.5 million. This year's five-year forecast is comprised of \$216.0 million of replacements (81.7%) and \$48.9 million of additions (18.3%). The Distribution Department accounts for \$160.8 million or 60.7% of this year's five-year capital forecast.

GAS PROCESSING

Proposed investments for additions and replacements to PGW's gas processing plant total \$14.5 million for the 2000 budget period. The 2000 Gas Processing Budget is \$12.1 million more than the budget filed in 1999.

The expenditure breakdown in the 2000 gas processing budget includes \$41,000 for Natural Gas Measurement and Control Facilities, \$175,000 for miscellaneous Supplemental Gas Facilities, and \$138,000 for Building and Grounds. A large capital expenditure of \$14,185,000 has been included in this year's budget for Phase I of a Replacement/Enhancement of the Richmond LNG Plant liquefaction plant.

DISTRIBUTION

The proposed expenditures for capital improvements to PGW's distribution system in the fiscal 2000 budget period total \$26.2 million before credits of \$0.8 million for salvage and reimbursement to yield a net total of \$25.4 million. Distribution replacements amounting to \$20.7 million and additions of \$5.5 million account for 79.0 percent and 21.0 percent respectively of the total gross capital expenditures.

The largest capital expenditures for the distribution system are scheduled for the replacement of small diameter (1.25 inches or less) services which account for \$9.6 million of the FY 2000 proposed capital budget. These expenditures are scheduled for the renewal of services based on customer complaints, leak surveys, and city and state work.

Prudent main replacements for intermediate and low pressure mains of small diameter (8 inches or less) amount to \$3.2 million of the FY 2000 budget. In addition to the prudent replacements, replacement of

these same diameter and pressure level mains due to anticipated city and state construction activities involve \$3.7 million of proposed expenditures for the FY 2000 budget.

FIELD SERVICE

PGW's planned field service related investments total \$7.1 million net in the FY 2000 budget after consideration of \$0.1 million for contributions and salvage. The bulk of the field service budget represents meter purchases and a continuation of PGW's aggressive program for installation of electronic transmitting devices on customer meters. These devices are used to read gas usage, following measurement by the existing gas meter, and transmit it to PGW for billing purposes without the need to send meter readers to a customer's premise. This multi-year installation program is nearing completion with nearly 500,000 of the devices installed. The remainder of PGW's customers - mostly commercial - are forecasted to be converted over to this automated meter reading system commencing in 2000. Benefits to date continue to include a marked decrease in the number of manual meter readings required and a consequent reduction in personnel in this area.

TRANSPORTATION

Capital expenditures budgeted for transportation by PGW total \$4.1 million net including \$0.3 million salvage during the 2000 budget year. Vehicle replacements/additions will account for 78.6 percent of the gross total with the remainder budgeted for replacement of mobile equipment as well as replacement and addition of shop equipment and purchase of a maintenance tracking system.

OTHER DEPARTMENTS

Budgets for PGW's departments other than the four departments specifically mentioned above have historically been grouped together under the miscellaneous category "Other Departments" since they are typically too small to warrant a separate category. For the 2000 budget however a number of Information Technology (IT) items which fall into this category have been budgeted simultaneously. These systems, related hardware and facility modifications total \$5.6 million (66.1%) of the total \$8.5 million Other budget. They consist of a number of smaller items ranging from \$22,000 to \$600,000 and a material management system at \$1,269,000. The balance, \$2.9 million (33.9%), is constituted by miscellaneous items in the Other departments such as building modifications and repairs, office furniture and file cabinets and a variety of equipment. In our opinion the IT expenditures for the year 2000 budget are appropriate.

PGW has five major mainframe computer systems:

- Customer Service
- Accounting and Finance
- Gas Management
- Field Services
- Human Resources

These systems are being revamped or replaced with systems having capabilities and flexibilities to expand in areas such as additional customers, and more immediate productivity and cost information. The new Accounting and Finance system has been implemented. An aggressive effort is expected to lead to implementation of the remaining systems during the 1999 calendar year.

PGW embarked on a Year 2000 compliance program in the 4th quarter of 1997. This is a formal program with a formal project structure. This approach is expected to provide strategic coverage needed in critical areas of PGW including all information technology assets, embedded systems, and Business System Applications on the mainframe computer.

CONCLUSIONS

Based on discussions with PGW's management and our review and evaluation of PGW's proposed fiscal 2000 capital budget and forecast capital expenditures for fiscal 2001 through 2005, it is our opinion that the budget is consistent with PGW's corporate objectives and is appropriate for maintaining a safe natural gas distribution system for Philadelphia. PGW's objectives for the proposed capital budget are to provide and maintain the necessary facilities and records to ensure PGW has the capability to deliver safe, reliable service that is cost effective for existing and future customers.

RATES AND REGULATION

REGULATORY ENVIRONMENT

The Philadelphia Home Rule Charter contains provisions for the establishment of the Philadelphia Gas Commission (Commission) to regulate the activities of PGW. Under the Management Agreement the Commission's powers and duties include: establishing PGW's rates and related charges, approval of certain management personnel selections by PFMC, approval of operating budgets, review of the capital budget and gas supply contracts prior to approval by City Council, review of PGW's books, records and accounts, setting standards for the procurement and disposal of material, supplies and services, and approval of any changes in gas quality standards. The Commission's five members include: the City Controller, two Mayoral appointees, and two City Council appointees, or their respective designees. The Commissioners provide such service to the City on a part-time, or as-needed basis. However, a permanent staff provides day-to-day administrative and oversight functions.

Request for rate and tariff changes are initiated by PGW based upon anticipated revenues, expenses, capital expenditures and debt service coverage. The Commission holds public hearings on proposed changes to base rates at which PGW and other interested parties are permitted to present evidence supporting their positions regarding the proposed rate change. Community Legal Services, Inc. has been appointed to be the Public Advocate in rate hearings to represent residential customers. The Commission issues orders based on its findings from the evidence and information available. Subsequent to the issuance of orders, an appeals process is available that includes a petition for reconsideration and rights of appeal through the courts. The Commission, through its regulatory review and orders, seeks to obtain a balance between the interests of PGW, the City and its customers.

Base Tariff Proceedings

PGW's last Base Rate Case was concluded in 1992. However, PGW initiated a Tariff Revision Proceeding in 1995 which provided language amending the PGW Gas Service Tariff in order to improve customer service and accountability while clarifying the obligations of customers, to facilitate more effective management of accounts receivable and collections, and to provide consistency and conformity within the Tariff. Significant improvements were made within the Tariff which were authorized in 1996 and 1997 and made effective in 1996 and 1998. In general, these improvements reduce the potential for customer fraud; strengthen collection procedures and move customer service charges and fees to more accurately reflect costs incurred as well as widespread industry practices.

In the past PGW has experienced problems with the customer application for service process which have led to delinquent accounts due to fraud. This process has been revised so as to significantly reduce the potential for deception. Additional quantitative changes have been made in recent years which include the following. Returned check charges were increased from \$5.00 to a progressive scale of from \$8.00 to \$34.00 for repeat returns so as to reflect industry standards. Customer service call charges were increased from \$30.00/hour to a schedule of charges which reflect actual costs. And, field collection charges were instituted. Tables 11, 12, and 13 display PGW's previous and current industry benchmark positions. Additionally, service turn-on charges were established and finance charges for past due balances in excess of \$300.00 were increased from a 15% to an 18% annual rate.

On April 27, 1999, the Philadelphia Gas Works received interim approval (final approval must be obtained by May 2000) from the Philadelphia Gas Commission to adjust the two components of its general gas rate to 494,000 residential customers. The charge on the volume of gas used has been reduced while the

monthly fixed customer charge has been increased. The \$3.94 per Mcf of natural gas that is charged to residential customers has been reduced by \$.51 to \$3.43 per Mcf. The \$4.00 per month fixed charge has been increased by \$4.00. During a normal winter, when heating bills are their highest, this change will result in lower gas costs. In the summer months, when heating costs are at their lowest, the customer would have a higher bill due to the \$4.00 increase in the gas charge. Over an entire year, in a normal winter, the customer will pay the same under the new rate structure as under the old. However, in a colder than normal winter, unit gas costs would be lowered because customers would be paying less on the amount of gas used to heat the home.

The change in the two rate components will increase cash flow to PGW during the warm months, and will reduce the seasonal increase in gas bills during the winter months. This is expected to have a positive effect on previously experienced wintertime slow payments and delinquencies. The net result of this change will be an increase in PGW revenue of approximately \$4 million in the first Fiscal Year 1998-1999, since this fiscal year has the benefit of a summer period under the revised rate.

The Gas Works' monthly charge of \$4.00 had been the lowest of area gas utilities, while \$8.00 per month is approximately average for the cost of surrounding utilities.

PGW management does not foresee the need for a base rate case prior to fiscal year 2002, at which time a \$20 million increase in revenue (or equivalent decrease in expenses, or a combination of both) is assumed in the current financial forecast.

Gas Cost Recovery Proceedings

In addition to base rates, PGW has a gas cost recovery ("GCR") adjustment designed to permit PGW to adjust its charge on firm, fixed-rate rate schedules on a quarterly basis in order to recover its actual cost of purchased gas. The GCR mechanism also recovers costs which are in support of PGW's low-income weatherization and payment programs. The projected cost of purchased gas is calculated and recovered from customers on a levelized basis in part from a component included in the base rates and in part from the GCR adjustment. GCR collections, which may be positive or negative, together with the cost of gas included in base rates, are matched against actual costs for the year. Any differences are then charged or credited to applicable expenses in the next annual forecast period.

The Commission performs an annual review of the GCR procedure. These reviews, which may be technically comprehensive, can include an investigation into fuel planning and gas purchasing practices of PGW. The Commission has concluded in the past that PGW's gas procurement has fulfilled applicable regulatory requirements by utilizing least-cost gas supplies while maintaining overall system reliability.

PGW management designed and proposed in 1997 a Purchased Gas Adjustment (PGA) to the GCR. The proposed PGA would have adjusted the GCR gas cost component on a monthly basis. This would have allowed more accurate market pricing signals for customers and would have significantly reduced the annual gas cost over/under collections which have varied between ten and twenty million dollars in recent years. This proposal was rejected by the Commission.

Regulatory Jurisdiction

Under current regulations all rate regulation authority is held by the City of Philadelphia which has delegated this authority to the Philadelphia Gas Commission. This report assumes rate regulation will continue to be administered as provided in the ordinances.

State Legislative Issues

House Bill 1068 and Senate Bill 943 which were introduced in the Pennsylvania Legislature during its previous session, did not apply to municipally owned gas distribution utilities. The proposed Bills intended that investor-owned gas distribution utilities in Pennsylvania fully open their systems to access by third-party gas merchants and that such utilities no longer participate (or possibly reduce their participation) in the gas merchant function. Considerable activity and attention surrounded these bills and PGW actively participated in the proceedings. However, a consensus was not constructed among the many interested parties and the bills expired with the legislative session.

A modified version of these bills has again been introduced during the current legislative session: House Bill 937 and Senate Bill 601. These two bills are substantially the same. As currently drafted, they do not apply to PGW if PGW operates exclusively within the City boundaries. However, certain members of the legislature have suggested that they will propose amendments which could affect municipal utilities. The salient features of the bills are:

- Permit gas utilities to propose to increase the frequency of the adjustment of their gas costs in rates from the current frequency of annually to as often as monthly.
- Mandate the unbundling of gas supply services and the implementation of "open access"/ "customer choice" on gas distribution systems.
- Mandate PUC licensure/regulation of natural gas suppliers.
- Repeal of the Pennsylvania gross receipts tax on natural gas utilities (in SB601).

Enactment of legislation in the form described above which applies to municipal gas utilities such as PGW could affect PGW's revenues and expenses. Enactment of legislation which would cause municipal gas utilities to become subject to PUC jurisdiction could affect PGW's operations, revenues and expenses. At the date of this report no specific amendments which would apply to PGW have been proposed in the State legislature. Accordingly, these forecasts are based on legislation currently in effect.

ENERGY ASSISTANCE PROGRAMS

High accounts receivable balances and a larger than normal number of delinquent accounts have occurred at PGW for a number of years. In response PGW has taken a pro-active position in assisting customers in meeting energy costs. PGW works closely with community and legislative groups at the city, state and federal levels to increase funding for energy assistance programs.

LIHEAP Program

The Federally-funded Low Income Home Energy Assistance Program (LIHEAP) provides payments to households in order to ensure continued utility service. Philadelphia's residential gas consumers make application through PGW's eight neighborhood offices, Department of Public Welfare or at one of many community sites with the funds obtained going directly to PGW for crediting to the customer's account. LIHEAP is PGW's single most important source of low income assistance funding.

Table 14 details PGW's LIHEAP participation in recent years and provides a forecast for fiscal year 1999. In recent years, PGW has increased its share of LIHEAP funds allocated to the Commonwealth of Pennsylvania from approximately 15 to 20 percent through a vigorous educational and outreach program among its low income residential population.

In 1996 the Commonwealth of Pennsylvania changed the customer eligibility criteria for LIHEAP participation from 150% of the federal poverty level to 110% of the federal poverty level. Consequently, the number of PGW customers which are eligible for LIHEAP has been reduced. Additionally, the Commonwealth of Pennsylvania has not extended the eligibility period in FY'99 for applications for one form of LIHEAP funds, the Crisis Grants. Consequently, PGW's FY'99 forecast projects an approximately \$2,000,000 reduction in Crisis funding.

Vendor Payment Program

PGW continues to support a Vendor Payment Program for a group of customers known as Scattered Site Tenants of the Philadelphia Housing Authority (PHA). These customers occupy dwellings, usually single family homes, owned by the PHA and whose rental is subsidized by the Federal government. Under agreement with the PHA and the Scattered Site Tenants, the Federal government's Department of Housing and Urban Development provides a utility allowance to PHA, on behalf of the tenant, which is then assigned to PGW.

Utility Emergency Services Fund

PGW also continues to participate in the Utility Emergency Services Fund (UESF) which is a private fuel fund set up with the assistance of the City of Philadelphia Water Department, PECO Energy and Philadelphia Gas Works. Under this program, customers at or below 150 percent of the poverty level may make application for an energy assistance grant (LIHEAP) which together with their own payment, a grant from UESF, and a matching contribution from the utility involved, will enable the customers to zero-out any arrearages they may have. The maximum allowance that a customer may receive is \$500; \$250 from UESF and a matching grant of \$250 from the utility.

Dollar Plus Program

PGW also continues to support a program called "Dollar Plus" wherein PGW's customers were asked to add \$1.00 or more to their gas bill payments as a donation to the Utility Emergency Services Fund.

Payment Plans

PGW maintains a number of residential customer payment plans which are tailored to the customer's ability to pay in order to allow the customer the opportunity to pay down past arrearages and budget future usage and payments.

Customer Responsibility Program

In 1994 the Philadelphia Gas Commission approved a new low income customer assistance program which was termed the "Customer Responsibility Program" (CRP). This is a low income payment plan that is designed to increase cash flow to PGW and decrease accounts receivable, the related appropriation for uncollectible reserve and the accumulated provision for uncollectible accounts. Existing EAP participants were automatically transferred to the CRP. The CRP is open to any customer who is at or below 150% of the Federal poverty level. Participants are asked to pay the greater of \$30 or 7.35% of their income towards their gas bills, and are required to apply for the LIHEAP Grant program and assign that grant to PGW if eligible. The LIHEAP Cash Grants offset the customer's Earned Discount, and the LIHEAP Crisis Grants offset the customer's pre-program debt. For CRP participants who have excess consumption (defined as consumption in excess of 90% of average consumption for their type of household) the payment cap is increased to 12% of the customer's income. New customers are asked to pay 5% of their arrearage as a down payment, although exceptions are provided if warranted. CRP customers are also required to accept conservation measures if they are offered to them. CRP customers are required to recertify for the program each year and are considered in default when they are two full payments past due. A formula is developed to forgive past arrearages after successful completion of five years on the program. Provisions are made in the regulations to allow exceptions to rules if customers show that they are making a good-faith effort to

meet program responsibilities. Approximately 45,500 customers, or about 9 percent of PGW's total residential customer base are enrolled in the CRP. This level of participation is approximately a 25% reduction from recent years, and is primarily due to PGW's improved eligibility verification and default processing initiatives.

An evaluation of the Customer Responsibility Program was completed in late 1997 by an outside firm. The results of that evaluation were mixed and inconclusive, but did outline adjustments for various areas of the program which should provide for improved customer performance and program cost effectiveness. Many of those recommendations have since been implemented. In general, it is believed that meaningful improvements in the financial performance of the CRP can be obtained through adjustments in PGW's internal procedures and a redefinition of customer eligibility requirements.

Improvements to date include:

- Establishment of closer coordination with state welfare agencies to verify eligibility,
- Improved intake process which now incorporates one-on-one program and energy conservation education,
- Automated collection default notification and processing, and
- Improvements in excess usage charges and LIHEAP makeup charges processing and collection.

Additional improvements are anticipated with the completion of the upgrading of PGW's Customer Information System which is currently in progress. However, significant progress has already been achieved as is evidenced by the improvement in the participant active/default ratio which has grown from 60%/40% to 70%/30%.

The CRP revenue shortfall spread across other customers in fiscal year 97-98 was \$11.9 million, which is a 33% reduction over the previous year. The gas cost rate for fiscal year 98-99 has been approved by the Commission at a level sufficient to provide for this year's revenue shortfall which is expected to be approximately \$9.5 million. The reduction in revenue shortfall is primarily attributed to reduced participation level and warmer than normal weather.

Conservation Works Program

PGW has also been active in promoting the Conservation Works Program (CWP) which was the weatherization energy conservation segment of CRP. This program provides energy conservation education and customer workshops and selected weatherization measures for eligible CRP customers, both in single and multi-family homes.

An evaluation of the Conservation Works Program was completed in 1996 in which a number of areas for improvement were identified. The overall cost effectiveness of the program during the previous five years was indicated as marginal. A significant deficiency noted was excessive overhead cost. This deficiency has been corrected by permitting multiple program administrators into the program through a competitive bid process. Currently, the program is operating with about one-half of the level of administrative cost as was experienced prior to the evaluation. Further improvements in the program are underway as well as further evaluation efforts. Current improvement activities are focused on stressing the most cost effective conservation measures, which have been identified as education, air sealing, and set-back thermostats. The program was reevaluated in 1997 and found to be solidly cost-effective. Currently, about 4,000 PGW customers are receiving conservation related installations each year, which is approximately a 30% increase over the previous year's activities. The current level of annual CWP funding is \$2.2 million, which is funded through the GCR.

Senior Citizen Discount Program

PGW offers a senior citizen discount program to residential customers age 65 or older. The discount is approximately 20 percent of the total gas bill. Approximately 92,000 PGW customers are taking advantage of this program.

Educational Programs

PGW also has many programs which it utilizes to inform the community about energy assistance programs that are available to them. PGW works with the Emergency Fuel Group, which is a coalition of approximately 300 community organizations around the City and the region, to get word out about energy assistance programs. Its other activities include monthly consumer round-tables, speakers bureaus in different Philadelphia communities and individual telephone calls. PGW has an extensive telephone and field visit outreach program which is conducted in both English and Spanish.

Low income energy assistance and uncollectibles are a significant issue at PGW. Management of this issue is a top priority of both PGW management and the Commission. Meaningful progress has been made in this area in recent years and further progress is anticipated.

RATE SCHEDULES AND DEVELOPMENTS

PGW offers a range of rate schedules which are offered on a non-discriminatory basis. Rate offerings are based on suitable and reasonable classifications which appear to meet the needs of customers and are competitive with alternative energy sources.

PGW's tariff offers both firm and interruptible sales and transportation services. Firm sales service provides gas under rate schedules for which PGW does not anticipate any interruptions. Interruptible sales service is offered to large volume customers under contracts that permit service interruptions, usually on short notice during peak load conditions or when specified low temperatures are reached. During fiscal year 1998, 84.0 percent of PGW's gas sales volumes were provided as firm service to residential, commercial and industrial customers, including municipal and housing authority customers. Interruptible sales accounted for 16.0 percent of total sales.

Firm Sales Tariffs

Most firm sales customers are served under the General Service (GS) rate which has a flat rate for all consumption and a separate monthly charge for each customer group. Municipal and Philadelphia Housing Authority sales are served under separate firm sales rate schedules (MS and PHA) and represented 4.0 percent of PGW's total sales for the fiscal year 1998.

Interruptible Sales Tariffs

Interruptible sales customers are served under various rate schedules including: Boiler and Power Plant Service – Rate BPS (“BPS”), Load Balancing Services (small, large and extra-large) (LBS-S, LBS-L, LBS-XL), and Cogeneration Service (“CG”). BPS is a flex rate which is set monthly in relationship to the posted price of No. 2 (home-heating) fuel oil. Customers on this rate are generally only interrupted when temperatures reach 18 degrees Fahrenheit. The LBS series of rate schedules are also flex rates which are set monthly in reference to the posted price of No. 6 (industrial) fuel oil. LBS customers have the lowest priority of service. In recent years PGW has made significant progress in developing the sophistication of its alternative fuel based, flex-rate monthly price offering procedures such that their procedures are considered to be above average for the industry. This progress has facilitated the retention of the interruptible sales market and has strengthened associated margins. CG service gas is priced at a rate which

is a fixed margin above PGW's average cost of gas and which may be a negotiated margin for very large customers that will utilize more than one million Mcf of gas per year.

Air Conditioning Provision

PGW also has an Air-Conditioning special provision included within rate schedules GS, MS, PHA, and BPS which provides for gas service to separately metered gas powered cooling equipment at a discount throughout the billing months of May through September. This provision, which is applicable to equipment installed after 1 September 1990 with a minimum cooling capacity of 15 R-tons, provides a benefit to PGW by increasing the system load factor, thereby lowering overall costs to all firm sales customers.

Economic Development Discount

PGW continues to offer an Economic Development Discount of up to 15% for qualifying rate BPS customers for up to three years. It is available to new or expanding large commercial or industrial customers who, through significant investments in gas burning equipment, can increase their gas consumption by more than 1,500 Mcf per month.

Natural Gas Vehicle Tariffs

An additional set of sales rate schedules offered by PGW are for Natural Gas Vehicle ("NGV") service. PGW offers uncompressed gas for firm service via a multi-part demand-commodity rate and interruptible service via a rate which is adjusted monthly in relation to the published "PAD 1 Report" price for regular unleaded gasoline. The NGV market is relatively new to PGW. PGW has added a significant number of NGV vehicles to its own fleet and has developed two new NGV refueling stations in the City. The market potential for NGVs in the greater Philadelphia area could be significant and PGW's ownership by the City may facilitate PGW's efforts in pursuit of that market. However, the recent period of low oil prices has reduced market interest. An eventual return to normalcy for oil prices is also expected to reverse that trend.

Gas Transportation Tariff

PGW also offers a Gas Transportation Service ("GTS") rate, both as firm and interruptible service. It provides for transportation of customer-owned gas under flexible rates with a cap equal to the margin of the customer's equivalent sales rate. The GTS rate was designed to provide a revenue-neutral approach for PGW for existing interruptible customers that are seeking either interruptible or firm transportation services for their gas supplies. Standby services and balancing provisions are also provided within the rate schedules.

FINANCIAL CONSIDERATIONS

REVENUE BOND FINANCING

Rate Covenants

All outstanding revenue bonds issued prior to 1998 were issued under the 1975 General Ordinance. The rate covenant in the 1975 General Ordinance requires that the City, at a minimum, impose, charge and collect in each Fiscal Year, such gas rates and charges as shall, together with all other Project Revenues (as defined in the Act) to be received in such Fiscal Year, equal not less than the greater of:

A. The sum of:

- (i) All Net Operating Expenses payable during such Fiscal Year.
- (ii) 150% of the amount needed to satisfy sinking fund requirements of principal and interest which will become due and payable during such Fiscal Year for all bonds issued and outstanding under the 1975 General Ordinance; and
- (iii) The amount, if any, required to be paid into the sinking fund reserve under the 1975 General Ordinance during such Fiscal Year; or

B. The sum of:

- (i) All Net Operating Expenses payable during such Fiscal Year; and
- (ii) All Sinking Fund deposits required during such Fiscal Year with respect to all outstanding bonds issued under the 1975 General Ordinance and general obligation bonds issued for improvements to the Gas Works and all amounts, if any, required during such Fiscal Year to be paid into the Sinking Fund Reserve under the 1975 General Ordinance.

The rate covenant in the 1998 General Ordinance requires the City, at a minimum, to impose, charge and collect in each Fiscal Year such gas rates and charges as shall, together with all other Gas Works Revenues to be received in such Fiscal Year, equal not less than the greater of:

1. The sum of:

- (i) all Net Operating Expenses payable during such Fiscal Year,
- (ii) all principal of and interest on bonds issued and outstanding under the 1975 General Ordinance payable during such Fiscal Year and amounts required to be paid into the sinking fund reserve under the 1975 General Ordinance during such Fiscal Year,
- (iii) 150% of the amount required to pay sinking fund deposits required during such Fiscal Year in respect of all Outstanding Senior Bonds (as defined in the 1998 General Ordinance) and 100% of the amounts payable in respect of the Prior Obligations (as defined in the 1998 General Ordinance) during such Fiscal Year,

- (iv) the amount required to pay sinking fund deposits required during such Fiscal Year in respect of all Outstanding Subordinate Bonds (as defined in the 1998 General Ordinance) and other obligations of the Gas Works on a parity with Subordinate Bonds payable during such Fiscal Year,
- (v) the amount, if any, required to be paid into the Sinking Fund Reserve under the 1998 General Ordinance during such Fiscal Year,
- (vi) the Rebate Amount required to be paid to the United States during such Fiscal Year, and
- (vii) the amounts required to be paid to the issuers of Credit Facilities and the providers of Qualified Swaps and Exchange Agreements (as such terms are defined in the 1998 General Ordinance) during such Fiscal Year, or

2. The sum of:

- (i) all Net Operating Expenses payable during such Fiscal Year,
- (ii) all principal of and interest on bonds issued and outstanding under the 1975 General Ordinance payable during such Fiscal Year and amounts required to be paid into the sinking fund reserve under the 1975 General Ordinance during such Fiscal Year,
- (iii) all sinking fund deposits required during such Fiscal Year in respect of all Outstanding Bonds and all amounts payable in respect of obligations of the Gas Works which are on a parity with any of the bonds issued under the 1998 General Ordinance and in respect of general obligation bonds issued for improvements to the Gas Works and all amounts, if any, required during such Fiscal Year to be paid into the sinking fund reserve under the 1998 General Ordinance,
- (iv) the Rebate Amount required to be paid to the United States during such Fiscal Year, and
- (v) the amounts required to be paid to the issuers of Credit Facilities and the providers of Qualified Swaps and Exchange Agreements during such Fiscal Year.

The Gas Commission is authorized and directed by the 1975 and 1998 General Ordinances to impose, charge and collect, or cause to be collected, all rents, rates and charges which shall be sufficient in each Fiscal Year to comply with the foregoing Rate Covenants.

Bond Ratings

In February 1999, Moody's Investors Service announced the downgrade of the underlying long-term ratings of the Revenue Bonds of the Philadelphia Gas Works ("PGW"). A copy of the Moody's rating change was forwarded to the Municipal Securities Rulemaking Board on March 17, 1999, pursuant to Securities and Exchange Commission rules.

Bond Proceeds

We have been informed by PGW that the proceeds from the sale of the Bonds will be used to:

- Finance PGW's current and future capital programs as approved by City Council.
- Refund all or a portion of the City's outstanding Gas Works Revenue Bonds, Eleventh C Series and Fourteenth Series which were issued under the 1975 General Ordinance.
- Pay any other Project Costs (as defined in the Act.)

It is understood that the bonds will be secured solely by the revenues of PGW received from all Gas System users.

The \$100.0 million of the Second Series Bonds (net after sinking fund reserve and issuance expenses) to be issued in 1999, and the projected \$75.0 million of the Third Series Bonds to be issued in 2003, will be used as shown on Table 16. The application of proceeds from these issues can be summarized as follows:

	<u>Amount</u> (000's)
Capital Improvement Fund Balance (08/31/98)	\$65,213
Total Revenue Bonds Issued for Capital Improvements	
- Second Series Bonds (up to)	100,000
- Third Series Bonds issued in 2003	75,000
Less Deposits for Sinking Fund Reserve and Issue Expenses (associated with Third Series Bonds to be issued in 2003)	<u>8,440</u>
Balance Available to PGW as Applied (08/31/05)	<u>\$231,773</u>
Capital Improvement Fund Drawdown	\$231,773
Capital Improvement Fund Balance (08/31/05)	<u>0</u>
Balance Accounted for (08/31/05)	<u>\$231,773</u>

CURRENT ESTIMATE OF 1999 RESULTS

Weather Results to Date

Fiscal year 1999 is turning out to be warmer than most years. This will have a major effect on planned 1999 income. PGW's current estimate of financial results is based on fiscal year 1999 containing 3,925 degree days, which is 675 degree days (14.7%) fewer degree days than the average weather which was assumed for budget purposes. The current estimate for fiscal year 1999 is based on six months of actual results (September, 1998 through February, 1999), and projections based upon other currently available information for the remaining six months.

We consider the weather results for the winter of 1998-1999 to be significantly atypical. We believe that average weather is the correct basis for PGW to use for budget and forecast plans.

Impact on PGW

The 14.7% decrease in degree days in the current estimate for fiscal 1999 has affected PGW's sales and consequently affected its estimated financial results (Exhibit II). PGW projects a drop in firm sales, compared to original 1999 budgeted amounts, of 6,790 MMcf, amounting to a decrease of 11.2%. Firm sales, which primarily consist of heating load, tend to be most directly affected by changes in weather. Residential and Commercial categories of firm sales are estimated to fall 9.2% and 14.7% respectively.

Sales to interruptible customers are estimated to drop by (9.1%) to 8,740 MMcf. The reduction in interruptible sales is primarily due to the warmer than normal weather which had a significant effect on the Boiler & Power Service and LBS direct sales categories. Transportation service volumes are down slightly (4.2%) from budget also primarily due to the effects of warmer than normal weather.

Total Billed Revenues, due to the effects cited above, are estimated to decline from the budgeted level of \$546.2 million to about \$485 million, a drop of \$61 million (11%), as shown on Exhibit II.

In order to offset that decline and ultimately meet the rate covenant under the 1975 and 1998 General Ordinances, PGW initiated a series of expense reductions, as budgeted, and other initiatives. Total reductions and savings from initiatives are projected to be approximately \$18.5 million. At April 1, 1999, nearly \$15.0 million of such reductions had been realized. The remaining \$3.5 million of reductions and initiatives are anticipated to be realized by August 31, 1999. The reductions and expense initiatives consist of (1) a decrease in the reserve for bad debt (savings of \$3.5 million); (2) a decrease in labor costs for overtime associated with normal winter and routine operations, personnel reductions achieved through a hiring freeze and the capitalization of applicable labor costs to capital projects (savings of \$5.0 million); (3) restricted operating and maintenance spending (savings of \$4.3 million); (4) reduction in pension actuarial expense as a result of the overfunded status (\$5.1 million); (5) other income primarily interest earnings on restricted funds are expected to produce \$6 million in interest income. In addition, the refunding of certain outstanding Gas Works revenue bonds will result in \$2.1 million in debt service savings.

We believe the responses of PGW's management are appropriate.

STATEMENT OF INCOME

We have reviewed Philadelphia Gas Works' budget and forecast of revenues, operating expenses, and annual amounts of internally generated funds needed to satisfy its capital improvement program, its debt service, payments to the City of Philadelphia, and working capital requirements. (Reference Tables 15 through 18 and Exhibits I through VI at the back of this report.) Recognizing current regulatory and economic conditions under which PGW operates, we believe that PGW has developed a reasonable financial plan for the budgeted fiscal year 2000 and the forecasted fiscal years 2001-2005 assuming normal weather conditions for the forecasted years. The 1999 Current Estimate is also shown in these Tables and Exhibits and we consider this estimate to be atypical due to a warmer than normal winter.

Financial Plan

PGW's projections for gas revenues and expenses are based upon historical data and assumptions which we consider reasonable. Other components of PGW's projected revenues and expenses have less of a historical basis, but are also based on assumptions which we consider reasonable.

The budget and forecast contemplate increased revenues in the amount of \$20.0 million in 2002.

Debt Service Coverage

As detailed previously, PGW's rate covenant in the 1975 General Ordinance requires the debt service coverage ratio to be at least 1.50. PGW's applicable rate covenant in the 1998 General Ordinance requires a debt service coverage ratio of (i) 1.00 for debt service on all outstanding Bonds issued under the 1975 General Ordinance, (ii) 1.50 for debt service on all outstanding Senior Bonds issued under the 1998 General Ordinance, and 1.00 for debt service on outstanding obligations to the Philadelphia Municipal Authority existing on the date of adoption of the 1998 Ordinance, and (iii) 1.00 for debt service on (a) all outstanding Subordinate Bonds issued under the 1998 General Ordinance and (b) all other obligations on a

parity with such Subordinate Bonds. In PGW's rate proceeding before the Commission in 1988 all parties agreed that there should be some cushion above the 1.50 level to allow PGW to retain its bond rating. PGW's current projection (6 months actual plus 6 months estimated) results in sufficient coverage ratios under the 1975 General Ordinance and sufficient funds above requirements under the 1998 General Ordinance.

Bond coverage under both the 1975 General Ordinance and the 1998 General Ordinance has been calculated as shown in Table 15A, assuming both the Sixteenth Series Bonds and the Second Series Bonds are issued during fiscal 1999. Coverages of debt service from operations in this case are as follows:

	<u>Fiscal Year Ended August 31,</u>						
	<u>Current Estimate 1999</u>	<u>Budget 2000</u>	<u>Forecast</u>				
			<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Bonds							
1975 Ordinance	1.64	1.95	2.30	2.48	3.01	2.88	3.33
Senior Bonds							
1998 Ordinance	1.92	2.23	2.02	3.19	3.07	3.07	2.93
Subordinate Bonds							
1998 Ordinance	6.75	13.46	14.94	26.24	31.02	30.58	33.37

This table indicates that sufficient funds are estimated to exist in each year of the forecast to provide the required coverage for each type of debt service as specified under the terms of both the 1975 General Ordinance and the 1998 General Ordinance. All of our tests made under the 1975 General Ordinance and the 1998 General Ordinance show that sufficient funds to provide the required coverage can reasonably be expected to be available during the forecast period.

