

9. ACCOUNTING FOR PENSION COSTS: (Cont'd)

G. Ten-Year Historical Trend Information (unaudited)

Additional historical trend information designed to provide information about the progress made by the Philadelphia Gas Works in accumulating sufficient assets to pay pension benefits as they become due is presented on page 20 for the past 10 years ("The Analysis of Pension Funding Progress").

10. COMMITMENTS AND CONTINGENCIES:

Commitments for major construction and maintenance contracts were approximately \$3,405,000 and \$6,752,000 as of August 31, 1989 and 1988, respectively.

The Company is committed under various noncancellable operating lease agreements to pay minimum annual rentals as follows:

<u>Year Ended</u> <u>August 31,</u>	<u>Thousands of Dollars</u>
1990	\$ 798
1991	611
1992	201
1993	<u>9</u>
Total	<u>\$1,619</u>

Rent expense for the years ended August 31, 1989 and 1988 amounted to \$1,964,000 and \$2,107,000, respectively.

In May 1988, the Company began paying as part of its normal monthly bills pipeline take-or-pay costs billed by its interstate pipeline suppliers under FERC approved tariffs. As of August 31, 1989, the amount of these costs paid by the Company was approximately \$8,246,000 which represents approximately \$6,412,000 and \$1,834,000 for the years ended August 31, 1989 and 1988. The Company estimates a total remaining liability of approximately \$29 million under the multi-year cost recovery period established by FERC. Approximately \$11 million of the liability relates to charges which the Company must pay regardless of future purchases and has been recorded as both a deferred debit and a deferred credit on the Balance Sheet. The remaining \$18 million will be assessed based on future purchases of gas. Costs incurred by the Company since May, 1988 have been recovered through the normal GCR tariff.

PHILADELPHIA GAS WORKS

REQUIRED PENSION SUPPLEMENTARY INFORMATION  
ANALYSIS OF PENSION FUNDING PROGRESS (Unaudited)

Ten-year historical trend information designed to provide information about the Pension Plan's progress made in accumulating sufficient assets to pay benefits when due is presented below:

ANALYSIS OF PENSION FUNDING PROGRESS  
 (Thousands of Dollars)  
 (unaudited)

Year	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1)/(2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Contri- bution as a % of Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4)/(5)
1979	\$ 46,308	\$ N/A		\$ N/A	\$ 9,928	\$49,969	19.9
1980	57,857	139,132	41.6%	81,275	11,851	57,087	20.8
1981	72,371	163,654	44.2	91,283	13,840	61,137	22.6
1982	91,115	190,323	47.9	99,208	15,181	67,474	22.5
1983	111,012	N/A		N/A	16,276	70,418	23.1
1984	129,803	N/A		N/A	16,710	75,330	22.2
1985	145,845	232,714	62.7	86,869	16,936	80,017	21.2
1986	169,936	262,394	64.8	92,458	17,571	85,537	20.5
1987	187,417	275,514	68.0	88,097	16,763	90,139	18.6
1988	194,818	294,539	66.1	99,721	17,016	96,825	17.6

N/A - Information not available for these periods.

Isolated analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Pension Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Pension Plan. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Pension Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Pension Plan.

**APPENDIX B**

**SUMMARIES OF LEGISLATION  
AUTHORIZING THE ISSUANCE  
OF GAS WORKS REVENUE BONDS**

SUMMARIES OF LEGISLATION AUTHORIZING  
THE ISSUANCE OF  
GAS WORKS REVENUE BONDS

The following are summaries of certain provisions of The First Class City Revenue Bond Act (the "Act") and the General Gas Works Revenue Bond Ordinance of 1975, as amended (the "General Ordinance"), which authorize the issuance of Gas Works Revenue Bonds generally and the Twelfth Supplemental Gas Works Bond Ordinance (the "Twelfth Supplemental Ordinance") which authorizes the issuance of the Twelfth Series A Bonds. The summaries are not, and should not be regarded as complete statements of the provisions of this legislation or of the portions thereof summarized. Reference is made to the Act, the General Ordinance and the Twelfth Supplemental Ordinance, copies of which are available from the Office of the Director of Finance, Room 1420, Municipal Services Building, Philadelphia, Pennsylvania 19102, for the complete terms and provisions thereof. Certain terms used in this summary are defined below. Other terms used herein are defined in the Act, the General Ordinance and the Twelfth Supplemental Ordinance and, unless otherwise stated, shall have the meanings set forth therein.

THE FIRST CLASS CITY REVENUE BOND ACT

(Act 234 of the General Assembly of the Commonwealth,  
approved October 18, 1972, P.L. 955; 53 P.S. §§15901-24)

General Authorization; Definitions; Bonds to be Special Obligations

The Act is intended to provide a comprehensive authorization to the City of Philadelphia (the "City") and any other Pennsylvania city of the first class to issue revenue bonds ("Bonds") to finance various types of projects and to issue Bonds to refund previously issued Bonds and certain other bonds, as more fully described herein under "Refunding."

"Project" is defined to include, inter alia, any building, structure, facility or improvement of a public nature, the related land and rights or leasehold estates therein and the related furnishings, machinery, apparatus or equipment of a capital nature, which the City is authorized to own, construct, acquire, improve, lease,

operate, maintain or support; any item of construction, acquisition or extraordinary maintenance or repair thereof; the City's share of the cost of any of the foregoing undertaken jointly with others; and any combination of the foregoing or any undivided portion of the cost of any of the foregoing as may be designated a "project" by the City for financing purposes and in respect of which the City may reasonably be expected to receive Project Revenues.

"Project Revenues" mean, in respect of a Project, all rents, rates, tolls or charges imposed or charged for the use or product of, or services generated from the Project to the ultimate users or customers thereof, all payments under bulk contracts with municipalities, government instrumentalities or other bulk users, all subsidies or payments payable by federal, state or local governments or governmental agencies on account of the cost of operation of the Project, or the payment of the principal of or interest on moneys borrowed to finance the cost of the Project, and may include reasonable estimates of all interest on and profits from investment of moneys derived from the foregoing.

Bonds issued under the Act are required to be payable solely from Project Revenues and to be secured solely by such revenues and by any reserve funds which may be created or funded in connection with the Bonds. The Bonds are not permitted to pledge the credit or taxing power of the City, to create a debt or charge against the tax or general revenues of the City, or to create a lien against any City property other than the Project Revenues pledged therefor and the reserve funds established in respect of the Bonds. The amount of the Bonds does not constitute a debt of the City, and is excluded from the calculation of the City's debt-incurring capacity under the Pennsylvania Constitution.

#### Estimate of Future Revenues

In order to establish that Project Revenues will be sufficient to amortize all Bonds outstanding, the Act requires a finding to be made in the ordinance authorizing the issuance of the Bonds that the pledged Project Revenues will be sufficient to pay any prior parity charges on such pledged Project Revenues and the principal of and interest on the Bonds. This finding is to be based on a report of the chief fiscal officer of the City filed with the City Council and supported by appropriate schedules and summaries. The report of the chief fiscal officer of the City may be based on the final report of the head of the department or agency of the City having jurisdiction over the project involved or on a certificate of registered

engineers engaged by the City to compile relevant data.

For the purpose of estimating future Project Revenues, the Act provides that only the following shall be included: (i) those rents, rates, tolls or charges to the general public which, under existing authorizations, are or will be in effect and will be reasonably collectible during the fiscal year under the rate schedule which is or will be in effect during such fiscal year, or which may be imposed by administrative action without future legislation; (ii) those bulk payments which may be imposed under existing legislation or which are provided under existing agreements or are the subject of an expression of intent by the prospective obligor deemed reliable by the chief fiscal officer of the City; and (iii) those governmental subsidies or payments which, under existing legislation, are subject to reasonably precise calculation and, unless stated in such legislation or authorization to be of an annual or more frequently recurring nature, are payable in such year.

#### Details of Bonds and City Covenants

The Act provides that the ordinance authorizing the issuance of the Bonds shall fix the aggregate amount of Bonds to be issued and determine, or designate officers of the City to determine, the form and details of the Bonds. Subject to applicable constitutional provisions, the City may include in its bond ordinance various covenants with bondholders, including covenants governing the imposition, collection and disbursement of Project Revenues, project operation and maintenance, the establishment, segregation, maintenance, custody, investment and disbursement of sinking funds and reserves, the issuance of additional priority or parity Bonds, the redemption of Bonds and such other provisions as the City deems necessary or desirable in the interest of or for the protection of the City or of such bondholders. Under the Act, such covenants, terms and provisions of the bond ordinance constitute contractual obligations of the City subject to modification, with such limitations as may be specified in the bond ordinance, by agreement with a majority in interest of the bondholders or such larger portion thereof as may be provided in the bond ordinance.

#### Sinking Fund

The Act requires that the bond ordinance shall provide for the establishment and maintenance of a sinking fund or shall designate a previously established fund for the payment of the principal of and interest on the Bonds. Payment into such sinking fund shall be made in annual or more frequent installments and shall be sufficient to pay

or accumulate for payment all principal of and interest on the Bonds for which the sinking fund is established as and when the same shall become due and payable. The sinking fund shall be managed by the chief fiscal officer of the City and moneys therein, to the extent not currently required, shall be invested, subject to limitations established by the bond ordinance and the Act. Interest and profits from investment of moneys in the sinking fund shall be added to such fund and may be applied in reduction of or to complete required deposits to the sinking fund. Excess moneys in the sinking fund shall be repaid to the City for its general purposes or as otherwise provided in the bond ordinance. All moneys deposited in the sinking fund, including the Sinking Fund Reserve established by the General Ordinance, are subject to a perfected security interest for the Bonds for which the fund is established until properly disbursed.

#### Refunding

Bonds from time to time outstanding under the Act or other bonds issued for purposes for which Bonds are issuable under the Act, whether issued before or after the effective date of the Act, may be refunded by Bonds issued under the Act and are subject to the same protections and provisions required for the issuance of an original issue of Bonds. Bonds will no longer be deemed to be outstanding obligations when the City shall have deposited with a bank, bank and trust company or trust company funds represented by demand deposits, interest-bearing time accounts, savings deposits, certificates of deposit (insured or secured as public funds) or specified obligations of the United States or of the Commonwealth of Pennsylvania, the principal and interest of which are sufficient to effect, and which are irrevocably pledged to, the redemption or payment of such Bonds and, in the case of redemption, notice of such redemption or irrevocable instructions to give such notice shall have been duly given.

#### Validity of Proceedings; Suits and Limitations Thereon

Prior to the delivery of any Bonds, the City must file with the Court of Common Pleas a transcript of the proceedings authorizing the issuance of the Bonds. If no action asserting the invalidity of such proceedings, or of the Bonds, is brought on or before the twentieth day following the date of recording of the transcript, the validity of the proceedings, the City's right to issue the Bonds, the lawful nature of the purpose for which the Bonds are issued, and the validity and enforceability of the Bonds in accordance with their terms may not thereafter be inquired into judicially, in equity, at law, or by civil or

criminal proceedings, or otherwise, either directly or collaterally, except where a constitutional question is involved.

#### Exemption from State Taxation

The Commonwealth pledges with the holders from time to time of Bonds issued under the Act that such Bonds, their 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 does not extend to underwriting profits or to gift, succession or inheritance taxes or any other taxes not levied directly on the Bonds, the receipt of income therefrom or the realization of gains on the sale thereof.

#### Defaults and Remedies

If the City should fail to pay the principal of or interest on any Bond when the same shall be due and payable, the remedy provisions of the Act permit the holder of such Bond, subject to the limitations described below, to recover the amount due in an action in Philadelphia Common Pleas Court. However, a judgment rendered in favor of the bondholder in such an action is collectible only from Project Revenues. The holders of 25% in aggregate principal amount of Bonds which are in default, whether because of failure of timely payment which is not cured within 30 days or failure of the City to comply with any other provisions of the Bonds or any bond ordinance, may appoint a trustee to represent them. On being appointed, the trustee shall be the exclusive representative for the affected bondholders. The trustee may and, upon written request of the holders of 25% in aggregate principal amount of such Bonds, and on being furnished with indemnity satisfactory to it, shall take one or more of the following actions which, if taken, shall preclude similar action, whether previously or subsequently initiated by individual holders of Bonds: enforce, by proceedings at law or in equity, all rights of the holders of Bonds; bring suit on the Bonds; bring suit in equity to require the City to make an accounting for all pledged Project Revenues received and to enjoin lawful action or action in violation of the holders' rights; and, after 30 days' written notice to the City, declare the unpaid principal of the Bonds to be immediately due and payable, together with interest thereon at the rates stated in the Bonds until final payment, and, upon the curing of all defaults, to annul such declaration. In any suit, action or proceeding by or on behalf of holders of defaulted Bonds, trustee fees and expenses,

including operating costs of a project and reasonable counsel fees and all such costs and disbursements allowed by the Court, shall be deemed additional principal due on the Bonds and shall be paid in full from any recovery prior to any distribution to the holders of the Bonds. The General Ordinance limits any such recovery to Project Revenues. The trustee shall make distribution of any sums so collected in accordance with the Act.

#### Refunding With General Obligation Bonds

Upon certification by the City's chief fiscal officer that Project Revenues for the payment of Bonds have become insufficient to meet the requirements of the ordinance or ordinances under which the Bonds were issued, the City Council is empowered, but not required, subject to applicable Pennsylvania constitutional debt limitation, to authorize the issuance and sale of general obligation refunding bonds of the City without limitation as to rate of interest, in such principal amount (subject to the aforesaid limitations on indebtedness) as may be required, together with other available funds, to pay and redeem such Bonds, together with interest to the redemption date and redemption premium, if any.

#### THE GENERAL ORDINANCE

Ordinance of City Council approved May 30, 1975 -  
Bill No. 1871, as amended by Ordinance of City  
Council approved July 26, 1979 - Bill No. 2068,

Ordinance of City Council approved July 31, 1980 -  
Bill No. 274,

Ordinance of City Council approved September 22, 1982  
- Bill No. 1316, and

Ordinance of City Council approved May 17, 1985 -  
Bill No. 534

Pursuant to the authorization contained in the Act, the City has adopted the General Ordinance. The City has made a pledge of, and has granted a security interest in all Project Revenues and all accounts, contract rights and general intangibles representing Project Revenues for the security and payment of all Bonds issued under the General Ordinance.

## Definitions

"City Charges" are defined to be the proportionate charges for services performed for the Gas Works 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 expenses of the Gas Commission and the base payments to the City contained in the agreement between the City and the manager of the Gas Works and all other payments made to the City from Project Revenues.

"Fiscal Year" is defined as the fiscal year for the Gas Works as provided in any ordinance of the City from time to time enacted and, if no other fiscal year is established by ordinance, it shall mean the fiscal year of the City.

"Net Operating Expenses" are defined to be Operating Expenses exclusive of City Charges.

"Operating Expenses" are defined to be 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 including, without limitation, the manager's fee, salaries and wages, purchases of services 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 claims, refunds and uncollectible receivables and for City Charges, all in accordance with generally acceptable municipal accounting principles consistently applied, but shall exclude depreciation and interest and sinking fund charges.

"Project Revenues" are defined to include 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 Project Revenues (as such term is defined in the Act) derived from the Gas Works, and all accounts, contract rights and general intangibles representing the Project Revenues.

## Additional Bonds

Bonds may be issued in one or more series as the City may from time to time determine by supplemental ordinance (a "Supplemental Ordinance"). The General Ordinance provides for the method of setting the details and terms of the Bonds authorized by such Supplemental Ordinance. The General Ordinance sets forth the manner of making payment of principal, interest and premium, the requirements governing such payment, the rules regarding registration, transfer and exchange of Bonds, and general provisions governing redemption and the effect thereof. The General Ordinance authorizes the issuance of definitive and temporary Bonds, provides for the execution of the Bonds and provides for the issuance of Bonds to replace mutilated, destroyed, lost or stolen Bonds.