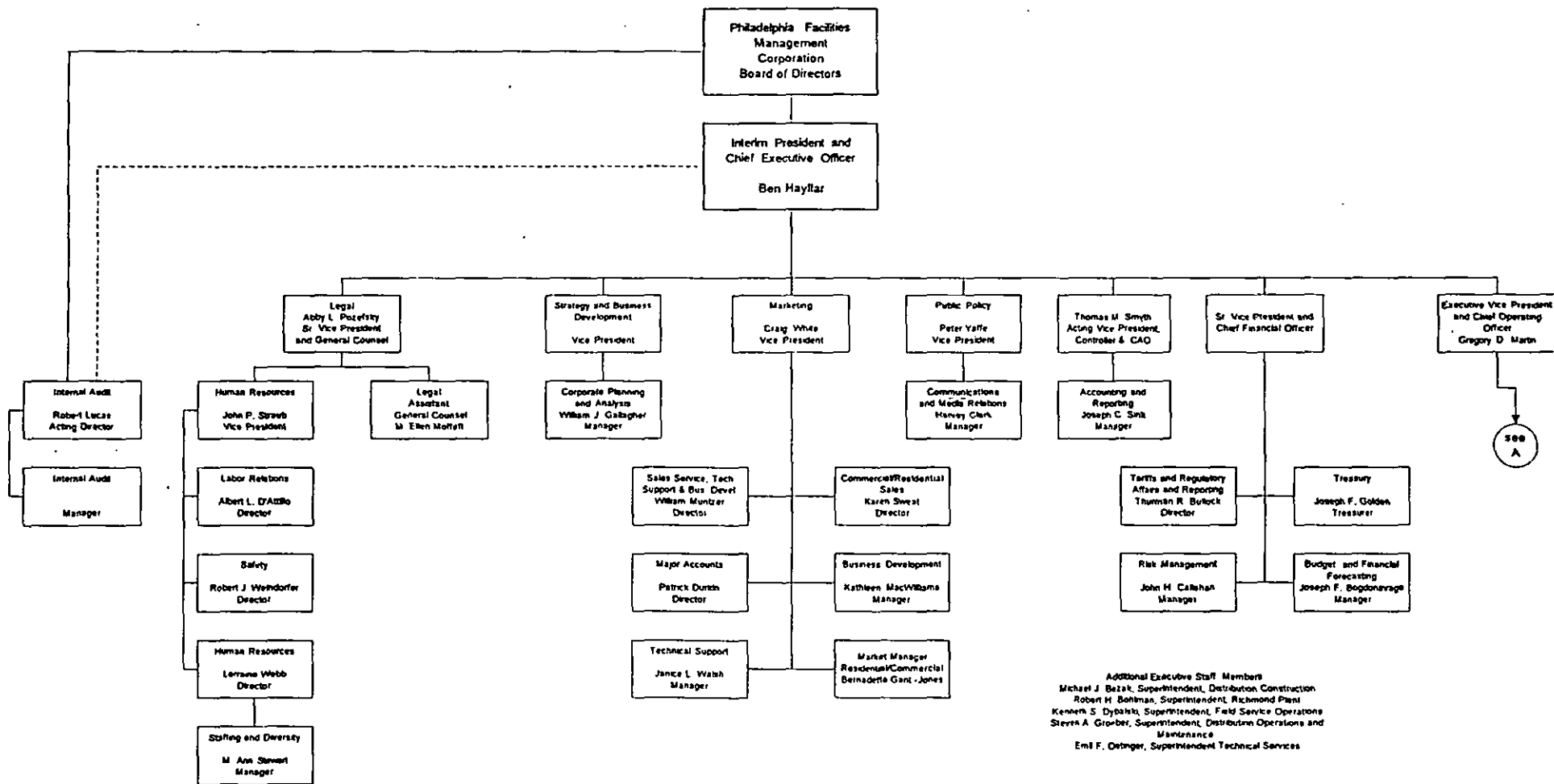
Table 15B represents an alternate scenario in which only the Second Series Bonds are issued in fiscal 1999. No Sixteenth Series Refunding is included.

A third scenario is presented in Table 15C in which only the Sixteenth Series Bonds are issued in fiscal 1999. This table assumes that revenue bonds to finance revenue projects are issued in fiscal 2000.

Tables 15B and 15C indicate that sufficient funds are estimated to exist in each year of the forecast to provide the required coverage under terms of both the 1975 General Ordinance and the 1998 General Ordinance under either of these alternate scenarios.

To the extent that the City of Philadelphia refunds a portion of the Fourteenth Series Bonds (as well as Eleventh Series C Bonds), we believe this would not adversely affect the debt service coverages shown in Table 15A, Table 15B, or Table 15C.

PHILADELPHIA GAS WORKS
ORGANIZATION
May 4, 1999



Additional Executive Staff Members:
 Michael J. Bezak, Superintendent, Distribution Construction
 Robert H. Bohman, Superintendent, Richmond Plant
 Kenneth S. Dybalski, Superintendent, Field Service Operations
 Steven A. Grober, Superintendent, Distribution Operations and Maintenance
 Emil F. Oetinger, Superintendent Technical Services

PHILADELPHIA GAS WORKS
 ORGANIZATION -ADDENDUM A
 May 4, 1999

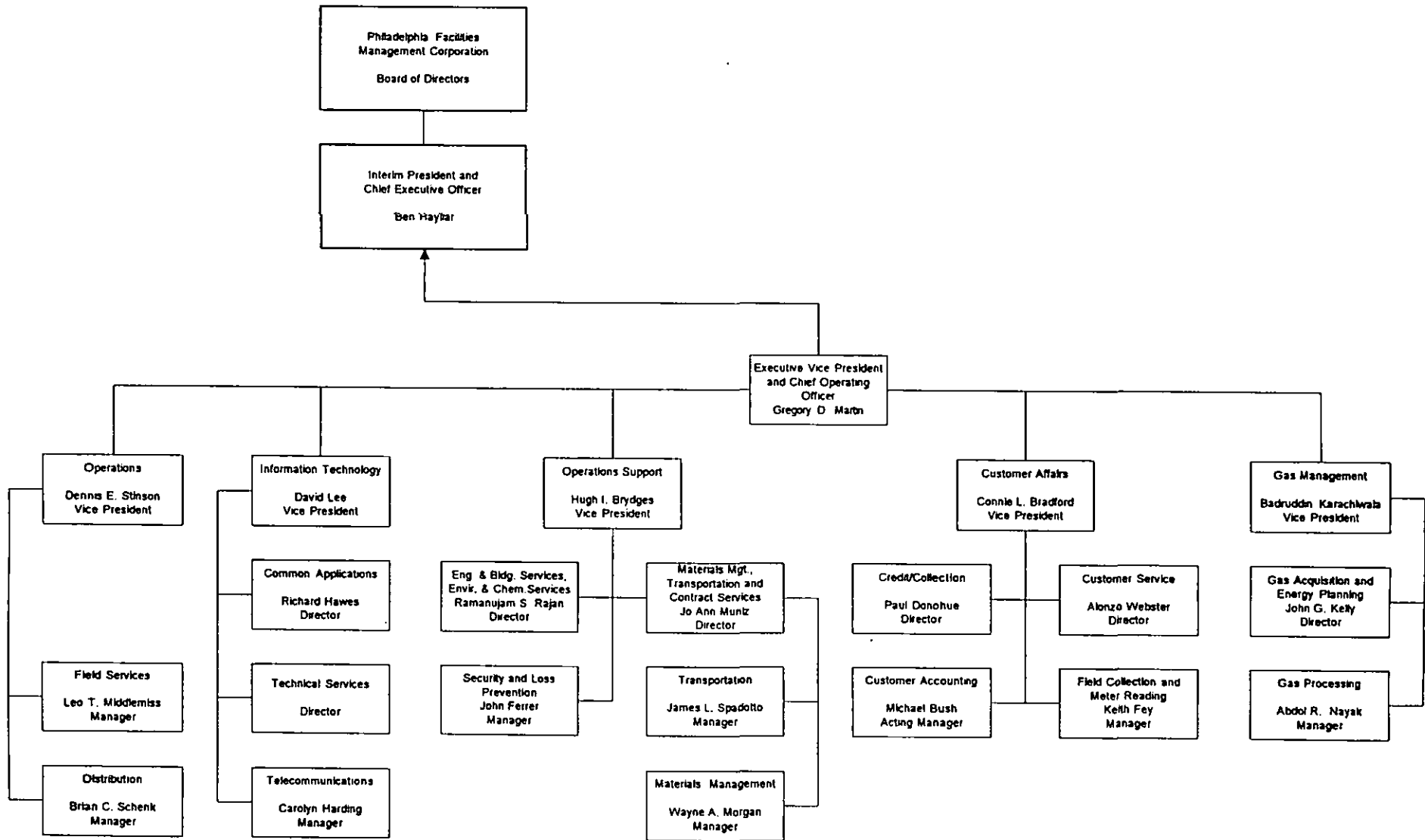
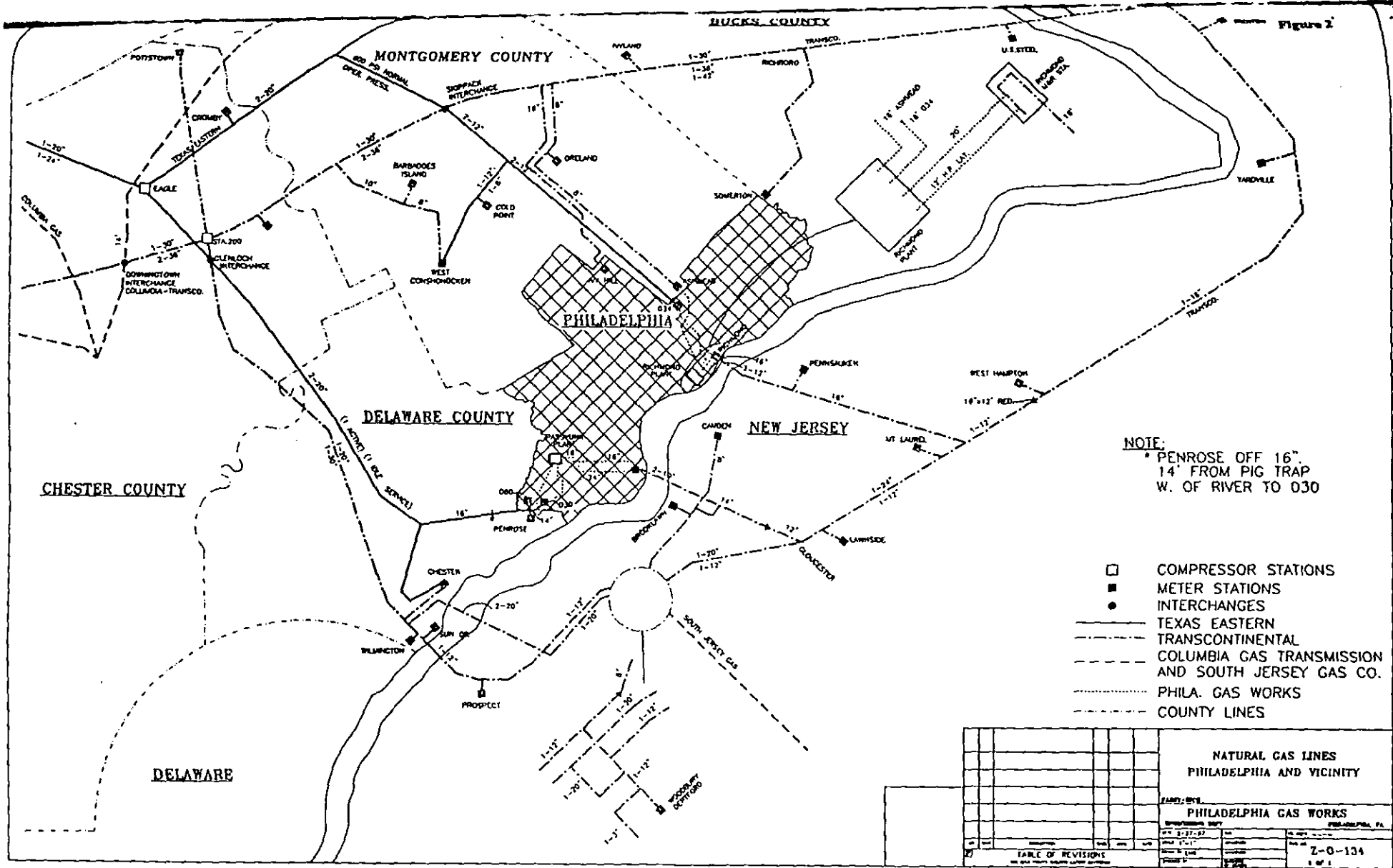


Figure 2



NOTE:
 * PENROSE OFF 16"
 14' FROM PIG TRAP
 W. OF RIVER TO 030

- COMPRESSOR STATIONS
- METER STATIONS
- INTERCHANGES
- TEXAS EASTERN
- - - COLUMBIA GAS TRANSMISSION AND SOUTH JERSEY GAS CO.
- PHILA. GAS WORKS
- - - COUNTY LINES

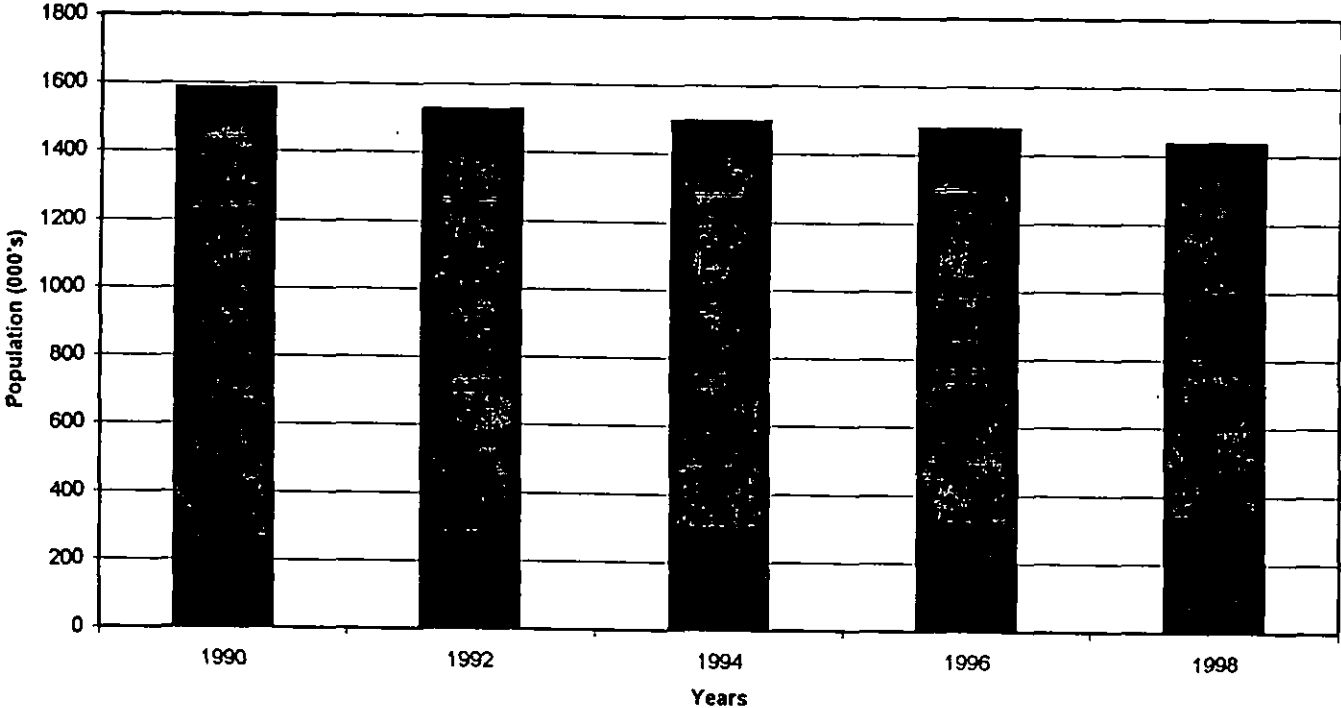
TABLE OF REVISIONS		PHILADELPHIA GAS WORKS	
NO.	DATE	DESCRIPTION	BY

**NATURAL GAS LINES
PHILADELPHIA AND VICINITY**

PHILADELPHIA, PA.

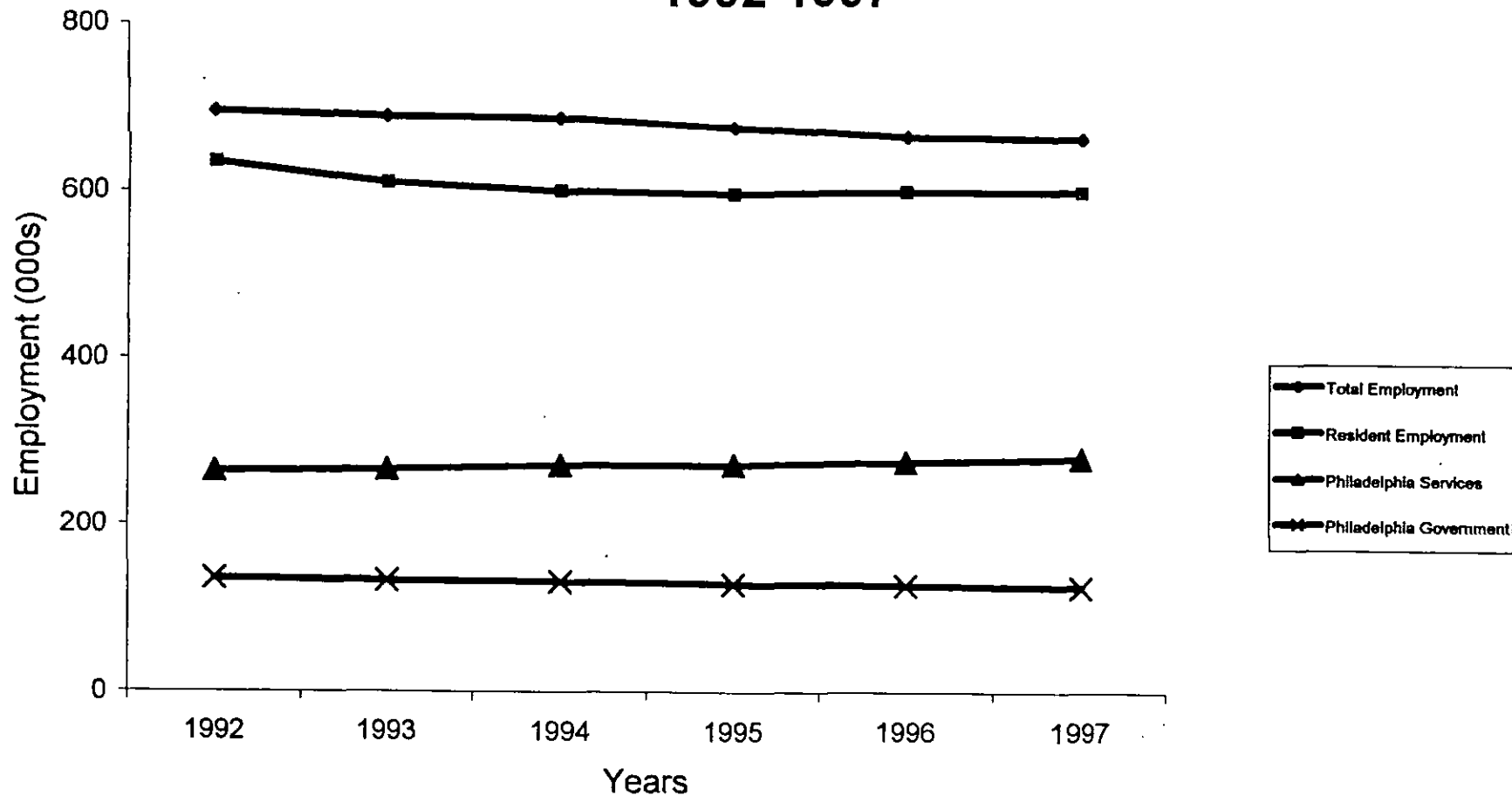
2-0-134

PHILADELPHIA POPULATION ESTIMATES



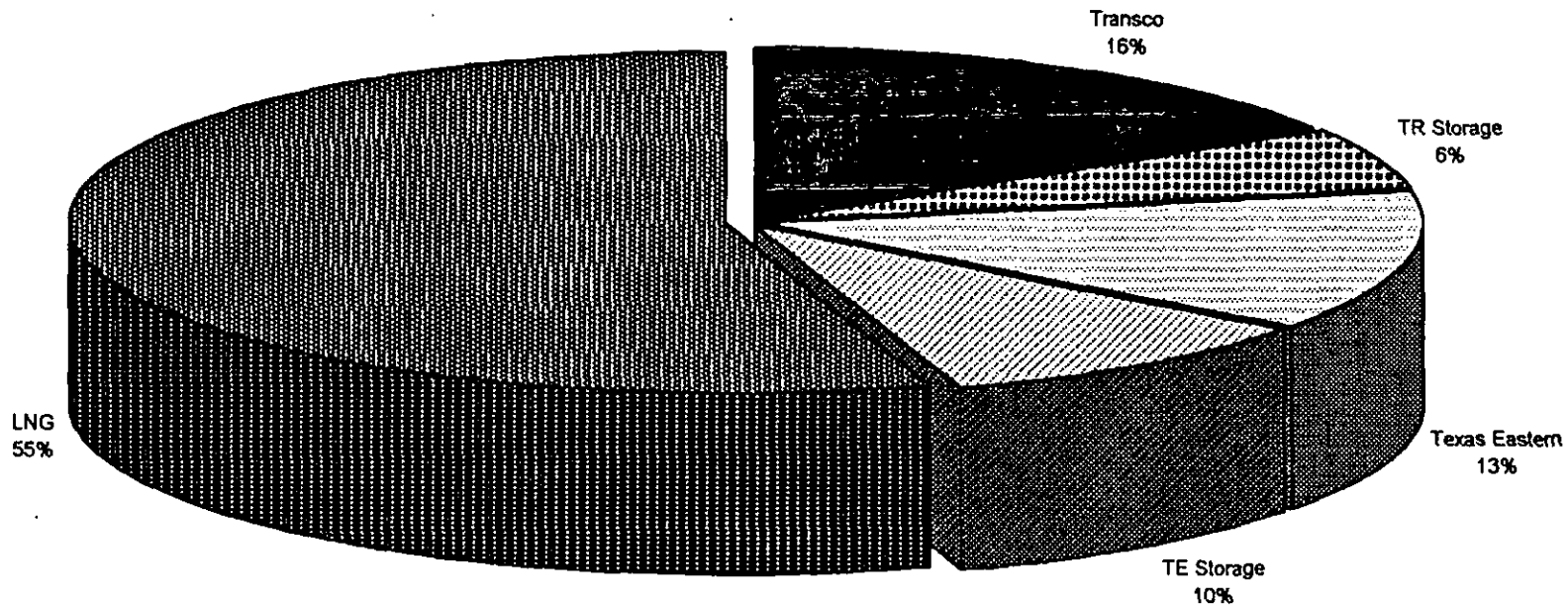
Source: Delaware Valley Regional Planning Commission.

Philadelphia Employment Statistics 1992-1997

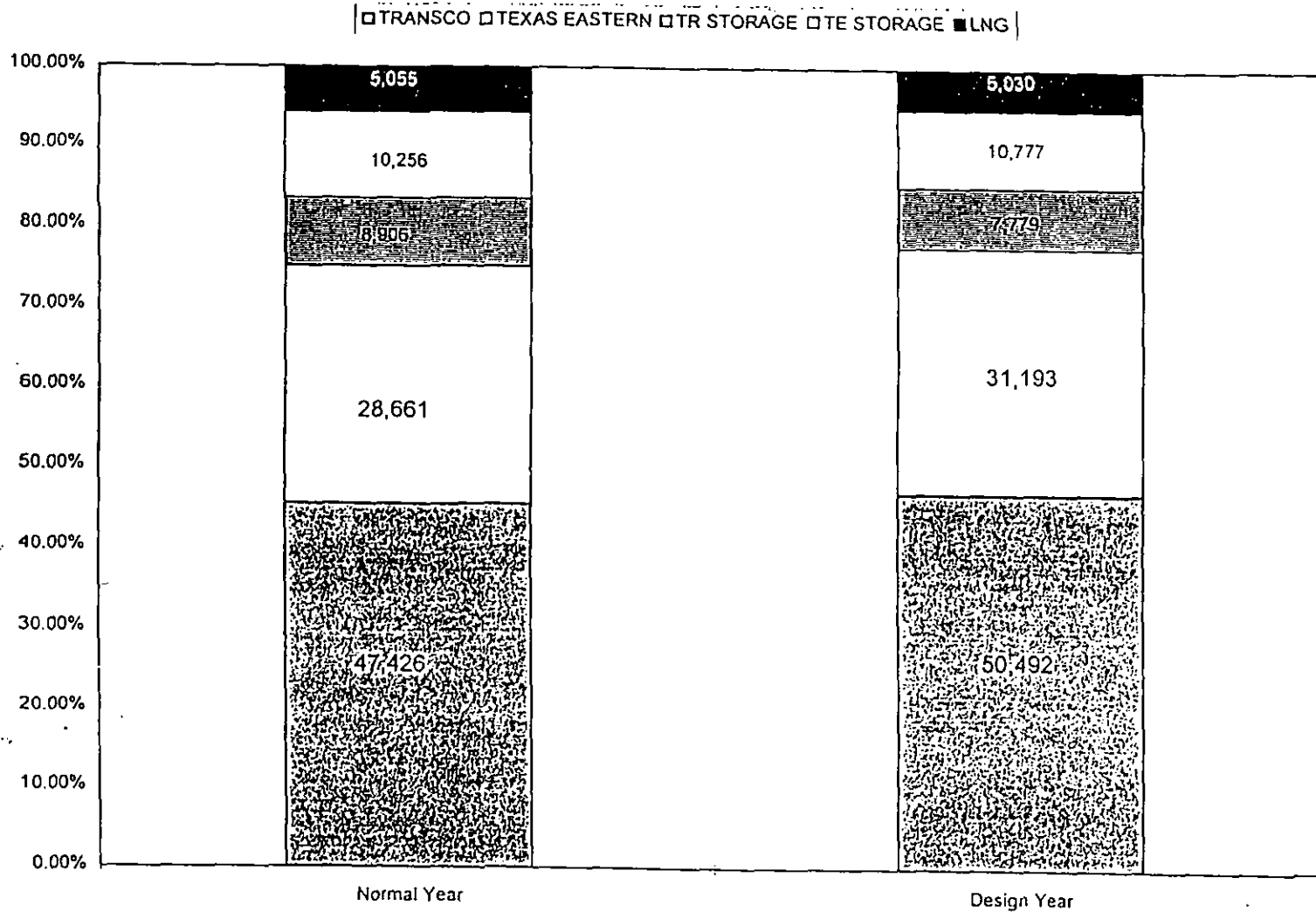


Source: PA Dept. of Labor Industry, Bureau of Research Statistics

**Philadelphia Gas Works
1999-00 Peak Day Availability
By Delivery Source**



PHILADELPHIA GAS WORKS
 1999-00 Budget Year
 Annual Requirements by Delivery Source



COMPARISON OF GAS COSTS (\$/MCF) AMONG MAJOR PENNSYLVANIA UTILITIES

	(A)	(B)	(C)	(D)	(E)	(F)
		(0.05 x A)	(A - B)		(C - D)	
	GROSS FUEL COST	PA GROSS RECEIPTS TAX @ 5%	NET FUEL COST	SOCIAL COSTS	OBJECTIVE FUEL COST	COMPARISON OF "E" TO AVERAGE
PGW	4.4340	0.0000	4.4340	0.4152	4.0188	89.45%
PECO	4.4458	0.2223	4.2235	0.0000	4.2235	94.01%
UGI	5.1100	0.2555	4.8545	0.0000	4.8545	108.06%
Equitable	5.6900	0.2845	5.4055	0.0000	5.4055	120.32%
Peoples	4.0422	0.2021	3.8401	0.0000	3.8401	85.48%
Columbia	4.8500	0.2425	4.6075	0.0000	4.6075	102.56%
National Fuel	4.7348	0.2367	4.4981	0.0000	4.4981	100.12%
				Average:	4.4926	

Source: August 1998 PGW GCR filing.

Objective Fuel Cost
\$/MCF

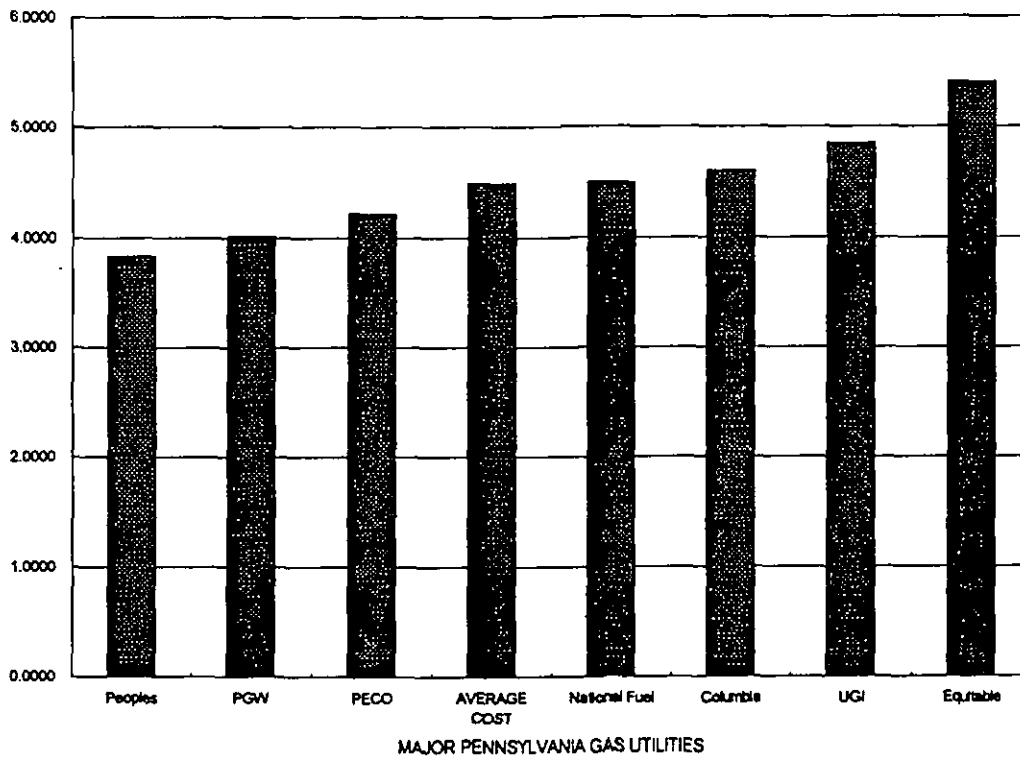


Figure 6

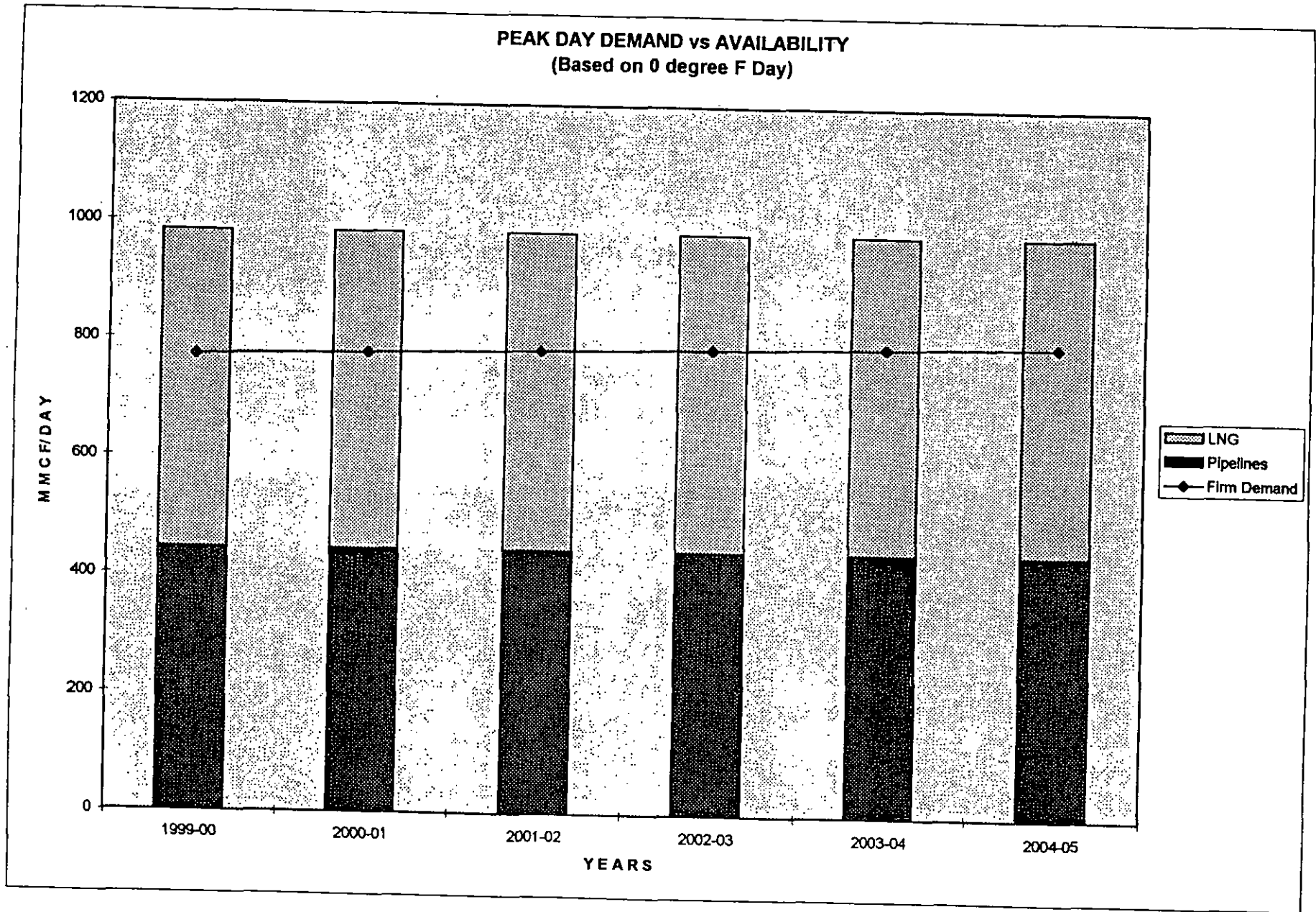
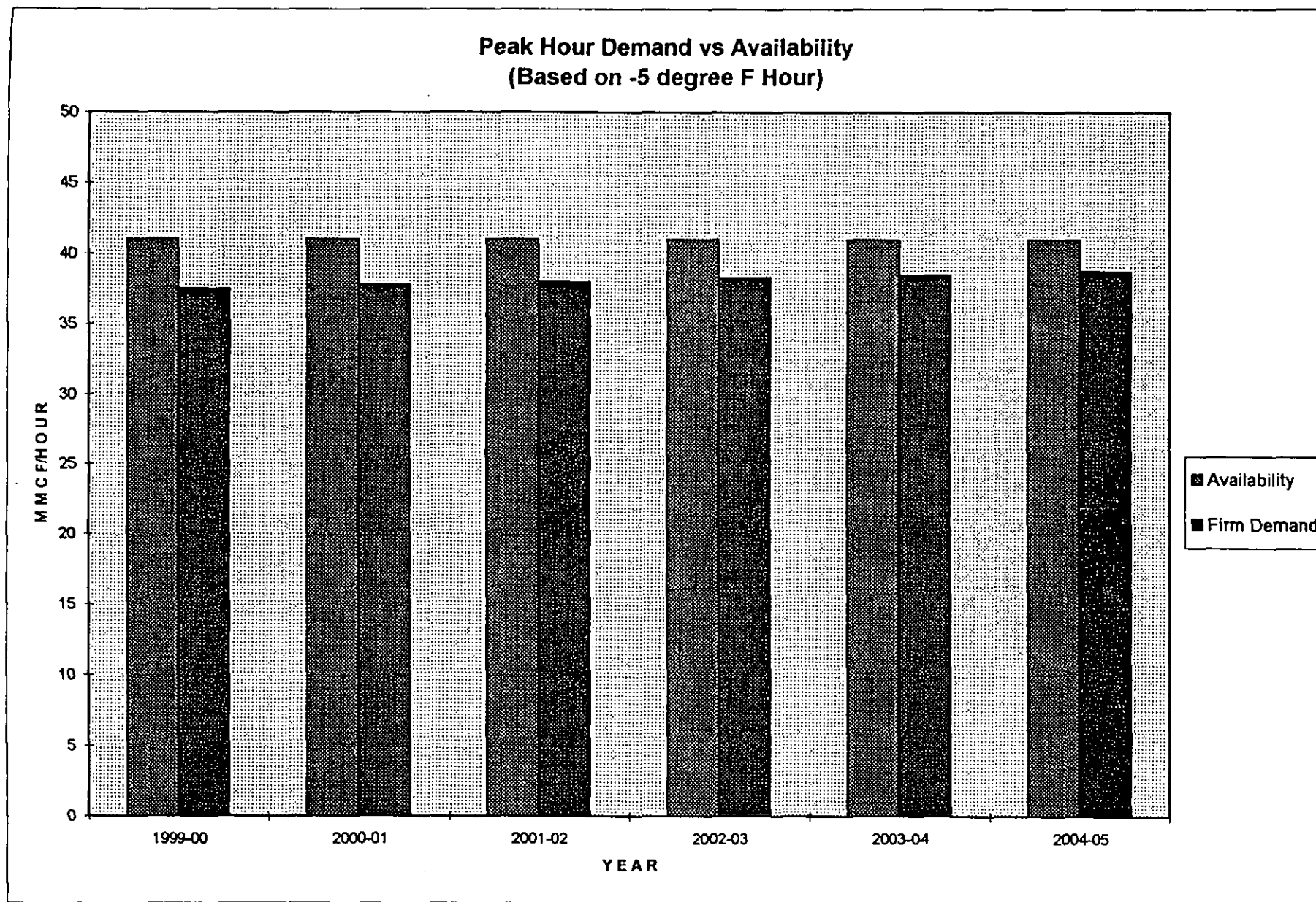
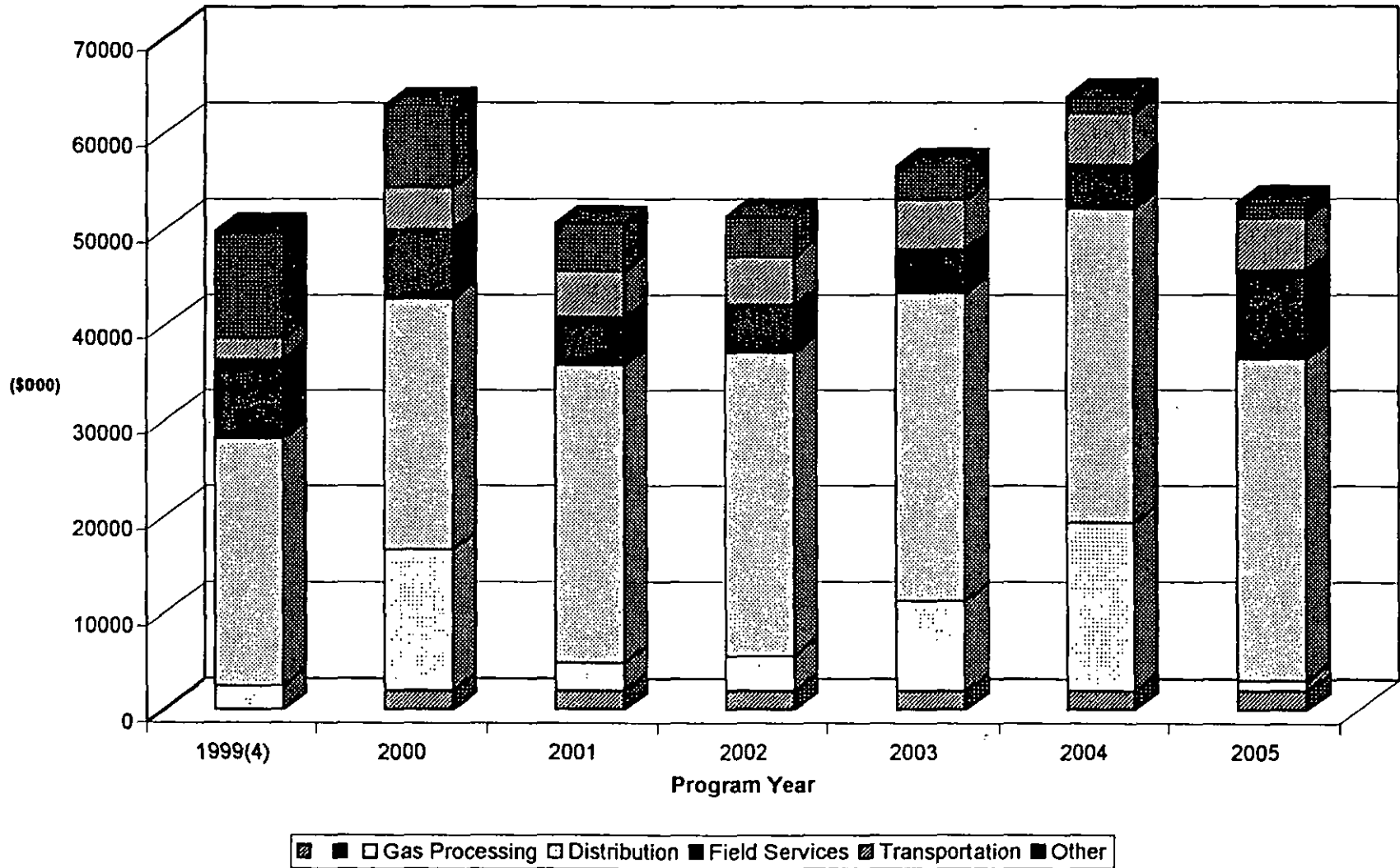


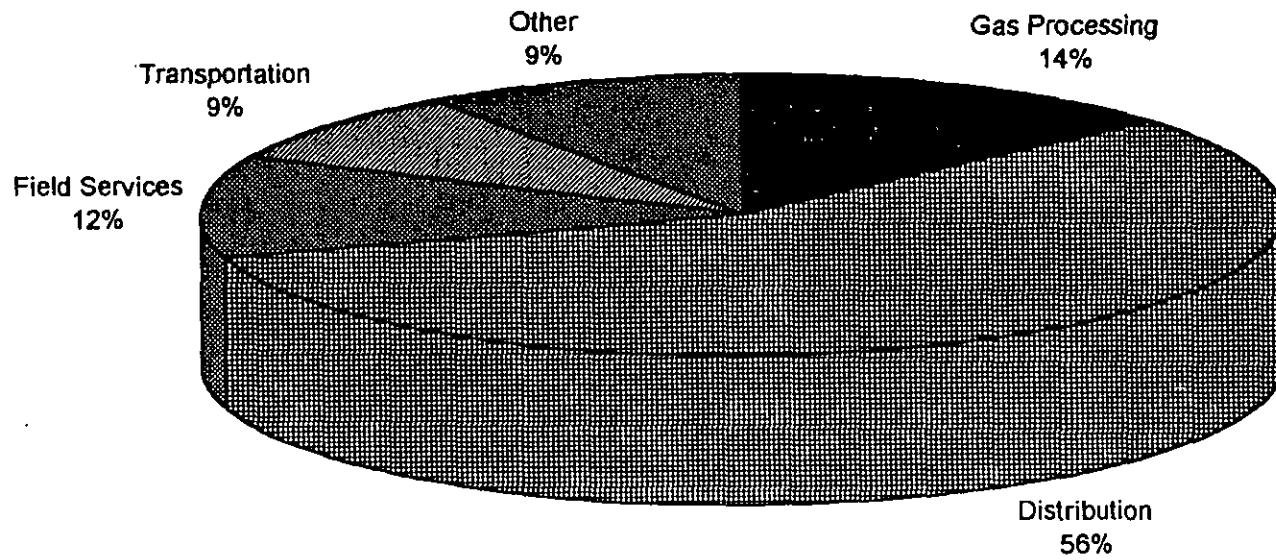
Figure 7



**PGW PROPOSED CAPITAL IMPROVEMENT PROGRAM
FY 1999 AND FORECAST YRS 2000-2005**



PGW PROPOSED CAPITAL BUDGET
TOTAL FOR FY 1999 AND FORECAST YRS 2000-2005



PGW PROPOSED CAPITAL BUDGET
TOTAL FOR FY 2000 ONLY

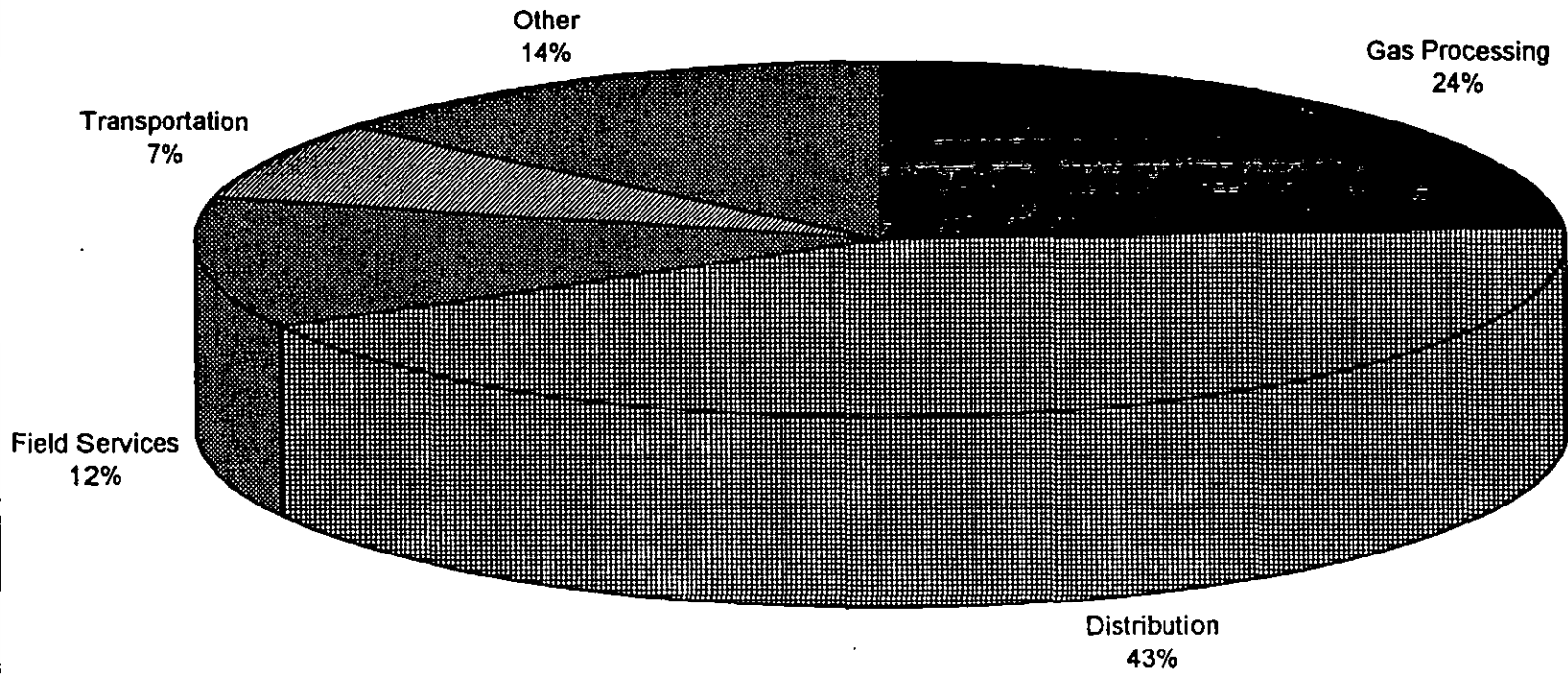


TABLE 1
PHILADELPHIA GAS WORKS
HISTORICAL NUMBER OF CUSTOMERS

	<u>1998</u>	<u>1997</u>	<u>Fiscal Years Ending August 31</u>			<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1985</u>	<u>Fiscal Year</u>
			<u>1996</u>	<u>1995</u>	<u>1994</u>						<u>Ended</u>
											<u>June 30,</u>
											<u>1980</u>
Residential	487,876	486,716	490,614	492,601	493,606	499,189	495,176	497,696	494,253	500,378	516,683
Commercial/Industrial											
Firm:	23,961	24,165	23,909	24,066	23,930	23,898	24,236	24,788	24,614	18,482	20,328
Interruptible:	450	454	441	423	413	416	410	348	337	135	81
Municipal/Housing Authority	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
TOTAL	512,289	511,337	514,966	517,092	517,951	523,505	519,824	522,834	519,206	518,997	537,094

TABLE 2
PHILADELPHIA GAS WORKS
HISTORICAL GAS SALES
(MMcf)

	Fiscal Years Ending August 31										Fiscal Year Ended June 30,
	1998	1997	1996	1995	1994	1993	1992	1991	1990	1985	1980
Firm:											
Residential	41,621	46,809	51,330	43,748	51,188	49,210	47,432	43,325	47,898	46,104	51,520
Commercial	7,949	8,672	9,234	7,913	8,862	8,412	8,226	7,710	7,792	6,419	6,510
Industrial	1,305	1,516	1,743	1,696	2,114	1,971	2,096	2,046	2,334	2,524	3,809
Municipal	1,269	1,348	1,516	1,310	1,441	1,443	1,554	1,270	1,394	1,355	1,641
Housing Authority	1,258	1,468	1,648	1,581	1,717	1,994	1,832	1,829	1,971	1,993	2,816
Sales for Resale	<u>253</u>	<u>250</u>	<u>201</u>	<u>-</u>	<u>19</u>	<u>-</u>	<u>168</u>	<u>49</u>	<u>96</u>	<u>19</u>	<u>0</u>
Total Firm	53,655	60,063	65,672	56,248	65,341	63,030	61,308	56,229	61,485	58,414	66,296
Interruptible:											
Boiler and Power Services	3,994	3,943	3,548	3,220	2,477	3,319	2,898	3,282	3,251	1,681	10,085
Load Balancing Service	4,443	4,378	4,807	6,104	5,639	7,026	6,174	8,934	6,987	9,756	10,945
Co-Generation	177	279	392	452	343	433	335	162	-	-	-
Natural Gas Vehicle (NGV)	3	6	8	6	-	-	-	-	-	-	-
Gas Transportation-Retail	<u>1,008</u>	<u>1,210</u>	<u>1,398</u>	<u>1,781</u>	<u>1,060</u>	<u>1,546</u>	<u>1,128</u>	<u>110</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Interruptible	9,625	9,816	10,153	11,563	9,519	12,324	10,535	12,488	10,238	11,437	21,030
Total Sales	63,280	69,879	75,825	67,811	74,860	75,354	71,843	68,717	71,723	69,851	87,326
Gas Transportation Service	<u>8,266</u>	<u>2,310</u>	<u>4,484</u>	<u>6,408</u>	<u>2,575</u>	<u>2,848</u>	<u>3,928</u>	<u>632</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Sales w/ Transport	<u>71,546</u>	<u>72,189</u>	<u>80,309</u>	<u>74,219</u>	<u>77,435</u>	<u>78,202</u>	<u>75,771</u>	<u>69,349</u>	<u>71,723</u>	<u>69,851</u>	<u>87,326</u>
Degree Days	3,996	4,622	5,159	4,200	4,998	4,731	4,542	3,900	4,431	4,428	4,692

TABLE 3
PROJECTED GAS SALES
FISCAL YEARS 1999 THROUGH 2005
(MMcf)

	<u>Fiscal Years Ended August 31,</u>						
	<u>Current</u> <u>Estimate(a)</u> <u>1999</u>	<u>Budget</u> <u>2000</u>	<u>Forecast</u> <u>2001</u>	<u>Forecast</u> <u>2002</u>	<u>Forecast</u> <u>2003</u>	<u>Forecast</u> <u>2004</u>	<u>Forecast</u> <u>2005</u>
Firm:							
Residential	42,383	45,763	45,662	45,572	45,506	45,465	45,442
Commercial	7,890	8,966	9,109	9,238	9,374	9,514	9,659
Industrial	1,326	1,424	1,521	1,652	1,785	1,918	2,052
Municipal	1,200	1,376	1,374	1,372	1,374	1,377	1,380
Housing Authority	1,188	1,317	1,312	1,309	1,308	1,309	1,310
Total Firm	53,987	58,846	58,978	59,143	59,347	59,583	59,843
Interruptible:							
Boiler & Power Service	3,586	4,302	4,509	4,724	5,098	5,470	5,839
Load Balancing Service	3,911	4,238	4,294	4,360	4,485	4,609	4,732
BPS - A/C	220	319	345	371	397	423	449
Grays Ferry	105	165	165	165	165	165	165
LNG Direct	5	-	-	-	-	-	-
Co-Generation	205	233	228	228	228	228	228
Natural Gas Vehicle Serv.	3	3	3	3	3	3	3
Gas Transportation- Retail	705	638	620	620	620	620	620
Total Interruptible	8,740	9,898	10,164	10,471	10,996	11,518	12,036
Total Sales	62,727	68,744	69,142	69,614	70,343	71,101	71,879
Gas Transportation Service	12,490	15,229	15,229	15,229	15,229	15,229	15,229
Total Sales & Transport.*	75,217	83,973	84,371	84,843	85,572	86,330	87,108
Degree Days	3,925	4,600	4,600	4,600	4,600	4,600	4,600

Note:

(a) Current Estimate is based on six months actual data and six months projections based upon currently available information.

* Totals may vary due to rounding.

TABLE 4
PHILADELPHIA GAS WORKS
CUSTOMER BILLINGS (a)
FISCAL YEARS 2000-2005

	Budget 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Residential	483,673	482,621	481,654	480,973	480,529	480,280
Commercial	24,123	24,508	24,856	25,221	25,599	25,989
Industrial	1,122	1,197	1,300	1,405	1,510	1,615
Interruptible	507	521	536	563	590	616
Transportation	10	10	10	10	10	10
Municipal	906	905	904	905	907	909
Housing Authority	<u>4,567</u>	<u>4,551</u>	<u>4,539</u>	<u>4,538</u>	<u>4,541</u>	<u>4,544</u>
TOTAL	514,908	514,313	513,799	513,615	513,686	513,963

Note:

(a) average number of customer billings

(b) Total may vary due to rounding

TABLE 5
PHILADELPHIA GAS WORKS
CONTRACTS FOR TRANSPORTATION
STORAGE AND SUPPLY SERVICES

		Contract Name	Contract Quantity (Dth)		Expiration Date
			Annual	Daily	
Transportation Contracts					
Direct Service					
Transco		FT	60,302,380	165,212	March 31, 2005
		PSFT	177,030	1,967	July 31, 2011
Texas Eastern		CDS	27,375,000	75,000	October 31, 2001
		FT-1	21,835,030	59,822	October 31, 2001
Storage Related					
Transco		GSS (a)		61,567	March 31, 2013
		S-2 (a),(b)		5,193	April 15, 2001
Texas Eastern		SS-1 (a)		64,965	April 30, 2012
		FTS-2		5,394	March 31, 2002
		FTS-7		7,788	March 31, 2006
		FTS-8		25,709	March 31, 2006
Storage Contracts					
Direct Service					
Transco		GSS (a)	4,123,733	61,567	March 31, 2013
		S-2 (a),(b)	466,554	5,193	April 15, 2001
		WSS (b)	3,335,909	39,246	March 31, 1998
		ESS	84,971	8,446	Contract Pending
Texas Eastern		SS-1 (a)	5,109,200	64,965	April 30, 2012
Off-System Storage					
Delivery via Texas Eastern		ANR	1,897,724	13,266	March 31, 2013
		Equitrans	522,500	4,998	April 1, 2002
		CNG-GSS-TE	3,918,971	34,047	March 31, 2006
Supply Contracts					
Firm Long Term					
Transco					
	Pipeline	FS (b),(d)	18,183,364		March 31, 2001
	3rd Party	Multiple (d)	5,180,000		Various
Texas Eastern					
	3rd Party	Multiple (d)	5,193,449		Various
Storage					
Transco		(d)	8,906,171		
Texas Eastern		(d)	10,256,036		
Spot					
Transco		(d)	24,062,707		
Texas Eastern		(d)	23,467,004		

Notes:

- (a) Bundled storage and transportation service
- (b) Extended on a year to year basis
- (c) Volume leased to outside company for peaking service
- (d) Based on the 1999-00 10&2 Budget Run Normal Year

PHILADELPHIA GAS WORKS
SUPPLY / DEMAND BALANCE
FISCAL YEARS 2000 - 2005
NORMAL YEAR - 4600 HDD
(1000 Dth)

Table 6

	2000	2001	2002	2003	2004	2005
Demand (a)						
Firm	63,468	63,610	63,788	64,008	64,263	64,543
Boiler and Power Service	4,913	5,045	5,198	5,458	5,717	5,974
Load Balancing Service	4,517	4,639	4,779	5,018	5,256	5,493
Cogeneration	180	185	190	200	209	219
GTS	685	685	685	685	685	685
Natural Gas Vehicles	3	3	3	3	3	3
Trigen	67	67	67	67	67	67
Grays Ferry	171	171	171	171	171	171
<i>Sub-Totals Sales</i>	74,004	74,405	74,880	75,610	76,372	77,154
Plant Use	1,962	2,048	2,093	2,102	2,114	2,075
Storage Injection	19,242	19,242	19,242	19,242	19,242	19,242
Liquefaction	5,094	5,094	5,094	5,094	5,094	5,094
Total Demand (b)	100,302	100,789	101,309	102,048	102,822	103,565
Supplies						
Transco (c)	47,426	47,727	48,051	48,512	48,899	49,457
Texas Eastern (c)	28,661	28,845	29,041	29,319	29,552	29,891
Storage Withdrawal	19,162	19,162	19,162	19,162	19,162	19,162
LNG	5,055	5,055	5,055	5,055	5,055	5,055
Total Supplies (b)	100,304	100,789	101,309	102,048	102,668	103,565

Notes:

- (a) Includes Unaccounted - for Gas
- (b) Totals may vary due to rounding
- (c) Gas Delivered to City Gate

PHILADELPHIA GAS WORKS
SUPPLY / DEMAND BALANCE
FISCAL YEARS 2000 - 2005
DESIGN YEAR - 5280 HDD
(1000 Dth)

Table 7

	2000	2001	2002	2003	2004	2005
Demand (a)						
Firm	70,378	70,536	70,733	70,977	71,259	71,570
Boiler and Power Service	4,401	4,519	4,656	4,889	5,121	5,352
Load Balancing Service	3,097	3,180	3,276	3,441	3,604	3,766
Cogeneration	136	140	144	151	158	165
GTS	487	487	487	487	487	487
Natural Gas Vehicles	2	2	2	2	2	2
Trigen	30	30	30	30	30	30
Grays Ferry	84	84	84	84	84	84
<i>Sub-Totals Sales</i>	78,615	78,978	79,412	80,061	80,746	81,456
Plant Use	1,916	1,999	2,044	2,041	2,054	2,041
Storage Injection	19,103	19,103	19,103	19,103	19,103	19,103
Liquefaction	5,036	5,036	5,036	5,036	5,036	5,036
Total Demand (b)	104,670	105,117	105,595	106,241	106,938	107,636
Supplies						
Transco (c)	50,492	50,765	51,060	51,460	51,891	52,322
Texas Eastern (c)	31,193	31,366	31,549	31,795	32,061	32,328
Storage Withdrawal	17,956	17,956	17,956	17,956	17,956	17,956
LNG	5,030	5,030	5,030	5,030	5,030	5,030
Total Supplies (b)	104,671	105,117	105,595	106,241	106,938	107,636

Notes:

- (a) Includes Unaccounted - for Gas
- (b) Totals may vary due to rounding
- (c) Gas Delivered to City Gate

TABLE 8
PHILADELPHIA GAS WORKS
Peak Day and Peak Hour Capacity (Mmcf)
Fiscal Years 2000-2005

(Design Peak Day Weather = 0 degrees F)
 (Design Peak Hour Weather = -5 degrees F)

(Mmcf @ 1.030 Btu/cf)

Source of Supply(a)	2000	2001	2002	2003	2004	2005
Transco						
FT (1)	89.3	103.8	157.4	157.4	157.4	157.4
FB	68.1	53.6	0	0	0	0
PGFT	1.9	1.9	1.9	1.9	1.9	1.9
B-2 (2)	4.4	4.4	4.4	4.4	4.4	4.4
GSS (2)	52.3	52.3	52.3	52.3	52.3	52.3
WSS (3)	19.4	19.4	19.4	19.4	19.4	19.4
EBS (3)	10.2	10.2	10.2	10.2	10.2	10.2
Total Transco	216	216	216	216	216	216
Texas Eastern						
COB	72.8	72.8	72.8	72.8	72.8	72.8
FT-1	58.1	58.1	58.1	58.1	58.1	58.1
BB-1	63.1	63.1	63.1	63.1	63.1	63.1
CNG/FTS-7 (2)	6.6	6.6	6.6	6.6	6.6	6.6
CNG/FTS-8 (2)	21.8	21.8	21.8	21.8	21.8	21.8
Equitable/FTS-2 (4)	4.9	4.9	4.9	4.9	4.9	4.9
ANR (3)	12.9	12.9	12.9	12.9	12.9	12.9
Total Texas Eastern	227.3	227.3	227.3	227.3	227.3	227.3
Sub-Total Pipelines	443.3	443.3	443.3	443.3	443.3	443.3
Supplemental Gas LNG	540.0	540.0	540.0	540.0	540.0	540.0
Total Peak Day Supply	983.3	983.3	983.3	983.3	983.3	983.3
Total Peak Hour Supply	41.0	41.0	41.0	41.0	41.0	41.0

Notes:

Firm Peak Day Demand	773.0	778.7	783.9	789.1	794.3	799.4
Firm Peak Hour Demand	37.5	37.8	38.0	38.3	38.5	38.8

Footnotes:

- (1) Reflects 3,000dt of Transco capacity released in lieu of South Jersey Deal
- (2) Reflects 87.5 % contract limitation on maximum monthly storage withdrawal
- (3) These services do not contain transport components and are therefore not included in totals.
- (4) Equitable storage MDWQ = 4,998dth; Tetco FTS-2 has MDQ = 5,394dth

TABLE 9

PROPOSED CAPITAL IMPROVEMENT PROGRAM
(\$000)

Category	1999(4)	2000	2001	2002	2003	2004	2005	Total \$	Total %
Gas Processing	\$2,435	\$14,539	\$2,814	\$3,550	\$9,214	\$17,330	\$1,054	\$50,936	13.6%
Distribution	25,717	26,237	30,953	31,536	32,141	32,751	33,374	\$212,709	56.6%
Field Services	8,240	7,242	5,071	5,066	4,593	4,684	9,322	\$44,218	11.8%
Transportation	2,316	4,372	4,811	4,993	5,137	5,286	5,437	\$32,352	8.6%
Other	11,105	8,466	4,965	4,180	3,460	1,669	1,479	\$35,324	9.4%
	\$49,813	\$60,856	\$48,614	\$49,325	\$54,545	\$61,720	\$50,666	\$375,539	100%
Less:									
Reimbursements(1)	(4,057)	(802)	(817)	(833)	(849)	(865)	(881)	(9,104)	-2.5%
Contributions(2)	(119)	(121)	(121)	(124)	(127)	(130)	(133)	(875)	-0.2%
Salvage(3)	(39)	(313)	(452)	(465)	(478)	(491)	(504)	(2,742)	-0.8%
	(\$4,215)	(\$1,236)	(\$1,390)	(\$1,422)	(\$1,454)	(\$1,486)	(\$1,518)	(\$12,721)	-3.5%
Total:	\$45,598	\$59,620	\$47,224	\$47,903	\$53,091	\$60,234	\$49,148	\$362,818	

Notes:

- (1) Funds available from government agencies.
- (2) Customer contributions in aid of construction.
- (3) Funds received from sale of scrap metals, used vehicles, equipment, etc.
- (4) 1999 Program Year reflects Recommended Decision by Gas Commission Hearing Examiner.

TABLE 10
PHILADELPHIA GAS WORKS
MAJOR CAPITAL BUDGET ITEMS

CODE	DESCRIPTION	PRIORITY	DEPT.	2000 AMOUNT	% OF BUDGET	1999 AMOUNT	% OF BUDGET	AMOUNT DIFFERENCE	PERCENT DIFFERENCE
53-02-2-01	Phase I- LNG Liquefaction Plant	2	Gas Processing	14,185	23.3%	1,886	3.8%	12,299	652.1%
	SUBTOTAL GAS PROCESSING			14,185	23.3%	1,886	3.8%	12,299	652.1%
52-21-1-01	Low/Inter Pressure 8" Smaller Additions	4	Distribution	1,252	2.1%	1,152	2.3%	100	8.7%
52-21-2-01	Low/Inter Pressure 8" Enforced	3	Distribution	3,729	6.1%	3,729	7.5%	-	0.0%
52-21-2-01	Prudent Replacement	1	Distribution	3,235	5.3%	1,741	3.5%	1,494	85.8%
52-22-2-02	Market-Frankford Construction Project	3	Distribution	-	0.0%	3,716	7.5%	(3,716)	-100.0%
52-24-1-01	New 1-1/4" and Smaller Services	4	Distribution	2,185	3.6%	2,187	4.4%	(2)	-0.1%
52-24-1-02	New 2" and Larger Services	4	Distribution	1,400	2.3%	1,100	2.2%	300	27.3%
52-24-2-01	Renewal of 1-1/4" and Smaller Services	1	Distribution	9,623	15.8%	9,046	18.2%	577	6.4%
	SUBTOTAL DISTRIBUTION			21,424	35.2%	22,671	45.5%	(1,247)	-5.5%
50-30-1-01	Purchase and Installation of Meter - additions	4	Field Services	1,842	3.0%	542	1.1%	1,300	239.9%
50-30-2-01	Meter Purchases to support AMR	1	Field Services	1,255	2.1%	890	1.8%	365	41.0%
50-36-1-01	Purchase/Installation of ERT for AMR	5	Field Services	1,836	3.0%	6,164	12.4%	(4,328)	-70.2%
50-36-2-01	Replace AMR Units	5	Field Services	827	1.4%	360	0.7%	467	129.7%
	SUBTOTAL FIELD SERVICES			5,760	9.5%	7,956	16.0%	(2,196)	-27.6%
73-01-2-02	Vehicle Replacement	2	Transportation	3,436	5.6%	1,841	3.7%	1,595	86.6%
	SUBTOTAL TRANSPORTATION			3,436	5.6%	1,841	3.7%	1,595	86.6%
47-01-1-06	Y2K Contingency	5	Info Tech	-	0.0%	1,016	2.0%	(1,016)	-100.0%
47-01-2-01	System Services	5	Info Tech	-	0.0%	1,948	3.9%	(1,948)	-100.0%
47-01-2-02	Replace PBX	2	Info Tech	-	0.0%	2,760	5.5%	(2,760)	-100.0%
47-01-2-04	Network Services	5	Info Tech	-	0.0%	1,249	2.5%	(1,249)	-100.0%
09-01-2-01	Replace SCADA	5	Gas Control	-	0.0%	999	2.0%	(999)	-100.0%
40-01-1-01	Enhance Financial System	5	Finance	-	0.0%	900	1.8%	(900)	-100.0%
71-01-2-01	Replace Material and Purchasing System	2	Material Mgt	1,269	2.1%	-	0.0%	1,269	#DIV/0!
10-01-1-02	Implement Customer Contact Tracking System	5	Customer Serv	600	1.0%	-	0.0%	600	#DIV/0!
71-01-2-01	Enhance Customer Information System	5	Customer Serv	402	0.7%	-	0.0%	402	#DIV/0!
72-01-1-04	Construct CNG Refueling Station	5	Build Serv	550	0.9%	-	0.0%	550	#DIV/0!
72-01-2-09	Upgrade CS Centers	5	Customer Serv	525	0.9%	-	0.0%	525	#DIV/0!
	SUBTOTAL OTHER DEPARTMENTS			3,346	5.5%	8,872	17.8%	(5,526)	-62.3%
	TOTAL MAJOR PROJECTS			48,161	78.1%	43,228	86.8%	4,925	11.4%
	ALL BUDGETED PROJECTS			60,866	100.0%	49,813	100.0%	11,043	22.2%

Note: All values are prior to reimbursements, contributions, and salvage.