## Purposes For Which Bonds May Be Issued, Conditions of Issuance - Engineering Report

Bonds may be issued to (1) pay the cost of projects related to the Gas Works, (2) reimburse any City fund from which such costs shall have been paid or advanced, (3) fund any such cost for which the City shall have outstanding bond anticipation notes or other obligations, (4) refund any Bonds of the City issued for the foregoing purposes under the Act, or (5) refund any general obligation bonds of the City issued for the foregoing purposes. However, the City covenants that it will not issue Bonds to provide funds to refund general obligation bonds or notes issued prior to January 1, 1974.

The City covenants that so long as any Bonds shall remain outstanding, no Bonds will be issued unless the financial report of the City's chief fiscal officer, required by the Act to be filed with the City Council in connection with such issuance, 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 magnitude and scope of the Gas Works and a favorable reputation for competence in such field. The report must contain a statement that the engineers have made an investigation of the physical properties and of the books and records of the Gas Works.

On the basis of such investigation, the engineering report must contain the same matters, statements and opinions as are required to be contained in the report of the chief fiscal officer to the City Council, namely: (1) a

brief description of the project or projects for which the Bonds are to be issued; (2) a statement identifying the sources from which the pledged Project Revenues are to be derived; (3) a statement that, on the basis of actual and estimated future annual financial operations of the project from which the pledged Project Revenues are to be derived, the project will, in the opinion of the engineers, yield pledged Project Revenues over the amortization period of such Bonds sufficient to meet the payment or deposit requirements of operating expenses, reserve requirements, debt service of all Bonds outstanding for which Project Revenues are pledged and surplus requirements fixed by the General Ordinance, or the Supplemental Ordinance authorizing the issuance of any series of Bonds, and (4) that the revenues upon which the preceding statements are based comply with the definition of "Project Revenues" contained in the Act. The General Ordinance also requires that the engineering report state that the pledged Project Revenues are currently and will be sufficient to comply with the Rate Covenant and that the Gas Works are in good operating condition or that adequate steps are being taken to make them so.

Prior to the issuance of the Bonds, a transcript of the proceedings authorizing the issuance of the Bonds shall also be filed with the Fiscal Agent, together with a copy of the engineering report.

### Security

The Bonds are and will be equally and ratably secured by a pledge of and a security interest in all Project Revenues and the Sinking Fund, including the Sinking Fund Reserve.

### Priority in Application of Project Revenues

Prior to default, the General Ordinance establishes the following priorities in the application of Project Revenues during each fiscal year:

First: to Net Operating Expenses;

Second: to required payments into the Sinking Fund to pay the principal of and interest on all Bonds issued under the General Ordinance and to accumulate, or to restore any deficiency in the Sinking Fund Reserve;

Third: to the payment of general obligation bonds which have been adjudged to be self-liquidating on the basis of expected revenues from the Gas Works;

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.

The balance of the Project Revenues in any fiscal year may, upon the approval of the Gas Commission, be paid to the City, provided that in a given fiscal year the balance so paid does not exceed the amount of earnings on the Sinking Fund Reserve transferred and paid to PGW's operating funds during the same fiscal year. The General Ordinance does not require the segregation of revenues upon their collection prior to default. An ordinance adopted by the City in September of 1983 allows the issuance of Gas Works Revenue Notes secured by Project Revenues, payment of which Notes shall be subordinated to the payments listed in clauses First through Fourth above.

#### Rate Covenant

The City covenants that it has authorized the imposition of rates and charges by the Gas Commission sufficient to comply with the Rate Covenant in the General Ordinance, and that it will not repeal or materially adversely dilute such authorization.

The Rate Covenant 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 Project Revenues 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 the principal of and interest on all Bonds issued and outstanding under the General Ordinance 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.

Additional Covenants

The City further covenants: that it will pay or cause to be paid from the Project Revenues the principal of, premium, if any, and interest on all Bonds as the same shall become due and payable; that it will continuously maintain in good condition and operate the Gas Works; and that it will not, in any Fiscal Year, pay from 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 to or concurrently with such payment, it shall satisfy all Sinking Fund requirements on Bonds outstanding under the General Ordinance for such Fiscal Year.

Report Requirements

The City shall file with the Fiscal Agent not later than 120 days after the close of each Fiscal Year a report of the operation of the Gas Works, including specified financial data, showing compliance with the Rate Covenant and accompanied by a certificate of the manager of the Gas Works that the Gas Works are in good operating condition and a certificate of the Director of Finance that, as of the date of such report, the City has complied with all covenants and requirements of the General Ordinance and Supplemental Ordinances. Copies of such report will be available to bondholders and may be inspected and copied at all reasonable times by bondholders or their representatives.

## General Obligation Bonds - Junior Lien Revenue Bonds

The City reserves the right to finance Gas Works projects by issuing general obligation bonds or revenue bonds, under authorization other than the General Ordinance and Supplemental Ordinances, for the payment of which Project Revenues may be pledged, provided that such pledge is subject and subordinate to the prior payments in each Fiscal Year of all Sinking Fund requirements of all Bonds issued under the General Ordinance.

## Sinking Fund and Sinking Fund Reserve

A Gas Works Revenue Bond Sinking Fund is established for the benefit of all Bonds issued under the General Ordinance which shall be held in an account separate and apart from all other accounts of the City. On or before each interest and principal payment date for the Bonds, the Director of Finance shall deposit in the Sinking Fund from Project Revenues the amount sufficient, together with interest and profits on investments held therein, to pay the principal of and interest on the Bonds due and payable on such interest or principal payment date. The General Ordinance authorizes the appointment, in accordance with legal procedures, of one or more banks to act as Fiscal Agent and/or paying agent for all Bonds or for any series of Bonds issued thereunder and reserves to the City the right to appoint other or additional banks from time to time. The Fiscal Agent for any particular series will act as registrar and Sinking Fund Depository for that series. The moneys in the Sinking Fund are required to be secured, and invested and reinvested under the management of the Director of Finance.

The Sinking Fund Reserve is established as a separate account in the Sinking Fund and is to be held by the Sinking Fund Depository. The Sinking Fund Reserve shall be funded from the proceeds of each series of Bonds in an amount equal to the maximum amount required in any Fiscal Year to pay the debt service on the Bonds of such series becoming due and payable in such Fiscal Year.

The moneys and investments (valued at market) in the Sinking Fund Reserve shall be 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 under the General Ordinance; provided, however, that the Supplemental Ordinance authorizing the issuance of any such series may provide for the funding of such amount from Project Revenues over a period of not more than six Fiscal Years after the issuance

and delivery of such Bonds. If at any time the moneys in the Sinking Fund, other than in the Sinking Fund Reserve, are insufficient to pay when due the principal of (and premium, if any) or interest on any Bond or Bonds, the Sinking Fund Depository shall withdraw from the Sinking Fund Reserve and pay 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 covenants to restore such deficiency by daily deposits of at least 50% of Project Revenues.

#### **Transfer of Income on Sinking Fund Reserve**

The General Ordinance provides that all interest and income earned on moneys held in the Sinking Fund Reserve may, to the extent not required to comply with the requirements of the General Ordinance relating to the Sinking Fund Reserve, be transferred to the operating funds of the Gas Works to be applied as Project Revenues in accordance with the terms of the General Ordinance. To the extent that in any Fiscal Year a balance remains in the Project Revenues, such balance, upon approval of the Gas Commission, may be paid to the City, provided that in a given Fiscal Year such balance does not exceed the amount of Sinking Fund Reserve Earnings transferred to the operating funds during the same Fiscal Year.

#### **Remedies; Limitations on Liabilities of City**

In addition to the remedies provided by the Act, 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 the General Ordinance or if, for any reason, moneys in the Sinking Fund shall be insufficient to pay debt service on any Bonds, the City shall, immediately and without notice, deposit on a daily basis 50% of all Project Revenues, or such greater percentage thereof as the Director of Finance shall determine, in the Sinking Fund, so long as the default or deficiency shall continue. The General Ordinance provides that all remedies are enforceable only against pledged Project Revenues and investments thereof, and that no decree or judgment against the City on an action brought under the provisions of the General Ordinance shall order, or be construed to permit, the occupation, attachment, seizure or sale upon execution of any other property of the City.

#### **Amendments**

The General Ordinance and any Supplemental Ordinance may be amended without the consent of any bondholders to

cure ambiguities, formal defects or omissions, or to grant to bondholders or any trustee therefor additional rights, remedies, powers or security, to comply with mandatory provisions of state or federal law or with permissive provisions of such law which do not substantially impair the security or right to payment of bondholders. The General Ordinance may be amended in such other respects as may be authorized by 67% in principal amount of the holders of Bonds outstanding and affected, but no alteration of the amount, rate or time of payment, respectively, of the principal thereof or the interest thereon or of the redemption provisions may be made without the consent of the holders of all Bonds outstanding and affected.

#### Amendments Not Affecting Outstanding Bonds

The General Ordinance or any part thereof may be amended and the foregoing covenants (including the Rate Covenant) may be rescinded, amended or supplemented by further covenants and agreements, from time to time by Supplemental Ordinance, but no such amendments or further provisions, terms, covenants or agreements contained in a Supplemental Ordinance, other than those permitted by and adopted pursuant to Section 8.01 of the General Ordinance governing amendments generally, which shall be inconsistent with, or would impair a prior covenant in, the General 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 force compliance with, such prior provisions or covenants, shall cease to be outstanding.

#### THE TWELFTH SUPPLEMENTAL ORDINANCE

(Ordinance of City Council approved August 8, 1989,  
Bill No. 511)

The Twelfth Supplemental Ordinance authorizes the Mayor, City Controller and City Solicitor (the "Bond Committee"), or a majority of them, to sell, in one or more series, Gas Works Revenue Bonds in the maximum principal amount of \$135,000,000, provided that such maximum principal amount may be increased to reflect sales of such Bonds at discounts which are in lieu of periodic interest, and authorizes a majority of the Bond Committee to establish the terms and provisions of such Bonds.

The Twelfth Supplemental Ordinance states that the Bonds issued thereunder are to be issued for any or all of the following purposes: (i) acquiring and constructing the

capital improvements included in the capital program of PGW as from time to time included in the capital budgets of PGW, as approved by City Council; (ii) the refunding of certain maturities of the City's Gas Works Revenue Bonds, Eighth Series, or such other series as shall be designated by the Director of Finance; (iii) paying the costs of issuing the Bonds, and making any required deposit to the Sinking Fund Reserve; and (iv) paying any other Project costs (as defined in the Act.)

Based on the report of the Director of Finance filed with City Council pursuant to the Act, the Twelfth Supplemental Ordinance determines that Project Revenues will be sufficient to comply with the Rate Covenant contained in the General Ordinance and also to pay other costs, expenses and payments required to be paid therefrom in their order of priority as set forth in the General Ordinance.

The City covenants in the Twelfth Supplemental Ordinance that the proceeds of the sale of the Bonds issued thereunder for refunding of prior Bonds shall be deposited in an escrow or similar account with the Fiscal Agent, separate and apart from any other account of the City or the Gas Works and further covenants that the proceeds of such Bonds available for payment of costs of capital improvements shall be deposited and held in and disbursed from one or more unsegregated accounts of PGW 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.

The City covenants in the Twelfth Supplemental Ordinance that, so long as any Bonds issued thereunder remain unpaid, it shall make payments or cause payments to be made out of the Sinking Fund at such times and in such amounts as shall be sufficient to pay interest on and principal of any Bonds when due.

It authorizes the Director of Finance and any member of the Bond Committee to make such covenants as may be necessary or advisable to assure that the Bonds issued thereunder will not be "arbitrage bonds" as defined in the Internal Revenue Code of 1986, as amended.

The Twelfth Supplemental Ordinance authorizes the City to accumulate from Project Revenues over a period of not more than six Fiscal Years from the date or dates of issuance and delivery of the Bonds issued thereunder the amount required to be deposited in the Sinking Fund Reserve in respect thereof.

APPENDIX C

CITY OF PHILADELPHIA  
GENERAL INFORMATION

## **General**

The Twelfth Series A Bonds are revenue bonds payable solely from moneys derived, directly or indirectly, from the Project Revenues of the Philadelphia Gas Works. The Twelfth Series A Bonds do not pledge the credit or the taxing power of the City of Philadelphia or create any debt or charge against its tax or general revenues or create any lien against any City property other than the Project Revenues of PGW, as is more fully described elsewhere in this Official Statement. The information below regarding the City is provided in summary form for general information purposes. More complete information regarding the City and its finances can be obtained by writing the City of Philadelphia, Office of the Director of Finance, 1420 Municipal Services Building, Philadelphia, PA 19102.

## **The City**

The City of Philadelphia was founded in 1682. In 1854, the City and County of Philadelphia were merged. In 1953 the City assumed all powers and duties of County government. Today the boundaries of the City include an area of approximately 129 square miles with a resident population of approximately 1.6 million people.

There are two principal governmental entities in Philadelphia: the City, which performs both the ordinary municipal functions and traditional county functions, and the School District of Philadelphia, Pennsylvania ("School District") which has boundaries coextensive with the City and has responsibility for all public education activities. The City is governed largely under the 1951 Philadelphia Home Rule Charter (the "Charter" or "Home Rule Charter"), which provides for the election, organization, powers and duties of the legislative branch ("City Council"); the powers and duties of the executive and administrative branch; and fiscal and budgetary matters, contracts, procurement, property and records.

## **Elected and Appointed Officials**

The Mayor is elected for a term of four years and is eligible to succeed himself for one consecutive term. Each of the seventeen members of City Council is also elected for a four-year term which runs concurrently with that of the Mayor. There is no limitation as to the number of terms which may be served by members of City Council. Of the seventeen members of City Council, ten are elected from districts and seven at large, with a minimum of two of the seven representing other than the majority party. Also elected at the same time are the Clerk of Quarter Sessions, the Sheriff, and members of the Board of Elections, who are officially known as City Commissioners. Elected at the mid-point of the term of these officials are the District Attorney and the City Controller. In performance of his Home Rule Charter-mandated pre-audit functions, the City Controller, who has a staff of approximately 150 persons, reviews each transaction involving a disbursement of City moneys. The City Controller also reviews competitive bidding, which is required for all City purchases in excess of \$2,000 except in the

purchase of unique articles or services and items which for any other reason cannot be obtained in the open market.

The principal officers of the City's government appointed by the Mayor are the Managing Director, the Director of Finance, the City Solicitor and the City Representative and Director of Commerce. These officials and the Housing Director currently constitute the Mayor's Cabinet which, together with the Mayor, constitutes the major policy making group in the City's government.

The Office of the Managing Director of the City is responsible for supervising the departments and agencies of the City which render the various municipal services provided by the City. The current Managing Director, James Stanley White, has tendered his resignation effective April 1, 1990. The City Representative and Director of Commerce is charged with giving wide publicity to any items reflecting the activities and accomplishments of the City's inhabitants, commerce and industry and with promoting and developing commerce and industry. The City Solicitor acts as legal advisor to the Mayor, City Council and all the agencies of the City government and heads the Law Department, established by the Charter. The Law Department is responsible for all of the City's civil litigation, the preparation and approval as to form of all of the City's contracts and bonds, and for assisting City Council, the Mayor and City agencies in the preparation of ordinances for introduction to City Council. The Director of Housing is responsible for developing an overall City housing plan and for supervising the housing programs operated by the City or by delegated agencies funded by and under contract with the City.