TABLE 11

**PHILADELPHIA GAS WORKS BENCHMARK FOR
RETURNED CHECK CHARGES MAINTAINED BY GAS DISTRIBUTION UTILITIES
(SURVEY OF 1995)**

	COMPANY	PRIMARY CITY	CHARGE		
			(3)	<==	PGW'96(3)
1	National Fuel Gas	Buffalo/Erie	\$20.00		
2	Atlanta Gas Light	Atlanta	\$20.00		
			(2)	<==	PGW'96(2)
3	Public Service Electric & Gas	Newark	\$15.00		
4	Baltimore Gas & Electric	Baltimore	\$15.00		
5	Delmarva	Wilmington	\$15.00		
6	Boston Gas	Boston	\$15.00		
7	Washington Gas - VA	Washington	\$15.00		
8	Elizabethtown Gas	Union	\$15.00		
9	Dayton Power & Light	Dayton	\$15.00		
10	Cincinnati Gas & Electric	Cincinnati	\$13.50		
11	Peoples Gas Light & Coke	Chicago	\$10.00		
12	Wisconsin Gas	Milwaukee	\$10.00		
13	Washington Gas - DC	Washington	\$8.50		
14	Brooklyn Union	New York	\$8.50		
15	Connecticut Natural Gas	Hartford	\$8.00		
16	Washington Gas - MD	Washington	\$8.00		
17	Minnegasco	Minneapolis	\$8.00	<==	PGW'96(1)
18	Southern Connecticut Gas	New Haven/Bridgeport	\$8.00		
19	Rochester Gas & Electric	Rochester	\$7.50		
20	Southern California Gas	Los Angeles	\$7.50		
21	Pacific Gas & Electric	San Francisco	\$5.00		
22	MichCon	Detroit	\$5.00	<==	PGW'95

OF 22 COMPANIES WHICH HAVE SUCH A CHARGE

HIGHEST:		\$20.00
MODE: (7 occurrences)	Most Frequent:	\$15.00
MEAN:	Simple Average:	\$11.48
MEDIAN:	Middle of List:	\$10.00
LOWEST:		\$5.00

Philadelphia Gas Works: re. 1995 \$5.00

Philadelphia Gas Works: re. 1996 \$8.00 first (1)
 (for occurrences within a 24 month period) \$18.00 second (2)
 \$34.00 third (3)

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TABLE 12

**PHILADELPHIA GAS WORKS BENCHMARK FOR
CUSTOMER SERVICE CALL CHARGES MAINTAINED BY GAS DISTRIBUTION UTILITIES
(Weekday, Normal Hours, Hourly Average Charge, not including parts)
(SURVEY OF 1995)**

	COMPANY	PRIMARY CITY	CHARGE	
1	Atlanta Gas Light	Atlanta	\$100.00	
2	Minnegasco	Minneapolis	\$90.00	
3	MichCon	Detroit	\$88.00	<== PGW'96
4	Wisconsin Gas	Milwaukee	\$82.00	commercial (3)
5	Peoples Natural Gas	Pittsburgh	\$80.50	
6	Elizabethtown Gas	Union	\$80.00	
7	Delmarva	Wilmington	\$78.00	
8	Baltimore Gas & Electric	Baltimore	\$78.00	
9	Consolidated Edison	New York	\$72.00	
10	Providence Gas	Providence	\$70.00	
11	Rochester Gas & Electric	Rochester	\$67.00	
12	Boston Gas	Boston	\$63.00	
13	Southern Connecticut Gas	New Haven/Bridgeport	\$54.00	<== PGW'96
14	Peoples Gas Light & Coke	Chicago	\$53.00	residential (2)
15	Connecticut Natural Gas	Hartford	\$53.00	
16	Washington Natural Gas	Seattle	\$53.00	
17	National Fuel Gas	Buffalo/Erie	\$41.00	
			\$30.00	<== PGW'95 (1)

OF 17 COMPANIES WHICH PROVIDE SERVICE AND CHARGE CUSTOMER

HIGHEST:		\$100.00
MEDIAN:	Middle of List:	\$72.00
MEAN:	Simple Average:	\$70.74
MODE: (3 occurrences)	Most Frequent:	\$53.00
LOWEST:		\$41.00

Philadelphia Gas Works:	re. 1995	\$30.00	(1)
Philadelphia Gas Works:	re. 1996	\$53.33 - \$66.67 Residential	(2)
		\$80.00 - \$110.0 Commercial	(3)

TABLE 13

PHILADELPHIA GAS WORKS BENCHMARK FOR
FIELD COLLECTION CHARGES MAINTAINED BY GAS DISTRIBUTION UTILITIES
(Residential, Weekday, Normal Hours)
(SURVEY OF 1995)

	COMPANY	PRIMARY CITY	CHARGE	
1	Delmarva	Wilmington	\$15.00	
2	Baltimore Gas & Electric	Baltimore	\$15.00	
3	Elizabethtown Gas	Union	\$15.00	
4	Consolidated Edison	New York	\$11.00	
5	Pacific Gas & Electric	San Francisco	\$10.00	<== PGW'96 (2)
6	Washington Gas - MD	Washington	\$8.50	
7	Washington Gas - DC	Washington	\$7.00	
			N.C.	<== PGW'95 (1)

OF 7 COMPANIES WHICH CHARGE FOR FIELD COLLECTION

HIGHEST:		\$15.00
MODE: (3 occurrences)	Most Frequent	\$15.00
MEAN:	Simple Average:	\$11.64
MEDIAN:	Middle of List:	\$11.00
LOWEST:		\$7.00

Philadelphia Gas Works:	re. 1995	No Charge	(1)
Philadelphia Gas Works:	re. 1996	\$10.00	(2)

TABLE 14

**PHILADELPHIA GAS WORKS
PGW LIHEAP PARTICIPATION**

	Fiscal 96 * Actual		Fiscal 97 Actual		Fiscal 98 Actual		Fiscal 99 Forecast	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Initial Money Available For Grants	\$51,267,542		\$63,183,961		\$ 62,698,318		\$59,100,000	
Cash	\$34,094,179	66.5%	\$50,344,451	79.7%	\$ 49,116,706	78.3%	\$53,786,350	91.0%
Crisis	\$17,173,363	33.5%	\$12,839,510	20.3%	\$ 13,581,612	21.7%	\$ 5,313,650	9.0%
Number Of Grants								
<u>State of PA</u>								
Cash	244,461		234,521	78.7%	231,694	78.2%	225,259	91.4%
Crisis	70,703		63,310	21.3%	64,674	21.8%	21,255	8.6%
Total State of PA	315,164		297,831	100.0%	296,368	100.0%	246,514	100.0%
<u>PGW</u>								
PGW-Cash	48,606	19.1%	47,966	20.5%	49,105	21.2%	45,052	20.0%
PGW-Crisis	6,361	9.0%	7,600	12.0%	12,140	18.8%	3,990	18.8%
Total PGW	52,967	16.8%	55,566	18.7%	61,245	20.7%	49,042	19.9%
<u>CRP vs. Non-CRP</u>								
Cash - CRP	27,184	58.3%	28,780	60.0%	28,934	58.9%	23,877	53.0%
Cash - Non-CRP	19,422	41.7%	19,186	40.0%	20,171	41.1%	21,174	47.0%
Crisis - CRP	3,356	52.8%	4,010	52.8%	6,545	53.9%	2,151	53.9%
Crisis - Non-CRP	3,005	47.2%	3,590	47.2%	5,595	46.1%	1,839	46.1%
Value Of Grants								
<u>State of PA</u>								
Cash	\$ 140		\$ 215		\$ 201		\$ 213	
Crisis	\$ 243		\$ 278		\$ 250		\$ 250	
<u>PGW</u>								
PGW-Cash	\$ 121	66.7%	\$ 209	97.0%	\$ 199	99.1%	\$ 213	100.0%
PGW-Crisis	\$ 302	124.3%	\$ 250	89.8%	\$ 249	99.8%	\$ 249	90.0%
Total Funding - Final								
<u>State of PA</u>								
Cash	\$34,124,311		\$50,422,015		\$ 46,570,494		\$47,980,167	
Crisis	\$17,173,052		\$17,629,303		\$ 16,168,500		\$ 5,313,650	
Total State of PA	\$51,297,363		\$68,051,318		\$ 62,738,994		\$53,293,817	
<u>PGW</u>								
PGW-Cash	\$ 8,639,326	16.5%	\$10,000,911	19.8%	\$ 9,778,573	21.0%	\$ 8,698,033	20.0%
PGW-Crisis	\$ 1,921,022	11.2%	\$ 1,900,000	10.8%	\$ 3,027,837	18.7%	\$ 993,439	18.7%
Total	\$ 7,560,348	14.7%	\$11,900,911	17.5%	\$ 12,806,411	20.4%	\$10,589,472	19.9%

Does not include Supplemental Benefit of \$6.5 million

TABLE 15 A

PHILADELPHIA GAS WORKS
COVERAGE OF DEBT SERVICE FROM OPERATIONS

Sixteenth Series Bonds and Second Series Bonds Issued

	<u>Fiscal Years Ended August 31,</u>						
	<u>Current (a)</u>	<u>Budget</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
	<u>Estimate</u> <u>1998-99</u>	<u>1999-2000</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03 (b)</u>	<u>2003-04</u>	<u>2004-05</u>
Funds Available For Debt Service Calculation (Exhibit V)	\$94,573	\$115,742	\$118,351	\$137,182	\$142,907	\$144,248	\$146,779
<u>1975 Ordinance Bonds</u>							
Debt Service Bonds	\$57,741	\$59,330	\$51,402	\$55,312	\$47,442	\$50,056	\$44,052
Debt Service Coverage	1.64	1.95	2.30	2.48	3.01	2.88	3.33
Net Available After Prior Debt Service	\$36,832	\$56,412	\$66,949	\$81,870	\$95,465	\$94,192	\$102,727
Capital Lease for Building							
Other Capital Leases	7,882	7,991	7,977	5,953	3,997	3,998	1,999
Total	\$7,882	\$7,991	\$7,977	\$5,953	\$3,997	\$3,998	\$1,999
Net Available After Capital Leases	\$28,950	\$48,421	\$58,972	\$75,917	\$91,468	\$90,194	\$100,728
<u>1998 Ordinance Senior Bonds</u>							
Debt Service Existing	\$15,097	14,128	\$22,047	\$16,711	\$22,646	\$17,371	\$21,495
Debt Service Proposed	0	7,565	7,181	7,123	7,121	11,998	12,934
Total	\$15,097	\$21,693	\$29,228	\$23,834	\$29,767	\$29,369	\$34,429
Debt Service Coverage	1.92	2.23	2.02	3.19	3.07	3.07	2.93
Net Available after Debt Service on Sr. Bonds	\$13,853	\$26,728	\$29,744	\$52,083	\$61,701	\$60,825	\$66,299
<u>1998 Ordinance Subordinate Bonds</u>							
Debt Service	\$2,053	\$1,986	\$1,991	\$1,985	\$1,989	\$1,989	\$1,987
Debt Service Coverage	6.75	13.46	14.94	26.24	31.02	30.58	33.37

(a) Current Estimate is based on six months actual data and six months projections based upon currently available information.

(b) Assumes tax-exempt interest rate of 6.5% for Senior new money issue under the 1998 Gen'l. Ordinance in 2003 (\$75.0 million).

TABLE 15 B

PHILADELPHIA GAS WORKS
COVERAGE OF DEBT SERVICE FROM OPERATIONS

Only Second Series Bonds Issued

	<u>Fiscal Years Ended August 31,</u>						
	<u>Current (a)</u>	<u>Budget</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
	<u>Estimate</u> <u>1998-99</u>	<u>1999-2000</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03 (b)</u>	<u>2003-04</u>	<u>2004-05</u>
Funds Available For Debt Service Calculation (Exhibit V)	\$94,573	\$115,742	\$118,351	\$137,182	\$142,907	\$144,248	\$146,779
<u>1975 Ordinance Bonds</u>							
Debt Service Bonds	\$59,847	\$59,849	\$51,918	\$55,830	\$47,961	\$50,570	\$44,569
Debt Service Coverage	1.58	1.93	2.28	2.46	2.98	2.85	3.29
Net Available After Prior Debt Service	\$34,726	\$55,893	\$66,433	\$81,352	\$94,946	\$93,678	\$102,210
Capital Lease for Building							
Other Capital Leases	7,882	7,991	7,977	5,953	3,997	3,998	1,999
Total	\$7,882	\$7,991	\$7,977	\$5,953	\$3,997	\$3,998	\$1,999
Net Available After Capital Leases	\$26,844	\$47,902	\$58,456	\$75,399	\$90,949	\$89,680	\$100,211
<u>1998 Ordinance Senior Bonds</u>							
Debt Service Existing	\$15,097	14,128	\$22,047	\$16,711	\$22,646	\$17,371	\$21,495
Debt Service Proposed	0	7,565	7,181	7,123	7,121	11,998	12,934
Total	\$15,097	\$21,693	\$29,228	\$23,834	\$29,767	\$29,369	\$34,429
Debt Service Coverage	1.78	2.21	2.00	3.16	3.06	3.05	2.91
Net Available after Debt Service on Sr. Bonds	\$11,747	\$26,209	\$29,228	\$51,565	\$61,182	\$60,311	\$65,782
<u>1998 Ordinance Subordinate Bonds</u>							
Debt Service	\$2,053	\$1,986	\$1,991	\$1,985	\$1,989	\$1,989	\$1,987
Debt Service Coverage	5.72	13.20	14.68	25.98	30.76	30.32	33.11

(a) Current Estimate is based on six months actual data and six months projections based upon currently available information.

(b) Assumes tax-exempt interest rate of 6.5% for Senior new money issue under the 1998 Gen'l. Ordinance in 2003 (\$75.0 million).

TABLE 15 C

**PHILADELPHIA GAS WORKS
COVERAGE OF DEBT SERVICE FROM OPERATIONS**

Only Sixteenth Series Bonds Issued
(Assumed issuance of bonds to finance capital projects in FY 2000)

	<u>Fiscal Years Ended August 31,</u>						
	<u>Current (a)</u>	<u>Budget</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
	<u>Estimate</u> <u>1998-99</u>	<u>1999-2000</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03 (b)</u>	<u>2003-04</u>	<u>2004-05</u>
Funds Available For Debt Service Calculation (Exhibit V)	\$93,643	\$111,391	\$118,357	\$137,187	\$142,907	\$144,248	\$146,779
<u>1975 Ordinance Bonds</u>							
Debt Service Bonds	\$57,741	\$59,330	\$51,402	\$55,312	\$47,442	\$50,056	\$44,052
Debt Service Coverage	1.62	1.88	2.30	2.48	3.01	2.88	3.33
Net Available After Prior Debt Service	\$35,902	\$52,061	\$66,955	\$81,875	\$95,465	\$94,192	\$102,727
Capital Lease for Building							
Other Capital Leases	7,882	7,991	7,977	5,953	3,997	3,998	1,999
Total	\$7,882	\$7,991	\$7,977	\$5,953	\$3,997	\$3,998	\$1,999
Net Available After Capital Leases	\$28,020	\$44,070	\$58,978	\$75,922	\$91,468	\$90,194	\$100,728
<u>1998 Ordinance Senior Bonds</u>							
Debt Service Existing	\$15,097	14,128	\$29,612	\$23,832	\$29,769	\$24,492	\$28,618
Debt Service Proposed	0	0	0	0	0	4,875	5,815
Total	\$15,097	\$14,128	\$29,612	\$23,832	\$29,769	\$29,367	\$34,433
Debt Service Coverage	1.86	3.12	1.99	3.19	3.07	3.07	2.93
Net Available after Debt Service on Sr. Bonds	\$12,923	\$29,942	\$29,366	\$52,090	\$61,699	\$60,827	\$66,295
<u>1998 Ordinance Subordinate Bonds</u>							
Debt Service	\$2,053	\$1,986	\$1,991	\$1,985	\$1,989	\$1,989	\$1,987
Debt Service Coverage	6.29	15.08	14.75	26.24	31.02	30.58	33.36

(a) Current Estimate is based on six months actual data and six months projections based upon currently available information.

(b) Assumes tax-exempt interest rate of 6.5% for Senior new money issue under the 1998 Gen'l. Ordinance in 2003 (\$75.0 million).

**TABLE 18
PHILADELPHIA GAS WORKS
SOURCES AND USES OF CASH FOR
CAPITAL IMPROVEMENT EXPENDITURES
FISCAL YEARS 1994 THROUGH 2005
(000's)**

	A C T U A L					Budget	Current	Budget		F O R E C A S T				
	1994	1995	1996	1997	1998	1999	Estimate	2000	2001	2002	2003	2004	2005	
Sources:														
Bond Proceeds @ Par	\$183,880	\$0	\$0	\$0	\$103,550	\$0	\$109,170	\$0	\$0	\$0	\$75,000	\$0	\$0	
Proceeds From Capital Leasing	0		20,100	23,000										
PGW Internally Generated Funds	27	9,568	24,306	47,081	21,483	25,701	26,277	12,026	6,527	22,929	27,572	33,520	34,697	
Total Sources	\$183,907	\$9,568	\$44,406	\$70,081	\$125,033	\$25,701	\$135,447	\$12,026	\$6,527	\$22,929	\$102,572	\$33,520	\$34,697	
USES:														
Changes in Capital Improvement Fund	\$18,303	(\$43,061)	(\$905)	\$17,410	\$43,576	(\$47,500)	\$50,000	(\$45,307)	(\$45,000)	(\$24,906)	\$41,560	(\$26,000)	(\$15,560)	
Discount & Issuance Exp.	7,553		202	169	5,795		2,049				2,625			
Deposit to Sinking Fund	(28)				5,165		7,121				5,815			
Funds Deposited in Escrow	105,512													
Capital Expenditures	52,567	52,629	45,109	52,502	70,497	73,201	76,277	57,333	51,527	47,835	52,572	59,520	50,257	
Total Uses	\$183,907	\$9,568	\$44,406	\$70,081	\$125,033	\$25,701	\$135,447	\$12,026	\$6,527	\$22,929	\$102,572	\$33,520	\$34,697	
Capital Improvement Fund Deposit	\$70,843	\$0	\$19,898	\$22,831	\$92,590	\$0	\$100,000	\$0	\$0	\$0	\$66,560	\$0	\$0	
Drawdown	(52,540)	(43,061)	(20,803)	(5,421)	(49,014)	(47,500)	(50,000)	(45,307)	(45,000)	(24,906)	(25,000)	(26,000)	(15,560)	
Changes in Fund	\$18,303	(\$43,061)	(\$905)	\$17,410	\$43,576	(\$47,500)	\$50,000	(\$45,307)	(\$45,000)	(\$24,906)	\$41,560	(\$26,000)	(\$15,560)	
Balance End of Period	\$48,193	\$5,132	\$4,227	\$21,637	\$65,213	\$17,713	\$115,213	\$69,906	\$24,906	\$0	\$41,560	\$15,560	\$0	

TABLE 17
PHILADELPHIA GAS WORKS
ACCOUNTS RECEIVABLE, RESERVE FOR BAD DEBT,
WRITE-OFF EXPENSES, DELINQUENT CUSTOMERS,
AND REVENUE STATISTICS
(\$000)

	<u>Fiscal Years Ended August 31,</u>					
	<u>Actual</u> <u>1993</u>	<u>Actual</u> <u>1994</u>	<u>Actual</u> <u>1995</u>	<u>Actual</u> <u>1996</u>	<u>Actual</u> <u>1997</u>	<u>Actual</u> <u>1998</u>
Billed Gas Revenues	\$526,723	\$554,212	\$477,601	\$539,119	\$548,455	\$497,985
Accounts Receivable	132,574	171,730	140,002	143,303	132,560	110,790
Reserve for Bad Debt	54,565	73,772	79,195	83,214	77,100	64,724
Reserve as a Percentage of Accounts Receivable	41.2%	43.0%	56.6%	58.1%	58.2%	58.4%
Write-Off Expenses	28,355	23,927	37,518	33,975	39,149	45,973
Receivables as a Percentage of Sales Revenues	25.2%	31.0%	29.3%	26.6%	24.2%	22.2%
Delinquent Customers (Annual Average)	145,092	143,613	112,712	119,806	120,901	117,394

TABLE 18
PHILADELPHIA GAS WORKS
FORECAST OF ACCOUNTS RECEIVABLE, RESERVE
FOR BAD DEBT, WRITE-OFF EXPENSES,
AND REVENUE STATISTICS
(\$000)

	<u>Current</u>	<u>Budget</u>	<u>Forecast</u>	<u>Fiscal Years Ended August 31,</u>			
	<u>Estimate</u>			<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002*</u>	<u>2003*</u>	<u>2004*</u>	<u>2005*</u>
Billed Gas Revenues	\$484,372	\$501,453	\$514,146	\$544,560	\$555,256	\$567,861	\$552,921
Accounts Receivable	76,816	75,390	76,812	80,171	83,664	87,390	90,261
Reserve for Bad Debt	57,830	50,830	46,250	43,413	41,869	41,703	42,600
Reserve as a Percentage of Accounts Receivable	75.3%	67.4%	60.2%	54.2%	50.0%	47.7%	47.2%
Write-Off Expenses	36,769	35,000	33,000	32,500	32,500	32,500	32,500
Receivables as a Percentage of Sales Revenues	15.9%	15.0%	14.9%	14.7%	15.1%	15.4%	16.3%

* The forecast envisions an increase in the amount of \$20 million of revenue enhancement in 2002 from either a general rate increase or from equivalent savings in operating expenses or from a combination of both.

**PHILADELPHIA GAS WORKS
SELECTED OPERATING STATISTICS**

Fiscal Data	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Number of Customers	518,143	519,208	522,834	519,824	523,505	517,951	517,092	514,968	511,337	512,289
Miles of Distribution Mains	3,031	3,014	3,008	3,014	3,021	3,017	3,015	3,023	3,021	3,022
Utility Plant (\$000) (1)	840,248	892,970	940,267	987,437	1,031,592	1,077,975	1,124,757	1,156,201	1,203,720	1,271,131
Total Gas Sales (MMcf) (2)	72,533	71,723	69,349	75,771	78,202	77,435	74,217	80,309	72,191	71,548
Operating Revenues (\$000)										
Heating	\$379,873	\$376,006	\$356,150	\$393,336	\$422,998	\$472,328	\$385,545	\$475,958	\$450,240	\$406,828
Non-Heating	87,607	90,245	98,347	86,494	95,416	88,895	85,678	91,148	90,451	81,513
Gas Transportation	0	0	460	2,354	621	380	1,307	1,108	1,441	2,258
Other Operating Revenues	5,426	5,921	6,615	8,030	7,942	12,318	8,420	7,838	8,838	7,098
Total Operating Revenues	\$472,706	\$472,172	\$461,572	\$490,214	\$528,977	\$573,919	\$478,950	\$576,048	\$550,970	\$497,695
Other Income	12,858	11,880	12,636	10,238	11,203	6,989	29,293	7,667	7,514	5,370
Operating Expenses (\$000)										
Natural Gas & Raw Material	237,932	231,399	208,825	211,625	243,274	274,103	213,645	276,856	271,631	246,699
Gas Processing	24,565	24,353	21,939	21,494	21,458	21,822	18,645	14,848	14,238	13,582
Field Services	20,382	19,229	17,835	21,387	20,100	23,036	17,448	18,492	18,883	18,032
Distribution	16,244	20,588	18,519	19,422	20,674	25,003	19,561	22,817	20,454	18,500
Collection & Meter Reading (3)	32,383	37,241	42,963	41,498	44,613	58,718	60,315	54,549	46,778	48,922
Administrative & General	27,185	26,989	28,687	35,357	39,960	36,793	44,593	40,282	40,485	43,379
Other Operating Expenses (4)	60,612	56,676	58,115	59,262	60,665	66,206	53,016	70,833	70,615	68,520
Total Operating Expenses	\$419,303	\$416,475	\$396,883	\$410,045	\$450,744	\$505,681	\$427,223	\$498,675	\$483,084	\$451,834
Interest Expense	47,736	49,007	52,871	55,555	53,967	55,516	55,746	53,738	51,429	50,456
Net Income	\$18,525	\$18,570	\$24,454	\$34,852	\$33,469	\$19,711	\$25,274	\$31,304	\$23,971	\$975

(1) Gross Utility Plant at Original Cost

(2) Includes Gas Transportation in years 1991 through 1997

(3) Includes Appropriation for Bad Debt Expense

(4) Includes Customer Service, Customer Accounting, Marketing, Pensions, Taxes & Net Depreciation and Amortization.

EXHIBIT II

**PHILADELPHIA GAS WORKS
FORECAST STATEMENT OF INCOME
FISCAL YEARS 1998 THROUGH 2005**

(\$000)

With Customer Charge of \$8.00
Effective 6/1/99 Impacting FY 1999 Only.

	Fiscal Years Ended August 31,							
	Actual	Current	Budget	Forecast	Forecast	Forecast	Forecast	Forecast
	1998	Estimate(a) 1999	2000	2001	2002	2003	2004	2005
Operating Revenues								
Sales (Current Rates & Changes to GCR)	\$488,768	\$462,553	\$512,033	\$514,196	\$524,610	\$555,306	\$567,911	\$572,971
Projected Rate Increase - Current		3,966			20,000			
Appliance Repair & Other Revenues	14,111	14,009	13,924	13,724	14,136	14,560	14,997	15,447
Other Operating Revenues	8,927	8,484	8,550	8,484	8,986	9,163	9,371	9,454
Total Operating Revenues	\$511,806	\$489,012	\$534,507	\$536,404	\$567,732	\$579,029	\$592,279	\$597,872
Operating Expenses								
Natural Gas & Raw Material	\$246,699	\$224,104	\$245,440	\$245,265	\$253,103	\$259,839	\$268,323	\$267,596
Gas Processing	13,582	13,371	13,368	13,722	13,880	14,175	14,462	14,810
Other Operating & Maintenance (Exhibit III)	169,835	173,826	179,679	176,950	179,297	182,326	186,821	185,957
Operating Expenses Excl. Depreciation	\$430,116	\$411,301	\$438,487	\$435,937	\$446,280	\$456,340	\$469,606	\$488,363
Depreciation	35,391	29,838	30,498	31,394	32,265	33,104	34,084	38,846
Total Operating Expenses	\$465,507	\$441,139	\$468,985	\$467,331	\$478,545	\$489,444	\$503,690	\$507,209
Net Operating Income	\$46,299	\$47,873	\$65,522	\$69,073	\$89,187	\$89,585	\$88,589	\$90,683
Other Income	5,132	8,001	9,542	7,401	5,100	9,250	10,253	8,800
Net Income Before Interest	\$51,431	\$55,874	\$75,064	\$76,474	\$94,287	\$98,835	\$98,842	\$99,463
Interest Expense								
Long-Term Debt Interest:								
Revenue Bonds	\$39,730	\$41,761	\$46,898	\$44,554	\$42,535	\$43,125	\$43,178	\$41,847
PMA Bonds & Subordinate Debt	1,315	1,023	966	926	880	834	784	732
Capital Leases	1,982	1,655	1,298	913	559	364	170	8
Discount & Expenses	1,675	1,446	1,401	1,319	1,235	1,227	1,224	1,222
Total Long-Term Interest	\$44,702	\$45,885	\$50,563	\$47,712	\$45,209	\$45,550	\$45,356	\$43,809
Other Interest								
Short-Term Debt	\$2,992	\$2,477	\$3,209	\$3,294	\$3,379	\$2,965	\$3,050	\$3,135
Loss From Extinguishment of Debt	3,103	3,210	3,393	3,249	3,090	2,922	2,761	2,754
Interest on Customer Deposits	78	70	72	74	76	76	76	76
Miscellaneous	12	221	16	2	-	-	-	-
Total Other Interest	\$6,185	\$5,978	\$6,690	\$6,619	\$6,545	\$5,963	\$5,887	\$5,965
AFUDC	(431)	(500)	(499)	(424)	(274)	(275)	(286)	(171)
Total Interest Expense	\$50,456	\$51,363	\$56,754	\$53,907	\$51,480	\$51,238	\$50,957	\$49,603
Net Income	\$975	\$4,511	\$18,310	\$22,567	\$42,807	\$47,597	\$47,885	\$49,860
Payment To City of Philadelphia	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Net Earnings / (Loss) Transferred to Retained Earnings	(\$17,025)	(\$13,489)	\$310	\$4,567	\$24,807	\$29,597	\$29,885	\$31,860

Note: (a) Current estimate is based on six months actual data and six months projections based upon currently available information.

EXHIBIT III

PHILADELPHIA GAS WORKS
FORECAST OTHER OPERATING AND MAINTENANCE EXPENSES
FISCAL YEARS 1998 THROUGH 2005
(\$000)

	<u>Fiscal Years Ended August 31,</u>							
	<u>Actual</u>	<u>Current</u>	<u>Budget</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	
	<u>1998</u>	<u>Estimate</u> <u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Forecast</u> <u>2005</u>
Other Operating & Maintenance Expenses								
Administrative & General	\$43,379	\$47,625	\$53,683	\$52,665	\$54,282	\$56,026	\$57,633	\$57,798
Appropriation to Reserve for Bad Debt	34,130	30,000	28,000	28,420	29,663	30,956	32,334	33,397
Field Services	28,010	29,007	29,620	30,013	30,390	30,770	31,355	32,001
Distribution	16,500	15,569	14,757	14,950	15,191	15,437	15,687	16,012
Collection	9,630	7,010	7,372	7,557	7,716	7,879	8,046	8,216
Meter Reading	3,627	5,543	4,889	4,961	5,063	5,167	5,273	5,380
Customer Service	12,826	11,452	12,363	12,690	12,951	13,217	13,489	13,767
Customer Accounting	6,577	7,767	8,737	8,935	9,120	9,309	9,502	9,699
Marketing & Point-of Sale Expenses	6,698	7,236	7,277	7,479	7,665	7,856	8,051	8,252
Pensions	3,334	782	1,060	1,331	1,597	1,868	2,137	2,412
Taxes	6,235	6,232	6,318	6,372	6,431	6,526	6,625	6,722
Amortization	(1,111)	5,603	5,603	5,603	4,715	3,750	3,750	-
Labor Cost Savings	-	-	-	(2,394)	(3,479)	(4,032)	(4,597)	(5,172)
Non-Labor Cost Savings	-	-	-	(1,632)	(2,008)	(2,403)	(2,464)	(2,527)
Total Other Operating & Maint. Expense	\$169,835	\$173,826	\$179,679	\$176,950	\$179,297	\$182,326	\$186,821	\$185,957

EXHIBIT IV

**PHILADELPHIA GAS WORKS
CAPITAL EXPENDITURES
FISCAL YEARS 1998 THROUGH 2005**

(\$000)

	<u>Fiscal Years Ended August 31,</u>							
	<u>Actual</u>	<u>Current</u>	<u>Budget</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	
	<u>1998</u>	<u>Estimate(a)</u> <u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Additions & Replacements								
Supply Plant	\$710	\$1,619	\$6,389	\$12,025	\$3,440	\$8,566	\$16,398	\$2,649
Distribution Plant	32,243	26,917	29,782	29,048	31,473	32,071	32,650	33,297
Field Services Plant	12,215	12,018	7,170	4,543	5,036	4,613	4,649	8,831
Other Plant	24,938	35,327	16,176	8,421	8,779	8,195	6,651	6,442
Sub-Total	\$70,106	\$75,881	\$59,517	\$54,037	\$48,728	\$53,445	\$60,348	\$51,219
Less: Contributions in Aid of Construction	(340)	(299)	(2,533)	(2,639)	(955)	(974)	(993)	(1,012)
Net Additions & Replacements	\$69,766	\$75,582	\$56,984	\$51,398	\$47,773	\$52,471	\$59,355	\$50,207
Allowance for Funds Used During Construction								
Supply Plant	\$42	52	76	79	36	81	120	33
Distribution	510	612	507	454	460	469	512	498
Field Services and Other Plant	64	99	48	34	30	28	23	22
Sub-Total	\$616	\$763	\$631	\$567	\$526	\$578	\$655	\$553
Removal Costs (Net)								
Removal Costs	\$274	60	\$0	\$0	\$0	\$0	\$0	\$0
Salvage	(159)	(128)	(282)	(438)	(464)	(477)	(490)	(503)
Sub-Total	\$115	(\$68)	(\$282)	(\$438)	(\$464)	(\$477)	(\$490)	(\$503)
Total	\$70,497	\$76,277	\$57,333	\$51,527	\$47,835	\$52,572	\$59,520	\$50,257

EXHIBIT V

PHILADELPHIA GAS WORKS
ANALYSIS OF INTERNALLY GENERATED FUNDS
AVAILABLE TO COVER DEBT SERVICE
FISCAL YEARS 1998 THROUGH 2005

(\$000)