Under the Home Rule Charter, substantially all of the financial functions of the City are placed under the Office of the Director of Finance. The Director of Finance, who is the chief financial, accounting and budget officer and is selected from three names submitted to the Mayor by a Finance Panel, is responsible for development of financial policy, development of the annual operating budget, assistance in the development of the capital budget and the capital program, supervision of the execution of the operating budget and the financial aspects of the capital budget, development and administration of the accounting system, collection of revenues through the Department of Revenue, supervision of purchasing and some aspects of property management through the Procurement Department, oversight of pension administration as Chairman of the Board of Pensions and Retirement, development and execution of the City's program of temporary and long-term borrowing, direction of the treasury functions handled by the City Treasurer appointed by her and general coordination of other financial matters.

The Board of Revision of Taxes, which administers the assessment of real and personal property taxes, is appointed by the Board of Judges of the Court of Common Pleas of Philadelphia.

## **Governmental Services**

Municipal services provided by the City include police and fire protection; health care; construction and maintenance of streets, highways and bridges; trash collection and disposal; provision for recreational programs and facilities; water and sewer systems; 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 the prison system. The City also owns the Philadelphia Gas Works ("Gas Works"), the sole gas distribution utility within the geographical limits of the City. Funding for most public assistance benefits or payments is provided by the Commonwealth and the Federal government. The City shares responsibility with the Commonwealth for costs of the Care of Dependent and Neglected Children Program and the Mental Health Program.

## **Local and Governmental Agencies**

There are a number of significant governmental authorities and quasi-governmental nonprofit corporations which provide services within the City. These include the Philadelphia Parking Authority, the Philadelphia Municipal Authority, the Philadelphia Redevelopment Authority, the Philadelphia Housing Development Corporation, the Hospitals and Higher Education Facilities Authority of Philadelphia, the Philadelphia Industrial Development Corporation and the Philadelphia Authority for Industrial Development.

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 operations of the commuter rail system formerly operated under contract by Conrail.

## **DISCUSSION BY THE OFFICE OF THE DIRECTOR OF FINANCE OF CERTAIN FINANCIAL INFORMATION**

### **Independent Audit and Opinion of the City Controller**

The Office of the City Controller has examined and expressed opinions on financial statements of the various funds of the City contained in the Comprehensive Annual Financial Reports of the Director of Finance for all prior Fiscal Years of the City.

The City Controller has not participated in the preparation of this Appendix nor in the preparation of the budget estimates and

projections set forth in the various tables contained in this Appendix or otherwise set forth herein. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Appendix. The financial statements, tables, statistics and other information contained in this Appendix 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 of the Director of Finance.

#### **Certificate of Conformance in Financial Reporting**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Conformance in Financial Reporting, now called the Certificate of Achievement in Financial Reporting ("Certificate"), to the City for its Comprehensive Annual Financial Report for each of the Fiscal Years ended June 30, 1980 through June 30, 1988.

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 and must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate is valid for a period of one year only. The GFOA has also awarded the City an award for Distinguished Budget Presentation for the Fiscal Years 1986-1989, as well as an award for excellence in financial management in 1989.

#### **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, Grants Revenue Fund, Community Development Fund, Comprehensive Employment and Training Fund, Hotel Room Rental Tax Fund, Capital Improvement Funds and Debt Service Funds) and Expendable Trust and Agency Funds are accounted for on the modified accrual basis. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. License and permit fees, charges for services, fines and forfeits and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. 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 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 as outlined in Statement No. 1. However, the Proprietary Funds are shown in the tables herein on the modified accrual basis for two reasons: (i) because the City's Operating Budget is prepared on a modified accrual basis; and (ii) in order to achieve a consistent presentation of the City's finances as a whole.

### **Budget Adoption Procedure**

At least thirty days before the end of each fiscal year, as required by the Home Rule Charter, the Council must adopt by ordinance an operating budget, 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, he must approve or disapprove such ordinance or the ordinance becomes effective.

The operating budget for the next fiscal year is prepared by the Mayor in proposed form and is required by the Home Rule Charter to be submitted at least ninety days before the end of the fiscal year to the Council for adoption. The budget as adopted must be balanced and provide for discharging any estimated deficit or using any estimated surplus carried over from the current fiscal year and make appropriations for all items to be met from City revenues. The Mayor's budgetary estimates of revenues for the ensuing fiscal year and of surplus or deficit, if any, for the current fiscal year may not be altered by the Council. Not later than the passage of the operating budget ordinance, the Council must enact such revenues 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 show the capital expenditures planned for each of the six ensuing fiscal years, including the estimated total costs 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 the Council for adoption with his recommendation thereon.

The capital budget ordinance, authorizing in detail the capital expenditures to be made or incurred in the ensuing fiscal year from Council controlled or appropriated funds, is adopted by the 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 which it covers.

## SUMMARIES OF FINANCIAL OPERATIONS

Tables 1 and 2 summarize the operation of the City's General Fund and its Principal Operating Funds (Debt Related), including the General Fund, for the Fiscal Years 1983-1989, the adopted budget and the estimated operations of such Funds for Fiscal Year 1990.

### **FY 1989 Operating Results**

The City's Fiscal Year 1989 General Fund audited financial statements reflect a June 30, 1989 deficit of \$75.2 million. The FY 1989 deficit is a result of both revenue and obligation factors.

Net General Fund revenues in FY 1989 were \$15.9 million (0.8%) less than the original adopted budget. This variance was a function of:

#### **Local Taxes**

Local tax revenues were \$37 million lower than projected in the original budget for FY 1989. Real estate tax receipts were \$12.5 million lower than anticipated reflecting a continuing decline in FY 1989 of the Common Level Ratio (a statewide standard ratio of assessed to market value); and a shortfall of \$21.1 million in realty transfer taxes reflecting: (a) windfall tax yield in June of 1988 in advance of the July 1, 1988 rate increase followed by a period of lower real estate activity after the July 1, 1988 rate increase, and (b) an overall softening in real estate values, particularly residential real estate. Variances in other tax revenues totaled \$3.4 million.

#### **Locally Generated Non-Tax Revenue**

The net variance against original budget was a positive \$6.5 million, consisting of a \$16 million gain from the sale of City Hall Annex (originally contemplated for FY 1988); a \$7.4 million shortfall in parking and parking amnesty revenue; a \$5.1 million shortfall in fees for sliding scale contributions for homeless shelter and housing services; and other miscellaneous net positive adjustments of \$3.4 million.

#### **Revenue from Other Governments**

There was a net increase against the original budget of \$11.6 million in revenue from other governments, reflecting additional state aid for children and youth Act 148 programs of \$8.8 million; additional state awards for pension costs under Act 205 of \$3 million; payments by the Philadelphia Port Corporation of \$1.5 million; a shortfall in state homeless aid

of \$6.4 million; an increase in Utility Tax Refund payments of \$1.5 million; and other net positive adjustments totaling \$3.2 million.

#### **Revenue from Other Funds**

A net increase of \$3 million against the original budget resulted from higher than forecast reimbursements from the Water Fund to the General Fund in FY 1989.

Net General Fund obligations in FY 1989 exceeded the original adopted budget by \$67.4 million, or 3.6%. The major variances included:

#### **Core Courts**

The failure of the Commonwealth to appropriate funds pursuant to a Supreme Court order requiring unified state funding for county courts combined with the local courts overspending against the original budget resulted in a \$60 million negative variance.

#### **Judgments and Claims**

The City settled long-outstanding litigation with the D.C. 33 labor union Employee Health and Welfare Fund, and an unanticipated indemnity payment of \$15 million in FY 1989 resulted.

#### **Employee Compensation**

Negotiated one-time nonrecurring bonuses for civilians and base wage increases for uniformed employees, awarded through interest arbitration in combination with arbitrator-awarded health and welfare benefits for uniformed employees which increased General Fund obligations by approximately \$45 million in FY 1989. These additional costs were offset by a work force reduction of over 2000 employees achieved with an early retirement program and an incentive retirement program.

Additional reductions and cancellation of prior year and current year encumbrances allowed the City to limit the net negative variance of General Fund obligations to \$67.4 million in FY 1989.

#### **FY 1990 Current Outlook and Financial Strategy**

The Fiscal Year 1990 budget reflected the view that prior to the consideration of any additional local taxes, the City should make further expenditure reductions, reorder basic municipal priorities, pursue efforts to hold the state accountable for a fair share of

mandated human services costs, and support local tax reform in order to distribute local tax burdens more equitably.

Several uncertainties faced the City as FY 1990 began: potential weakening of the local economy, continued escalation of mandated human services programs, and the potential for adverse decisions in pending litigation. The current estimated net impact of these uncertainties results in a projected Fiscal Year 1990 end deficit of \$61.8 million. As shown in footnote (c) to Table 1, there is a potential for a deficit of \$86.8 million if the contingent liability for a negative outcome of realty transfer tax litigation becomes recognizable in Fiscal Year 1990. See "LITIGATION AND OTHER MATTERS" in this Appendix C.

The estimated \$61.8 million cumulative ending General Fund deficit for FY 1990 is a net estimate resulting from \$83.9 million in projected favorable variances, \$147.9 million in projected unfavorable variances and a beginning fund deficit that was \$70.1 million lower than originally stated in the FY 1990 General Fund budget adopted in May, 1989. Favorable revenue factors are estimated at \$12.1 million and favorable obligation factors are estimated at \$71.8 million. Unfavorable revenue variances total approximately \$77.8 million and unfavorable obligation variances are now estimated at \$70.1 million over the originally adopted FY 1990 budget.

The following describes the highlights of the current FY 1990 forecast:

#### **Revenue**

As shown in Table 1, total General Fund revenue for FY 1990 is currently projected at \$65.7 million less than the original budget. Of this total, \$30.5 million represents State Pension Fund contributions that were anticipated, received, and deposited directly to the credit of the City's Pension Fund rather than passed through the City's General Fund as had occurred in prior years. There is no adverse financial impact from this change in deposit practice. The remaining shortfall reflects a slight weakening in the local economy resulting in a wage and earnings tax revenue shortfall of \$7.4 million. This same weakening is also the cause of realty transfer tax receipts being estimated at \$7.4 million less than budgeted. The original FY 1990 budget assumed a bond refunding in FY 1990 that would have provided \$4.5 million to the General Fund; that refunding is not presently considered feasible. Other shortfalls of \$12.1 million are projected at this time, due primarily to lower parking and moving violation collections and decreased Philadelphia Nurse Home reimbursements. These total unfavorable adjustments of \$12.1 million are partially offset by \$12.1 million in favorable adjustments due primarily to increased child welfare revenue, payment of Port arrearages and increased state training reimbursements for police.

## Obligations

As shown in Table 1, total obligations in FY 1990 are projected to be a net \$1.7 million less than those provided for in the originally adopted budget.

Four categories of obligations adversely impact the FY 1990 budget: litigation and judgments, non-executive branch overspending, caseload growth in state mandated human services programs, and reductions in planned executive branch management savings caused by increased prison caseloads, homicide cases and other demand factors.

### (1) Litigation and Judgments

An excess of \$21.5 million over budget in litigation judgments and/or settlements is currently estimated. \$10.9 million of this total represents additional uniformed employee health and welfare benefits. The Fraternal Order of Police sued to prevent competitive bidding of uniformed health and welfare benefits. The City had proceeded with selection of an alternate vendor for health and welfare plans but was prevented from installing the alternative plans as a result of the suit.

The FY 1990 impact of the D.C. 33 settlement concerning prior year health and welfare claims was \$5.0 million and was not known or anticipated at the time of budget adoption.

A \$3.5 million arbitrator's award was rendered in favor of a contractor originally involved in the MOVE reconstruction project. See "LITIGATION AND OTHER MATTERS" in this Appendix C. That award also had not been anticipated at the time of budget adoption.

A \$2.1 million City loan guarantee for a commercial development in North Philadelphia (Strawberry Square) was executed in 1984. The rental payments were lower than originally anticipated and were insufficient to cover the FY 1990 debt service payment and, as a result, the loan guarantee was drawn on. Legislation to approve a debt restructuring and new outside lender has been approved and the City is likely to be repaid. However, the \$2.1 million is still being reflected as an FY 1990 expenditure, since there is no assurance that the new loan will close in the current fiscal year.

### (2) Non-executive Branch Overspending

A total of \$22.1 million in spending over budget is now forecast for non-executive branch agencies. \$15.7 million of this total reflects the impact of a mandamus action with respect to court funding. See "LITIGATION AND OTHER MATTERS" in this Appendix C.

\$5.0 million reflects the additional amount over the City's original appropriation which it may contribute as part of the City's share of SEPTA's budget.

The remaining \$1.4 million is comprised of \$900,000 for indigent defense costs and \$500,000 for Philadelphia Zoo's annual water bill liability.

**(3) State-Mandated Human Services Program Caseloads**

The FY 1990 budget assumed an average 10% growth in Act 148 state-mandated children and youth services, including foster care, family services, care of medically needy infants, delinquent youth, and abused and neglected children. Actual caseload growth is substantially in excess of 10%. The additional state overmatch that would be required from the City to meet the increased caseload is now estimated at a minimum of \$8.6 million.

Prison overcrowding persists with concurrent escalation of overtime, labor, and offender custody costs. \$6.7 million in prison overspending is currently forecast.

**(4) Executive Branch Management Savings**

More than \$16 million in projected management savings were budgeted for FY 1990. The majority of those savings has been realized. Shortfalls have occurred, however, because of increased police overtime and failure to realize the anticipated net additional revenue from expansion of the Philadelphia Nursing Home. A total shortfall in savings of \$8.6 million is currently forecast.

The current estimate also contains a contingency for overspending of approximately \$2.6 million in order to cover all other potential program overspending and savings shortfalls that could occur during the balance of the year.

**Positive Factors**

While the above-mentioned deposit of \$30.5 million of State funds directly to the credit of the City's Pension Fund will give rise to lower stated General Fund revenues, it will also result in an equal and offsetting savings in General Fund appropriations. Other favorable developments affecting the General Fund include:

**(1) Debt Service Savings**

Total savings of \$13.0 million are currently projected in FY 1990 for debt service. Of this, \$9.0 million is associated

with the City's successful short-term note sale. The City sold non-credit-enhanced notes at competitive sale for the first time in more than ten years. The savings in issuance costs, smaller sizing and lower than expected interest rates caused overall costs to be \$9.0 million below the original budget.

The City also delayed a planned general obligation bond issue until early 1990. The delay will result in the deferral of debt service payments originally estimated at \$4.0 million until FY 1991.

**(2) Work Force and Other Savings**

The value of the work force reductions in FY 1989 exceeded the original FY 1990 budget estimates. In combination with anticipated FY 1990 encumbrances that could lapse unexpended by year-end, a total of \$16.0 million in savings is anticipated against original budget.

**(3) Lower FY 1989 Deficit**

The FY 1989 ending fund balance deficit was \$2.2 million lower than originally projected at the time the 1990 budget was adopted. Because the City's Charter requires that any deficit be fully discharged in the subsequent year's budget, the adopted FY 1990 budget contains an extra \$2.2 million, which is available to offset FY 1990 obligations.

**(4) Additional Revenues**

The City currently anticipates receiving \$12.1 million of additional revenues, including state aid in excess of the adopted budget, payments with respect to the Philadelphia Port and additional reimbursement for police training from the Commonwealth.

**(5) Lease Payment Capitalization**

The original FY 1990 budget included appropriations for lease payments to the Philadelphia Municipal Authority with respect to the Criminal Justice Center. Interest earnings on construction funds accumulated during a project delay so that \$12.3 million in payments did not have to be made by the City, thus reducing FY 1990 General Fund requirements.

**Anticipated Course of Action**

The City is taking measures to minimize the projected FY 1990 General Fund deficit, now estimated to be \$61.8 million to \$86.8 million.