	Fiscal Years Ended August 31							
	Actual	Current	Budget	Forecast	Forecast	Forecast	Forecast	Forecast
	1998	Estimate 1999	2000	2001	2002	2003	2004	2005
Funds Provided:								
Operating Revenues (Exhibit II)	\$511,806	\$489,012	\$534,507	\$536,404	\$567,732	\$579,029	\$592,279	\$597,872
Other Income	5,406	8,270	9,542	7,401	5,100	9,250	10,253	8,800
AFUDC (Interest)	432	500	499	424	274	275	286	171
Total Funds Provided	\$517,644	\$497,782	\$544,548	\$544,229	\$573,106	\$588,554	\$602,818	\$606,843
Funds Applied To Operations:								
Operating Expenses Excluding Depreciation (Exhibit II)	\$430,116	\$411,301	\$438,487	\$435,937	\$446,280	\$456,340	\$469,606	\$468,363
Less: Expenses Not Requiring Expenditure of Funds	6,364	8,092	9,681	10,059	10,356	10,693	11,036	8,299
Total Funds Applied	\$423,752	\$403,209	\$428,806	\$425,878	\$435,924	\$445,647	\$458,570	\$460,064
Internally Generated Funds Available To Cover Revenue Bond Debt Service	\$93,892	\$94,573	\$115,742	\$118,351	\$137,182	\$142,907	\$144,248	\$146,779
Funds Applied To Debt Service:								
Revenue Bonds - Issued Under 1975 Ordinance	\$61,923	\$57,741	\$59,330	\$51,402	\$55,312	\$47,442	\$50,058	\$44,052
Revenue Bonds - Issued Under 1998 Ordinance								
Senior Bonds	-	15,097	14,128	22,047	16,711	22,646	17,371	21,495
Additional Senior Bonds	-	-	7,565	7,181	7,123	7,121	11,998	12,934
Subordinate Bonds	-	2,053	1,986	1,991	1,985	1,989	1,989	1,987
Total Revenue Bonds	\$61,923	\$74,891	\$83,009	\$82,621	\$81,131	\$79,198	\$81,414	\$80,468
Capital Lease for Building	2,242	-	-	-	-	-	-	-
Other Capital Leases	5,971	7,882	7,991	7,977	5,953	3,997	3,998	1,999
Temporary Financing	2,775	2,477	3,209	3,294	3,379	3,464	3,549	3,654
Total Funds Applied To Debt Service	\$72,911	\$85,250	\$94,209	\$93,892	\$90,463	\$86,659	\$88,961	\$86,121
Internally Generated Funds Available For City Payment	\$20,981	\$9,323	\$21,533	\$24,459	\$46,719	\$56,248	\$55,287	\$60,658
City Payment	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Internally Generated Funds Available	\$2,981	(\$8,677)	\$3,533	\$6,459	\$28,719	\$38,248	\$37,287	\$42,658
Debt Service Coverage								
Bonds Issued under 1975 Ordinance	1.52	1.64	1.95	2.30	2.48	3.01	2.88	3.33
Senior Bonds Issued under 1998 Ordinance	-	1.92	2.23	2.02	3.19	3.07	3.07	2.93
Subordinate Bonds Issued under 1998 Ordinance	-	6.75	13.46	14.94	26.24	31.02	30.58	33.37

EXHIBIT VI

**PHILADELPHIA GAS WORKS
ANALYSIS OF CASH AND ANNUAL CASH BALANCES
FISCAL YEARS 1998 THROUGH 2005
(\$000)**

	<u>Fiscal Years Ended August 31,</u>							
	<u>Actual 1998</u>	<u>Estimate 1999</u>	<u>Budget 2000</u>	<u>Forecast 2001</u>	<u>Forecast 2002</u>	<u>Forecast 2003</u>	<u>Forecast 2004</u>	<u>Forecast 2005</u>
Beginning Cash Balance	\$1,284	\$9,883	\$8,151	\$7,445	\$5,805	\$6,832	\$13,321	\$13,538
Sources of Funds:								
Internally Generated:								
Net Income (Exhibit II)	\$975	\$4,511	\$18,310	\$22,567	\$42,807	\$47,597	\$47,885	\$49,860
Items in Net Income Not Requiring Funds	37,984	33,962	36,603	37,900	39,079	40,272	41,611	42,920
Interest Expenses Included in Net Income (Exhibit II)	50,456	51,363	56,754	53,907	51,480	51,238	50,957	49,603
Total Internal Funds	\$89,415	\$89,836	111,667	114,374	133,366	139,107	140,453	142,383
Externally Generated:								
Revenue Bond Proceeds	\$92,590	\$100,000	-	-	-	\$66,560	-	-
Capital Improvement Fund Drawdown	49,014	50,000	45,307	45,000	24,906	25,000	26,000	15,560
Capital Lease Proceeds	-	-	-	-	-	-	-	-
Temporary Borrowings	26,000	9,000	20,000	-	-	-	-	-
Total External Funds	\$167,604	\$159,000	\$65,307	\$45,000	24,906	91,560	26,000	15,560
Total Sources of Funds	\$257,019	\$248,836	\$176,974	\$159,374	\$158,272	\$230,667	\$166,453	\$157,943
Uses of Funds:								
Debt Service Coverage (Exhibit V)	\$61,923	\$72,838	\$81,023	\$80,630	\$79,146	\$77,209	\$79,425	\$78,481
PMA Bond Debt Service (Exhibit V)	2,242	-	-	-	-	-	-	-
Capital Lease Debt Service	5,971	7,882	7,991	7,997	5,953	3,997	3,998	1,999
Subordinate Bonds (Exhibit V)	-	2,053	1,986	1,991	1,985	1,989	1,989	1,987
Working Capital Increases	(2,803)	(26,482)	11,347	1,069	4,126	3,851	3,304	4,219
Construction Requirements	70,497	76,277	57,333	51,527	47,835	52,572	59,520	50,257
Payment to City of Philadelphia (Exhibit II)	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Deposit of Capital Improvement Fund (Table 1	92,590	100,000	-	-	-	66,560	-	-
Repayment of Temporary Borrowings	-	-	-	-	-	-	-	-
Total Uses of Funds	\$248,420	\$250,568	\$177,680	\$161,214	\$157,045	\$224,178	\$166,236	\$154,943
Ending Cash Balance	\$9,883	\$8,151	\$7,445	\$5,805	\$6,832	\$13,321	\$13,538	\$16,538

APPENDIX

A NOTE ON SALES/SUPPLY/DEMAND UNITS

Sales/supply/demand in this report are reported in volume or energy units. PGW purchases gas in energy units but, usually sells them in volume units because that is what gas meters measure. There is a fundamental relationship between the energy and volume units used for reporting purposes... - one cubic foot of gas (volume) equals approximately 1,030 Btu (energy). More complex measures evolve from this relationship as follows:

Energy Units

- Btu - British thermal unit - the amount of energy required to raise the temperature of one pound of water by one degree Fahrenheit.
- Therm - 100,000 Btu
- Dekatherm - 10 Therms (1,000,000 Btu)

Volume Units

- Scf - Standard cubic foot - the amount of gas contained in one cubic foot at 60 F and standard pressure of 14.73 pounds per square inch absolute (normal atmospheric pressure)
- Mcf - Thousand cubic feet, 1,000 Scf
- MMcf - Million cubic feet, 1,000 Mcf (1,000,000 Scf)
- Bcf - Billion cubic feet, 1,000 MMcf (1,000,000,000 Scf)

For the reader's ease in reading/understanding the report the following approximations may be useful:

- One Dekatherm equals one Mcf.
- One thousand Dekatherms equals one MMcf.

Heating Units

- HDD - Heating Degree Days
- HDH - Heating Degree Hours

Stone & Webster Management Consultants, Inc.

Stone & Webster Management Consultants, Inc. provides practical responses to the challenges of today's volatile market and regulatory environment and changing operating conditions. We furnish management with tools, knowledge, and skills to respond effectively to problems in every facet of utility operations. For industrial clients and public and institutional entities, we provide a wide range of management consulting services.

A Management Resource

Few other firms can equal Stone & Webster's breadth and depth of expertise. Our consulting staff comes from proven backgrounds in operating and management positions with utilities, oil companies, regulatory agencies, manufacturing concerns, banks, law firms, insurance companies, and public entities. They are proficient in planning, gas and electric utility operations, rates and regulation, marketing, information systems, human resource management, appraisal, accounting and finance, tax, and risk management. Stone & Webster's professional staff can provide the specialized knowledge needed for any utility assignment large or small.

Stone & Webster integrates experts and their services into a comprehensive management resource: a full spectrum of skills, industry experience, and knowledge that can be focused on discrete projects or problems, all-embracing studies, or continuing as-needed services. We believe in close involvement of key members of the client's management team to develop their sense of ownership and understanding of the project. Our services are tailored to each client's special requirements and in many cases Stone & Webster's own staff can take a project from feasibility studies through implementation.

Service

Our services take many forms: verbal consultation, research or analysis, review or verification of work performed by others, expert testimony, and complete studies with written reports. A Stone & Webster report provides clear guides for management action and is often used as a communication and implementation tool. We provide a check of decisions, procedures, and programs that is independent and objective. Our testimony and reports provide the credible evidence necessary to confirm the prudence of decisions before regulators, stockholders, and boards of directors.

Quality and Integrity

Stone & Webster's tradition of professional consultation reaches back to the nineteenth century and draws on state-of-the-art, comprehensive utility experience and resources. Year after year a significant portion of our assignments comes from repeat clients – clients who return to Stone & Webster because they have had first-hand experience with our record of unbiased work performed to the client's specifications, on time, within budget. We believe that the most convincing evidence of the quality, integrity, and value of our services is the confidence and loyalty of our repeat clients.

General practice areas:

General Management Consulting

Strategic Planning

Integrated Resource Planning

JRP Workstation

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Second-Generation Benchmarking

Re-engineering

Management Audits & Pre-audit Planning

System and Capacity Planning

Electric Utility Operations

Gas Utility Operations

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Forecasting Services

Financial and Economic Feasibility Evaluations

Appraisal and Valuation

Risk Management

Management Information Systems

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Human Resource Management

Advisory Services

Utility Management Development Program

Productivity and Performance Improvement

Materials Management

Marketing

Cogeneration

Mergers and Acquisitions

Project Review Services

Process Mapping

Quality Management Programs



**Stone & Webster
Management Consultants, Inc.**

The Utility Experts

(212) 290-7190

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AS INDUSTRY

Alabama Gas Corporation
Alabama-Tennessee Natural Gas Company
Alberta Gas Trunk Line Co., Ltd.
Alberta Natural Gas Co.
AGAS, S.A.
Algonquin Gas Transmission Co.
American New Hampshire Gas Company
American Gas Association
Arkansas-Louisiana Gas Company
Arkansas-Missouri Power Company
Arkansas Western Gas Company
Association Gas District of Florida, Inc.
Atlanta Gas Light Company
Australian Gas Light Company
B.C. Gas Company
Baltimore Gas and Electric Company
Battle Creek Gas Company
Brazos State Gas Company
Buckshire Gas Company (The)
Buckeye Petroleum (Americas) Inc.
Buckeye Petroleum (New Ventures) Inc.
Butler Gas Company
Cachos River Gas Company
Caldwell Gas Company
Caldwell Gas Company, Ltd.
Canadian Gas PLC
Cape Cod Taunton Gas Company
Cape Cod Union Gas Company
Cape Fear Bay Gas Company
Canadian National Corp.
Cameron & Torrance
Canadian Western Natural Gas Co., Ltd.
Cape Cod Gas Company
Cade Natural Gas Corporation
Camalana de Gas y Electricidad S. A.
Canada Gas Alberta, Inc.
Canada Gas Manitoba, Inc.
Central Hudson Gas & Electric Corp.
Central Illinois Electric & Gas Co.
Central Illinois Light Company
Central Illinois Public Service Co.
Central Indiana Gas Company
Central Telephone & Utilities Corp.

Champlain Pipeline Project
Chesapeake Utilities
Chinese Petroleum Corporation
Cincinnati Gas & Electric Company
Cities Service Gas Company
Citizens Gas Fuel Company
Citizens Gas & Coke Utility
Citizens Utilities Company
City of Danville, Virginia
City of Hamilton, Ohio
City of Holyoke, Massachusetts Gas and Electric
City of Mesa, Arizona
City of Norwich, Connecticut
Department of Public Utilities
City of Pensacola, Florida
City of Petersburg, Virginia
City of St. Petersburg, Florida
City of Westfield, Massachusetts
City of Winfield
Coastal States Gas Corporation
Cody Gas Company
Colonial Gas Association, Ltd.
Colonial Gas Company
Colonial Gas Holdings, Ltd.
Colorado Interstate Gas Co.
Colorado Springs Gas Department
Columbia Gas of Kentucky, Inc.
Columbia Gas of Maryland, Inc.
Columbia Gas of New York, Inc.
Columbia Gas of West Virginia, Inc.
Columbia Gas System, Inc.
Commonwealth Gas Company
Commonwealth Gas Distribution Corp.
Commonwealth Natural Gas Corp.
Community Public Service Company
Companhia Municipal
de Gas de Sao Paulo
Concord Natural Gas Corporation
Connecticut Light & Power Company
Connecticut Natural Gas Corporation
Conoco Pipeline Co.
Consolidated Edison Company of New York, Inc.
Consolidated Natural Gas Company
Consumers' Gas Company

Coming Natural Gas Corporation
Cumberland Gas Company
Dayton Power & Light Company
Delaware Power & Light Company
Delta Natural Gas Company
Distrigas Corporation
Dome Petroleum Limited
Eastern Shore Natural Gas Co.
Eastern Utilities Associates
East Midland Gas Board
East Ohio Gas Company
Elizabeth City, North Carolina
Elizabethtown Gas Company
El Paso Natural Gas Company
Empressa Nacional del Petroleo (Chile)
EnergyNorth Inc.
Energy Services of Pensacola
Equitable Gas Company
Essex County Gas Company
Falcon Seaboard Oil Co.
Fall River Gas Company
Fitchburg Gas and Electric Co.
Flo-Gas Corporation
Florida Gas Company
Florida Public Utilities Company
Fremantle Gas and Coke Company
Gainesville Gas Company
Gas and Fuel Corporation of Victoria
Gas Company of New Mexico
Gas del Estado (Argentina)
Gas Light Company of Columbus
Gas Natural, S.A. (Chile)
Gas Service Company
Gas Service Inc.
Gaz Inter-Cite Quebec
Gaz Metropolitan, Inc.
Geelong Gas Company
Granite State Gas Transmission, Inc.
Greater Winnipeg Gas Company
Great Falls Gas Company
Great Northern Gas Utilities, Ltd.
Greenwich Gas Company
Gulf Coast Natural Gas Company
Gulf States Utilities Company
Hartford Electric Light Company
Hastings Utilities
Hindustan Petroleum Corporation
Hobbs Gas Company
Honolulu Gas Company
Hope Natural Gas Corporation
Houston Natural Gas Corporation
Houston Industrial Gas System
ICG Canadian Propane
Idaho Natural Gas Company
Industrial Gas Supply Corporation
Inland Natural Gas Company, Ltd.
Inter-City Gas Corp., Inc.
Intermountain Gas Company
Interprovincial Pipe Line Limited
Interstate Power Company
Iowa Electric Light & Power Company
Iowa-Illinois Gas & Electric Company
Iowa Public Service Company
Iroquois Gas Corporation
Kansas Power & Light Co. (The)
KPL-Gas Service
KN Energy, Inc.
Laclede Gas Company
Lake Shore Gas Company
Lea County Gas Company
Lone Star Gas Company
Long Island Lighting Company
Louisiana Gas Interstate, Inc.
Louisville Gas & Electric Co.
Lowell Gas Company
Madison Gas & Electric Company
Main Gas Werke (Germany)
Manchester Gas Company
Manila Gas Corporation
Memphis Light, Gas & Water Division
Metropolitan Utilities District of Omaha
Michigan Consolidated Gas Company
Michigan Gas & Electric Company
Michigan Gas Utilities Company
Michigan-Wisconsin Pipe Line Company
Mid-American Pipeline Company
Midland Cogeneration Venture

Midwest Energy Corp.
Midwestern Gas Transmission Company
Mississippi Valley Gas Company
Missouri Utilities Company
Mobile Gas Service Corporation
Montana-Dakota Utilities Company
Montana Power Company
Mountain Fuel Supply Company
Mustang Fuel Corporation

Nantucket Gas & Electric Company
Nashville Gas Company
National Fuel Gas Company
National Fuel Gas Supply Corp.
National Fuel Gas Distribution Corp.
National Gas & Oil Corporation
National Utilities & Industries Corp.
Natural Gas Pipeline Co. of America
New Bedford Gas & Edison Light Co.
New Britian Gas Light Company
New England Gas Association
New Haven Gas Company
New Jersey Natural Gas Company
New York Gas Group
New York State Electric & Gas Corp.
New York State Natural Gas Corp.
New Zealand Gas Association
North Carolina Natural Gas Corp.
North Shore Gas Company
Northeast Utilities Service Company
Northern and Central Gas Corp., Ltd.
Northern Illinois Gas Company
Northern Indiana Public Service Co.
Northern Minnesota Utilities
Northern Natural Gas Company
Northern States Power Company
Northern Utilities Inc.
Northwest Pipeline SGS Customer Group
Northwestern Public Service Company
Northwestern Utilities, Ltd.
Northwest Natural Gas Company
Ohio Fuel Gas Corporation
Ohio Gas Company
Ohio Public Utility Commission
Okaloosa County Gas District
Oklahoma Gas & Electric Company

Oklahoma Natural Gas Company
Orange and Rockland Utilities, Inc.

Pacific Lighting Service & Supply Co.
Pacific Power & Light Company
Panhandle Eastern Pipe Line Company
Pecos Valley Gas Company
Penn Fuel Gas Co.
Pennsylvania Gas Company
Pennsylvania Gas & Water Company
Pennsylvania Gas Association
Pennzoil United, Inc.
Peoples Gas Light & Coke Company
Peoples Gas System
Peoples Natural Gas Company
Peoples Natural Gas Company of South Carolina
Permian Basin Pipeline Company
Philadelphia Gas Commission
Philadelphia Gas Works
Piedmont Natural Gas Company
Pioneer Natural Gas Company
Plains-Western Gas, Ltd.
Polar Gas / McKenzie Delta
Producers Gas Company
Providence Gas Company
Public Service Company of North Carolina, Inc.
Public Service Electric & Gas Company
Puerto Rico Gas Co., Inc.

Quebec Natural Gas Corporation

Richmond Gas Corporation
Roanoke Gas Company
Rochester Gas & Electric Corporation

St. Lawrence Gas Company, Inc.
San Diego Gas & Electric Co.
San Juan Gas Company
Shreveport Intrastate Gas Transmission, Ltd.
Sierra Pacific Power Company
Societe Gazifere de Hull, Inc.
South Australia Gas Company
South Brisbane Gas & Light Company, Ltd.
South Carolina Electric & Gas Company
South County Gas Company
South Eastern Gas Board
South Jersey Gas Company
Southeastern Michigan Gas Company

Southeastern Public Service Company
Southern California Gas Company
Southern Connecticut Gas Company
Southern Indiana Gas & Electric Co.
Southern Natural Gas Company
Southern Union Gas Company
Southwest Gas Corporation
Southwestern Energy Co.
Springfield Gas Light Company
Stadtwerke Dusseldorf
Stadtwerke Wiesbaden Ag.
Suffolk Gas Company
Sugar Bowl Gas Company, Inc.
Sultanate of Oman
Syracuse Suburban Gas Company, Inc.

Technischen Werke der Stadt Stuttgart
Tenneco Inc.
Tennessee Gas Transmission Company
Texas Gas Transmission Corporation
Town of Citronelle, Alabama
TransCanada Pipeline Ltd.
Transco Companies, Ltd.
Transok Pipeline Company
Transcontinental Gas Pipe Line Corp.
Trans Quebec & Maritimes Pipelines, Inc.
Tropical Gas Company
Tucson Gas & Electric Company
T. W. Phillips Gas & Oil Company

Union Gas of Canada
Union Gas & Electric Power Company

Union Gas Limited
United Cities Gas Company
United Fuel Gas Company
United Gas Corporation
United Gas Pipe Line Company
United Natural Gas Company
United Suburban Gas Company, Ltd.
United Texas Transmission Co.

Valero Energy Company
Valley Gas Company
Vermont Gas Systems, Inc.
Virginia Electric & Power Company
Volunteer Natural Gas Company

Wales Gas Board
Washington Gas Light Company
Washington Natural Gas Company
West Ohio Gas Company
West Virginia Power Gas Service
Westfield Gas & Electric Light Company
Western Kentucky Gas Company
Western Resources, Inc.
Williston Basin Interstate Pipeline Co.
Wilmut Gas & Oil Company
Wisconsin Distributor Corp.
Wisconsin Gas Company
Wisconsin Public Service Corp.
Wisconsin Southern Gas & Appliance Corp.
World Bank (IBRD)
Wyoming Gas Company

York County Gas Company

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**CLOSING CERTIFICATE OF
STONE & WEBSTER MANAGEMENT CONSULTANTS, INC.**

STONE & WEBSTER MANAGEMENT CONSULTANTS, INC. ("Stone & Webster"), by a duly authorized officer, hereby certifies as follows:

1. This Certificate is furnished pursuant to Paragraph 10(e) of the Purchase Contract, dated June 11, 1999, between the City of Philadelphia (the "City") and the Underwriters named therein (the "Purchase Contract"), relating to the sale by the City of \$176,280,000 aggregate principal amount of its Gas Works Revenue Bonds (1975 General Ordinance) Sixteenth Series and Gas Works Revenue Bonds (1998 General Ordinance) Second Series (the "Bonds"), as more fully described in the Preliminary Official Statement relating to the Bonds, dated June 3, 1999 (the "Preliminary Official Statement"), and the final Official Statement relating to the Bonds, dated June 16, 1999 (the "Official Statement"). Capitalized terms not otherwise defined in this Certificate shall have the meanings ascribed thereto in the Purchase Contract.

2. Stone & Webster has heretofore delivered an Independent Consultant's Report dated May 6, 1999, pursuant to Paragraph 10(e) of the Purchase Contract.

3. Stone & Webster was retained by the City to act as Consultants with respect to the Gas Works to prepare an Independent Consultant's Report with respect to the operational and financial requirements of the Gas Works in connection with the issuance of \$176,280,000 aggregate principal amount of the Bonds by the City.

The Independent Consultant's Report summarized the findings of operational and financial studies related to the Gas Works, including a projection of revenues and revenue requirements for the seven-year period of Fiscal Years 1999 through 2005.

Consent is hereby given to: (i) all references to Stone & Webster and the Independent Consultant's Report in the Preliminary Official Statement and the Official Statement; (ii) extraction of certain information from the Independent Consultant's Report and the reprinting thereof in the Preliminary Official Statement and the Official Statement; and (iii) the inclusion of the Independent Consultant's Report in Appendix B to the Preliminary Official Statement and Official Statement.

4. The Independent Consultant's Report was prepared in accordance with generally accepted consulting practices.

Stone & Webster Management Consultants, Inc.

One Penn Plaza, 250 W. 34th Street

New York, New York 10119-2998

Phone: 212.290.7000

Fax: 212.290.7033

www.stoneweb.com

5. In connection with the preparation of the Independent Consultant's Report, personnel of Stone & Webster participated in meetings with representatives of the Gas Works, the Finance Department and the Law Department of the City, the Underwriters and their Co-Counsel, and of Co-Bond Counsel relating to the Bonds and the purposes for which they are being issued. As stated in the Preliminary Official Statement and Official Statement, no change in current legislation has been factored into the forecasts in the Independent Consultant's Report. Subsequent to the date of the Independent Consultant's Report, nothing has come to the attention of Stone & Webster, in relation to our engagement as described in this Certificate, that would lead us to believe that the Independent Consultant's Report or any of the statements specifically attributed to Stone & Webster in the Preliminary Official Statement or Official Statement were, as of their respective dates, or are on the date hereof, inaccurate in any material respect, except that we make no certification with respect to the provisions of House Bill 1331 which was passed by the Pennsylvania legislature on June 16, 1999.

6. This Certificate is solely for the information of and assistance to the City and the Underwriters in conducting and documenting their investigation of the matters covered by the Independent Consultant's Report in connection with the offering of the Bonds and is not to be used, circulated, quoted or otherwise referred to within or without the underwriting group for any other purpose, including but not limited to the purchase or sale of securities, nor is it to be referred to in whole or in part in the Official Statement or in any other document, except that reference may be made to it in the Purchase Contract and in any list of closing documents pertaining to the settlement for the sale of the Bonds.

Signed and dated this 23rd day of June, 1999.

Stone & Webster Management
Consultants, Inc.

By: Edward H. Hill

Vice President

**CERTIFICATE OF CHIEF EXECUTIVE OFFICER OF
THE PHILADELPHIA GAS WORKS**

I, BEN HAYLLAR, the duly appointed Interim President and Chief Executive Officer of the Philadelphia Gas Works of the City of Philadelphia, Pennsylvania (the "City"), hereby certify as follows:

1. This Certificate is being executed and delivered in connection with the issuance and sale by the City on the date hereof of its Gas Works Revenue Bonds (1975 General Ordinance) Sixteenth Series and Gas Works Revenue Bonds, (1998 General Ordinance) Second Series (the "Bonds"), as more fully described in the Preliminary Official Statement dated June 3, 1999 relating to the Bonds (the "Preliminary Official Statement") and the Official Statement dated June 16, 1999 relating to the Bonds (the "Official Statement"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

2. As Chief Executive Officer of the Philadelphia Gas Works, I am charged with the responsibility of managing the Gas Works in accordance with the City's Home Rule Charter and the Management Agreement between the City and the Philadelphia Facilities Management Corporation.

3. I have read the Preliminary Official Statement and, to the best of my knowledge, the Preliminary Official Statement, including Appendix A and Appendix D thereto as it relates to the Gas Works, as of its date, as to all matters relating to the Gas Works and its affairs, did not contain any untrue statement of a material fact or omit to state a material fact necessary to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4. I have read the Official Statement and, to the best of my knowledge, the Official Statement, including Appendix A and Appendix D thereto as it relates to the Gas Works, as of its date and at all times subsequent thereto up to and including the date hereof, as to all matters relating to the Gas Works and its affairs, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

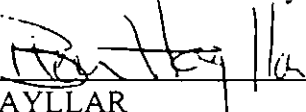
5. To the best of my knowledge, the statements and data contained in the Independent Consultant's Report of Stone & Webster, Inc., prepared in connection with the issuance and sale of the Bonds, that are attributed to the Gas Works are correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they

were made, not misleading.

6. The audited financial statements of the Gas Works for the fiscal years ended August 31, 1998 and August 31, 1997 ("Financial Statements") included as Appendix A to the Preliminary Official Statement and Official Statement were prepared by the Gas Works and have been approved for use in the Preliminary Official Statement and Official Statement by me. To the best of my knowledge, the Financial Statements fairly present the financial position and results of operations of the Gas Works as of the dates and for the periods set forth therein. To the best of my knowledge, the Financial Statements have been prepared both on the "legally enacted basis" and on the basis of generally accepted accounting principles as specified in Footnote 1 to the Financial Statements consistently applied and, to the extent the Financial Statements have been prepared on the accrual basis, they have been prepared on a basis substantially consistent with the audited financial statements of the City for the corresponding periods and reflect all material adjustments necessary to a fair and consistent presentation of the results for such periods.

7. The unaudited financial statements for the six months ended February 28, 1999 (the "Unaudited Financial Statements") included as Appendix A to the Preliminary Official Statement and Official Statement were prepared by the Gas Works and have been approved for use in the Preliminary Official Statement and Official Statement by me. To the best of my knowledge, the Unaudited Financial Statements fairly present the financial position and results of operations of the Gas Works as of the dates and for the periods set forth therein. To the best of my knowledge, the Unaudited Financial Statements have been prepared both on the "legally enacted basis" and on the basis of generally accepted accounting principles, subject to the normal year end adjustments.

Signed and dated this 23rd day of June, 1999.



BEN HAYLLAR
Interim President and Chief Executive Officer



Public Financial Management
Financial and Investment Advisors

CERTIFICATE OF PUBLIC FINANCIAL MANAGEMENT, INC.

Re: \$62,315,000 City of Philadelphia Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series and \$113,965,000 City of Philadelphia Gas Works Revenue Bonds (1998 General Ordinance), Second Series

I, the undersigned Barbara C. Bisgaier of Public Financial Management, Inc. ("PFM"), am duly authorized to and do hereby certify on behalf of PFM that PFM is co-financial advisor to The City of Philadelphia, Pennsylvania (the "City"). In our capacity as co-financial advisor, we advised the City in connection with the issuance of the above-referenced bonds (the "Bonds") and participated in the preparation of the Preliminary Official Statement dated June 3, 1999 relating to the Bonds (the "Preliminary Official Statement") and the Official Statement of the City dated June 16, 1999 relating to the Bonds (the "Official Statement"). I further certify on behalf of PFM that nothing has come to our attention which would lead us to believe that the information in the Preliminary Official Statement or the Official Statement relating to the City contains any untrue statement of material fact or omits to state a material fact necessary to make the statements and information therein, in light of the circumstances under which they were made, not misleading.

PUBLIC FINANCIAL MANAGEMENT, INC.

By: Barbara C. Bisgaier

Dated: June 23, 1999

CERTIFICATE OF HOPKINS & COMPANY

Re: \$ 62,315,000 City of Philadelphia Gas Works Revenue
Bonds (1975 General Ordinance), Sixteenth Series and
\$113,965,000 City of Philadelphia Gas Works Revenue
Bonds (1998 General Ordinance), Second Series

I, the undersigned Samuel G. Hopkins of Hopkins & Company ("Hopkins"), am duly authorized to and do hereby certify on behalf of Hopkins that Hopkins is co-financial advisor to The City of Philadelphia, Pennsylvania (the "City"). In our capacity as co-financial advisor, we advised the City in connection with the issuance of the above-referenced bonds (the "Bonds") and participated in the preparation of the Preliminary Official Statement dated June 3, 1999 relating to the Bonds (the "Preliminary Official Statement") and the Official Statement of the City dated June 16, 1999 relating to the Bonds (the "Official Statement"). I further certify on behalf of Hopkins that nothing has come to our attention which would lead us to believe that the information in the Preliminary Official Statement or the Official Statement relating to the City contains any untrue statement of material fact or omits to state a material fact necessary to make the statements and information therein, in light of the circumstances under which they were made, not misleading.

HOPKINS & COMPANY

By: Samuel G. Hopkins

Dated: June 23, 1999

CITY OF PHILADELPHIA

OFFICE OF THE DIRECTOR OF FINANCE
1401 John F. Kennedy Blvd.
Room 1330, Municipal Services Bldg.
Philadelphia, Pennsylvania 19102-1693
(215) 686-6140
FAX (215) 568-1947

BEN HAYLLAR
Director of Finance

June 23, 1999

Honorable Edward G. Rendell
Jonathan A. Sidel
Stephanie L. Franklin-Suber
Constituting the Bond Committee
City Hall
Philadelphia, PA 19103

Re: Philadelphia Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series and Philadelphia Gas Works Revenue Bonds (1998 General Ordinance), Second Series

In preparation for the issuance of the above-referenced bonds (the "Bonds"), Stone & Webster Management Consultants, Inc. of New York, New York ("Stone & Webster") was engaged to (i) investigate the physical properties included in the Philadelphia Gas Works (the "Gas Works") and the accounts and records of the Gas Works; (ii) review the capital program of the Gas Works; and (iii) compile relevant data upon which to make projections to determine whether the revenues of the Gas Works are and will be sufficient to satisfy the tests of adequacy required by Act No. 234 of October 18, 1972, known as The First Class City Revenue Bond Act (the "Act"), and the General Gas Works Revenue Bond Ordinance of 1975, as amended (the "1975 General Ordinance") and the General Gas Works Revenue Bond Ordinance of 1998 (the "1998 General Ordinance"). Stone & Webster conducted an in-depth examination of the Gas Works and consulted with and obtained information from officers and employees of the Gas Works in the preparation of its report dated May 6, 1999 (the "Engineering Report").

Since the actual interest rates for the Bonds differ from those assumed by Stone & Webster in its preparation of Table 15A in the Engineering Report, which shows projected coverage of debt service from operations, Stone & Webster was asked to prepare a supplemental table based on the actual debt service for the Bonds. A copy of that supplemental table prepared by Stone & Webster is attached hereto.

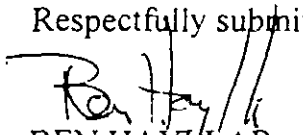
Honorable Edward G. Rendell. et al.

June 23, 1999

Page 2

Based on the Engineering Report and the supplemental table attached hereto, I find that with the rates currently in effect and on the basis of estimated future financial operations of the Gas Works, as detailed in the Engineering Report, the Gas Works will, in my opinion, yield pledged Project Revenues (as defined in the 1975 General Ordinance) and pledged Gas Works Revenues (as defined in the 1998 General Ordinance) over the amortization periods of the Bonds sufficient to meet the payment and/or deposit requirements of (a) all expenses of operation, maintenance, repair and replacement of the Gas Works; (b) all reserve or special funds required to be established and maintained out of Project Revenues and Gas Works Revenues; (c) the principal of and interest on all revenue bonds issued under the 1975 General Ordinance and the 1998 General Ordinance, as the same shall become due and payable; and (d) any State taxes assumed by the City of Philadelphia to be paid on such bonds and also to provide such coverage on such bonds as is required by the 1975 General Ordinance and the 1998 General Ordinance.

Respectfully submitted,


BEN HAYLLAR
Director of Finance

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June 18, 1999

Honorable Ben Hayllar
Director of Finance
City of Philadelphia
1401 John F. Kennedy Boulevard
1330 Municipal Services Building
Philadelphia, Pennsylvania 19102

**Subject: Updated Bond Coverages for
Independent Consultant's Report
City of Philadelphia, Pennsylvania
Gas Works Revenue Bonds (1998 General Ordinance), Second Series and
Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series**

Dear Mr. Hayllar:

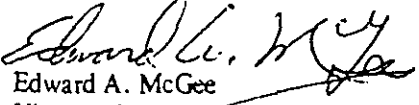
Stone & Webster Management Consultants, Inc. (Stone & Webster) provided its Independent's Consultant's Report to you on May 6, 1999 containing our findings and conclusions with respect to the issuance of up to \$115,000,000 of Gas Works Revenue Bonds (1998 General Ordinance), Second Series (the "Second Series Bonds") and up to \$80,000,000 of Gas Works Revenue Bonds (1975 General Ordinance) Sixteenth Series (the "Sixteenth Series Bonds") (collectively the "Bonds").

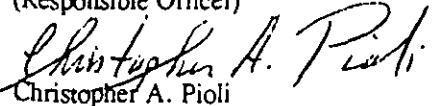
Financial coverage tables in the report were based on best estimates of interest rates on the Bonds as provided by Merrill Lynch at the time of our report. Now that the Bonds have been priced, and since actual interest rates turned out to be slightly higher than the estimated rates used in our report, we have recalculated bond coverages. The new coverages are shown in the attached Revised Table 15A, which compares directly to Table 15A of our report and contains the same assumptions regarding revenues, etc.

Coverages shown in the Revised Table 15A have declined slightly but still comply with the surplus requirements of the rate covenants set forth in Section 4.03(b) of each of the General Ordinances. Based on these results Stone & Webster continues to support its overall findings, conclusions, and key opinions relevant to issuance of the Bonds.

Sincerely,

STONE & WEBSTER MANAGEMENT CONSULTANTS, INC.


Edward A. McGee
Vice President
(Responsible Officer)


Christopher A. Pioli
Executive Consultant
(Project Manager)

Stone & Webster Management Consultants, Inc.
One Penn Plaza, 250 W. 34th Street
New York, New York 10119-2998
Phone: 212.290.7000
Fax: 212.290.7033
www.stoneweb.com

COVERAGE OF DEBT SERVICE FROM OPERATIONS

(\$000)

Sixteenth Series Bonds and Second Series Bonds Issued

Fiscal Years Ended August 31,

	<u>Current (a)</u> <u>Estimate</u> <u>1998-99</u>	<u>Budget</u> <u>1999-2000</u>	<u>Forecast</u> <u>2000-01</u>	<u>Forecast</u> <u>2001-02</u>	<u>Forecast</u> <u>2002-03 (b)</u>	<u>Forecast</u> <u>2003-04</u>	<u>Forecast</u> <u>2004-05</u>
Funds Available For Debt Service Calculation (Exhibit V)	\$94,577	\$115,740	\$118,339	\$137,170	\$142,894	\$144,236	\$146,767
1975 Ordinance Bonds							
Debt Service Bonds	\$57,741	\$59,545	\$51,611	\$55,527	\$47,657	\$50,267	\$44,267
Debt Service Coverage	1.64	1.94	2.29	2.47	3.00	2.87	3.32
Net Available After Prior Debt Service	\$36,836	\$56,195	\$66,728	\$81,643	\$95,237	\$93,969	\$102,500
Capital Lease for Building	-	-	-	-	-	-	-
Other Capital Leases	7,882	7,991	7,977	5,953	3,997	3,998	1,999
Total	\$7,882	\$7,991	\$7,977	\$5,953	\$3,997	\$3,998	\$1,999
Net Available After Capital Leases	\$28,954	\$48,204	\$58,751	\$75,690	\$91,240	\$89,971	\$100,501
1998 Ordinance Senior Bonds							
Debt Service Existing	\$15,097	14,128	\$22,047	\$16,711	\$22,646	\$17,371	\$21,495
Debt Service Proposed	0	7,878	7,402	7,400	7,401	12,279	13,220
Total	\$15,097	\$22,006	\$29,449	\$24,111	\$30,047	\$29,650	\$34,715
Debt Service Coverage	1.92	2.19	2.00	3.14	3.04	3.03	2.90
Net Available after Debt Service on Sr. Bonds	\$13,857	\$26,198	\$29,302	\$51,579	\$61,193	\$60,321	\$65,786
1998 Ordinance Subordinate Bonds							
Debt Service	\$2,053	\$1,986	\$1,991	\$1,985	\$1,989	\$1,989	\$1,987
Debt Service Coverage	6.75	13.19	14.72	25.98	30.77	30.33	33.11

(a) Current Estimate is based on six months actual data and six months projections based upon currently available information.

(b) Assumes tax-exempt interest rate of 6.5% for Senior new money issue under the 1996 Gen'l. Ordinance in 2003 (\$75.0 million).

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Certificate As To Legislative Procedures, Compliance
With Statutory Requirements and Effective Status of
Bond Ordinance and Related Ordinances

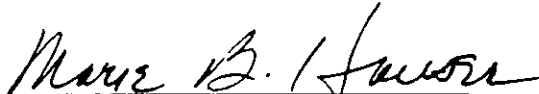
Re: \$62,315,000 City of Philadelphia, Pennsylvania
Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series

I, Marie B. Hauser, Chief Clerk of the Council of the City of Philadelphia, Pennsylvania (the "Council"), do hereby certify that it appears from the records of said Council that:

- a. Public hearings were held on each of the Bills listed below, as required by Section 2-201(2) of the Philadelphia Home Rule Charter:
 - i. Bill No. 1871 approved by the Mayor on May 30, 1975, authorizing generally the issuance and sale of Gas Works Revenue Bonds as specified by supplemental ordinances (hearing held May 21, 1975); as amended by Ordinance of City Council approved July 26, 1979 - Bill No. 2068 (hearing held June 27, 1979), Ordinance of City Council approved July 31, 1980 - Bill No. 274 (hearing held July 21, 1980), Ordinance of City Council approved September 22, 1982 - Bill No. 1316 (hearing held June 16, 1982, Ordinance of City Council approved May 17, 1985 - Bill No. 534 (hearing held May 8, 1985) and Ordinance of City Council approved January 28, 1993 - Bill No. 379 (hearing held January 12, 1993) (referred to hereafter collectively as "1975 General Ordinance Bills").
 - ii. Bill No. 990285 approved by the Mayor on May 31, 1999, authorizing the creation of a loan in the amount of up to \$80,000,000 to be evidenced by Gas Works Revenue Bonds (hearing held May 11, 1999).
- b. Notice of public hearings on said Bills and of their reports from committee were duly given by advertisement, each such Bill was duly enacted by the affirmative vote of a majority of all the members of the Council after the elapse of not less than five days from the printing and distribution of such Bill as reported from committee, and the votes thereon have been recorded in the Journal of Council, all as required by Section 2-201 of the Philadelphia Home Rule Charter.
- c. A summary of each section of the 1975 General Ordinance Bills and Bill No. 990285 were duly published, as required by Article XVIII, Section 3, of the Act of June 25, 1919, P.L. 581, and each such Bill was duly passed by the affirmative vote of two-thirds of the members of the Council, as required by Article XVIII, Section 1, of such Act.
- d. Prior to the enactment of Bill No. 990285, the Director of Finance of the City of Philadelphia (the chief fiscal officer of the City of Philadelphia), in accordance

with Section 8 of The First Class City Revenue Bond Act, Act. No. 234, approved October 18, 1972 (the "Revenue Bond Act"), filed with Council the following documents:

- i. An executed copy of the financial report dated May 7, 1999, signed by the chief fiscal officer of the City of Philadelphia, together with an executed letter of Stone & Webster Management Consultants, Inc., independent consultants, addressed to the Director of Finance of the City of Philadelphia, and a copy of the report on the Gas Works of the City of Philadelphia prepared by said independent consultants attached thereto, as required by Section 8(a) of the Revenue Bond Act; and
 - ii. An executed copy of the opinion of Stephanie L. Franklin-Suber as City Solicitor, dated May 11, 1999, required by Section 8(b) of the Revenue Bond Act.
- e. The copies of the Ordinances attached hereto (identified as Bills No. 1871, as amended, and 990285) are true and correct copies of the originals of those Ordinances, as amended, on file in the office of the Chief Clerk of the Council; and such Ordinances have not been amended or repealed and are in full force and effect on the date of this certificate.


Chief Clerk of the Council of the
City of Philadelphia

(SEAL)

Dated: June 23, 1999

Approved for the City of Philadelphia as to correctness and form:

By
City Solicitor

Explanation
[Brackets] indicate matter deleted.
Italics indicate new matter added.

Approved the thirtieth day of May, A.D. 1975.

FRANK L. RIZZO.
Mayor of Philadelphia.

* Bill No. 1870

AN ORDINANCE

Authorizing, generally, the issuance and sale by the City of Gas Works Revenue Bonds of the City of Philadelphia, prescribing the form of bonds, their execution, transfer, exchange, payment and redemption, prescribing the conditions precedent to the issue of specific series of bonds, including a supplemental authorizing ordinance, pledging the revenues of the Gas Works of the City as security, adopting a rate covenant, and directing the Gas Commission to impose rates sufficient to comply therewith, designating a fiscal agent and sinking fund depository, establishing a Sinking Fund, including a Sinking Fund Reserve, and providing for its management, providing remedies upon default, and for amendments and modifications.

The Council of the City of Philadelphia hereby ordains:

SECTION 1.

ARTICLE I
AUTHORIZATION, SCOPE AND PURPOSE—
SHORT TITLE

This Ordinance is enacted pursuant to the provisions of The First Class City Revenue Bond Act approved October 18, 1972 (Act No. 234, 53 P.S. §15901 to 15924) for the purpose of authorizing the issuance from time to time of

gas works revenue Bonds of the City to be secured by a pledge of the revenues of the Gas Works of the City, in such principal amounts as shall from time to time be authorized by further ordinance of the Council as more particularly hereinafter set forth. This Ordinance shall be known as the General Gas Works Revenue Bond Ordinance of 1975.

SECTION 2.

ARTICLE II
DEFINITIONS AND OTHER PROVISIONS OF
GENERAL APPLICATION

SECTION 2.01. *Definitions.* For all purposes of this Ordinance and any ordinance supplemental hereto, except as otherwise expressly provided or unless the context otherwise requires:

Act means The First Class City Revenue Bond Act approved October 18, 1974 (Act No. 234, 53 P.S. §15901 to 15924) as from time to time amended. The words and phrases which are defined in the Act shall have such defined meaning when used in this Ordinance.

Bond or *Bonds* means any gas works revenue bond of the City issued and outstanding pursuant to the Act under this Ordinance and any supplemental ordinance and shall include installment bonds, temporary bonds and interim certificates.

Bondholder means the holder of any bearer bond and the registered owner of any registered bond and the term *Holder*, or *Holder*s unless the context otherwise requires, shall be deemed to include the registered owners of any bond or bonds as well as the holders of bearer bonds.

City means the City of Philadelphia, Pennsylvania.

City Charges means the proportionate charges, if any, for services performed for the Gas Works of the City by all officers, departments, boards or commissions of the City which are contained in the computation of operating expenses of the Gas Works, including, without limitation, the

to correctness

Solicitor

1975.

RIZZO.
Philadelphia.

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of Philadelphia.
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City as security,
the Gas Com-
mply therewith,
und depository,
a Sinking Fund
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hereby ordains:

PURPOSE—

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proved October
15924) for the
time to time of

expenses of the Gas Commission, and also means the base payments to the City contained in the Agreement between the City and the Manager and all other payments made to the City from Project Revenues.

Director of Finance means the chief financial, accounting and budget officer of the City as established by the Philadelphia Home Rule Charter.

Fiscal Agent means the bank named as such in Section 6.02 or its successor.

Fiscal Year means the fiscal year of the City.

Gas Works means all property, real and personal, owned by the City and used in the acquisition or manufacture, storage and distribution of natural, liquified, synthetic or manufactured gas or in the maintenance, management or administration thereof, and also means, as the context may require, the business entity managed by the Manager.

Manager means The Philadelphia Facilities Management Corporation currently managing the Gas Works pursuant to an ordinance of City Council approved December 29, 1972, setting forth the Agreement between the City and The Philadelphia Facilities Management Corporation, or its successor or such other person, corporation, board, commission or department of the City, which may be designated by ordinance to manage the Gas Works.

Net Operating Expenses means Operating Expenses exclusive of City Charges.

Operating Expenses means all costs and expenses of the Gas Works necessary and appropriate to operate and maintain the Gas Works in good operable condition during each fiscal year of the City, and shall include, without limitation, the Manager's fee, salaries and wages, purchases of service by contract, costs of materials, supplies and expendable equipment, maintenance costs, costs of any property or the replacement thereof or for any work or project, related to the Gas Works, which does not have a probable useful life of at least five years, pension and welfare plan and work-

men's compensation requirements, provision for claims, refunds and uncollectible receivables and for City Charges, all in accordance with generally accepted municipal accounting principles consistently applied, but shall exclude depreciation and interest and sinking fund charges.

Project Revenues means the revenues pledged for the security and payment of the Bonds as set forth in Section 4.02.

Rate Covenant means the rate covenant contained in subsection (b) of Section 4.03.

Series when applied to Bonds means collectively all of the Bonds of a given issue authorized by Supplemental Ordinance as provided in Article IV thereof and may also mean, if appropriate, a subseries of any series if, for any reason, the City should determine to divide any series into one or more subseries of Bonds.

Sinking Fund means the Gas Works Revenue Bond Sinking Fund established by Section 6.01.

Sinking Fund Depository means the bank named as such in Section 6.02 or its successor.

Sinking Fund Reserve means the Sinking Fund Reserve established by Section 6.04.

Supplemental Ordinance means an ordinance supplemental hereto enacted pursuant to the Act and this Ordinance by the Council of the City authorizing the issuance of a series of Bonds.

SECTION 2.02. Interpretation. All references in this Ordinance to articles, sections and other sub-divisions of the Ordinance are to the designated articles, sections or other sub-divisions of this Ordinance as originally enacted. The words "herein," "hereof," "hereby" and "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular article, section or other sub-division.

SECTION 2.03. Descriptive Headings. The descriptive headings of the several articles and sections of this Ordinance

nance are inserted for convenience only and shall not control or affect the meaning or construction of any of its provisions.

SECTION 2.04. *Severability.* In case any one or more of the provisions contained in this Ordinance or in any Bond or coupon issued pursuant hereto shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Ordinance or of said Bonds or coupons, and this Ordinance or said Bonds or coupons shall be construed and enforced as if such invalid, illegal or unenforceable provisions had never been contained therein.

SECTION 3.

ARTICLE III
CONCERNING THE BONDS

SECTION 3.01. *Forms Generally.* All Bonds, and the coupons, if any, appertaining thereto, shall be in substantially the forms set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Ordinance, and may be designated as of such Series by date, number, letter or otherwise and may also have such individual letters, identifying numbers or other marks, and such descriptive panels, registration panels, legends or endorsements placed thereon, as may, consistently with this Ordinance and the Act, be determined by the Director of Finance. The Bonds may also have printed thereon or on the reverse thereof the text of an approving legal opinion with respect thereto and an appropriate certificate as to its correspondence with an executed counterpart may be included on the face or on the reverse of the Bonds. Any portion of the text of any Bond may be set forth on the reverse thereof with an appropriate reference on the face of the bond.

SECTION 3.02. *Form of Fully Registered Bond.* Fully registered bonds shall be substantially in the following form:

at the principal office of any successor Fiscal Agent appointed under the 1975 Ordinance.

This Bond is one of a duly authorized issue of bonds of the City designated as its Gas Works Revenue Bonds of the Series designated hereon (the Bonds), limited in aggregate principal amount to \$ issued or to be issued pursuant to The First Class City Revenue Bond Act (Act No. 234 of the Pennsylvania General Assembly approved October 18, 1972, 53 P.S. §15901) (the Act) under the 1975 Ordinance and supplemental ordinance dated.

The Bonds, together with all previous bonds of the City, if any, issued under the 1975 Ordinance and under previous supplemental ordinances and together with all bonds of the City hereafter issued under the 1975 Ordinance and all subsequent supplemental ordinances, are and will be equally and ratably secured under the 1975 Ordinance by a pledge of all the rents, rates and charges imposed or charged by the City for the use of or services rendered by the Gas Works of the City and of certain other moneys derived from the Gas Works and from the investment of such revenue. The 1975 Ordinance requires such revenues to be applied in order of priority to net operating expenses, sinking fund payments required by the 1975 Ordinance, payment of general obligation bonds of the City adjudged to be self-liquidating from Gas Works revenues, debt service on other general obligation bonds issued for the Gas Works, City charges and any other proper purpose of the City.

The City covenants, so long as this Bond shall remain outstanding, to make payments of interest on the indebtedness represented by this Bond, out of its Gas Works Revenue Bond Sinking Fund, in the semi-annual amount shown hereon on each interest payment date of this Bond, or as the case may be, the proportionate part thereof from the date hereof to the next interest payment date, and to pay, upon surrender hereof, from said Sinking Fund on the maturity date hereof or, if this Bond shall be selected for mandatory or optional redemption, then on the applicable redemption date, the principal amount hereof with the applicable premium, if any.

Reference is hereby made to the 1975 Ordinance for a statement of the terms and conditions under which previous bonds, if any, have been issued, under which the Bonds are issued and under which additional bonds will be issued, and for a statement of the particular rentals, revenues and moneys pledged for the security and payment of all bonds issued under the 1975 Ordinance, the nature, extent and manner of enforcement of the security, the terms and conditions under which the 1975 Ordinance may be amended or modified, and the rights of the holders or registered owners of the Bonds with respect to such security. The City hereby represents to and covenants with the registered owner of this Bond that no Gas Works revenue bonds of the City have been or will be issued for the payment of which the holder has or shall have a prior lien on or security interest in the revenues pledged for the payment of this Bond or a prior right to payment therefrom and that all Gas Works revenue bonds which have been or will be equally and ratably secured by such pledged revenues have and will be issued in accordance with the provisions of the 1975 Ordinance. However, nothing herein contained shall be construed to prevent the City from financing Gas Works projects by the issuance of its general obligation bonds or by the issuance of Gas Works revenue bonds under other authorization for the payment of which project revenues of the Gas Works may be pledged subject and subordinate in each fiscal year to the prior payment from such revenues of all principal, premium, interest and sinking fund requirements payable during such fiscal year under the 1975 Ordinance in respect of Gas Works Revenue Bonds issued and outstanding thereunder.

In the manner and upon the terms and conditions provided in the 1975 Ordinance,

(here insert specific provisions with respect to redemption, including, if applicable, mandatory redemption)

If less than an entire year's maturity is to be redeemed at any particular time, the Bonds or portions thereof to be redeemed shall be chosen by the Fiscal Agent by lot.

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Each such redemption shall be made after notice by publication once a week for two successive weeks in not less than two or more than four daily newspapers published and of general circulation in the City of Philadelphia, Pennsylvania, the first publication to be not less than thirty (30) days or more than sixty (60) days prior to the date fixed for redemption. Notice having been so given and provision having been made for redemption from funds on deposit with the Fiscal Agent or Sinking Fund Depositary, all interest on Bonds called for redemption accruing after the date fixed for redemption shall cease, and the holders or registered owners of the Bonds called for redemption shall have no security, benefit or lien under the 1975 Ordinance or any right except to receive payment of the redemption price.

This Bond is transferable and exchangeable by the registered owner hereof in person or by his attorney duly authorized in writing, at the principal Philadelphia office of the Fiscal Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the 1975 Ordinance, and upon surrender and cancellation of this Bond. Upon any such transfer or exchange, the City shall issue in the name of the transferee or of the registered owner hereof, and shall deliver in exchange for this Bond, to or upon the order of such registered owner, a new registered Bond or new registered Bonds in authorized denominations aggregating the principal amount hereof or a coupon Bond or coupon Bonds of such denominations and aggregate principal amount with coupons attached representing all unpaid interest due or to become due and, in each case, maturing on the same date and bearing interest at the same rate as this Bond, and bearing the same designation as to series or subseries as this Bond.

As provided by the Act, this Bond, its transfer and the income therefrom (including any gains made on the sale thereof other than underwriting profits in a distribution thereof) shall at all times be free from taxation within and by the Commonwealth of Pennsylvania but this exemption shall not extend to underwriting profits or to gift, succes-

sion or inheritance taxes or any other taxes not levied directly on this Bond, the receipt of income therefrom, or the realization of gains on the sale thereof.

The City and the Fiscal Agent may treat the person in whose name this Bond is registered as the absolute owner hereof for all purposes whether or not this Bond or any installment of interest be overdue, and neither the City nor the Fiscal Agent shall be affected by any notice to the contrary. All payments of the principal, or premium upon redemption, of this Bond or of interest hereon to such registered owner in the manner herein and in the 1975 Ordinance set forth shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid whether or not notation of the same be made hereon, and any consent, waiver or other action taken by such registered owner pursuant to the provisions of the 1975 Ordinance shall be conclusive and binding upon such registered owner, his heirs, successors or assigns, and upon all transferees hereof whether or not notation thereof be made hereon or on any Bond issued in exchange or transfer hereof.

In case an event of default, as defined in the 1975 Ordinance, shall occur, the principal of all bonds then outstanding under the 1975 Ordinance may be declared or may become due and payable and any such declarations may thereafter be annulled, all upon the conditions and in the manner and with the effect provided in the 1975 Ordinance and in the Act.

This Bond is a special obligation of the City payable solely from the pledged rentals, revenues and moneys and neither the credit nor the taxing power of the City is pledged for the payment of the principal of, premium, if any, or interest on this Bond, nor shall this Bond be deemed to be a general obligation of the City.

It is hereby certified that all conditions, acts and things required to exist, happen and be performed under the Act and under the 1975 Ordinance precedent to and in the issu-

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ance of this Bond, exist, have happened and have been performed, and that the issuance and delivery of this Bond have been duly authorized by Ordinance of the City duly adopted.

IN WITNESS WHEREOF, the City of Philadelphia has caused this Bond to be properly executed by its Fiscal Agent, by two duly authorized officers thereof, and the facsimile of the seal of the City of Philadelphia to be imprinted hereon, and to be duly countersigned and attested by a facsimile signature of the City Controller, as of

CITY OF
PHILADELPHIA

By
Fiscal Agent

Countersigned and Attested By
by (Facsimile Signature) Authorized Officer

City Controller By
Authorized Officer

SECTION 3.03. *Form of Coupon Bond and Form of Coupon for Interest.* Coupon Bonds and the coupons thereunto appertaining shall be substantially in the following form:

(Form of Coupon Bond)

UNITED STATES OF AMERICA
COMMONWEALTH OF PENNSYLVANIA
CITY OF PHILADELPHIA
GAS WORKS REVENUE BONDS

(Numerical Designation) §

(Series Designation)

%

The City of Philadelphia, Pennsylvania (the City), for value received, hereby promises to pay in lawful money of the United States of America to the bearer, or if this Bond is registered as to principal as hereinafter provided, to the registered owner hereof, on unless this

Bond shall be redeemable and shall have previously been called for redemption and payment of the redemption price made or provided for, from the rentals, revenues and moneys of the City pledged for the payment hereof pursuant to the General Gas Works Revenue Bond Ordinance of 1975 (Ordinance No. _____ approved _____, 1975) of the City (the 1975 Ordinance) but solely therefrom and not otherwise, upon surrender hereof, the principal sum of _____ Dollars (\$ _____), and to pay interest on such principal amount in like money, but solely from said rentals, revenues and moneys aforesaid, from the date hereof initially on _____ and thereafter on each subsequent _____ and _____ until payment of such principal amount, or provision therefor, shall have been made upon redemption or at or after maturity, at the annual rate shown hereon, but, with respect to interest accrued at or prior to maturity, only upon presentation and surrender of the coupons for interest hereunto appertaining as they severally mature. The principal of and interest on this Bond and the premium, if any, payable upon redemption, are payable at the principal Philadelphia office of _____, Fiscal Agent of the City, in Philadelphia, Pennsylvania, or at the principal office of any successor Fiscal Agent appointed under the 1975 Ordinance.

This Bond is one of a duly authorized issue of bonds of the City designated as its Gas Works Revenue Bonds of the series designated hereon (the Bonds), limited in aggregate principal amount to \$ _____, issued or to be issued pursuant to The First Class City Revenue Bond Act (Act No. 234 of the Pennsylvania General Assembly approved October 18, 1972, 53 P.S. §15901) (the Act) under the 1975 Ordinance and supplemental ordinance dated _____.

The Bonds, together with all previous bonds of the City, if any, issued under the 1975 Ordinance and under previous supplemental ordinances and together with all bonds of the City hereafter issued under the 1975 Ordinance and all subsequent supplemental ordinances, are and will be equally and ratably secured under the 1975 Ordinance.

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CITY OF
PHILADELPHIA

Fiscal Agent

Form of Coupon
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nance by a pledge of all the rents, rates and charges imposed or charged by the City for the use of or services rendered by the Gas Works of the City and of certain other moneys derived from the Gas Works and from the investment of such revenue. The 1975 Ordinance requires such revenues to be applied in order of priority to net operating expenses, sinking fund payments required by the 1975 Ordinance, payment of general obligation bonds of the City adjudged to be self-liquidating from Gas Works revenues, debt service on other general obligation bonds issued for the Gas Works, City charges and any other proper purpose of the City.

The City covenants, so long as this Bond shall remain outstanding, to make payments of interest on the indebtedness represented by this Bond, upon surrender of the applicable coupons, out of its Gas Works Revenue Bond Sinking Fund in the amount shown on the respective coupons hereunto appertaining on each interest payment date of this Bond and to pay, upon surrender hereof, from said Sinking Fund on the maturity date hereof or, if this Bond shall be selected for mandatory or optional redemption, then on the applicable redemption date, the principal amount hereof with the applicable premium, if any.

Reference is hereby made to the 1975 Ordinance for a statement of the terms and conditions under which previous bonds, if any, have been issued, under which the Bonds are issued and under which additional bonds will be issued, and for a statement of the particular rentals, revenues and moneys pledged for the security and payment of all bonds issued under the 1975 Ordinance, the nature, extent and manner of enforcement of the security, the terms and conditions under which the 1975 Ordinance may be amended or modified, and the rights of the holders or registered owners of the Bonds with respect to such security. The City hereby represents to and covenants with the holder of this Bond that no Gas Works Revenue Bonds of the City have been or will be issued for the payment of which the holder has or shall have a prior lien on or security interest in the revenues pledged for the payment of this Bond or a prior right to

payment therefrom and that all Gas Works revenue bonds which have been or will be equally and ratably secured by such pledged revenues have and will be issued in accordance with the provisions of the 1975 Ordinance. However, nothing herein contained shall be construed to prevent the City from financing Gas Works projects by the issuance of its general obligation bonds or by the issuance of Gas Works revenue bonds under other authorization for the payment of which project revenues of the Gas Works may be pledged subject and subordinate in each fiscal year to the prior payment from such revenues of all principal, premium, interest and sinking fund requirements payable during such fiscal year under the 1975 Ordinance in respect of Gas Works Revenue Bonds issued and outstanding thereunder.

In the manner and upon the terms and conditions provided in the 1975 Ordinance,

(here insert specific provisions with respect to redemption, including, if applicable, mandatory redemption)

If less than an entire year's maturity is to be redeemed at any particular time, the Bonds or portions thereof to be redeemed shall be chosen by the Fiscal Agent by lot.

Each such redemption shall be made after notice by publication once a week for two successive weeks in not less than two or more than four daily newspapers published and of general circulation in the City of Philadelphia, Pennsylvania, the first publication to be not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption. Notice having been so given and provision having been made for redemption from funds on deposit with the Fiscal Agent or Sinking Fund Depositary, all interest on Bonds called for redemption accruing after the date fixed for redemption shall cease, and the holders or registered owners of the Bonds called for redemption shall have no security, benefit or lien under the 1975 Ordinance or any right except to receive payment of the redemption price.

This Bond is transferable by delivery unless registered as to principal in the name of the owner on the bond register

of the City to be kept for that purpose at the principal Philadelphia Office of the Fiscal Agent, such registration to be noted hereon by the Fiscal Agent on behalf of the City. After such registration no transfer shall be valid unless made by the registered owner in person or by his duly authorized attorney and similarly noted upon said bond register and hereon. This Bond, however, may be discharged from registration by being in like manner transferred to bearer, and thereupon transferability by delivery shall be restored after which this Bond may again from time to time be registered or made transferable by delivery as before. Such registration, however, shall not affect the negotiability of the coupons for interest hereto attached, which shall always continue to be payable to bearer and to be transferable by delivery.

This Bond is exchangeable by the holder or, if registered as to principal, by the registered owner in person or by his attorney duly authorized in writing, at the principal Philadelphia office of the Fiscal Agent, but only in the manner, subject to the limitations, and upon payment of the charges provided in the 1975 Ordinance, and upon surrender of this Bond. Upon request for such exchange, the City shall issue in the name of the holder or registered owner of his nominee or in bearer form at the option of the holder or registered owner, and shall deliver in exchange for this Bond, to or upon the order of the holder or registered owner, a new registered Bond or new registered Bond in authorized denominations aggregating the principal amount hereof or a new coupon Bond or coupon Bonds of such denominations and aggregate principal amount with coupons attached representing all unpaid interest due or to become due and, in each case, maturing on the same date and bearing interest at the same rate as this Bond, and bearing the same designation as to series or subseries as this Bond.

As provided by the Act, this Bond, its transfer and the income therefrom (including any gains made on the sale thereof other than underwriting profits in a distribution thereof) shall at all times be free from taxation within and by the Commonwealth of Pennsylvania but this exemption

shall not extend to the underwriting profits or to gift, succession or inheritance taxes or any other taxes not levied directly on this Bond, the receipt of income therefrom, or the realization of gains on the sale thereof.

The City and the Fiscal Agent may treat the holder of this Bond if it shall not at the time be registered as to principal, the registered owner of this Bond if it shall at the time be so registered, and the holder of any coupon appertaining hereto, whether or not this Bond shall be so registered, as the absolute owner of this Bond or such coupon, as the case may be, for all purposes whether or not this Bond or such coupon be overdue, and neither the City nor the Fiscal Agent shall be affected by any notice to the contrary. Any consent, waiver or other action taken by the holder or registered owner hereof pursuant to the provisions of the 1975 Ordinance shall be conclusive and binding upon such holder or registered owner, his heirs, successors or assigns and upon all transferees hereof whether or not notation thereof be made hereon or on any Bond issued in exchange hereof.

In case an event of default, as defined in the 1975 Ordinance, shall occur, the principal of all bonds then outstanding under the 1975 Ordinance may be declared or may become due and payable and any such declarations may thereafter be annulled, all upon the conditions and in the manner and with the effect provided in the 1975 Ordinance and in the Act.

This Bond is a special obligation of the City payable solely from the pledged rentals, revenues and moneys and neither the credit nor the taxing power of the City is pledged for the payment of the principal of, premium, if any, or interest on this Bond, nor shall this Bond be deemed to be a general obligation of the City.

It is hereby certified that all conditions, acts and things required to exist, happen and be performed under the Act and under the 1975 Ordinance precedent to and in the issuance of this Bond, exist, have happened and have been performed, and that the issuance and delivery of this Bond

SECTION 3.04. *General Form, Content and Payment of Bonds.* Bonds shall be generally designated as Gas Works Revenue Bonds of the City and shall be issued in such series and within such series in such subseries as the City may from time to time determine. The aggregate principal amount of Bonds which may be issued, authenticated and delivered under this Ordinance is unlimited, but prior to issuance of each Series of Bonds, the City shall adopt a Supplemental Ordinance authorizing such Series.

The Bonds of each Series may be issued in coupon form with principal payable to bearer or registered as to principal only, in fully registered form, or may consist in whole or in part of one or more installment Bonds in fully registered form payable as to principal or subject to mandatory redemption in annual installments, or any combination of the foregoing, shall be issued in such aggregate principal amount, shall be dated on or as of such date or dates, shall be in such denominations, shall mature or be subject to mandatory redemption in such principal amounts and on such dates, shall bear interest from such date or dates and at such rate or rates, shall be subject to optional redemption at such times and upon such terms, and shall contain such other terms and conditions not inconsistent with this Ordinance or the Act, all as shall be determined by the City and set forth in the supplemental ordinance under which such bonds are issued, or as shall be determined by a designated officer or officers of the City thereunto authorized by the Supplemental Ordinance, or in the absence of such provisions or designation, as shall be determined by the Director of Finance as specified in Section 4.05.

The principal of and interest on (except the final installment of principal and the interest then payable) and the principal, premium, if any, and accrued interest payable upon partial redemption with respect to, all fully registered installment Bonds, and the interest payable in respect of fully registered Bonds, shall be payable by check or draft of the Fiscal Agent mailed to the registered owner of such Bonds at the address of such owner as it appears upon the bond register, and the records of the Fiscal Agent shall be

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conclusive as to such payment and shall bind such owner, his successors and assigns whether or not such payment be noted on such Bond. Except as aforesaid, the principal of all Bonds, the premium, if any, payable upon redemption thereof, and the interest on all coupon Bonds payable at or prior to maturity, shall be payable in lawful money of the United States of America at the principal Philadelphia office of the Fiscal Agent in Philadelphia, Pennsylvania, or at the principal office of a paying agent designated in such Bonds, but with respect to such principal, only upon presentation and surrender of such Bonds, or with respect to interest payable at or prior to maturity of such coupon Bonds, only upon presentation and surrender of the respective coupons for interest, except as otherwise herein provided with respect to mutilated, destroyed, lost or stolen Bonds or coupons.

Each Bond executed and delivered upon any transfer, exchange or substitution, shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by the Bond or Bonds surrendered upon such transfer or exchange, or as the case may be, the part thereof represented by such new Bond or Bonds, and notwithstanding anything to the contrary contained in this Ordinance, such new Bond, if a fully registered Bond, shall be so dated, and, if a coupon Bond, shall have attached thereto such coupons, that neither gain nor loss in interest shall result from such transfer, exchange, or substitution.

The foregoing provisions of this Section, any other provision in this Ordinance to the contrary notwithstanding, are subject to the express understanding that the principal of and interest on all Bonds issued hereunder and the premium, if any, payable on redemption thereof, shall be payable only from the rentals, revenues and moneys of the City pledged for the payment thereof pursuant to this Ordinance and not otherwise.

SECTION 3.05. Registration of Bonds, Registrar, Bond Register. The City shall keep or cause to be kept at the principal Philadelphia office of the Fiscal Agent, books for

the registration and transfer of Bonds entitled to registration and transfer; and the City will register or transfer or cause to be registered or transferred therein, as hereinafter provided and under such reasonable regulations as may be prescribed by the Director of Finance, any Bonds entitled to be so registered or transferred, upon presentation for such purpose. The Fiscal Agent is hereby appointed the registrar of the City for the purpose of registering, transferring and exchanging the Bonds. The books kept pursuant to this Section are herein and in the Bonds referred to as the bond register.

SECTION 3.06. *Bonds are Negotiable Instruments.* The Bonds shall have the qualities of negotiable instruments under the law merchant and the laws pertaining to negotiable instruments of the Commonwealth of Pennsylvania, subject to the provisions for registration and transfer contained in Section 3.07 and 3.08 and in the Bonds.