On December 28, 1989, the City released its Midyear Financial Report and Five Year Outlook (the "1989 Financial Strategy"). The 1989 Financial Strategy discussed the factors causing the projected Fiscal Year 1990 General Fund deficit and which, if left uncorrected, would lead to increasingly larger deficits in subsequent fiscal years. The 1989 Financial Strategy outlined the elements of a permanent solution which included the following:

- (1) additional base state aid must be provided;
- (2) cost containment--particularly of employee benefits--must continue to generate real City cost savings in future years;
- (3) SEPTA and the Philadelphia School District must have stable and predictable streams of revenue; SEPTA must have a dedicated revenue source; and
- (4) the local tax structure must be revised so that the additional local taxes that are required can be imposed as equitably and with as little adverse impact on the economy and quality of life as possible.

Because most of the options described above require combination of state and local legislative action and, in the case of (2) above, require in part renegotiation or revision of certain collective bargaining agreements, the immediate implementation of these options is not within the City's sole control. On January 30, 1990, the Mayor announced the formation of a Fiscal Advisory Committee to examine the current fiscal position of the City and to recommend a viable course of action to, among other things, address the Fiscal Year 1990 estimated deficit. In addition, on February 7, 1990 the Mayor executed Executive Order No. 3-90, which imposed spending controls on the City. The spending controls included (1) the imposition of strict hiring criteria for all currently authorized but unfilled positions, excepting certain uniformed police, fire and correctional personnel; (2) a freeze on certain unobligated balances so that any additional expenditures and encumbrances would be subject to prior authorization of the Director of Finance; and (3) prior review and approval in writing of the procurement of goods and services.

It is not anticipated that these spending controls will eliminate the FY 1990 deficit by June 30, 1990. In such case, the City Charter requires that the City Council adopt a balanced operating budget for FY 1991, which includes revenues sufficient to discharge the FY 1990 deficit.

The 1989 Financial Strategy also outlined four budget balance options which the City must undertake, either separately or in combination, because the permanent solutions cited above cannot immediately be implemented:

1. Further expenditure cuts affecting the level of municipal services.
2. Sale and disposition of certain municipal assets, as a one-time non-recurring source of supplemental revenues.
3. Increases in taxes, fees and fines imposed by the City.
4. Interim borrowing to cover operating gaps in the short-term and to smooth the fiscal and economic consequences of adopting other long-term structural changes.

It is anticipated that the Mayor's FY 1991 budget proposal, to be announced on March 29, 1990, will draw upon one or more of the options enumerated above to satisfy the City Charter budget balancing requirements. See "Budget Adoption Procedure" in this Appendix C.

TABLE 2  
CITY OF PHILADELPHIA  
PRINCIPAL OPERATING FUNDS (DEBT RELATED)  
SUMMARY OF OPERATIONS  
(Modified Accrual Basis)  
(Amounts in Millions of Dollars)

	Actual						Current (Adopted) 1990	Estimate 1990(d)	
	1983	1984	1985	1986	1987	1988			1989
Cumulative Fund Balance (Deficit) Beginning of Year .....	\$ 29.2	\$ 18.8	\$ 79.7	\$ 67.5	\$ 50.4	\$ 39.8	\$ 18.0	\$ (47.6)	\$ (47.6)
<b>REVENUES</b>									
General Funds (a) .....	1,287.1	1,439.6	1,535.6	1,651.7	1,731.3	1,830.0	1,945.9	2,082.1	2,016.4
Water Fund (b) .....	211.7	201.2	236.2	233.1	254.4	282.6	273.2	282.8	282.8
Aviation Fund (c) .....	51.6	54.6	56.4	60.2	61.2	70.2	72.3	106.2	106.2
Other Operating Funds .....	19.7	17.4	18.3	18.4	18.2	18.7	19.4	65.1	65.1
<b>TOTAL REVENUE .....</b>	<b>1,570.1</b>	<b>1,712.8</b>	<b>1,846.5</b>	<b>1,963.4</b>	<b>2,065.1</b>	<b>2,201.5</b>	<b>2,310.8</b>	<b>2,536.2</b>	<b>2,470.5</b>
<b>OBLIGATIONS/ APPROPRIATIONS</b>									
Personal Services .....	648.9	706.0	730.7	789.2	833.4	885.3	905.8	903.7	921.9
Purchase of Supplies .....	352.9	376.5	468.6	500.5	545.3	605.9	699.9	748.2	755.4
Materials, Supplies and Equipment .....	70.3	70.1	78.3	83.9	84.6	83.5	79.6	88.2	96.5
Employee Benefits .....	240.4	259.0	280.6	293.1	315.9	343.4	355.4	390.0	366.5
Indemnities, Taxes and Grants .....	60.6	35.4	43.6	55.4	65.8	88.4	66.5	48.1	56.6
Debt Service .....	199.7	214.1	238.8	236.9	217.2	214.6	263.8	291.1	280.2
Other .....	-	-	0.4	0.1	-	-	-	5.0	5.0
Payments to Other Funds .....	31.2	26.3	36.1	37.2	33.5	34.5	39.6	33.1	33.6
<b>TOTAL OBLIGATIONS/ APPROPRIATIONS .....</b>	<b>1,604.0</b>	<b>1,687.4</b>	<b>1,877.1</b>	<b>1,996.3</b>	<b>2,095.7</b>	<b>2,265.6</b>	<b>2,410.6</b>	<b>2,517.4</b>	<b>2,515.7</b>
Operating Surplus (Deficit) for the year .....	(33.9)	25.4	(30.6)	(32.9)	(30.6)	(64.1)	(99.8)	18.8	(45.2)
Adjustments to Beginning Fund Balance .....	23.6	35.5	18.4	15.8	20.1	42.3	34.2	23.8	23.8
Adjustments to Ending Fund Balance .....	-	-	-	-	-	-	-	-	-
Cumulative Fund Balance (Deficit) End of Year .....	\$ 18.8	\$ 79.7	\$ 67.5	\$ 50.4	\$ 39.8	\$ 18.0	\$ (47.6)	\$ 1.0	\$ (69.0)

NOTES:

- (a) See Table 1 for details.
- (b) Water and Sewer Rates were increased July 1, 1983 and January 10, 1986. 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 \$4,138,000 per year shall be available for transfers from the Water Fund to the General Fund provided certain other conditions are met.
- (c) Airport revenues are not available for other City purposes.
- (d) Estimate as of February, 1990.

Figures may not add due to rounding.

TABLE 1  
CITY OF PHILADELPHIA  
GENERAL FUND  
SUMMARY OF OPERATIONS  
(Modified Accrual Basis)  
(Amounts in Millions of Dollars)

	1983	1984	1985	1986	1987	1988	1989	Current (Adopted) 1990	Estimate 1990(d)	Increase/ (Decrease)
Cumulative Fund Balance (Deficit) Beginning of Year	\$ 20.9	\$ (17.8)	\$ 25.5	\$ 11.5	\$ 4.7	\$ 12.4	\$ (32.1)	\$ (77.4)	\$ (75.2)	\$ 2.2
<b>REVENUES</b>										
Real and Personal Property Taxes	233.4	238.3	228.3	241.2	261.3	275.2	286.7	322.7	322.7	-
Wage and Earnings Tax	575.2	671.2	712.5	753.3	803.6	856.7	892.3	961.0	937.3	(23.7)
Net Profits Tax	31.3	38.9	33.1	25.7	31.3	31.6	21.7	23.4	20.4	(3.0)
Mercantile License Tax/ Business Privilege (a)	75.6	86.8	107.1	135.2	158.6	165.7	201.7	204.6	209.1	4.5
Other Taxes	29.7	40.9	48.9	60.0	73.8	86.7	89.0	106.9	98.6	(8.3)
Total Taxes	945.2	1,076.1	1,129.9	1,215.4	1,326.6	1,415.9	1,491.4	1,618.6	1,588.1	(30.5)
Locally Generated Non-Tax Revenue	77.6	92.0	102.5	106.8	100.4	106.9	123.4	130.5	116.6	(13.9)
Revenue from Other Governments	248.9	257.6	286.6	315.5	286.9	288.7	310.8	311.1	292.7	(19.0)
Receipts from Other City Funds	15.4	13.9	16.6	14.0	17.4	19.5	20.2	21.9	19.6	(2.3)
<b>TOTAL REVENUE</b>	<u>1,287.1</u>	<u>1,439.6</u>	<u>1,535.6</u>	<u>1,651.7</u>	<u>1,731.3</u>	<u>1,830.0</u>	<u>1,945.9</u>	<u>2,082.1</u>	<u>2,016.4</u>	<u>(65.7)</u>
<b>OBLIGATIONS/APPROPRIATIONS</b>										
Personal Services	589.9	642.7	663.8	712.6	753.1	797.0	810.7	798.5	816.7	18.2
Purchase of Services	302.4	331.4	411.9	435.5	472.0	533.1	623.9	614.1	621.3	7.2
Materials, Supplies and Equipment	48.0	49.2	51.8	50.9	48.4	51.7	51.3	57.6	55.9	(1.7)
Employee Benefits	222.8	240.7	258.7	269.2	286.4	313.4	321.3	349.5	326.0	(23.5)
Indemnities, Taxes and Grants (b)	59.1	33.9	42.0	54.6	63.7	83.0	59.9	43.5	52.0	8.5
Debt Service	112.2	113.7	121.6	120.9	98.8	83.7	129.3	137.5	126.6	(10.9)
Other	-	-	0.4	0.1	-	-	-	4.0	4.0	-
Payments to Other Funds	7.9	10.4	11.2	17.5	11.6	12.5	14.5	13.0	13.5	0.5
<b>TOTAL OBLIGATIONS/ APPROPRIATIONS</b>	<u>1,342.3</u>	<u>1,421.9</u>	<u>1,561.4</u>	<u>1,661.3</u>	<u>1,734.0</u>	<u>1,894.4</u>	<u>2,010.9</u>	<u>2,017.7</u>	<u>2,016.0</u>	<u>(1.7)</u>
Operating Surplus (Deficit) for the Year	(55.2)	17.7	(25.8)	(9.6)	(2.7)	(64.4)	(65.0)	64.4	.4	(64.0)
Adjustments to Beginning Fund Balance	16.5	25.6	11.8	2.8	10.4	19.9	21.9	13.0	13.0	-
Adjustments to Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
Cumulative Fund Balance (Deficit) End of Year	\$ (17.8)	\$ 25.5	\$ 11.5	\$ 4.7	\$ 12.4	\$ (32.1)	\$ (75.2)	\$ 0.0	\$ (61.8)(c)	\$ (61.8)

NOTES:

- (a) Ordinance enacted by the City of May 31, 1984, repealed the Mercantile License Tax and imposed a new Business Privilege Tax beginning July 1, 1984, on persons engaging in business within the City. (See "Revenues and Expenditures of the City - Business Privilege Tax" for explanation and tax rates.)
- (b) Includes the City's contributions to the School District in Fiscal Years 1983 (\$22.6 million), 1984 (\$6.2 million), 1985 (\$2.2 million), and 1988 (\$8.0 million). There were no contributions in Fiscal Years 1986, 1987, 1989 or 1990.
- (c) This number does not reflect a possible liability of \$25.0 million that could result from an adverse court decision regarding the City's realty transfer tax litigation. (See "LITIGATION AND OTHER MATTERS" in this Appendix C.)
- (d) Estimate as of February, 1990.

Figures may not add due to rounding.

## THE ECONOMY

The Philadelphia economy is composed of a diversity of industries. Virtually all classes of industrial and commercial business are represented. Philadelphia is a major business and personal service center with strengths in insurance, law, finance, health, and education. When the Industrial Revolution transformed America, Philadelphia earned the title of "Workshop of the World". Now the service industry is changing the way America works and, once again, Philadelphia is responding with substantial growth in the service sector.

The cost of living in Philadelphia is relatively moderate compared to other major metropolitan areas. Along with a relatively low cost of living, Philadelphia also offers a generally lower cost for business operations. Philadelphia as one of the country's education centers offers the business community a large, diverse and industrious labor pool. Robust office rental activity in Center City has resulted in rapid appreciation in rental rates. Between 1984 and the end of 1987, average office rental rates per square foot increased by approximately \$1.85 (6.5 percent) for prime new space in Center City. Despite these increases in the rental cost per square foot, office rental rates in Philadelphia remained competitive in comparison to most other major cities. The table below compares the rental costs available in Philadelphia's central business district to average rates recorded in the central business districts of other major cities.

TABLE 3

Average Cost Per Square Foot of Office Space  
in Selected Cities

<u>City</u>	<u>New CBD Space</u>	<u>City</u>	<u>Existing CBD Space</u>
Pittsburgh . . . . .	\$27.50	Pittsburgh . . . . .	\$18.59
Hartford . . . . .	29.00	PHILADELPHIA . . . . .	22.10
PHILADELPHIA . . . . .	30.10	Hartford . . . . .	25.00
Los Angeles . . . . .	34.00	Chicago . . . . .	28.95
Washington . . . . .	34.00	Washington, DC . . . . .	32.00
Chicago . . . . .	38.08	Los Angeles . . . . .	34.00
Boston . . . . .	42.00	Boston . . . . .	35.00
New York . . . . .	52.00	New York . . . . .	40.00

Notes: Rental costs include base rent plus operating costs. CBD means central business district.

Source: International Office Market Report - Spring/Summer 1988

As shown in the table, Philadelphia was the third most competitive among eight major cities for new office space and the second most competitive for existing space.

Because of strong office development activity in recent years, occupancy rates (the percent of total available space that is either occupied or committed through pre-leasing arrangements), have recently been decreasing. Set forth below is a table comparing office vacancy rates in major U.S. cities, including Philadelphia:

Table 4

Office Vacancy Rates: Top Ten Cities

<u>City</u>	<u>Vacancy Rate</u>
New York City . . . . .	9.7%
Boston . . . . .	12.6%
San Francisco . . . . .	15.0%
Baltimore . . . . .	15.8%
PHILADELPHIA . . . . .	16.5%
Chicago . . . . .	17.0%
Los Angeles . . . . .	19.0%
Dallas . . . . .	29.1%
Houston . . . . .	31.8%
Detroit . . . . .	N/A

Source: International Office Market Report, Spring/Summer 1988

## Employment

Since 1983, overall employment has expanded. Philadelphia's 1988 non-farm payroll employment represented approximately 33.5 percent of the metropolitan area's (Philadelphia PMSA) total employment. The employment changes within the City principally have been due to declines in the manufacturing sector and the relatively stronger performance of the service industries. The Philadelphia unemployment rate has remained at or below the national average since 1985.

TABLE 5

### Labor Force Data

	<u>1980</u>	<u>1982</u>	<u>1984</u>	<u>1986</u>	<u>1988</u>
<b>Philadelphia (000)**</b>					
Labor Force . . . . .	694.7	692.9	700.6	728.6	747.6
Employment . . . . .	634.5	622.1	636.5	678.6	702.7
Unemployment . . . . .	60.3	70.8	64.0	50.0	44.9
Unemployment Rate (%) . . . . .	8.7	10.2	9.1	6.9	6.0
<b>Philadelphia, PA - NJ PMSA (000)**</b>					
Labor Force . . . . .	2,173.5	2,207.4	2,253.9	2,364.9	2,465.1
Employment . . . . .	2,025.9	2,018.3	2,101.1	2,241.8	2,355.4
Unemployment . . . . .	147.6	189.2	152.7	123.2	109.7
Unemployment Rate (%) . . . . .	6.8	8.6	6.8	5.2	4.4
<b>United States (000,000)</b>					
Labor Force . . . . .	107.0	110.3	113.5	117.8	122.0
Employment . . . . .	99.3	100.4	105.0	109.6	115.2
Unemployment . . . . .	7.7	8.3	8.5	8.2	6.9
Unemployment Rate (%) . . . . .	7.2	7.6	7.5	7.0	5.6

\*\* Re-benchmarked Figures

Source: Commonwealth of Pennsylvania Department of Labor and Industry, Office of Employment Security (Research and Statistics) and Wharton Econometrics

TABLE 6

City of Philadelphia Non-Farm Payroll Employment

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Total Employment . . . . .	752.4	755.5	762.6	774.7	777.8
Manufacturing . . . . .	109.2	103.2	100.0	96.0	94.0
Non-Manufacturing . . . . .	643.8	652.3	662.6	678.7	683.8
Construction . . . . .	17.2	17.5	18.5	17.7	17.8
Transportation/Public Facilities . .	46.4	45.2	44.8	45.0	46.0
Trade . . . . .	145.0	145.7	148.3	148.6	151.3
Finance/Insurance/Real Estate . . . .	66.4	66.6	69.4	73.3	74.1
Services . . . . .	228.5	235.9	242.3	250.8	247.6
Government . . . . .	140.3	141.5	139.2	143.3	147.0

Amounts in thousands

Source: Commonwealth of Pennsylvania Department of Labor and Industry, Office of Employment Security (Research and Statistics)

**Income**

Over the past ten 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 Philadelphia wage earners. The following table shows comparable data relating to personal and disposable income for the City, the Philadelphia PMSA, and the United States.

**TABLE 7**

**Income Statistics**

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
<b>Personal Income (Billions\$)</b>				
Philadelphia . . . . .	18.6	19.6	20.5	23.0
Philadelphia PMSA. . . . .	65.5	70.1	74.5	N/A
United States. . . . .	3,012.1	3,314.5	3,485.7	3,746.2
<b>Per Capita Personal Income</b>				
Philadelphia . . . . .	11,247.3	11,928.9	12,473.1	N/A
Philadelphia PMSA. . . . .	13,736.3	14,652.4	15,438.2	N/A
United States. . . . .	12,683.0	13,582.0	14,381.3	N/A
<b>Disposable Personal Income (Billions\$)</b>				
Philadelphia . . . . .	15.5	16.4	17.4	18.0
Philadelphia PMSA. . . . .	56.5	60.3	64.2	N/A
United States. . . . .	2,576.8	2,828.0	2,971.6	3,181.5
<b>Disposable Personal Income Per Capita (\$)</b>				
Philadelphia . . . . .	9,407.7	9,974.3	10,556.7	N/A
Philadelphia PMSA. . . . .	11,848.8	12,604.0	13,151.4	N/A
United States. . . . .	10,850.0	11,818.0	12,307.3	N/A

Source: Wharton Econometric Forecasting Associates

## Retail Sales

Over the past decade, year to year retail sales performance has been somewhat unstable, but as a result of substantial decreases in durable goods sales, overall retail sales in Philadelphia dropped 20 percent between 1978 and 1987. In striking contrast, retail sales in the Philadelphia PMSA increased by 79 percent. This disparity suggests that the City lost a considerable amount of retail sales activity to the suburbs, where retail construction has been extremely strong. The following table compares retail sales activity between the City, the City's PMSA, and the United States.

TABLE 8

### Retail Sales

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
<b>Philadelphia (Billions)</b>					
Durable Goods . . . . .	1.3	1.4	1.2	1.1	2.1
Non-Durable Goods . . . . .	5.0	5.1	5.3	5.1	4.8
Total . . . . .	6.3	6.5	6.5	6.2	6.9
Total Per Capita (\$) . . . . .	3,799.1	3,938.6	3,956.2	3,770.9	N/A
<b>Philadelphia PMSA (Billions)</b>					
Durable Goods . . . . .	7.1	8.4	9.8	11.9	11.1
Non-Durable Goods . . . . .	14.8	16.0	17.3	18.0	18.5
Total . . . . .	21.9	24.4	27.1	30.1	29.6
Total Per Capita (\$) . . . . .	4,619.0	5,125.0	5,659.9	6,246.5	N/A
<b>United States PMSA (Billions)</b>					
Durable Goods . . . . .	395.8	463.0	511.3	562.8	421.9
Non-Durable Goods . . . . .	775.6	830.9	866.5	882.7	997.9
Total . . . . .	1,171.4	1,293.9	1,377.9	1,445.5	1,419.8
Total Per Capita (\$) . . . . .	4,997.0	5,448.0	5,740.0	5,983.1	N/A

Source: Wharton Econometric Forecasting Associates

## Infrastructure

Transportation. The residents of the City and surrounding counties are served by a commuter system operated by the Southeastern Pennsylvania Transportation Authority ("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 surrounding counties. A direct high speed train line runs from southern New Jersey to Center City and is operated by the Delaware River Port Authority ("DRPA"). 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, which places the airport less than 25 minutes from the Center City business district and connects directly with the commuter rail network and the site of the planned Convention Center. More than 100 truck lines serve the Philadelphia Area. One major line has added eight terminals in less than seven years.

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 and the high speed line to New Jersey, and the airport high speed line.

Amtrak, SEPTA, Conrail and CSX provide inter-city, commuter and freight rail services connecting Philadelphia to the other major cities and markets in the United States.

Airports. The City owns the Philadelphia International Airport located eight miles southwest of Center City and a smaller airport in Northeast Philadelphia. The International Airport is accessible by major highways within the City and from surrounding communities. Philadelphia International Airport is the principal air carrier airport serving the City of Philadelphia and the surrounding metropolitan area. Philadelphia is classified as a large air traffic hub by the Federal Aviation Administration (FAA).

The Airport is served by 11 scheduled major and national passenger airlines and 14 regional and commuter airlines. Passenger enplanements increased steadily and rapidly from 4.5 million in Fiscal Year 1983 to 7.8 million in Fiscal Year 1988, an average annual increase of approximately 10%.

In addition to increases in originating passenger traffic at the Airport, connecting passenger traffic increased significantly between Fiscal Year 1985 and Fiscal Year 1988. Much of the increase in connecting traffic is a result of the increased activity at Philadelphia by USAir, which began a significant expansion of its hubbing operations at the Airport in 1986. Midway Airlines has begun hub operations in Philadelphia, making it the second largest airline at the airport, and once again substantially increasing airport traffic.

The Airport is also served by 5 international airlines, 5 charter airlines, and 9 all-cargo airlines. Much of the charter activity is by commercial airline flights for the Military Airlift Command (MAC).

Because of the increased activity in international traffic, the City is in the process of completing an additional terminal which it intends to operate as a joint domestic/international facility.

In 1985, United Parcel Service, Inc. (UPS) selected the Airport as its site for construction of a major East Coast hub package handling and sorting facility. This facility began operations in September 1989. More recently, the U.S. Postal Service announced plans to construct a new 30-acre air mail facility at the Airport.

Port of Philadelphia. The City's port is the world's largest freshwater port and one of its highest tonnage ports. It is one of the distribution centers for northeastern United States imports and is utilized for the cruise business as well. Port facilities can be purchased or leased in the foreign trade zone for international business. General cargo facilities, including two modern container terminals, are publicly owned and privately operated. A recently completed auto import/export terminal further contributes to the port's economic diversity. Plans to update and modernize existing facilities are now being implemented.

In July 1989 the Governor of Pennsylvania signed legislation creating a state port authority, the Philadelphia Regional Port Authority, which is ultimately expected to unify operation of the ports of Southeastern Pennsylvania and Southern New Jersey. The establishment of this agency releases significant state funding for improvements to Philadelphia's port. Other targeted goals under the new authority include the development of a rail yard at the Port.

### Utilities

"Water and Wastewater". 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 (129 square mile service area) and a relatively smaller quantity of water to the Bucks County Water and Sewer Authority. The City obtains approximately 55 percent of its water from the Delaware River and the balance from the Schuylkill River. Water treatment is provided by three plants. The water system serves over 500,000 households through 3,300 miles of mains and provides fire protection through more than 26,700 fire hydrants.

The wastewater system services a total of 279 square miles of which 129 square miles are within the City and 148 square miles are in suburban areas. The total population served is approximately 2,354,900 according to the 1980 Census. The wastewater system contains three water pollution control plants, 16 pumping stations and approximately 2,920 miles of sewers. By order of the Delaware River Basin Commission, the City is required to achieve effluent limitations which are considered more stringent than those required to achieve secondary treatment levels as defined in the Federal Water Pollution Control Act Amendments of 1972.

"Philadelphia Gas Works". Philadelphia Gas Works ("PGW") is owned by the City and stores, processes and distributes, as sole supplier, gas within the entire 129 square mile area of the City. PGW is managed by the Philadelphia Facilities Management Corporation. Rates and charges are fixed by the Gas Commission, established under the Home Rule Charter.

"Solid Waste Disposal". The City is responsible for collecting solid wastes from other than industrial or commercial sources. Approximately 3,200 tons per day of solid waste is collected by the City. Municipal solid waste is disposed of at various landfills operated outside City limits. The City has entered into an agreement through 1994 with a major private contractor for landfill space.

### **Housing**

Philadelphia boasts a diversity of neighborhoods and housing opportunities. There are over 100 neighborhoods, some of which trace their origin to the eighteenth century and the early settlements of Philadelphia. The City offers a wide spectrum of residential possibilities.

Although median sales prices of single family housing units have doubled since 1980, housing prices in Philadelphia are still relatively low in comparison to other major cities. Philadelphia also has significantly higher percent of owner-occupancy than most comparable major cities. New residential development in Philadelphia has also been strong, particularly since 1984. Most of this activity has been concentrated in the far Northeast and in Center City.

**TABLE 9**  
**Housing Affordability in Major Cities**

<u>City</u>	<u>Percentage (1)</u>
San Diego . . . . .	33.3%
New York City Area. . . . .	33.1
Boston Area . . . . .	32.9
Los Angeles Area. . . . .	31.7
San Francisco Bay Area. . . . .	28.2
Phoenix . . . . .	28.2
U.S. Average. . . . .	28.0
Washington. . . . .	27.5
Atlanta . . . . .	27.3
Baltimore . . . . .	27.1
Dallas-Ft. Worth. . . . .	27.0
Houston Area. . . . .	25.3
PHILADELPHIA AREA . . . . .	25.1
Chicago . . . . .	24.8
Detroit-Ann Arbor . . . . .	23.4
Kansas City . . . . .	22.9
Miami-Ft. Lauderdale. . . . .	22.1
Cleveland Area. . . . .	20.2
St. Louis . . . . .	18.2

Source: U.S. Housing Markets/The Lomas & Nettleton Co.

(1) Represents the percent of average income in each market needed for payments on an average conventionally financed house bought in 1987.

**Real Estate**

While the City's housing market has remained fairly stable, there has been significant development in the commercial area. Primarily fueled by the expansion of the service sector, commercial and office construction has been strong since 1983. Total investment in commercial and office development has been impressive and compared to other major cities, rental and operating costs per square foot in Philadelphia are still extremely competitive. The tables below summarize certain information concerning real estate assessments and construction activity.

TABLE 10  
Construction Authorized by Building Permit  
Declared Valuation  
(Millions of Dollars)

	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other (a)</u>	<u>Total</u>	<u>New Housing Units Authorized</u>
1979.....	\$56.9	\$122.1	\$9.6	\$138.4	\$327.0	\$2,190
1980.....	116.2	128.2	18.8	372.2 (b)	635.4	2,704
1981.....	99.1	160.9	16.0	151.9	427.9	2,060
1982.....	88.0	111.4	11.3	166.9	377.6	1,768
1983.....	56.6	124.2	16.0	125.8	322.6	1,152
1984.....	66.7	197.0	44.2	233.7	541.7	1,498
1985.....	147.7	317.7	32.0	94.8	592.2	3,027
1986.....	113.6	197.7	37.8	281.4	630.8	2,592
1987.....	96.8	(c)	(c)	18.2	643.4	1,561
1988.....	143.5	(c)	(c)	13.0	896.0 (d)	2,549

(a) Includes construction by government, medical and educational units.

(b) Major projects were undertaken by the Water Department, the Community College, the City (Commuter Tunnel) and various hospitals.

(c) Commercial and industrial building permits aggregated \$528.3 in 1987 and \$739.4 in 1988.

(d) Amounts shown for 1988 are for the eight months ended August 31, 1988.

Figures may not add due to rounding.

Source: City of Philadelphia, Department of Licenses and Inspections.

**TABLE 11**  
**Ten Highest Certified Market and Assessment Values**  
**For Tax Year 1989 of Fully Taxable Properties**

<u>Location</u>	<u>Market Value</u>	<u>Assessment Value</u>
1500-42 Market St. . . . .	\$212,676,000	\$64,228,152
1600-22 Market St. . . . .	125,000,000	37,750,000
1414A-38 S. Penn Sq. (Air Rights)	99,387,000	30,014,874
1414-38 S. Penn Sq. (Land) . . .	<u>8,067,850</u>	<u>2,436,491</u>
	107,454,850	32,451,365
1700-40 Market St. . . . .	92,583,100	27,960,096
1818-28 Market St. . . . .	85,465,200	25,810,490
1601-23 Market St. . . . .	79,306,000	23,950,412
130 N. 18th St . . . . .	75,029,100	22,658,788
1801-21 Market St. . . . .	74,797,000	22,588,694
2000-24 Market St. . . . .	73,337,000	22,148,046
200 N. 16th St . . . . .	73,000,000	22,046,000

Source: City of Philadelphia, Board of Revision of Taxes

TABLE 12

Ten Highest Certified Market and Assessment Values  
For Tax Year 1989 of Real Estate Tax Abated Properties

<u>Location</u>	<u>Market Value</u>	<u>Taxable Assessment Value</u>	<u>Exempt Assessment Value</u>
2001-51 Market Street . . . . .	\$123,000,000	\$6,984,705	\$30,161,295
1650 Market Street . . . . .	111,914,400	3,925,517	29,872,632
701-39 Market Street . . . . .	100,000,000	3,400,000	26,800,000
4301 Byberry Road . . . . .	94,530,000	7,746,300	20,801,760
1835 Market Street . . . . .	87,269,400	1,948,502	24,406,857
1101-11 Market Street . . . . .	85,000,000	1,397,900	24,272,100
1601-29 JFK Boulevard . . . . .	74,439,000	7,787,000	14,693,759
200 South Broad Street . . . . .	70,545,000	5,760,000	15,544,590
124-48 South Sixth Street . . . . .	70,000,000	8,500,000	12,640,000
One South Delaware Avenue . . . . .	68,134,900	-0-	20,576,740

Source: City of Philadelphia, Board of Revision of Taxes

## LITIGATION AND OTHER MATTERS

The following discussion concerning claims against the City, prepared by the Law Department of the City, does not include litigation concerning the Philadelphia Gas Works or the School District, which is a separate governmental entity. A discussion of litigation involving the Philadelphia Gas Works is set forth in the section entitled "LITIGATION" included in the forepart of this Official Statement.

The City is represented in its litigation by the City Solicitor and her staff which comprise the Law Department. The Law Department does not represent the Gas Works or the School District; however, the Law Department acts on behalf of the City and the School District in respect of matters arising from the selection of subjects of taxation and rates of taxation by City Council and collection of taxes by the City for the School District.

Generally, judgments and settlements on claims against the City are payable out of the General Fund, except for claims against the Water Department and the Aviation Division. Claims against the Water Department are paid first from the Water Fund and only secondarily from the General Fund which is then reimbursed by the Water 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. The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act," establishes a \$500,000 aggregate limitation on damages arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been upheld by the Pennsylvania Supreme Court. In February, 1987, an appeal of that decision to the United States Supreme Court was dismissed for want of jurisdiction.

### General

Various claims have been asserted against the City from time to time, and in some cases suits thereon have been instituted. Many of these claims are reduced to judgment or otherwise settled in a manner requiring payments by the City. As of March 1989, the estimate of the aggregate loss which would result from claims in which some amount of loss is deemed to be probable was approximately \$34,000,000. The City believes that these claims will not have a material adverse effect on the financial position of the City. Included among these claims are several actions involving catastrophic injuries. The potential exposure in many of these cases is well in excess of \$500,000, and in certain of these cases the City may be liable in such amounts, notwithstanding

the \$500,000 limitation on cases brought under the Political Subdivision Tort Claims Act mentioned above.