SECTION 3.07. *Transfer of Coupon Bonds.* All coupon Bonds shall be negotiable and title thereto shall pass by delivery unless registered as to principal in the manner hereinafter provided. The bearer of any coupon Bond may have the ownership of the principal thereof registered on the bond register required to be kept pursuant to Section 3.05, and such registration shall be noted on the Bond. After such registration no transfer shall be valid unless made on such books by the registered owner in person, or by his duly authorized attorney, and similarly noted on the Bond; but such Bond may be discharged from registration by being in like manner transferred to bearer, and thereupon transferability by delivery shall be restored; and such Bond may again, from time to time, be registered or discharged from registration in the same manner as before. Such registration, however, shall not affect the negotiability by delivery of the coupons, but every such coupon shall continue to be transferable by delivery and shall remain payable to bearer.

SECTION 3.08. *Registration and Transfer of Fully Registered Bonds.* The names and addresses of the registered

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owners of all fully registered Bonds together with a brief description of the Bonds so registered shall be recorded in the bond register. Any fully registered Bond may be transferred at the principal Philadelphia office of the Fiscal Agent or surrendered for transfer at the principal office of one of the paying agents designated in such Bond, upon surrender of such Bond accompanied by delivery of a written instrument of transfer in form approved by the Director of Finance, duly executed by the registered owner of such Bond or his duly authorized attorney, and thereupon the City and the Fiscal Agent shall execute in the name of the transferee or transferees, and the Fiscal Agent shall deliver, a new fully registered Bond, or new fully registered Bonds, of like form, of the same Series, bearing the same rate of interest, of the same maturity, and for the same aggregate principal amount.

SECTION 3.09. Exchange of Bonds. All Bonds of any Series issued hereunder shall be exchangeable for like Bonds of different authorized denominations or for Bonds in different form of the same Series, as the case may be, and, in each case, in the same aggregate principal amount, maturing on the same dates and bearing the same rate of interest as the Bonds to be exchanged, all in the manner herein-after provided. The holder of any bearer coupon Bond or Bonds or the registered owner of any registered Bond or Bonds desiring to exchange such Bond or Bonds shall surrender (or, in the case of registered Bonds, shall cause his attorney thereunto duly authorized to surrender) such Bond or Bonds in negotiable form or, as the case may be, accompanied by an appropriate instrument of transfer, together with all unmatured coupons appertaining to coupon Bonds so surrendered, at the principal Philadelphia office of the Fiscal Agent or at the principal office of one of the paying agents designated in the Bonds, together with a written request for exchange, in form approved by the Director of Finance, setting forth the form of Bond or Bonds requested to be issued in exchange, the denomination or denominations thereof and, if to be issued in partial or fully registered form, the person or persons in whose name

such Bonds are to be registered. Thereupon and subject to the provisions of Section 3.10, the City and the Fiscal Agent shall execute and deliver to the persons thereunto entitled a new Bond or new Bonds in the form requested in authorized denominations aggregating the principal amount of the Bond or Bonds surrendered, maturing as to principal on the same date or dates, bearing the same rate of interest, and bearing the same designation as to series. All fully registered Bonds issued in exchange for Bonds of any series shall be dated on the date of issuance thereof and shall bear interest from the date from which interest was initially payable with respect to such Series or from the next preceding interest payment date of such Series, whichever is later, or, if the date of authentication shall be an interest payment date of such Series, from such date. All coupon Bonds issued in exchange for Bonds of any Series shall be dated as of the date of the initial issuance of such Series and all matured coupons shall be removed from such Bonds prior to their authentication and delivery in exchange. For the purpose of exchange, a fully registered installment Bond shall be deemed to represent separate Bonds each in the amount and of the maturity of the annual installments of principal provided for in such Bond.

SECTION 3.10. Cost of Bond Registration, Transfer or Exchange, Miscellaneous Provisions Governing Transfers and Exchanges. Registration, transfer, discharges from registration, and exchanges of Bonds authorized under this Article shall be without expense to the Holders of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder requesting any such transaction, as a condition precedent to the exercise of such privilege.

The City shall not be required to make (a) any exchange or transfer of any Bonds during the period of fifteen business days next preceding any interest payment date for such Bonds, or (b) any exchange or transfer of any Bonds during the period of twenty business days next preceding the first publication or mailing of any notice of redemption of such Bonds.

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All Bonds surrendered for exchange and the coupons, if any, attached thereto and all registered Bonds without coupons surrendered for transfer, shall be cancelled as the principal thereof and the coupons severally become due and payable and after such due date, may be cremated, shredded or otherwise destroyed by the Fiscal Agent.

All Bonds executed, authenticated and delivered in exchange for Bonds surrendered or upon the transfer of registered Bonds shall be valid obligations of the City, evidencing the same debt as the Bonds surrendered, and shall be secured by this Ordinance to the same extent as such surrendered Bonds.

SECTION 3.11. *Ownership of Bonds.* The City, the Fiscal Agent and any paying agent designated in any Bond may treat the holder of any coupon Bond if it shall not at the time be registered as to principal, the registered owner of any coupon Bond if it shall at the time be so registered, the holder of any coupon appertaining to a coupon Bond whether or not such coupon Bond shall be so registered, and the registered owner of any fully registered Bond, as the absolute owner of such Bond or such coupon, as the case may be, for all purposes whether or not such Bond or such coupon shall be overdue, and neither the City, the Fiscal Agent nor any paying agent shall be affected by any notice to the contrary. Any consent, waiver or other action taken by the holder of any bearer coupon Bond or by the registered owner of any Bond other than a bearer coupon Bond pursuant to the provisions of this Ordinance shall be conclusive and binding upon such Holder, his heirs, successors or assigns, and upon all transferees of such Bond whether or not notation of such consent, waiver or other action shall have been made on such Bond or on any Bond issued in exchange therefor.

SECTION 3.12. *Definitive and Temporary Bonds.* Bonds in definitive form shall be fully engraved or printed or lithographed on steel engraved borders. Until Bonds in definitive form of any Series are ready for delivery, the City and the Fiscal Agent may execute, and, upon the request

of the City in writing, the Fiscal Agent shall deliver in lieu of any such Bonds, and subject to the same provisions, limitations and conditions, one or more printed, lithographed or typewritten Bonds in temporary form, substantially of the tenor of the Bonds hereinbefore described, without coupons or with one or more coupons, and with appropriate omissions, variations and insertions. Such Bond or Bonds in temporary form may be for the amount of any authorized denomination or any multiple thereof, as the Director of Finance may determine. Until exchanged for Bonds in definitive form such Bonds in temporary form shall be entitled to the benefit of this Ordinance. Unless otherwise agreed with the Holder of such temporary Bond or Bonds, the City shall, without unreasonable delay, prepare, execute and deliver to the Fiscal Agent, and thereupon, upon the presentation and surrender of any Bond or Bonds in temporary form, the Fiscal Agent shall execute and deliver, in exchange therefor, a Bond or Bonds in definitive form of the same Series and same maturity for the same aggregate principal amount as the Bond or Bonds in temporary form surrendered. Such exchange shall be made by the City at its own expense and without making any charge therefor. Until such Bonds in definitive form are ready for delivery, the Holder of one or more Bonds in temporary form may, with the consent of the City, exchange the same, upon surrender thereof to the Fiscal Agent for cancellation, for Bonds in temporary form of like aggregate principal amount, of the same Series and maturity, in authorized denominations and bearing all unmatured coupons, if any.

SECTION 3.13. Execution of Bonds. The Bonds shall be executed on behalf of the City by the Fiscal Agent by the manual signatures of two of its duly authorized officers, under the seal of the City which shall be either affixed or reproduced thereon in facsimile and shall be countersigned and attested by the manual or facsimile signature of the Controller, all in accordance with the Act of March 24, 1949, P. L. 312, or in such other manner as shall be authorized by law and prescribed by supplemental ordinance.

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The coupons attached to coupon Bonds shall be executed on behalf of the City by the facsimile signature of the City Controller. Any such Bonds or coupons may be executed, issued and delivered notwithstanding that one or more of the officers signing such Bonds or whose facsimile signature shall be upon such Bonds or coupons or any thereof, shall have ceased to be such officer or officers at the time when such Bonds shall actually be delivered, and although at the nominal date of the Bond any such person shall not have been such officer.

SECTION 3.14. Mutilated, Destroyed, Lost or Stolen Bonds. Upon receipt by the Fiscal Agent and the City of evidence satisfactory to both of them that any outstanding Bond or coupon has been destroyed, lost or stolen, and of indemnity satisfactory to both of them, then, in the absence of notice to the City or to the Fiscal Agent that such Bond or coupon, if alleged to have been lost or stolen, has been acquired by a bona fide purchaser, or if a Bond or coupon has been mutilated, the City in its discretion acting through the Director of Finance, may execute and deliver a new bond of the same Series and same maturity and of like tenor (which shall have attached the same corresponding coupons, if any, as the mutilated, destroyed, lost or stolen Bond if such Bond were a coupon Bond) in exchange and substitution for, and upon surrender and cancellation of, the mutilated Bond and coupons, if any, or in lieu of and in substitution for the Bond and coupons, if any, so destroyed, lost or stolen.

The City may, for each new bond authenticated and delivered under the provisions of this Section, require the payment of the expenses, including counsel fees, which may be incurred by the City and the Fiscal Agent in the premises. In case any such mutilated, lost or stolen Bond or coupon has become or is about to become due and payable, the City, in its discretion, may, instead of issuing a new Bond or coupon, direct the payment thereof at maturity and the Fiscal Agent shall thereupon pay the same.

Any Bond or coupon issued under the provisions of this Section in lieu of any Bond or coupon alleged to be de-

stroyed, lost or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond or coupon so alleged to be destroyed, lost or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Ordinance with all other Bonds and coupons issued under this Ordinance.

SECTION 3.15. *Installment Bonds—Interim Certificates.* Nothing in this Ordinance shall be construed to prohibit the authorization by supplemental ordinance of installment Bonds in the forms above provided with appropriate modifications or to prohibit the issuance of interim certificates pending the delivery of definitive Bonds in such form as shall be approved by the City Solicitor.

SECTION 4.

ARTICLE IV
ISSUANCE OF BONDS—SUPPLEMENTAL
ORDINANCES

SECTION 4.01. *Purpose of Bonds.* The Bonds issued under this Ordinance shall be issued for the purpose of paying the cost of projects, as such term is defined in the Act, related to the Gas Works, of reimbursing any fund of the City from which such costs shall have been paid or advanced, of funding any of such costs for which the City shall have outstanding bond anticipation notes or other obligations, of refunding any Bonds of the City issued for the foregoing purposes under the Act, or of refunding general obligation bonds of the City issued for the foregoing purposes.

SECTION 4.02. *Pledge of Revenues; Grant of Security Interest; Application of Revenues.* The City hereby pledges for the security and payment of all Bonds and coupons, if any, issued under this Ordinance and hereby grants a security interest in, all rents, rates and charges imposed or charged by the City upon the owners or occupants of properties connected to, and upon all users of, gas distributed by the Gas Works and all other revenues

derived therefrom (the Project Revenues) as such term is defined in the Act and all accounts, contract rights and general intangibles representing the Project Revenues, and in each case, the proceeds of the foregoing. For the purpose of compliance with the filing requirements of the Uniform Commercial Code in order to perfect the security interest herein granted, the Fiscal Agent shall be deemed to be and the City hereby recognizes the Fiscal Agent as, the representative of bondholders to execute financing statements as the secured party. Subject to the provisions of Section 7.02 hereof, all Project Revenues as and when collected in each fiscal year shall be applied first to Net Operating Expenses; second, to required payments into the Sinking Fund herein created to pay the principal of and interest on all Bonds issued hereunder and, if required, to accumulate, or to restore any deficiency in, the Sinking Fund Reserve; third, to the payment of any general obligation bonds adjudged to be self-liquidating on the basis of such expected revenues; fourth, to the payment of interest and sinking fund charges of other general obligation debt incurred for the Gas Works, and fifth, to the payment of City Charges. Any balance remaining may be applied to any proper purpose of the City. The foregoing provisions shall not be construed to require the segregation upon collection of revenues prior to default in the payment of the principal of and interest on Bonds.

SECTION 4.03. Particular Covenants. The City covenants with the Holders of all Bonds from time to time and at the time outstanding under this Ordinance, that so long as any such Bonds shall remain outstanding:

- (a) No Bonds will be issued by the City hereunder or under any ordinance supplemental hereto unless the financial report of the chief fiscal officer of the City required by Section 8 of the Act to be filed with the City Council shall be accompanied by an engineering report of an independent consulting engineer or an independent firm of consulting engineers, in either case having broad experience in the design and analysis of the operation of gas works or gas distribution systems of the magni-

tude and scope of the Gas Works and a favorable reputation for competence in such field (the Engineers) setting forth the qualifications of the Engineers and:

(i) containing a statement that the Engineers have made such investigation of the physical properties included in the Gas Works and of the books and records of the Gas Works maintained by the City or by the Manager, as they deemed necessary; and

(ii) on the basis of such investigation containing:

(aa) the same matters, statements and opinion as are required by Section 3 of the Act to be contained in the financial report of the chief fiscal officer supported by appropriate schedules and summaries;

(bb) a statement that the Gas Works rents, rates and charges, on the basis of which the statements required by the foregoing clause (aa) are made, are currently and will be sufficient to comply with the Rate Covenant set forth in Section 4.03(b); and

(cc) a statement that, in the opinion of the engineers, the Gas Works are in good operating condition or that adequate steps are being taken to make them so.

(b) it will, at a minimum, impose, charge and collect in each Fiscal Year such gas rates and charges as shall, together with all other Project Revenues (as defined in the Act) to be received in such Fiscal Year, equal not less than the greater of:

A. The sum of:

(i) all Net Operating Expenses payable during such Fiscal Year;

(ii) 150% of the amount required to pay sinking fund requirements for principal of and interest on all Bonds issued and outstanding hereunder which will become due and payable during such Fiscal Year; and

(iii) the amount, if any, required to be paid into the Sinking Fund Reserve during such Fiscal Year; or

B. The sum of:

(i) All Net Operating Expenses payable during such Fiscal Year; and

(ii) all Sinking Fund deposits required during such Fiscal Year in respect of all outstanding Bonds and in respect of all outstanding general obligation bonds issued for improvements to the Gas Works and all amounts, if any, required during such Fiscal Year to be paid into the Sinking Fund Reserve.

The Gas Commission is hereby authorized and directed, without further authorization, to impose and charge and to collect, or cause to be collected, rents, rates and charges which shall be sufficient in each Fiscal Year to comply with the foregoing Rate Covenant.

(c) It will pay or cause the Fiscal Agent or paying agent to pay from the Project Revenues deposited in the Sinking Fund the principal of, premium, if any, and interest on all Bonds as the same shall become due and payable and as more particularly set forth in the Bonds.

(d) It will continuously maintain in good condition and continuously operate the Gas Works.

(e) It will not in any Fiscal Year pay from the Project Revenues any City Charges or deposit from the Project Revenues in the general sinking fund of the City any sinking fund charges in respect of general obligation bonds of the City unless prior thereto or concurrently therewith all sinking fund charges in respect of Bonds issued and outstanding hereunder for such Fiscal Year, then payable, shall have been deposited in the Sinking Fund created hereby.

(f) It will not refund from the proceeds of Bonds any debt of the City represented by general obligation bonds or notes issued prior to January 1, 1974.

(g) That it has, by Ordinance, authorized the imposition of rates and charges by the Gas Commission sufficient from time to time to comply with Rate Covenant set forth in Section 4.03(b) and that it will not repeal or materially adversely dilute such authorization.

(h) It will, not later than 120 days following the close of each Fiscal Year, file with the Fiscal Agent a report of the operation of the Gas Works setting forth, among other things, in reasonable detail financial data concerning the Gas Works for such Fiscal Year, including a balance sheet, statements of income, equity, and changes in financial condition, and an analysis of funds available to cover debt service (in each case not inconsistent with the statements of income, expenses, and other accounts of the City audited by the City Controller) prepared by the Manager of the Gas Works in accordance with generally recognized municipal accounting principles consistently applied, showing compliance with the Rate Covenant, accompanied by a certificate of the Manager of the Gas Works that the Gas Works are in good operating condition and by a certificate of the Director of Finance that as of the date of such report the City has complied with all of the covenants in this Ordinance and in all ordinances supplemental hereto on its part to be performed. Such report shall be furnished to the Fiscal Agent in such reasonable number of copies as shall be required to meet the written requests of Bondholders therefor on a first come first served basis. The Fiscal Agent shall keep on file a copy of each report and its accompanying certificates for a period of ten (10) years and shall exhibit the same to, and permit the copying thereof by, any Bondholder or his authorized representative at all reasonable times.

SECTION 4.04. Bonds to be Parity Bonds. All bonds issued hereunder shall be parity Bonds equally and ratably secured by the pledge of and grant of security interest in, the Project Revenues without preference, priority or distinction as to lien or otherwise, except as otherwise here-

inafter provided, of any one Bond or coupon over any other Bond or coupon or as between principal and interest.

The City hereby reserves the right, and nothing herein shall be construed to impair such right, to finance improvements to its Gas Works by the issuance of its general obligation bonds or by the issuance, under ordinances other than Supplemental Ordinances, of Gas Works bonds for the payment of which Project Revenues of the Gas Works may be pledged subject and subordinate in each Fiscal Year to the prior payment from such revenues of all principal, premium, interest and sinking fund requirements payable during such Fiscal Year under this Ordinance, as from time to time supplemented and amended, in respect of Bonds.

SECTION 4.05. Sale of Bonds; Taxes Not to be Assumed; Terms and Provisions: Authority of Director of Finance. To the extent, pursuant to Section 4.06, that the Supplemental Ordinance authorizing any Series of Bonds hereunder shall not otherwise provide:

(a) All bonds shall be sold at public, private or invited sale as a majority of the Mayor, the City Controller and the City Solicitor may determine to be in the best interest of the City and, if sold at competitive public sale, shall be sold to the purchaser or purchasers submitting the highest and best bid upon such terms and conditions of the bidding as shall be specified in an official notice of sale issued in the name of the City by the Director of Finance;

(b) no covenant to pay or assume any taxes shall be included in such Bonds; and

(c) subject to the foregoing, the terms upon which or the prices for which the Bonds are to be sold or exchanged, and the form, terms and provisions of the Bonds including, without limitation, the matters referred to in Section 5 of the Act, and in the second paragraph of Section 3.04 of this Ordinance shall be determined by the Director of Finance who is hereby

designated as the officer of the City to make such determinations based, to the extent applicable, on the prices, interest rates or other terms set forth in the highest and best proposal conforming to the bidding specifications as ascertained and accepted on behalf of the City by the Director of Finance.

SECTION 4.06. *Conditions of Issuing Bonds, Supplemental Ordinance; Filing of Transcript; Use of Proceeds; Refunding Bonds.* Prior to the issuance of any series of Bonds, the Council shall adopt an ordinance supplemental hereto specifying the aggregate principal amount or maximum aggregate principal amount, and authorizing the issuance of such Bonds; stating that such Bonds are issued in respect of capital costs of a Gas Works project or projects of the City or to fund or refund bond anticipation or other obligations of the City issued in respect thereof or for the purpose of refunding debt issued for such purpose; making a finding based on the report of the Director of Finance of the City required by Section 8 of the Act that the Project Revenues pledged hereunder will be sufficient to comply with the Rate Covenant and also to pay all costs, expenses and payments required to be paid therefrom and in the order and priority stated in Section 4.02; and containing the covenant as to the payment of debt service required by Article IX, Section 10 of the Pennsylvania Constitution. Such Supplemental Ordinance may specify such form, terms and provisions of the Bonds to be issued thereunder, may specify a particular method of sale; may specify the terms upon which, or the prices for which, the Bonds are to be sold or exchanged, including, if applicable, competitive bidding specifications; may contain such amendments to this Ordinance, including amendments or rescission of the covenants herein contained, and may contain or authorize such further covenants and agreements, including such covenants as may be appropriate under existing regulations so that the Bonds may not be deemed to be "arbitrage bonds" as such term is defined in the Internal Revenue Code and applicable regulations, all as the Council may deem appropriate and proper and as shall be authorized

or permitted by the Act but no such amendments, provisions, terms, covenants or agreements (other than those permitted under Section 3.01 and adopted pursuant thereto) which shall be inconsistent with the provisions of, or if they would impair a prior covenant contained in, this Ordinance as at the time amended or supplemented, shall become effective until all Bonds the holders of which are entitled to the protection of, or to enforce compliance with such prior covenant, shall cease to be outstanding.

Prior to the issuance of any Series of Bonds hereunder the Director of Finance shall, in addition to the filing requirements of Section 12 of the Act, file with the Fiscal Agent a transcript of the proceedings authorizing the issuance of such Series of Bonds which shall include (i) a certified copy of this Ordinance (unless previously so filed); (ii) a certified copy of the Supplemental Ordinance; (iii) an executed or certified copy of the report of the Director of Finance required by subsection (a) of Section 8 of the Act; (iv) an executed copy of the opinion of the City Solicitor required by subsection (b) of Section 8 of the Act; (v) an executed copy of the Engineer's report required by subsection (a) of Section 4.03; and (vi) a certificate of the Director of Finance that there is no default in the payment of the principal of, interest on, or premiums, if any, payable in respect of, any Bonds, that the amounts currently on deposit in the Sinking Fund Reserve meet the requirements of Section 6.04 that the report for the latest completed Fiscal Year required to be filed pursuant to subsection (h) of Section 4.03 has been filed and that during such Fiscal Year the City was in compliance with the Rate Covenant as therein shown, and that the City is currently in compliance with the Rate Covenant and all other covenants contained in this Ordinance and all Supplemental Ordinances, and thereupon the proper officers of the City and the Fiscal Agent shall be authorized to execute and deliver the Bonds so authorized, to receipt for the purchase price thereof and to execute and deliver on behalf of the City the usual closing statements, affidavits and certificates.

The Director of Finance, the City Solicitor, the City Controller and such other officers of the City as may be appropriate are authorized in connection with the issuance of any Series of Bonds hereunder, to prepare, execute and file on behalf of the City such statements, documents or other material as may accurately and properly reflect the financial condition of the City or other matters relevant to the issuance or payment of such Bonds and as may be required or appropriate to comply with applicable state or federal laws or regulations.

Unless otherwise provided in the Supplemental Ordinance, the proceeds of sale of all Bonds issued hereunder shall be deposited in the consolidated cash account of the City to the credit of the capital improvement funds and shall be disbursed therefrom, in accordance with established procedures, for the costs of the project or projects (as such term is defined in the Act) for which the Bonds were issued *provided*, however, that if such Bonds shall be issued for the purpose of funding or refunding bonds or notes previously issued by the City such proceeds shall, unless otherwise directed by the Supplemental Ordinance, be deposited in a special account in the Sinking Fund hereinafter authorized and deposited, invested (if appropriate) and disbursed under the direction of the Director of Finance for the purpose of retiring the bonds or notes being funded or refunded.

If the City shall, by Supplemental Ordinance, authorize the issuance of revenue refunding bonds pursuant to Section 10 of the Act, in the absence of specific direction or inconsistent authorization contained in the Supplemental Ordinance, the Director of Finance is hereby authorized in the name and on behalf of the City to take all such action, including the irrevocable pledge of proceeds and/or the income and profit from the investment thereof for the payment and redemption of the funded or refunded bond or notes and including the publication of all required redemption notices or the giving of irrevocable instructions therefor, as may be necessary or appropriate to accom-

plish the funding or refunding and to comply with the requirements of Section 10 of the Act.

SECTION 5.

ARTICLE V
REDEMPTION OF BONDS

SECTION 5.01. *Bonds May Be Subject to Redemption.* Bonds of any Series may be subject to either optional or mandatory redemption at the times, in the order, in the amounts, at the redemption prices, and other such terms, conditions and restrictions, all as may be set forth in the Supplemental Ordinance authorizing the issuance of such series or, in the absence of such provisions, as may be set forth in the Bonds at the direction of the Director of Finance and shall be set forth in the official notice of sale.

SECTION 5.02. *Notice, Selection by Lot.* Whenever the City shall, by ordinance of Council, determine to redeem all or part of the Bonds of any series in accordance with the right reserved so to do, or when the City or the Fiscal Agent shall be required to redeem Bonds pursuant to mandatory redemption provisions, the City or the Fiscal Agent, as the case may be, shall cause a notice of intention to redeem, signed in the name of the City by the Fiscal Agent, to be published once a week for two consecutive weeks, the first publication to be at least thirty days and not more than sixty days before the redemption date, in not less than two nor more than four daily newspapers published in the English language and of general circulation in the City. At least thirty days before the redemption date the Fiscal Agent shall mail such notice to each registered owner appearing upon the bond register of the registered Bonds to be redeemed, but failure so to mail any such notice shall not affect the validity of the proceedings for redemption. Such notice shall specify, unless a pertinent Supplemental Ordinance shall otherwise provide, the Series and the maturities of the Bonds so to be redeemed and also, if less than all then outstanding Bonds of a maturity are to be redeemed, the numbers of the Bonds to be redeemed which may be expressed in designated blocks, if applicable, and the date

fixed for redemption, the redemption price and the place of payment, and shall further state that, from and after such date, interest thereon will cease to accrue.

In connection with the redemption of less than all the Bonds of a particular maturity or series, the Fiscal Agent shall draw by lot the number of the Bonds to be redeemed in such manner as it shall deem proper unless the Supplemental Ordinance establishing the terms and provisions of such Bonds or the redemption provisions of the particular Bonds provides that they shall be redeemable in the order or inverse order of their numbers or that such Bonds shall be redeemable in the order or inverse order of their maturities and all Bonds of a particular maturity or maturities are being redeemed. For the purpose of any drawing, the Fiscal Agent shall assign a number for each basic denomination.

SECTION 5.03. *Effect of Redemption, Payment.* Notice having been given in the manner hereinbefore provided in this Article or irrevocable instructions to give such notice having been delivered to the Fiscal Agent to pay said Bonds or portions thereof, and funds complying with the provisions of subparagraph (1) of Section 10 of the Act having been deposited in trust with the Fiscal Agent or having been set aside with the Sinking Fund Depositary in a special account in the Sinking Fund, prior to the date fixed for redemption, the Bonds or portions thereof so called for redemption, shall become due and payable on the redemption date so designated, and interest on such Bonds or portions thereof shall cease from such redemption date, whether such Bonds be presented for redemption or not, and the coupons representing the interest on any of said Bonds thereafter to accrue shall from that date be void and of no effect. The principal amount of all Bonds or portions thereof so called for redemption, together with the premium, if any, and accrued interest thereon, shall be paid by the Fiscal Agent, upon presentation and surrender thereof in negotiable form, accompanied by coupons, if any, representing such interest. All coupons maturing sub-

sequent to the date of redemption must accompany each Bond so redeemed.

SECTION 5.04. *Partial Redemption.* Upon presentation of any Bond which is to be redeemed in part only, the City and the Fiscal Agent shall execute and deliver to the Holder thereof, at the expense of the City a new Bond or Bonds of authorized denominations in principal amount equal to and of the same Series and maturity as the unredeemed portion of the Bond or Bonds so presented, which new Bond or Bonds shall, at the option of the Holder, either be a coupon Bond or Bonds with all unmatured coupons thereto appertaining or a registered Bond or Bonds without coupons.

SECTION 6.

ARTICLE VI
SINKING FUND

SECTION 6.01. *Establishment of Sinking Fund.* There is hereby established a sinking fund to be known as the City of Philadelphia Gas Works Revenue Bond Sinking Fund (referred to in this Ordinance as the Sinking Fund) for the benefit and security of the Holders of all Bonds. The Sinking Fund shall be held in the name of the City in an account or accounts separate and apart from all other accounts of the City and payments therefrom shall be made only as hereinafter in this Ordinance provided.

The City covenants and the Director of Finance is directed to deposit in, and there is hereby appropriated to, the Sinking Fund from the pledged revenues in each Fiscal Year such amounts as will, together with interest and profits earned and to be earned on investments held therein, be sufficient to accumulate, on or before each interest and principal payment date of the Bonds, the amounts required to pay the principal of and the interest on the Bonds then becoming due and payable. Payment into the Sinking Fund shall be scheduled at such times and in such amounts in relation to the receipt of revenues and the operation and maintenance requirements of the Gas Works as the Director of Finance shall determine.

SECTION 6.02. Fiscal Agent. Such state or federally chartered bank as may from time to time be appointed by the City in accordance with law, shall act as Fiscal Agent in respect of all Bonds issued under this Ordinance or in respect of any particular issue or issues of Bonds. The Fiscal Agent shall also act as Sinking Fund Depository of the Sinking Fund, and as paying agent and registrar of the Bonds in respect of which it is the Fiscal Agent. Nothing in this Ordinance shall be construed to prevent the City from engaging other or additional Fiscal Agents from time to time or from engaging other or additional sinking fund Depositories, paying agents or registrars of the Bonds or any series thereof.

Subject to the foregoing, the proper officers of the City are authorized to enter into contracts or to confirm existing agreements governing the maintenance of accounts and records, the disposal of cancelled Bonds and coupons, the rights, duties, privileges and immunities of the Fiscal Agent, and such other matters as are authorized by the Act and as are customary and appropriate and to confirm the agreement of the Fiscal Agent, in its several capacities, to comply with the provisions of the Act and of this Ordinance.

SECTION 6.03. Payments From the Sinking Fund. The Sinking Fund Depository shall, on direction of the Director of Finance, or if for any reason he should fail to give such direction, on the direction of the Fiscal Agent, liquidate investments, if necessary, and pay over from the Sinking Fund in cash to the Fiscal Agent not later than the due date thereof the full amount of the principal, interest on, and premium, if any, payable upon redemption of, all Bonds.

Any excess moneys in the Sinking Fund, including any excess amount in the Sinking Fund Reserve and moneys for the payment of the interest, principal and premium of bonds unclaimed after the due date for two years, shall be repaid to the City but such repayment shall not discharge the obligation, if any, for which such moneys were previously held in the Sinking Fund.

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SECTION 6.04. *Sinking Fund Reserve.* There is hereby established a Sinking Fund Reserve which shall be held by the Sinking Fund Depository as part of the Sinking Fund but for which separate accounts shall be maintained. Unless otherwise provided in the applicable Supplemental Ordinance in compliance with this Section 6.04, the City shall, under direction of the Director of Finance, deposit in the Sinking Fund Reserve from the proceeds of sale of each Series of Bonds issued hereunder, an amount equal to the maximum amount required in any Fiscal Year to pay the principal of and interest on the Bonds of such Series becoming due and payable in such Fiscal Year. The money and investments (valued at market) in the Sinking Fund Reserve shall be held and maintained in an amount equal at all times to the maximum principal and interest requirements in any subsequent Fiscal Year of all bonds issued and outstanding hereunder, *provided* that if the Supplemental Ordinance authorizing a Series of Bonds shall authorize the accumulation from Project Revenues of a reserve of such amount in respect of such Bonds over a period of not more than six Fiscal Years after the issuance and delivery of such Bonds, then the full payment of the annual deposits required under such Supplemental Ordinance will meet the Sinking Fund Reserve requirement of this Ordinance in respect of such Bonds.

If, at any time and for any reason, the moneys in the Sinking Fund, other than in the Sinking Fund Reserve, shall be insufficient to pay as and when due, the principal of (and premium if any) or interest on any Bond or Bonds, the Sinking Fund Depository is hereby authorized and directed to withdraw from the Sinking Fund Reserve and pay over to the Fiscal Agent the amount of such deficiency. If by reason of such withdrawal or for any other reason there shall be a deficiency in the Sinking Fund Reserve, the City hereby covenants to restore such deficiency as required by Section 7.02.

SECTION 6.05. *Management of the Sinking Fund.* To the extent that debt service in respect of any Series of Bonds shall not be financed as a part of the cost of the

project or projects for which the Bonds are issued, in which case the amount of the debt service financed shall be deposited in the Sinking Fund from the proceeds of Bonds. sinking fund payments from the pledged revenues in respect of each Series of Bonds shall commence during the six-month period immediately preceding the first interest payment date of each Series for which debt service has not been completely funded and in any event not later than one year subsequent to the estimated completion or acquisition of projects to be constructed or acquired as estimated by the Manager of the Gas Works and, in all other cases, not later than one year subsequent to the date of the Bonds. The moneys, including interest bearing deposits, in the Sinking Fund to the extent not otherwise invested and to the extent not insured, shall be secured as required by the Act and, to the extent not currently required for the payment of debt service, shall be continuously invested and reinvested in securities or interest bearing deposits authorized by the Act, all at the direction and under the management of the Director of Finance. Interest and profits from such investments shall be added to the Sinking Fund and credited in reduction of or to complete required deposits into the Sinking Fund.

SECTION 6.06. Consolidated Fund. The Sinking Fund shall be a consolidated fund for the equal and proportionate benefit of the holders of all Bonds from time to time outstanding hereunder and may be invested and reinvested on a consolidated basis. The principal of and interest on and profits (and losses if any) realized on investments in the Sinking Fund shall be allocated prorata for the Series or the specific Bonds in respect of which such investments were made without distinction or priority but moneys (and the investments thereof) specifically deposited for the payment of any particular installment of principal, interest or premium shall be held and applied exclusively to the payment of such particular principal, interest or premium.

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SECTION 7.

ARTICLE VII
DEFAULTS AND REMEDIES

SECTION 7.01. *Defaults and Statutory Remedies.* If the City shall fail or neglect to pay or to cause to be paid the principal of, redemption premium, if any, or the interest on any Bond or any Series of Bonds issued hereunder, whether at stated maturity or upon call for prior redemption, or if the City shall fail to comply with any provision of the bonds or with any covenant of the City contained in this Ordinance or an applicable Supplemental Ordinance then, under and subject to the terms and conditions stated in the Act, the Holder or Holders of any Bond or Bonds shall be entitled to all of the rights and remedies, including the appointment of a trustee, provided in the Act.

SECTION 7.02. *Additional Remedies.* If the City shall fail or neglect to make deposits into the Sinking Fund, including the Sinking Fund Reserve, in the amounts and at the times required by this Ordinance and as provided in the Bonds or if, for any reason, there shall be insufficient moneys on deposit in the Sinking Fund for the payment in full of the principal (and premium, if any) or of interest on the Bonds as and when the same shall from time to time become due and payable, then the City covenants that it will without notice thereof from any Bondholder, fiscal agent, paying agent or sinking fund depository, and so long as such default shall continue, immediately upon such default deposit in the Sinking Fund, on a daily basis, 50% of all pledged revenues of the Gas Works, or such greater percentage thereof as the Director of Finance shall determine. The covenant of this Section 7.02 shall be specifically enforceable by any trustee appointed pursuant to Section 20 of the Act or if there be no such trustee appointed, then by the Holder of any Bond outstanding.