### Specific Litigation

Not included in the above claims are the following matters:

As part of the City's budget adoption process for Fiscal Year 1989 beginning July 1, 1988, City Council enacted an ordinance increasing the City realty transfer tax by 1.57% of the value of the property. The Ordinance, Bill No. 164, was signed by the Mayor on June 16, 1988. On June 24, 1988, a taxpayer and a consumer activist organization filed suit in the Court of Common Pleas of Philadelphia County (June Term 1988, No. 3659), alleging that the tax increase ordinance was improperly enacted. On June 30, 1988, the Court granted a preliminary injunction restraining implementation of the tax increase pending full hearing of the case. The injunction was upheld on appeal by the Commonwealth Court on November 15, 1988. On December 16, 1988 the City filed an immediate petition with the Pennsylvania Supreme Court for permission to appeal to that Court. Both the original plaintiffs and the Philadelphia Board of Realtors, who have joined as plaintiffs in the suit, filed briefs in opposition. On October 24, 1989, the Supreme Court denied the City's petition. On October 31, 1989, the City filed an application with the Supreme Court for reconsideration of its order denying the City's petition for appeal. No ruling has been made to date. On December 8, 1989, the Court of Common Pleas, in consolidating the preliminary and permanent injunctive hearings before it, ruled that the City was permanently enjoined from enforcing the provisions of Ordinance No. 164 and imposing and collecting any increase in the amount of real estate transfer tax pursuant to Ordinance No. 164 on or after July 1, 1988. The City has notified the Supreme Court of this order and has requested the Supreme Court to consider the consolidated record of the Court of Common Pleas as part of the record currently before the Supreme Court on reconsideration. Since the appeal process has precluded the injunctive order of the Court of Common Pleas from going into effect, the City has collected the entire increased tax for Fiscal Year 1989. Meanwhile, another year's (Fiscal Year 1990) budget has been adopted. As part of that process, City Council enacted a new realty transfer tax ordinance, Bill No. 440, which was signed by the Mayor on June 1, 1989. Bill No. 440 includes a retroactive provision that maintains the 1.57% increase in the tax for Fiscal Year 1989 if the Supreme Court strikes down Bill No. 164. On July 10, 1989, the Board of Realtors filed in the Court of Common Pleas a motion to amend the complaint in the case challenging Bill No. 164. The proposed Amended Complaint alleged that the retroactive provisions of Bill No. 440 are invalid. On November 13, 1989, the Court of Common Pleas denied the motion to amend the complaint. On November 2, 1989, a group of taxpayers, who paid the increased realty transfer tax in Fiscal Year 1989, filed a class action suit in the Court of Common Pleas (Haas, et

al., v. Department of Revenue, City of Philadelphia, October Term 1989, No. 7152) seeking refunds for all taxpayers who paid the increased realty transfer tax in Fiscal Year 1989. On January 16, 1990, the City filed preliminary objections to the class action suit. Meanwhile, the Board of Realtors, with the approval of the class action plaintiffs, has petitioned the Pennsylvania Supreme Court to assume extraordinary jurisdiction over "this matter" (i.e., the prior suit and the class action suit) and order refunds. The City believes that this petition is meritless and that the Supreme Court will not take such jurisdiction. The City will continue to vigorously defend the validity of both tax increase ordinances and believes that its position is supported by persuasive legal precedent. In the event both Bill No. 164 and the retroactive provisions of Bill No. 440 are eventually held invalid, the City may be required to rebate all or a portion of amounts collected as a result of the 1.57% increase. The total collection of such amounts for Fiscal Year 1989 was \$25 million.

The largest City employees' union, District Council #33, American Federation of State, County and Municipal Employees, AFL-CIO ("District Council #33"), and the Trustees of that union's Health and Welfare Fund, instituted three suits against the City in the Court of Common Pleas of Philadelphia County alleging underpayment by the City in its contributions to the District Council #33 Health and Welfare Fund. The first suit (C.P. January Term 1983, No. 3504), relating to payments due under the collective bargaining agreement in force between July 1, 1982 and June 30, 1984, was litigated through the appellate courts and ultimately resulted in court ordered payments by the City totaling \$27.2 million, including \$3.9 million being withheld pending resolution of a dispute over proper allocation of attorneys' fees. The second suit (C.P. May Term 1985, No. 4134), concerns an agreement in force between July 1, 1984 and June 30, 1986, in which District Council #33 seeks damages described in the Complaint as in excess of \$17 million. In the third suit (C.P. June Term 1986, No. 5932), concerning an agreement in force between July 1, 1975 and December 31, 1982, District Council #33 seeks damages described in the Complaint as in excess of \$20 million. On June 29, 1989, the City entered into a settlement agreement with District Council #33 concerning the second and third suits pursuant to which the City has agreed to pay District Council #33 the sum of \$35,270,175.00 over a six-year period beginning in Fiscal Year 1991 and ending in Fiscal Year 1996.

On December 1, 1988, the Supreme Court of Pennsylvania ordered the City to spend an additional \$54 million to fund the operations of the Philadelphia court system during Fiscal Year 1989. The order was entered in an Action in Mandamus against the City initiated in June 1988 by the Court of Common Pleas of Philadelphia County, other local judicial agencies, and the Sheriff of Philadelphia, encaptioned Bradley, et al. v. Goode, et al., June Term 1988, No. 5132. The same plaintiffs had also filed an Action

in Mandamus against the Commonwealth of Pennsylvania in the Commonwealth Court, encaptioned Bradley, et al. v. Casey, et al., No. 1573, C.D. 1988, seeking to enforce compliance with a December 1987 decision of Pennsylvania Supreme Court (County of Allegheny v. Commonwealth, 517 Pa. 65, 534 A.2d 760) requiring that the Commonwealth fully fund local judicial operations. On consolidated hearing of both Actions in Mandamus, the Commonwealth Court held that the Commonwealth is not responsible to provide funding for the Philadelphia judicial system for Fiscal Year 1989 and barred the City from presenting evidence of its overall financial situation as a factor in the Court's determining the "reasonable and necessary" funding of the system. The Supreme Court's Order of December 12, 1988 was entered on the City's and Common Pleas Court's appeals from the Commonwealth Court's decisions. On June 16, 1989, the same plaintiffs filed an action against the City in the Court of Common Pleas seeking in excess of \$25 million for additional funding of local court operations in Fiscal Year 1990 (Bradley, et al. v. Goode, et al., June Term 1989, No. 2595). The City is vigorously defending this action. On August 31, 1989, the trial court entered an Order, based upon stipulation of the parties, directing the commission of an independent study of local court management and financial needs, and directing the City to provide interim funding of the local courts until completion of the mentioned study, at the level of previous Fiscal Year funding with certain increases reflecting anticipated salary increases for certain local court employees. Upon completion of the study, the parties will resume litigation of this matter, relying upon estimates and recommendations of the study. The City will continue to vigorously defend this litigation. The City believes the additional expenditures occasioned by the stipulation will not have an adverse effect on the cash position of the General Fund.

On December 26, 1985, the City was served with a complaint alleging sex discrimination in its employment practices. The suit was filed in the U.S. District Court for the Eastern District of Pennsylvania (C.A. No. 85-7418) by District Council #33 and ten individual City employees. The complaint was not accompanied by any request for preliminary relief. On August 14, 1986, the City's motion to dismiss the complaint was denied. On January 20, 1988 a class was certified and discovery has begun.

On January 18, 1990 a jury in the Federal Court for the Eastern District of Pennsylvania entered a verdict in the amount of \$2.4 million against the City and some officials in Keenan v. City of Philadelphia, et al., C.A. No. 88-7156. The case involved allegations of sex discrimination in the Police Department. The City has already filed post-verdict motions asserting major errors with the verdict, particularly its amount, and intends to vigorously argue its appeal.

In October 1988 fifteen (15) Police Detectives filed an age discrimination Complaint against the City encaptioned Brignola v.

City of Philadelphia, No. 88-8116. The Detectives allege they were transferred from the Homicide Unit to other Police Department Detective Units based on their age. Although the plaintiffs seek over \$2,000,000.00 in damages, the City has denied any liability and intends to vigorously defend against the suit.

On October 23, 1989, a complaint was filed against the City in the Court of Common Pleas encaptioned Temple University v. City of Philadelphia, October Term, 1989, No. 4518. The plaintiff is seeking declaratory and injunctive relief which would require the City to pay for emergency and non-emergency inpatient and outpatient hospital care rendered by Temple University Hospital to indigent City residents. Although the plaintiff is seeking an amount in excess of \$20,000 for free care allegedly provided by it, the City may incur multimillion dollar liability should it lose this case. The City has filed preliminary objections to the complaint, denying liability for such payments.

On May 13, 1985, when City Police were attempting to serve warrants on members of the radical organization known as "MOVE", a fire occurred which destroyed approximately 60 homes and caused damage to numerous others. The City has rebuilt the destroyed homes, repaired the damaged homes and resolved many property damage claims. To date, 38 lawsuits have been filed arising out of the fire, 28 of which have been settled, withdrawn, dismissed or consolidated. Of the 10 active cases, 9 are pending in federal district court and 1 case is pending in state court. The federal court cases include: a class action, filed on behalf of all persons (except MOVE members) who lived in the sixty homes and sustained damage as a result of the fire and have not yet reached settlement with the City; 1 case involving persons who have opted out of the class; 3 suits filed on behalf of persons who died in the fire; 2 suits by the surviving residents of the MOVE house; and 2 suits disputing prior settlements. All federal court actions seek compensatory and punitive damages in an unspecified amount in excess of \$75,000 in addition to attorneys' fees and costs, for claimed violations of federal constitutional law and state law. In the state court, one of the actions was commenced by summons only and was brought on behalf of persons who died in the fire. The other action, brought by the child of a deceased MOVE member and the child's father, seeks compensatory damages in an amount in excess of \$20,000 in addition to attorneys' fees and costs, for claimed violations of state law, and it duplicates an action brought in federal court. Since more than four years have now passed from the date of the incident, the City does not expect any more suits to be filed. While participating fully in relief efforts, the City also intends to defend vigorously all claims asserted in the described suits. On the basis of information currently available, the City does not expect any litigation or other claims arising from this incident to have a material adverse effect on the financial condition of the City.

In May 1989, an action was instituted against the City in the Court of Common Pleas (Bulkhandling Inc. v. City of Philadelphia, May Term, 1989, No. 2193), asserting liability on the part of the City, in excess of \$4.5 million, in connection with a contract in which Bulkhandling Inc. had agreed to dispose of a quantity of incinerator ash from the City's Northwest Incinerator. The City denies any liability in this matter and has asserted a counter-claim against Bulkhandling Inc.

In July 1989, an action was instituted against the City in the Court of Common Pleas encaptioned Tony DePaul & Sons v. City of Philadelphia, July Term, 1989, No. 2426. This claim is brought by the general contractor on the East Market Street reconstruction project. The plaintiff is alleging that the City is liable to plaintiff for damages in excess of \$1 million for breach of contract and delay on the project. The City has answered the complaint, denying all liability. Discovery is proceeding.

In 1971 and 1982, two complaints were filed against the City which alleged that the City was violating the constitutional rights of the plaintiffs by imprisoning them in overcrowded and deficient prison facilities (Jackson v. Hendricks, February Term, 1971, No. 2437 was filed in state court in 1971; Harris v. Reeves, C.A. No. 82-1847 was filed in federal court in 1982). Remedies claimed include expanded prison facilities (which, if undertaken, would be incorporated in the City's capital budget), as well as increased staff and repairs to existing facilities. If these remedies were implemented, the cost for repairs could be as much as \$10 million, and the increase in annual personnel costs could be as much as \$7 million. On August 4, 1988 the court approved a consent decree entered into by the City and the plaintiff in respect to the remedies requested. On January 4, 1990, the court ordered the City to comply with the consent decree. In consideration of budget constraints and a need for timeline flexibility, the City filed a motion with the court for reconsideration of the January 4, 1990 order. The City's motion was granted.

In July, 1986, an action was instituted against the City in the U.S. District Court for the Eastern District of Pennsylvania, Walton v. City, et al. (C.A. No. 86-3964) asserting liability on the part of the City in excess of \$3 million in connection with a particular case of child abuse involving permanent brain injury. The asserted City liability is premised upon alleged negligence and violation of the child's civil rights by failing to protect the child from parental abuse. The City denies any liability in this matter. Proceedings in Walton v. City were suspended by the District Court pending a decision by the United States Supreme Court in a related case. The February 22, 1989 decision by the Supreme Court in Deshaney v. Winnebago County Dept. of Social Services et al., 57 U.S.L.W. 4218 (1989), has released the case from suspension. The Court in Walton v. City established an activity schedule on March 14, 1989. The City believes the

Deshaney decision greatly increases the likelihood of its success in the case, and has filed a motion requesting that judgment be entered in favor of the City. The motion is currently pending.

In 1986, a complaint was filed against the City in federal court (McLaughlin v. City of Philadelphia, 693 F.Supp. 318 (1988)) challenging the City's decision to remove a child from the care of the plaintiff foster parents allegedly because of the race of the plaintiffs. In 1988, the court issued an injunction ordering the City to make plans to return the foster child to the care of the plaintiffs. The City has complied and the plaintiffs currently have physical custody of the child. However, there is a damage issue remaining in this case in which the plaintiffs are seeking in excess of \$1 million. Settlement negotiations are in progress and there is a likelihood that the City will be able to settle this issue for less than \$1 million.

In 1988, a complaint was filed against the City and the Commonwealth in federal court (Edward K. v. City of Philadelphia, C.A. No. 88-3358) by patients at the Philadelphia State Hospital known as Byberry. The plaintiffs are seeking to force the City and the Commonwealth to fund community-based treatment facilities, to replace services being discontinued by the Commonwealth. The cost of operating such facilities is estimated at \$28 million to \$45 million per year. The City and the Commonwealth have jointly filed papers with the court which indicate that such costs should be borne by the Commonwealth. After months of negotiations, the Commonwealth has halted all activity regarding closure of Byberry due to three deaths by former patients who were placed by the Commonwealth into the community. The City believes that the court will rule that the Commonwealth is responsible for funding community-based treatment facilities, if necessary, and that the City has zero liability in this respect.

In 1988, representatives of a child killed while in foster care filed a suit against the City in federal court (Campbell v. City of Philadelphia, C.A. No. 88-6976), alleging that the City's Department of Health and Human Services was negligent. Damages claimed will probably be in excess of \$1 million. The City has filed a motion for summary judgment, which is currently pending before the court. If the motion is denied, the City will probably pursue an out-of-court settlement.

In 1989 and 1990, four suits were filed against the City arising out of a riot at Holmesburg Prison on October 28, 1989. Butler v. City of Philadelphia, C.A. No. 89-7922 was filed in federal court as a class action suit involving up to 125 potential plaintiffs. Benson v. City of Philadelphia, C.A. No. 89-8571 was filed in federal court by 27 individual plaintiffs. Robinson v. City of Philadelphia, C.A. No. 89-3098 was filed in federal court by 4 plaintiffs. Matos v. City of Philadelphia, C.A. No. 90-1309 is being litigated by a single plaintiff in federal court. All of

the above-referenced cases allege injuries from excess use of force by guards when they regained control of the prison. Damages include treatment costs, punitive damages, attorneys fees and costs to improve prison facilities. The City has answered all the complaints described above and believes it can prove that the force used was justifiable and that the City is not liable for the damages claimed. However, the City's potential liability in these cases is well in excess of \$1 million.