SECTION 7.03. *Remedies Not Exclusive; Effect of Delay In Exercise of Remedies.* No remedy herein or in the Act conferred upon or reserved to the trustee, if any, or to the Holder of any bond is intended to be exclusive (except as

specifically provided in the Act) of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission of the trustee, if one be appointed, or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article, by the Act or otherwise may be exercised from time to time, and as often as may be deemed expedient.

SECTION 7.04. *Remedies to be Enforced Only Against Pledged Revenues.* Any decree or judgment for the payment of money against the City by reason of default hereunder shall be enforceable only against the pledged revenues and the investments thereof and no decree or judgment against the City upon an action brought hereunder shall order or be construed to permit the occupation, attachment, seizure, or sale upon execution of any other property of the City.

SECTION 8.

ARTICLE VIII

AMENDMENTS AND MODIFICATIONS

SECTION 8.01. In addition to the adoption of Supplemental Ordinances supplementing and/or amending this Ordinance as provided in Section 4.06 in connection with the issuance of successive series of bonds, this Ordinance and any Supplemental Ordinance may be further supplemented, modified or amended: (a) to cure any ambiguity, formal defect or omission herein or therein; (b) to grant to or confer upon Bondholders, or a trustee, if any, for the benefit of Bondholders any additional rights, remedies, powers, authority, or security that may be lawfully granted

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or conferred; (c) to comply with any mandatory provision of state or federal law or with any permissive provision of such law or regulation which does not substantially impair the security or right to payment of the Bonds but no amendment or modification shall be made with respect to any outstanding Bonds to alter the amount, rate or time of payment, respectively; of the principal thereof or the interest thereon or to alter the redemption provisions thereof without the written consent of the Holders of all affected outstanding Bonds; and (d) except as aforesaid, in such other respect as may be authorized in writing by the Holders of 67% in principal amount of the Bonds outstanding and affected. Bonds which have become due and payable on a fixed redemption date in accordance with Section 5.03 shall be deemed to be not outstanding.

SECTION 9.

ARTICLE IX
MISCELLANEOUS

SECTION 9.01. *Ordinances are Contracts With Bondholders.* This Ordinance and Supplemental Ordinances adopted pursuant hereto are contracts with the Holders of all Bonds from time to time outstanding hereunder and thereunder and shall be enforceable in accordance with the provisions of Article VII and the laws of Pennsylvania.

SECTION 9.02. *Repeals.* All ordinances and parts of ordinances heretofore adopted to the extent that the same are inconsistent herewith are hereby repealed.

Approved the thirtieth day of May, A.D. 1975.

FRANK L. RIZZO,
Mayor of Philadelphia.

mately one hundred eighty-seven thousand square feet of outside stock and parking space.

- (g) The lease agreement is conditioned upon approval of the Philadelphia Gas Commission and adoption of an Ordinance by City Council, signed by the Mayor by July 27, 1979.

SECTION 3. The City Solicitor shall include such terms and conditions as he may deem necessary or desirable to protect the best interest of the City and the Philadelphia Gas Works.

Approved the twenty-eighth day of June, A.D. 1979.

FRANK L. RIZZO,
Mayor of Philadelphia.

Ord. No. 2060

AN ORDINANCE

Constituting the Fifth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1975; authorizing the Mayor, City Controller, and City Solicitor or a majority thereof to sell either at public or private sale Gas Works Revenue Bonds, Fifth Series, of the City of Philadelphia in the maximum principal amount of fifty million (50,000,000) dollars and to establish the terms and provisions thereof by supplementing the General Gas Works Revenue Bond Ordinance of 1975; designating the projects and setting forth the use of proceeds; determining the sufficiency of the project revenues; covenanting the separation of Gas Works revenue accounts and proceeds of the Fifth Series Bonds from general accounts of the City; covenanting the payment of interest and principal; providing for transfer and payment of certain interest and income on moneys held in the Gas Works Sinking Fund Reserve to the operating funds of the Gas Works and, with the approval of the Gas Commission, the payment to the City of any balance in the operating funds up to the amount so transferred and paid;

and specifying the applicability of sections of the First Class City Revenue Bond Act and the General Gas Works Revenue Bonds Ordinance of 1975.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The Mayor, City Controller, and City Solicitor or a majority of them are hereby authorized on behalf of the City to borrow, by the issuance and sale of Gas Works Revenue Bonds, Fifth Series of the City (the Fifth Series Bonds), pursuant to the First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the Act) and the General Gas Works Revenue Bond Ordinance of 1975 (the General Ordinance), a sum or sums of which, in the aggregate, shall not exceed fifty million (50,000,000) dollars to be expended as provided in Section 2 of this ordinance. Said Fifth Series Bonds shall be sold either at public competitive sale to the highest bidder or bidders or at private negotiated sale as said officers or a majority of them shall deem to be in the best interest of the City. The Fifth Series Bonds shall contain such terms and provisions as are determined by a majority of said officers to be in the best interest of the City and are not inconsistent with the provisions hereof, of the Act or of the General Ordinance.

The Fifth Series Bonds shall not pledge the credit or taxing power or create any debt or charge against the tax or general revenues of the City or create any lien against any property of the City other than the revenues pledged in the General Ordinance.

SECTION 2. The projects for which the Fifth Series Bonds are to be issued consist of the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budget of the City. Such capital improvements include, without limitation, the acquisition of land or rights therein; the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery, and apparatus; the acquisition, construction or replacement of pipes and pipe lines; and the acquisition or replacement

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of property of a capital nature for use in the operation, maintenance and administration of the Gas Works system of the City.

The proceeds of the sale of the Fifth Series Bonds shall be used to pay financing costs, to make additional payments into the Sinking Fund Reserve as required by the General Ordinance and to pay other project costs (as defined in the Act), which may include, without limitation, the repayment to the City or to accounts of the Gas Works of amounts advanced for project costs, and the funding or refunding of outstanding bond anticipation temporary loan notes of the City issued in anticipation of bonds previously authorized by the Council for capital improvements to the Gas Works system of the City.

The City covenants that the proceeds of the sale of the Fifth Series Bonds which remain available for the payment of project costs, after payment of the financing costs, the required payment into the Sinking Fund Reserve, and the repayment to the City of amounts previously advanced for project costs or for the funding or refunding of bond anticipation temporary loans as described above, shall be deposited, held and disbursed in and from one or more unsegregated accounts of the Gas Works which shall be separate and apart from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes.

SECTION 3. Based on the report of the Director of Finance of the City filed with the Council pursuant to Section 8 of the Act, it is hereby determined that the pledged Project Revenues, as defined in the General Ordinance, will be sufficient to comply with the rate covenant contained in Section 4.03(b) of the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom in the order and priority stated in Section 4.02 of the General Ordinance.

SECTION 4. The City covenants that, so long as any of the Fifth Series Bonds shall remain outstanding, all reve-

nues of the Gas Works which are pledged under Section 4.02 of the General Ordinance will be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts except as otherwise required by the General Ordinance.

SECTION 5. The City covenants that, so long as any Fifth Series Bonds shall remain unpaid, it will make payments or cause payments to be made from the pledged Gas Works revenues directly into its Gas Works Revenue Bond Sinking Fund created under the General Ordinance, at such times and in such annual amounts as shall be required to accumulate amounts therein sufficient for the payment of principal of and the interest on the Fifth Series Bonds when due and that it will pay or cause to be paid from said Sinking Fund said principal and interest when due.

SECTION 6. All interest and income earned on moneys held in the Gas Works Revenue Bond Sinking Fund Reserve created under the General Ordinance (Sinking Fund Reserve Earnings) shall, to the extent not required to comply with Section 6.04 of the General Ordinance, be transferred and paid by the Sinking Fund Depository to the operating funds of the Gas Works to be applied as Project Revenues in accordance with the terms of Section 4.02 of the General Ordinance. To the extent that in any fiscal year balance remains in the Project Revenues, including Sinking Fund Reserve Earnings, as such balance is determined in accordance with Section 4.02 of the General Ordinance, such balance, upon the approval of the Gas Commission may be paid to the City, provided that in a given fiscal year the balance so paid does not exceed the amount of Sinking Fund Reserve Earnings transferred and paid to the operating funds during the same fiscal year. For Fiscal Year 1980 up

to \$4.5 million of such balance, subject to the above provisions, shall be transferred and paid to the General Fund.

SECTION 7. The Director of Finance is authorized to make such covenants and take such other action on behalf of the City with respect to the investment of the proceeds of the Fifth Series Bonds as may be necessary or advisable in order that the Fifth Series Bonds shall not be "arbitrage bonds" as defined in the Internal Revenue Code.

SECTION 8. This ordinance is supplementary to the General Ordinance and all sections of the General Ordinance and the Act not inconsistent herewith are applicable to the Fifth Series Bonds. All definitions of terms contained in the Act or in the General Ordinance shall apply to such terms in this ordinance.

Approved the twenty-sixth day of June, A.D. 1979.

FRANK L. RIZZO,
Mayor of Philadelphia.

Ord. No. 2203

AN ORDINANCE

Authorizing the Commissioner of Public Property to sell a certain lot or piece of City-owned ground, with the improvements thereon erected, situate 4040 Ridge avenue, subject to confirmation by the Council.

WHEREAS, It is deemed to the best interest of the City that the lot or piece of City-owned ground, situate 4040 Ridge avenue be exposed for public sale in accordance with the provisions of the Philadelphia Home Rule Charter; therefore

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The Commissioner of Public Property is hereby authorized after full and adequate advertising, to bid the following described lot or piece of City-owned ground for the best terms obtainable.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The following parking regulation is hereby established:

NO PARKING ANY TIME

Krewstown road, between Rising Sun avenue and a point three-hundred fifty feet south of Bloomfield avenue.

Approved the thirtieth day of July, A.D. 1980.

WILLIAM J. GREEN,
Mayor of Philadelphia.

• Bill No. 225

• AN ORDINANCE

Constituting the Sixth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth Supplemental Ordinance thereto; authorizing the Mayor, the City Controller and the City Solicitor, or a majority of them, to sell Gas Works Revenue Bonds, Sixth Series, of the City of Philadelphia in the maximum aggregate principal amount of one hundred million dollars (\$100,000,000); designating the projects being financed and setting forth the use of proceeds; determining the sufficiency of the project revenues; covenanting the separation of Gas Works revenue accounts and proceeds of the Sixth Series Bonds from general accounts of the City; covenanting the payment of interest and principal on the Sixth Series Bonds; authorizing covenants and action in order that the Sixth Series Bonds shall not be arbitrage bonds; amending the General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth Supplemental Ordinance thereto, to provide that interest and income on the Sinking Fund Reserve may be retained in such Reserve by the Director of Finance; and specifying the applicability of sections of The First Class City Revenue Bond Act and the General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth Supplemental Ordinance thereto.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The Mayor, the City Controller and the City Solicitor (the "Bond Committee"), or a majority of them, are hereby authorized on behalf of the City to borrow, by the issuance and sale of Gas Works Revenue Bonds, Sixth Series, of the City (the "Sixth Series Bonds"), pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act") and the General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth Supplemental Ordinance thereto (the "General Ordinance"), a sum or sums which in the aggregate shall not exceed one hundred million dollars (\$100,000,000) to be expended as provided in Section 2 of this Ordinance. The Sixth Series Bonds shall contain such terms and provisions as are determined by a majority of the Bond Committee to be in the best interest of the City and are not inconsistent with the provisions hereof, of the Act or of the General Ordinance.

The Sixth Series Bonds shall not pledge the credit or taxing power, create any debt or charge against the tax or general revenues or create any lien against any property of the City other than the revenues pledged by the General Ordinance.

SECTION 2. The Sixth Series Bonds shall be issued in respect of capital costs of the gas works system of the City (the "Gas Works") incurred or to be incurred for the purpose of (i) acquiring and constructing the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budget of the City, which may include, without limitation, (a) the acquisition of land or rights therein; (b) the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery, and apparatus; (c) the acquisition, construction or replacement of pipes and pipe lines; and (d) the acquisition or replacement of property of a capital nature for use in the operation, maintenance and administration of the Gas Works system of the City; and (ii) paying any other Project Costs (as defined in the Act), which may include, without limitation, the repayment to any fund of the City or to accounts of the Gas Works of amounts advanced for Project Costs, and the funding or refunding of outstanding bond anticipation tem-

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The City covenants that the proceeds of the sale of the Sixth Series Bonds which remain available for the payment of the costs of the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budget of the City, after payment of the financing costs, the required payment into the Sinking Fund Reserve and the repayment to the City and the Gas Works of amounts previously advanced for project costs or for the funding or refunding of bond anticipation temporary loans or other obligations as described above, shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate and apart from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts.

SECTION 3. Based on the report of the Director of Finance of the City filed with the Council pursuant to Section 8 of the Act, it is hereby determined that the pledged Project Revenues, as defined in the General Ordinance, will be sufficient to comply with the rate covenant contained in Section 4.03(b) of the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom in the order and priority stated in Section 4.02 of the General Ordinance.

SECTION 4. Subject to the provisions of Section 7.02 of the General Ordinance, the City covenants that, so long as any of the Sixth Series Bonds shall remain outstanding, all pledged Project Revenues shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts except as otherwise required by the General Ordinance.

SECTION 5. The City covenants that, so long as any Sixth Series Bonds shall remain unpaid, it shall make payments or cause payments to be made out of its Gas Works Revenue Bond Sinking Fund created under the General Ordinance, at such times and in such annual amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due.

SECTION 6. The Director of Finance is authorized to take such action on behalf of the City with respect to the investment of the proceeds of the Sixth Series Bonds, and the Director of Finance and any member of the Bond Committee are authorized to make such covenants, as may be necessary or advisable in order that the Sixth Series Bonds shall not be "arbitrage bonds" as defined in the Internal Revenue Code of 1954, as amended.

SECTION 7. The General Ordinance is hereby amended by changing the first sentence of Section 8 of the Fifth Supplemental Ordinance to the General Ordinance to read as follows:

"All interest and income earned on moneys held in the Gas Works Revenue Bond Sinking Fund Reserve created under the General Ordinance (Sinking Fund Reserve Earnings) may, to the extent not required to comply with Section 8.04 of the General Ordinance, be transferred and paid by the Director of Finance to the operating funds of the Gas Works, to be applied as Project Revenues in accordance with the terms of Section 4.02 of the General Ordinance."

SECTION 8. This Ordinance is supplementary to the General Ordinance and all sections of the General Ordinance and the Act not inconsistent herewith are applicable to the Sixth Series Bonds. All definitions of terms contained in the Act or in the General Ordinance shall apply to such terms in this Ordinance.

Approved the thirtieth day of July, A.D. 1980.

WILLIAM J. GREEN,
Mayor of Philadelphia.

AN ORDINANCE

Explanation

Italics indicate new matter added.

Constituting an amendment to the General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth and Sixth Supplemental Ordinances thereto; changing the definitions of Fiscal Year and Operating Expenses.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth and Sixth Supplemental Ordinances thereto (the "General Ordinance") is hereby amended by changing the definition of Fiscal Year contained in Section 2.01 thereof to read as follows:

"Fiscal Year means the fiscal year for the Gas Works as provided in any ordinance of the City from time to time hereafter enacted. If no other fiscal year is established by ordinance, it shall mean the fiscal year of the City."

SECTION 2. The General Ordinance is hereby amended by changing the definition of Operating Expenses in Section 2.01 thereof to read as follows:

"Operating Expenses means all costs and expenses of the Gas Works necessary and appropriate to operate and maintain the Gas Works in good operable condition during each Fiscal Year, and shall include, without limitation, the Manager's fee, salaries and wages, purchases of service by contract, costs of materials, supplies and expendable equipment, maintenance costs, costs of any property or the replacement thereof or for any work or project, related to the Gas Works, which does not have a probable useful life of at least five years, pension and welfare plan and workmen's compensation requirements, provision for

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claims, refunds and uncollectible receivables and for City Charges, all in accordance with generally accepted municipal accounting principles consistently applied, but shall exclude depreciation and interest and sinking fund charges."

SECTION 3. All definitions of terms contained in the General Ordinance shall apply to such terms in this Ordinance to the extent such terms are not defined herein.

Explanation:

(Italics indicate new matter added.)

Approved the twenty-second day of September, A.D. 1982.

WILLIAM J. GREEN,
Mayor of Philadelphia.

*Bill No. 1316

*AN ORDINANCE

Authorizing and directing the striking from City Plan No. 196 and vacating a legally open portion of Allegheny avenue on the southerly side, from the southeasterly right-of-way line of the Delaware Expressway (L.R. 1000) to the Bulkhead Line of the Delaware River and reserving and placing on the City Plan certain rights-of-way for drainage purposes and construction, reconstruction, repair and maintenance of sewers, under certain terms and conditions.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. Pursuant to Section 11-405 of The Philadelphia Code, the Board of Surveyors of the Department of Streets is authorized and directed to:

(a) Strike from the City Plan and vacate the legally open portion of the southernmost fifteen foot width of Al-

SECTION 4. This ordinance shall not become effective unless the sum of two hundred (\$200) dollars, toward costs thereof, is paid into the City Treasury within sixty (60) days after the approval of this ordinance.

Approved the seventeenth day of May, A.D. 1985.

W. WILSON GOODE,
Mayor of Philadelphia.

Bill No. 333

AN ORDINANCE

Constituting the Eighth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1975, as amended to date; authorizing the Mayor, the City Controller and the City Solicitor, or a majority of them, to sell, either at public or private sale, Gas Works Revenue Bonds, Eighth Series, of the City of Philadelphia in the maximum aggregate principal amount of ninety million dollars (\$90,000,000), provided that if the Bonds are sold at a discount the aggregate principal amount may be increased to reflect such discount so long as the aggregate gross proceeds to the City from the sale of the Bonds do not exceed ninety million dollars (\$90,000,000); designating the projects being financed and setting forth the use of proceeds and permitting the transfer of interest and income earned on such proceeds to the operating funds of the Gas Works; determining the sufficiency of the project

the Sinking Fund Reserve and the repayment to the City and the Gas Works of amounts previously advanced for Project Costs or for the funding or refunding of bond anticipation notes or other obligations as described above, shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate and apart from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts. All interest and income earned on the investment of such proceeds pending expenditure for the aforesaid purposes may be transferred to and deposited in the operating funds of the Gas Works and applied as Project Revenues in accordance with Section 4.02 of the General Ordinance.

Any excess moneys in the Sinking Fund Reserve in respect of the Eighth Series Bonds other than Sinking Fund Reserve Earnings shall be transferred to the accounts of the Gas Works described in this Section 2 and applied to pay capital costs as described in this Section 2.

SECTION 3. Based on the report of the Director of Finance of the City filed with the Council pursuant to Section 8 of the Act, it is hereby determined that the pledged Project Revenues, as defined in the General

Ordinance, will be sufficient to comply with the rate covenant contained in Section 4.03(b) of the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom in the order and priority stated in Section 4.02 of the General Ordinance.

SECTION 4. Subject to the provisions of Section 7.02 of the General Ordinance, the City covenants that, so long as any of the Eighth Series Bonds shall remain outstanding, all pledged Project Revenues shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from other Gas Works accounts except as otherwise required by the General Ordinance.

SECTION 5. The City covenants that, so long as any Eighth Series Bonds shall remain unpaid, it shall make payments or cause payments to be made out of its Gas Works Revenue Bond Sinking Fund created under the General Ordinance, at such times and in such amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due.

SECTION 6. The Director of Finance is authorized to take such action on behalf of the City with respect to the

investment of the proceeds of the Eighth Series Bonds, and the Director of Finance and any member of the Bond Committee are authorized to make such covenants as may be necessary or advisable in order that the Eighth Series Bonds shall not be "arbitrage bonds" as defined in the Internal Revenue Code of 1954, as amended (the "Code").

SECTION 7. In order to comply with the requirement of Section 103(j) of the Code that all tax-exempt obligations be in registered form, the General Ordinance is hereby amended as follows:

(a) The following definition of Record Date is added to Section 2.01 of the General Ordinance:

"Record Date means, with respect to each interest payment date on the Bonds, that day which next precedes such interest payment date by fifteen (15) days, whether or not such day is a business day."

(b) The General Ordinance is amended by the addition of Section 3.04A, to read as follows:

"The third paragraph of Section 3.04 shall not apply to Bonds issued after May 1, 1985 but, instead, the following provision shall apply to such Bonds: The principal of and interest on (except the final installment of principal and the interest then payable) and the principal, premium, if any, and accrued interest payable upon partial redemption

with respect to, all fully registered installment Bonds, and the interest payable in respect of fully registered Bonds shall be payable by check or draft of the Fiscal Agent mailed to the registered owner of such Bonds at the address of such owner as it appears upon the bond register at the close of business on the Record Date, or, in the case of defaulted interest, as it appears on a special record date established for the payment of such defaulted interest by notice mailed by or on behalf of the City to the registered owner of such Bonds not less than ten (10) days preceding such special record date (such notice to be mailed to the registered owner of such Bonds appearing on the bond register on the close of business on the fifth day preceding the date of mailing); and the records of the Fiscal Agent shall be conclusive as to such payment and shall bind such owner, his successors and assigns whether or not such payment be noted on such Bond. Except as aforesaid, the principal of all Bonds, the premium, if any, payable upon redemption thereof, and the interest on all coupon Bonds payable at or prior to maturity, shall be payable in lawful money of the United States of America at the principal Philadelphia office of the Fiscal Agent in Philadelphia, Pennsylvania, or at the principal office of a paying agent designated in such Bonds, but with respect to such principal, only upon presentation and

surrender of such Bonds, or with respect to interest payable at or prior to maturity of such coupon Bonds, only upon presentation and surrender of the respective coupons for interest, except as otherwise herein provided with respect to mutilated, destroyed, lost or stolen Bonds or coupons."

(c) The first sentence of Section 3.09 of the General Ordinance is amended to read as follows:

"All Bonds of any Series issued hereunder shall be exchangeable for like Bonds of different authorized denominations or for Bonds in different form authorized for the same Series, as the case may be, and, in each case, in the same aggregate principal amount, maturing on the same dates and bearing the same rate of interest as the Bonds to be exchanged, all in the manner hereinafter provided."

(d) The General Ordinance is amended by the addition of Section 3.09A, to read as follows:

"The fourth sentence of Section 3.09 hereof shall not apply to Bonds issued after May 1, 1985 but, instead, the following provision shall apply to such Bonds: All fully registered Bonds issued in exchange for Bonds of any Series shall be dated the date of issuance thereof and shall bear interest from the date from which interest was initially payable with

respect to such Series or from the next preceding interest payment date of such Series to which interest has been duly paid or provided, whichever is later, or, if the date of authentication shall be an interest payment date to which interest has been duly paid or provided, from such date."

(e) The first sentences of Section 5.02 of the General Ordinance is amended to read as follows:

"Whenever the City shall, by ordinance of the Council, determine to redeem all or part of the Bonds of any Series in accordance with the right reserved so to do, or when the City or the Fiscal Agent shall be required to redeem Bonds pursuant to mandatory redemption provisions, the City or the Fiscal Agent, as the case may be, shall cause a notice of intention to redeem, signed in the name of the City by the Fiscal Agent, to be published once a week for two (2) consecutive weeks, the first publication to be at least thirty (30) days and not more than sixty (60) days before the redemption date, in not less than two (2) nor more than four (4) daily newspapers published in the English language and of general circulation in the City; provided, however, that no such published notice shall be required for the redemption of fully registered Bonds of any Series for which mailed

notice, described in the next succeeding sentence, shall be the only required notice."

(f) Section 5.04 of the General Ordinance is amended to read as follows:

"Upon presentation of any Bond which is to be redeemed in part only, the City and the Fiscal Agent shall execute and deliver to the Holder thereof, at the expense of the City, a new Bond or Bonds of authorized denominations in principal amount equal to and of the same Series and maturity as the unredeemed portion of the Bond or Bonds so presented, which new Bond or Bonds shall be in the same form of the Bond to be redeemed or, at the option of the Holder, in any other form authorized for Bonds of such Series."

SECTION 8. This Ordinance is supplementary to the General Ordinance and all Sections of the General Ordinance and the Act not inconsistent herewith are applicable to the Eighth Series Bonds. All definitions of terms contained in the Act or in the General Ordinance not inconsistent herewith shall apply to such terms in this Ordinance.

Approved the seventeenth day of May, A.D. 1985.

W. WILSON GOODE,
Mayor of Philadelphia.



(Bill No. 379)

AN ORDINANCE

Repealing Bill No. 339, approved by the Mayor of the City of Philadelphia on November 13, 1992, which had constituted the Fourteenth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1975, as amended to date (the "General Ordinance"); and enacting provisions newly constituting the Fourteenth Supplemental Ordinance to the General Ordinance; authorizing the Mayor, the City Controller and the City Solicitor, or a majority of them, to sell, either at public or private sale, Gas Works Revenue Bonds of the City of Philadelphia, in one or more series or subseries, in the additional maximum aggregate principal amount of four hundred million (400,000,000.00) dollars (the "Bonds"); provided, however, that the aggregate principal amount of Bonds authorized to be issued to pay the cost of certain projects shall not exceed seventy-five million (75,000,000.00) dollars and the aggregate principal amount issued to redeem or refund certain outstanding Gas Works Revenue Bonds shall not exceed three hundred twenty-five million (325,000,000) dollars; and provided further that, if the Bonds are sold at a discount, the aggregate principal amount may be increased to reflect such discount as long as the aggregate gross proceeds to the City from the sale of the Bonds do not exceed four hundred million (400,000,000) dollars, plus accrued interest, if any; designating that the Bonds are being

issued to pay the costs of certain projects and to redeem or refund all or a portion of certain outstanding series of Gas Works Revenue Bonds and the application of proceeds of the Bonds for such purpose; authorizing the City to obtain credit enhancement for the Bonds; authorizing the sale of Option Rights; determining the sufficiency of Project Revenues; covenanting the separation of Gas Works revenue accounts and proceeds of the Bonds from general accounts of the City; covenanting the payment of interest and principal on the Bonds; authorizing covenants and action in order that the Bonds shall not be arbitrage bonds; amending the General Ordinance to authorize bonds to be issued under the General Ordinance in book-entry form, to authorize the sale of the City's optional redemption rights relating to bonds issued under the General Ordinance and to permit conditional redemption calls; and providing that this Ordinance is supplemental to the General Ordinance that the provisions of the General Ordinance and the First Class City Revenue Bond Act, to the extent consistent with this Ordinance, are applicable.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The ordinance approved November 13, 1992 (Bill No. 339) is hereby repealed.

SECTION 2. The Mayor, the City Controller and the City Solicitor (the "Bond Committee"), or a majority of them, are hereby authorized, on behalf of the City, to borrow, by the issuance and sale of Gas Works Revenue Bonds of the City (the "Bonds"), in one or more series or subseries, pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act") and the General Gas Works Revenue Bond Ordinance of 1975, adopted by the City on May 30, 1975, as amended to date (the "General Ordinance"), a sum or sums which in the aggregate shall not exceed the principal amount of Bonds authorized to be issued hereunder, to be expended as

provided in Section 2 of this Ordinance. The Bonds shall be sold at public or private sale and shall contain such terms and provisions as are determined by a majority of the Bond Committee to be in the best interests of the City and are not inconsistent with the provisions hereof, of the Act or of the General Ordinance. If a majority of the Bond Committee determines it to be in the best interests of the City, the Bonds may be issued in book-entry form; in such event a majority of the Bond Committee shall also select a securities depository for the Bonds. If a majority of the Bond Committee determines it to be in the best interests of the City, the City may obtain credit enhancement for all or a portion of the Bonds. If a majority of the Bond Committee determines it to be in the best interests of the City, the City may sell Option Rights relating to the Bonds. A majority of the Bond Committee is authorized to take any and all other actions as may be necessary or appropriate in connection with the consummation of the transactions contemplated herein.

The aggregate principal amount of Bonds which are authorized to be issued hereunder shall not be more than four hundred million (400,000,000) dollars; provided, however, that the aggregate principal amount of Bonds authorized to be issued to pay the cost of certain projects shall not exceed seventy-five million (75,000,000) dollars and the aggregate principal amount issued to refund certain outstanding series of Gas Works Revenue Bonds shall not exceed three hundred twenty-five million (325,000,000) dollars; and provided further that, if any of the Bonds are to be sold at discounts which are in lieu of periodic interest, the aggregate principal amount of Bonds which may be issued hereunder shall be increased to reflect such discounts, as long as the aggregate gross proceeds to the City from the sale of the Bonds shall not exceed four hundred million (400,000,000) dollars, plus accrued interest, if any.

The Bonds shall not pledge the credit or taxing power, create any debt or charge against the tax or general revenues or create any lien against any property of the City other than the revenues pledged by the General Ordinance. The opinion of the City Solicitor required by Section 8 of the Act with respect to the matters stated in the preceding sentence is attached hereto as Exhibit A.

SECTION 3. The Bonds shall be issued for the purpose of providing funds for any or all of the following purposes: (i) acquiring and constructing the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budgets of the Gas Works, as approved by City Council, which may include, without limitation, (a) the acquisition of land or rights therein; (b) the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery and apparatus; (c) the acquisition, construction or replacement of pipes and pipe lines; and (d) the acquisition or replacement of property of a capital nature for use in the operation, maintenance and administration of the Gas Works system of the City; (ii) the refunding of all or a portion of certain series of the City's outstanding Gas Works Revenue Bonds, consisting of the Third Series, Fourth Series, Fifth Series, Eighth Series, Tenth Series, Eleventh A Series, Eleventh C Series, Twelfth A Series, Twelfth B Series and the Thirteenth Series, or such other series as shall be designated by the City's Director of Finance (the "Prior Bonds"); (iii) paying the costs of issuing the Bonds and any required deposits to the Sinking Fund Reserve; and (iv) paying any other Project Costs (as defined in the Act) which may include, without limitation, the repayment to any fund of the City or to accounts of the Gas Works of amounts advanced for Project Costs, and the funding or refunding of outstanding bond anticipation notes or other obligations of the City issued in respect to Project Costs.

The City covenants that proceeds of the Bonds applicable to the refunding of the Prior Bonds will be deposited in one or more escrow or similar accounts with the Fiscal Agent, as defined in the General Ordinance, separate and apart from all other accounts of the City or Gas Works, including the Sinking Fund established by the General Ordinance, to be held for the benefit of the holders of the applicable refunded Prior Bonds and applied to payment of the Prior Bonds in accordance with a certificate of the Director of Finance or escrow deposit agreement (as to Prior Bonds that are being currently refunded) or an escrow deposit agreement (as to Prior Bonds that are being advance refunded).

The City covenants that the proceeds of the Bonds which remain available for the payment of the costs of the capital improvements, after payment of the financing costs, the required payment into the Sinking Fund Reserve and the repayment to the City and the Gas Works of amounts previously advanced for Project Costs or for the funding or refunding of bond anticipation notes or other obligations as described above, shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate and apart from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts. All interest and income earned on the investment of such proceeds (except for amounts to be rebated to the United States) pending expenditure for the aforesaid purposes may be transferred to and deposited in the operating funds of the Gas Works and applied as Project Revenues in accordance with Section 4.02 of the General Ordinance.

The Director of Finance is hereby authorized to determine, on behalf of the City, the particular series and

maturities of the Prior Bonds to be refunded, the amount of Bond proceeds to be applied to the refunding of the Prior Bonds and to deposit such proceeds in an escrow account for the benefit of the holders of the refunded Prior Bonds, and to take any and all other action, including the irrevocable pledge of such proceeds and/or the income or profit from the investment thereof, for the payment and redemption of the refunded Prior Bonds, and the publication of all required redemption notices or the giving of irrevocable instructions therefor, as may be necessary or appropriate to accomplish the refunding of the Prior Bonds and to comply with the requirements of Section 10 of the Act.

Any excess moneys in the Sinking Fund Reserve in respect of the Bonds other than Sinking Fund Reserve Earnings shall be transferred to the accounts of the Gas Works described in this Section 3 and applied to any of the purposes described in this Section 3.

SECTION 4. Based on the report of the Director of Finance of the City required by Section 8 of the Act (the "Financial Report"), it is hereby determined that the pledged Project Revenues, as defined in the General Ordinance, will be sufficient to comply with the rate covenant contained in Section 4.03(b) of the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom in the order and priority stated in Section 4.02 of the General Ordinance. An executed copy of the Financial Report is attached hereto as Exhibit B.

SECTION 5. Subject to the provisions of Section 7.02 of the General Ordinance, the City covenants that, as long as any of the Bonds shall remain outstanding, all pledged Project Revenues shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for

Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts except as provided in Section 2 hereof or as otherwise required by the General Ordinance.

SECTION 6. The City covenants that, as long as any Bonds shall remain unpaid, it shall make payments or cause payments to be made out of its Gas Works Revenue Bond Sinking Fund created under the General Ordinance, at such times and in such amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due; provided, however, that whenever the City shall be required to deposit moneys with the Fiscal Agent for the mandatory redemption of any of the Bonds, such obligation may be satisfied, in whole or in part, by the delivery by the City to the Fiscal Agent of a principal amount of Bonds of the maturity required to be redeemed for cancellation prior to the date specified for such redemption.

SECTION 7. The Director of Finance is authorized to make such elections under the Internal Revenue Code of 1986, as amended and Treasury Regulations promulgated thereunder with respect to the Bonds as he deems advisable, and to take such action on behalf of the City with respect to the investment of the proceeds of the Bonds, and the Director of Finance and any member of the Bond Committee are authorized to make such covenants as may be necessary or advisable in order that the Bonds shall not be "arbitrage bonds" as defined in the Internal Revenue Code of 1986, as amended.

SECTION 8. In accordance with Section 6.04 of the General Ordinance, the City is authorized to accumulate from Project Revenues, over a period of not more than six (6) Fiscal Years from the date or dates of issuance and delivery of the Bonds, the amount required by the General Ordinance to be deposited in the Sinking Fund Reserve in respect thereof.