In 1989, a complaint was filed against the City in federal court (T.M. v. City of Philadelphia, C.A. No. 89-4630) alleging that the City had an obligation, through court funding, to provide guardians ad litem for all children in Family Court cases. A judgment against the City could result in liability in excess of \$1 million. The City is currently conducting negotiations with the plaintiffs to settle the case for a considerably lesser amount.

In 1988, the City was joined as a defendant in an action against the Commonwealth (Castille v. Commonwealth of Pennsylvania v. City of Philadelphia, Commonwealth Court, No. 2533 C.D. 1988). This case began when the Philadelphia District Attorney's office filed a Mandamus against the Commonwealth of Pennsylvania to enforce removal of juveniles committed to Commonwealth facilities from the Youth Study Center. The Commonwealth joined the City of Philadelphia alleging that the City's failure to adequately contract for private placements results in over utilization of the state facilities in the delinquent system. The City counter-claimed and challenged the now existing cap on the allocations for Children and Youth Services. The court threatened to hold the Commonwealth in contempt for failure to remove their juveniles from the Youth Study Center in a timely fashion. The court ordered that if the state did not remove its juveniles within ten days of its commitment order it will be fined \$5,000.00 per day per juvenile in the Youth Study Center. At a hearing on January 17, 1990, the court determined that the Commonwealth was not in contempt of such order. The Commonwealth petitioned the family court for a change in the commitment order of 40 juveniles committed to open placements in the Commonwealth system. The Commonwealth approached private providers and asked that they review the juveniles and also discussed contracting with them. The likelihood of success in the City's challenge of the Commonwealth cap on reimbursement of Children and Youth Services is at least 50/50. The chances for success diminish if the case proceeds through the appellate system. The risk is that the City will continue to be underfunded and the City will exceed its budget. On March 7, 1990, the parties argued preliminary objections before the court en banc. Essentially, the objections were jurisdictional in nature and filed by the Commonwealth against the City's counterclaim. A decision is pending.

On October 10, 1989, a complaint was filed against the City and certain officials of the City in the Court of Common Pleas,

Philadelphia County, by persons alleged to be taxpayers of Philadelphia, and various organizations alleged to be representing such taxpayers (Weiner, et al. v. City of Philadelphia, et al., October Term, 1989, No. 1575). The plaintiffs, in reaction to the City's plan to construct a convention center in Philadelphia, are challenging the validity of a Lease and Service Agreement between the City, as lessor, and Pennsylvania Convention Center Authority (the "Authority"), as lessee. The Authority was created pursuant to state law and given broad powers, by itself or in agreement with others, to develop, finance, construct, maintain, operate and lease convention centers within the Commonwealth. The plaintiffs also challenge the validity of the City ordinance (Bill No. 533, June 29, 1989) which authorizes the City to enter into the Lease and Service Agreement. The plaintiffs contend, in the above-regard, that the Lease and Service Agreement and the ordinance are violative of state law and the City's Home Rule Charter, respectively. In Counts I and II of the complaint, plaintiffs complain that the Service Fee to be paid by the City to the Authority under the Lease and Service Agreement, which includes an amount sufficient to enable the Authority to make payment of the annual debt service on the bonds issued by the Authority to finance the construction and development of the convention center, constitutes an impermissible debt of the City. The plaintiffs further complain in Count III of the complaint that, notwithstanding legislation authorizing the financing and construction of the convention center, this matter should first have been submitted to a public referendum. The plaintiffs are seeking a declaratory and injunctive order from the Court which would declare the Lease and Service Agreement null and void and preclude the City from performing its obligations under the Lease and Service Agreement. The City contends that the Service Fee does not constitute debt of the City under applicable state law and, with respect to Count III of plaintiffs' complaint, the City contends that it has complied with applicable state law and the City's Home Rule Charter in enacting Bill No. 533 and that no public referendum was required prior to the Bill's enactment. The City has filed preliminary objections to the complaint and has requested the Court to dismiss the complaint for failure to state a cause of action. Similar claims have been consistently rejected by the Pennsylvania Supreme Court and the City has every reason to believe that this litigation will be resolved in favor of the City and the Lease and Service Agreement and the ordinance will be upheld as valid and binding on all parties.

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On December 1, 1987, a complaint was filed against the Pennsylvania Convention Center Authority (PCCA) and the City in the Court of Common Pleas, Philadelphia County, by persons allegedly representing two classes of taxpayers (Paustian, et al. v. Pennsylvania Convention Center Authority, et al., November Term, 1987, No. 5396). The first class of plaintiffs is comprised of those persons who do not reside in Pennsylvania but stay in Philadelphia hotels and pay the City's Hotel Room Rental Tax prior

to the completion of construction of a convention center within Philadelphia. The second class of plaintiffs is comprised of three persons who reimburse members of the first class for their expenses. The plaintiffs contend that the Hotel Room Rental Tax violates the equal protection and due process clauses of the 14th and 15th amendments to the United States Constitution, respectively; and that such tax burdens interstate commerce and infringes on the right to travel, all allegedly in violation of the U.S. Constitution. On July 19, 1988, the Common Pleas Court decided this case in favor of PCCA and the City and ordered the plaintiff's action dismissed. The Commonwealth Court, on appeal by the plaintiffs, affirmed the decision of the Common Pleas Court on August 4, 1989. Thereafter, the plaintiffs filed a petition requesting the Pennsylvania Supreme Court to hear their appeal. The PCCA and the City filed a response contending that the Pennsylvania Supreme Court should not hear this appeal.

The following environmental matters are currently being litigated:

Amtrak filed an amended third-party complaint naming the City as a third-party defendant in a suit instituted in the U.S. District Court for the Eastern District of Pennsylvania (U.S. v. SEPTA, et al., E.D. Pa., C.A. No. 86-1094) by the United States Environmental Protection Agency ("EPA") against Amtrak, Conrail, Monsanto Company and SEPTA, for clean-up of PCB's at the site known as the Paoli Yard located in Chester County, Pennsylvania. While EPA has not announced any estimated PCB clean-up cost, SEPTA has estimated the cost to be approximately \$30 million. The City denies any responsibility for the Paoli Yard pollution. In addition, the City has been named as a defendant or third party defendant in at least 61 private suits for damages and equitable relief, involving over 254 individual plaintiffs, now pending in the Court of Common Pleas, Philadelphia County (In re: Paoli Railroad Yard PCB Litigation, CCP, Philadelphia County, Master Dockets, January Term, 1990, No. 1046), in one such private suit pending in the Court of Common Pleas, Chester County (Stewart v. SEPTA, et al., CCP, Chester County, No. 87-02291) and in an additional five such private suits pending in the United States District Court, all based upon the same alleged site pollution. Argument has been scheduled on a joint petition of defendants to transfer venue in all cases pending in the Court of Common Pleas, Philadelphia County, to Chester County. The City denies any liability in these private suits. In November 1988, the U.S. District Court granted partial summary judgment for all defendants, including the City, on personal injury claims in 21 private law suits involving 38 plaintiffs, pending before that court. This decision has been appealed to the U.S. Court of Appeals for the Third Circuit and a decision is expected shortly. The cases pending in the Court of Common Pleas, Philadelphia County, have been assigned to a single judge, and discovery has begun. The City will file motions for judgment on the pleadings or for summary

judgment in all cases, on the basis that all plaintiffs' tort claims are barred by governmental immunity and that the plaintiffs cannot assert a claim against the City under the Federal Employers Liability Act.

The City has been named as a defendant in two suits for damages in the Court of Common Pleas of Philadelphia County regarding the Clearview site, a landfill located in Delaware County, Pennsylvania (Smalls, et al. v. Korman Corp., et al., CCP, Philadelphia County, April Term, 1985, No. 633 and January Term, 1986, No. 781). The suits were brought in April 1985 and January 1986, respectively, by approximately 100 nearby residents. The site has not been declared a hazardous site by either federal or state agencies. The cases have been assigned to a judge and are in discovery phases. The City believes that it has very strong defenses, including immunity under state law against certain types of claims which are alleged by the lawsuits. A motion for summary judgment will be filed once discovery is completed.

A putative class action against the City relating to the City's Northwest Incinerator was filed in the Court of Common Pleas of Philadelphia County, encaptioned James J. Passalacqua v. City of Philadelphia, September Term, 1988, No. 1223. The action has been removed to the United States District Court for the Eastern District of Pennsylvania, Civil Action No. 88-7755, and trial is scheduled for May, 1990. Plaintiff sought certification of a class of "all persons residing in zip codes 19127 or 19128 who have sustained cancer or brain tumors or who have died therefrom." The motion for class certification was denied. Damages have alleged to be in excess of \$20,000. The City has denied all liability and has filed a motion for summary judgment in its favor on the basis that these claims are barred by the Political Subdivision Tort Claims Act. The City has also filed a motion for sanctions, seeking dismissal of the case, with prejudice.

In October, 1988 EPA served upon the City three complaints alleging violations of the Toxic Substances Control Act. The complaints arise out of a December, 1987 inspection of transformers in certain City buildings and the City's alleged failure to comply with PCB reporting and labelling requirements. It has been proposed that the City pay approximately \$140,000.00, consolidating all three complaints, as penalty for the alleged violations. In July, 1989, EPA served upon the City a fourth complaint alleging violation of the Toxic Substances Control Act. This complaint arose out of a December, 1987 inspection of certain facilities at the Philadelphia International Airport and the City's alleged failure to comply with PCB reporting and labeling requirements. It has been proposed that the City pay approximately \$740,000.00 as penalty for such alleged violations. Settlement negotiations are currently in progress involving all four complaints which have been consolidated. A greatly reduced settlement is probable.

In June 1987, SEPTA instituted an action against the City and Urban Engineers, a private engineering firm, asserting that one or both of the defendants were responsible for the removal of loose asbestos alleged to be present as insulation on pipes located in certain tunnels beneath Suburban Station railroad station. The suit brought in the Court of Common Pleas of Philadelphia County (June Term 1987, No. 5781) alleges that the subject tunnels were incorporated into the ventilation system for an underground rail link, known as the Center City Commuter Tunnel, constructed by the City. Because of the presence of asbestos, the ventilation system has not been put into operation. The cost of asbestos removal is alleged by SEPTA to be in excess of \$3 million. The City denies any liability in the matter and disputes the alleged cost of removal.

In November 1989, the Environmental Protection Agency filed a complaint against the City in the United States District Court for the Eastern District of Pennsylvania (United States of America v. Aluminum of America; City of Philadelphia, et al., Civil Action No. 89-7421) pursuant to the Comprehensive Environmental Response, Compensations and Liability Act (CERCLA), known as the "Superfund Law." The site, located in Montgomery County, Pennsylvania, is the former Moyer's landfill. Currently there are seventeen other defendants named in the complaint. The EPA has estimated the cost of cleanup at \$28 million. After adding various appurtenant costs as well as cost over-runs, the City believes the outside cost might be as high as \$40 million. The City was named as a defendant because it shipped incinerator ash to the site. The City is seeking dismissal from the case based upon the fact that the ash does not meet the definition of a hazardous substance pursuant to the Superfund Law and EPA has in the past explicitly confirmed the same.

In May, 1989, another of the City's ash-haulers filed suit against the City in the Court of Common Pleas of Philadelphia County, Joseph Paolino & Sons, Inc. v. City of Philadelphia, May Term, 1989, No. 5762. The plaintiff alleged causes of action for breach of contract and unjust enrichment/quantum meruit, claiming that the City refused to pay \$630,005.81 under an ash-hauling requirements contract. The City filed preliminary objections to the quantum meruit/unjust enrichment claim, which were sustained. The ash-hauling involved in the case is that of the M/V "Khian Sea". The City believes that its defense in this case is very strong. Under the contract, the plaintiff was required to dispose of the ash in strict accordance with the regulations of governing state and local environmental agencies and to perform all work and services in compliance with all applicable laws, statutes, ordinances, rules, regulations, methods and procedures. The City contends that plaintiff did not comply with these provisions, and has never provided the City -- despite repeated requests -- with documentation from any environmental agency or authority that the ash was disposed of in accordance with applicable law.

The following Water Department matters are currently being litigated:

The following are description of lawsuits against the Water Department in which some amount of loss or an adverse determination is reasonably possible. In the opinion of the City, the resolution of these cases will have no material adverse effect on the financial position or future operations of the Water Fund.

Consumer Education and Protective Association v. Philadelphia Water Department is an appeal by ratepayers from the Water Commissioner's 1985 rate determination, effective January 10, 1986, which challenges the constitutional validity of the administrative rate determination procedure as well as the appropriateness of the rates. The Court of Common Pleas dismissed the appeal on August 3, 1988. The Consumer Education and Protective Association has appealed this ruling to Commonwealth Court, whose decision is pending.

United States of America v. City of Philadelphia, C.A. No. 88-6791, is a federal civil enforcement action in which the EPA and the Pa. DER are seeking substantial penalties for the discharge of pollutants into the Delaware River from the City's Southwest Water Pollution Control Plant in amounts alleged to be in excess of those allowable. The City answered the complaint on October 21, 1988 and the EPA and the Pa. DER have filed a motion for summary judgment. Discovery is on-going. Settlement negotiations with those agencies are currently in progress.

Contractor Curtis T. Bedwell and Sons Inc. has initiated four actions in the Court of Common Pleas against the City totaling \$7 million in contract disputes over four major construction projects at the Northeast and Southwest Pollution Control Plants. Bedwell alleges that the City has wrongfully withheld the contract balance and moneys for additional work performed and delay damages. Bedwell also seeks indemnification for damages resulting from suits brought against the plaintiff by its subcontractors. The City denies liability.

The City is the defendant in litigation instituted by certain private parties in the United States District Court for the Eastern District of Pennsylvania, docketed as C.A. No. 85-14, concerning odors alleged to be emitted from the Water Department's Northeast Water Pollution Control Plant. The plaintiffs are nearby residents. By order dated July 25, 1986, the District Court enjoined maintenance or operation of the plant in any manner which causes odor emission violative of state or city air management regulations and ordered the City to proceed with "debugging" of air management control equipment incorporated into the plant. Following a hearing concerning alleged odor incidents subsequent to the July 1986 order, the Court held the City to be in contempt

of the order. The Court then directed by order dated January 28, 1987, that with respect to odor incidents occurring thereafter, any issuance of three or more air management code violation notices within a thirty-day period shall be deemed a violation of the injunction for which the City shall pay a \$10,000 penalty. The January 28, 1987 order also directed the City to contract for an independent study of the plant and odor problem, which study was made by Malcolm Pirnie. On March 31, 1988, the United States Court of Appeals for the Third Circuit denied the City's Appeal from the District Court's January 28, 1987 order and in September 1988, the City's petition for writ of certiorari was denied by the United States Supreme Court. Plaintiffs seek to have the recommendations made in the Malcolm Pirnie study made mandatory and to have Malcolm Pirnie retained to monitor compliance. The City has objected to this request on the grounds that all recommendations in the study have either been implemented or alternatives have been offered. The City and plaintiffs have agreed to have the independent consultant return to the Plant to review implementation and the effect of the recommended and adopted odor control program. In light of this agreement, the Court has dismissed as moot plaintiffs' motion to make mandatory the recommendations of the Malcolm Pirnie report.

Claims of City responsibility in connection with alleged pollution violations at the Gems Landfill, located in Gloucester Township, New Jersey, arise primarily out of the action of a subcontractor of one of the City's contractors in placing on the site as a closure material residue from dismantled City Water Department "Imhoff" tanks, a substance approved for such use by the New Jersey Department of Environmental Protection. Accordingly, the City strenuously denies that the material in question is a "hazardous substance" and denies any responsibility for necessary site clean-up or site-related alleged injury to private parties. The City is named as an additional insured under policies of insurance obtained by the City's contractor providing coverage of approximately \$11 million, and applicable in the City's opinion to the claims now made. The contractor is also contractually obligated to indemnify the City for any loss suffered as a consequence of such claims and, in connection with award of the subject contract, filed a performance bond in the amount of \$28.9 million payable to the City. With respect to the Gems Landfill, the City is currently a defendant in site clean-up proceedings instituted by the New Jersey Department of Environmental Protection wherein claims relating to the City's use of the site for trash and incinerator residue disposal for three months during 1980 have also been raised. In February 1989, without admitting any liability, the City entered into a settlement agreement for "Phase I" of a site clean-up that would commit the City to pay \$1.5 million dollars. One million dollars of the settlement amount was paid by the City's primary insurance carrier. The additional \$500,000.00, plus punitive damages (Philadelphia v. Fireman's Fund Insurance Company, D.N.J., C.A. 80-1547), and on May 10, 1989 filed

a confession of judgment action on the performance bond executed by the excess insurance carrier. "Phase II" of the site clean-up is expected to cost substantially less and also be covered by the City's insurance. The City is also a named defendant in at least nine private actions for damages in the New Jersey state courts including two class actions.

Fourteen homeowners have brought lawsuits against the City for property damages allegedly caused either by the Water Department's failure to timely repair a leak in the water conveyance system which occurred immediately before the strike by municipal employees in July, 1986 or an underground stream allegedly encapsulated by the City. These complaints were filed in the Court of Common Pleas and the matters are in discovery. The City contends that the aggregate value of these claims is subject to the limitation imposed by the Political Subdivision Tort Claims Act discussed above.

In addition to the above described litigation, various claims for property damage and personal injuries involving the City's Water Department are asserted against the City from time to time. In Fiscal Year 1989, \$4.9 million was paid out of the Water Fund to cover losses due to such claims. For Fiscal Year 1990, the aggregate estimate of the losses which could result due to unfavorable legal determinations rendered against the Water Department with respect to these claims is \$4.5 million.

The City and School District receive significant assistance from numerous federal, state and local government agencies in the form of grants and federal revenue sharing entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits and relating to the City could become a liability of the General Fund or other applicable funds. In the opinion of City officials, the only significant contingent liabilities related to matters of compliance are the unresolved and questioned costs in the City's Single Audit of Federal Financial Assistance for the Fiscal Year ended June 30, 1989, which amounted to \$57.2 million for all open program years as of December 19, 1989. Of this amount, \$40.1 million represents unresolved costs due to the inability to obtain audit reports from subrecipients. In addition, the U.S. Department of Housing and Urban Development has demanded repayment of approximately \$14 million disbursed for emergency repairs to privately owned apartments rented to the poor.

APPENDIX D

MUNICIPAL BOND INSURANCE POLICY

# Municipal Bond Insurance Policy

AMBAC Indemnity Corporation  
c/o CT Corporation Systems  
222 W. Washington Ave., Madison, WI 53703  
Administrative Office:  
One State Street Plaza, New York, NY 10004

Issuer:

Policy Number:

Bonds:

Premium:

**AMBAC.**

**AMBAC Indemnity Corporation (AMBAC)** A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to the United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

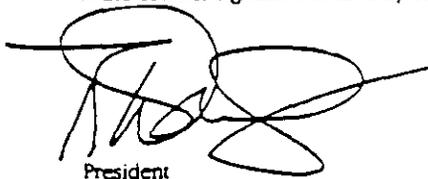
AMBAC will make such payments to the Insurance Trustee within 5 days following notification to AMBAC of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, AMBAC shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's rights to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of AMBAC or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to AMBAC all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. AMBAC shall be subrogated to all of the Bondholders' rights to payment on registered bonds to the extent of the insurance disbursements so made.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any redemption, prepayment or acceleration premium which at any time may become due in respect of any Bond, nor against risk other than Nonpayment.

In witness whereof, AMBAC has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon AMBAC by virtue of the counter-signature of its duly authorized representative.



President

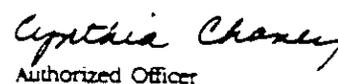


Secretary

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.



Authorized Officer

APPENDIX E

PROPOSED OPINION OF CO-BOND COUNSEL

March 29, 1990

City of Philadelphia  
1420 Municipal Services Building  
Philadelphia, Pennsylvania 19102

Re: \$50,420,551.45 City of Philadelphia,  
Pennsylvania, Gas Works Revenue Bonds,  
Twelfth Series A

Gentlemen:

We have acted as co-bond counsel in connection with the authorization, issuance and sale of City of Philadelphia, Pennsylvania, Gas Works Revenue Bonds, Twelfth Series A (the "Twelfth Series A Bonds"), under and pursuant to authority contained in the Act of the General Assembly of the Commonwealth of Pennsylvania of October 18, 1972 (P.L. 955) (the "Act"), the City of Philadelphia General Gas Works Revenue Bond Ordinance of 1975, as amended (the "General Ordinance"), and the Twelfth Supplemental Ordinance thereto approved August 8, 1989 (the "Twelfth Supplemental Ordinance"). The Twelfth Series A Bonds... consist of \$42,025,000 aggregate principal amount of the Twelfth Series A Bonds bearing interest each May 15 and November 15, commencing May 15, 1990 (the "Current Interest Bonds"), and \$8,395,551.45 initial principal amount of Twelfth Series A Bonds issued at a discount from the amount payable thereon at maturity (the "Capital Appreciation Bonds"). The Twelfth Series A Bonds have been issued for the purpose of providing funds which, together with certain funds available therefor under the General Ordinance, will be applied for and towards the refunding of certain outstanding maturities of the City of Philadelphia, Pennsylvania, Gas Works Revenue Bonds, Eighth Series, making a deposit to the sinking fund reserve created under the General Ordinance and payment of costs of issuance of the Twelfth Series A Bonds.

Eleven series of Gas Works Revenue Bonds have heretofore been issued pursuant to the General Ordinance and approximately \$547,475,000 in aggregate principal amount of such bonds are presently outstanding, including \$40,685,000 of Eighth Series Bonds to be refunded with the proceeds of the Twelfth Series A Bonds. The Twelfth Series A Bonds are

equally and ratably secured with all such prior bonds and will be equally and ratably secured with all bonds issued in the future under the General Ordinance (all such prior bonds, the Twelfth Series A Bonds and all bonds to be issued under the General Ordinance in the future, collectively, the "Bonds").

The City of Philadelphia (the "City") has made a pledge of, and granted a security interest in, all Project Revenues (as defined in the General Ordinance) and all accounts, contract rights and general intangibles representing Project Revenues to secure the payment of the Bonds. Prior to default, the General Ordinance establishes the following priorities in application of the Project Revenues: (1) Net Operating Expenses, as defined therein; (2) required payments into the sinking fund to pay principal of and interest on the Bonds and to accumulate, or to restore any deficiency in, the sinking fund reserve in respect thereof; (3) payment of general obligation bonds which have been adjudged to be self-liquidating on the basis of expected revenues from the Philadelphia Gas Works ("PGW"); (4) payment of interest and sinking fund charges of other general obligation debt incurred for PGW; and (5) payment of City Charges, as defined therein. Under certain circumstances, the remaining balance may be applied to other proper purposes of the City. In the Twelfth Supplemental Ordinance, the City has covenanted that, as long as any of the Twelfth Series A Bonds issued thereunder remain outstanding, all Project Revenues shall be deposited in, held in and disbursed from one or more unsegregated accounts of PGW which shall be separate from and not commingled with moneys or accounts of the City not held exclusively for PGW purposes.

We have examined (a) such constitutional provisions, statutes and regulations as we deemed necessary, including the Act, the General Ordinance and the Twelfth Supplemental Ordinance, (b) the proceedings authorizing the issuance and sale of the Twelfth Series A Bonds, and (c) such certificates, opinions, receipts and other documents as we have deemed necessary, including a non-arbitrage certificate of the City. In making the aforesaid examinations, we have assumed the authenticity of all original documents and the conformity to original documents of all conformed copies and photocopies of documents, the genuineness of all signatures, the due authorization, execution and delivery of all documents and the authority to do so of all persons executing such documents.

On the basis of the foregoing, we are of the opinion that:

1. The City has the power to perform its obligations under the General Ordinance, the Twelfth

Supplemental Ordinance and the Twelfth Series A Bonds and is authorized to issue the Twelfth Series A Bonds.

2. The terms of the Twelfth Series A Bonds comply with the requirements of the Act, the General Ordinance and the Twelfth Supplemental Ordinance, and the purposes for which the Twelfth Series A Bonds have been issued are lawful purposes under the Act and the General Ordinance.

3. The Twelfth Series A Bonds constitute valid, legal and binding obligations of the City, enforceable in accordance with their terms (subject to any applicable bankruptcy, insolvency, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally).

4. Under existing statutes, regulations, rulings and court decisions, interest on the Twelfth Series A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income (adjusted current earnings for taxable years beginning after December 31, 1989). Ownership of the Twelfth Series A Bonds may give rise to certain collateral federal income tax consequences as to which co-bond counsel express no opinion.

5. Under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"), as enacted and construed on the date hereof, the Twelfth Series A Bonds are exempt from personal property taxes in the Commonwealth and interest on the Twelfth Series A Bonds and the gain from the sale thereof are exempt from the Commonwealth personal income tax and the Commonwealth corporate net income tax.

The initial public offering price of the Capital Appreciation Bonds and the initial public offering price of the Current Interest Bonds scheduled to mature on May 15, 2012 (the "Discount Bonds") is less than the amount payable on such Twelfth Series A Bonds at stated maturity. The difference, in each case, between the initial public offering price of the Capital Appreciation Bonds and Discount Bonds and the principal amount payable thereon at maturity, constitutes interest. A portion of such interest (the "Original Issue Discount"), depending on the holding period of any Capital Appreciation Bond or Discount Bond by each owner, will, upon the disposition of such Capital Appreciation Bond or Discount Bond by each owner (including redemption or payment at maturity), be treated as interest excludable from gross income for federal income tax

purposes. Owners of any of the Capital Appreciation Bonds or Discount Bonds should consult their own tax advisors with respect to the consequences of owning such Capital Appreciation Bonds or Discount Bonds, including the effect of such ownership under applicable state and local law.

In providing this opinion, we advise you as follows:

(a) It may be determined in the future that interest on the Twelfth Series A Bonds, retroactive to the date of issuance thereof or prospectively, will not be excluded from gross income of the owners of the Twelfth Series A Bonds for federal income tax purposes if certain requirements of the Internal Revenue Code of 1986, as amended, are not met subsequent to the issuance of the Twelfth Series A Bonds. The City has covenanted in the bond authorization of the City relating to the Twelfth Series A Bonds to comply with these requirements.

(b) The Twelfth Series A Bonds constitute limited obligations of the City and are payable solely from the Project Revenues, as defined in the General Ordinance, and amounts in the sinking fund, including the sinking fund reserve created under the Act and the General Ordinance. The Twelfth Series A Bonds do not pledge the credit or taxing power of the City or create any debt or charge against property of the City other than the Project Revenues and amounts in such sinking fund, including the sinking fund reserve.

(c) We do not express any opinion as to the accuracy or completeness of the preliminary or final Official Statement of the City relating to the Twelfth Series A Bonds, including the appendices thereto.

Very truly yours,

# Municipal Bond Insurance Policy

AMBAC Indemnity Corporation  
c/o CT Corporation Systems  
222 W. Washington Ave., Madison, Wisconsin  
Administrative Office:  
One State Street Plaza, New York, N.Y. 1000

Issuer: CITY OF PHILADELPHIA, PENNSYLVANIA

Policy Number: 4413BE

Bonds: \$50,420,551.45 Gas Works Revenue Bonds,  
Twelfth Series A, dated March 1, 1990  
(except for the Capital Appreciation Bonds,  
which are dated their date of delivery) consisting of:  
\$12,515,000 in aggregate principal amount of Current Interest  
Bonds maturing on May 15 in the years 1991 through 2000, both  
inclusive; (as further described on the reverse hereof:)

Premium: \$456,773.13

**AMBAC**

**AMBAC Indemnity Corporation** (AMBAC) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to the United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

AMBAC will make such payments to the Insurance Trustee within 5 days following notification to AMBAC of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, AMBAC shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's rights to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of AMBAC or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to AMBAC all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. AMBAC shall be subrogated to all of the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

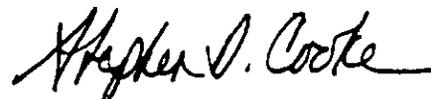
As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any redemption, prepayment or acceleration premium which at any time may become due in respect of any Bond, nor against risk other than Nonpayment.

In witness whereof, AMBAC has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon AMBAC by virtue of the counter-signature of its duly authorized representative.

  
President



  
Secretary

  
Authorized Representative

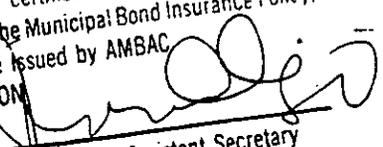
Effective Date: March 29, 1990

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy



Bonds: \$8,395,551.45 in aggregate principal amount of Capital Appreciation Bonds maturing on May 15 in the years 2001 through 2006, both inclusive; and \$29,510,000 in aggregate principal amount of Current Interest Bonds maturing on May 15, 2012. The paying agent is The Philadelphia National Bank, Philadelphia, Pennsylvania.

The undersigned hereby certifies that this document is a true and correct copy of the Municipal Bond Insurance Policy, Policy No. 441342 issued by AMBAC INDEMNITY CORPORATION

  
Assistant Secretary

Date March 23 1992

**AMBAC**

AMBAC Indemnity Corporation  
One State Street Plaza  
New York, New York 10004  
Telephone (212) 668-0340

March 29, 1990

City of Philadelphia  
Philadelphia Gas Works  
800 W. Montgomery Street  
Philadelphia, PA 19122

Dilworth, Paxson, Kalish &  
Kauffman  
2600 The Fidelity Building  
Philadelphia, PA 19109

The First Boston Corporation  
Tower Forty Nine  
12 East 49th Street  
New York, NY 10017

Gentlemen:

This opinion has been requested of the undersigned, a Vice President and an Assistant General Counsel of AMBAC Indemnity Corporation, a Wisconsin stock insurance company ("AMBAC Indemnity"), in connection with the issuance by AMBAC Indemnity of a certain Municipal Bond Insurance Policy, effective as of the date hereof (the "Policy"), insuring \$50,420,551.45 in aggregate principal amount of the City of Philadelphia, Pennsylvania (the "Issuer"), Gas Works Revenue Bonds, Twelfth Series A, dated March 1, 1990 (except for Capital Appreciation Bonds which are dated their date of delivery) (the "Bonds").

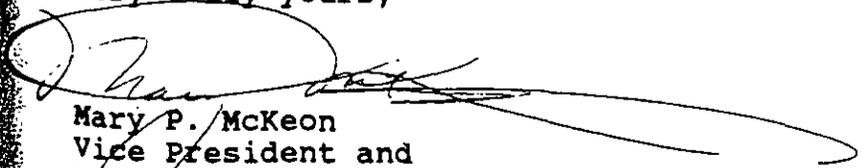
In connection with my opinion herein, I have examined the Policy, such statutes, documents and proceedings as I have considered necessary or appropriate in the circumstances to render the following opinion, including, without limiting the generality of the foregoing, certain statements contained in the Official Statement of the Issuer dated March 15, 1990, relating to the Bonds (the "Official Statement") under the headings "MUNICIPAL BOND INSURANCE", and "APPENDIX D - MUNICIPAL BOND INSURANCE POLICY".

Based upon the foregoing and having regard to legal considerations I deem relevant, I am of the opinion that:

1. AMBAC Indemnity is a stock insurance company duly organized and validly existing under the laws of the State of Wisconsin and duly qualified to conduct an insurance business in the Commonwealth of Pennsylvania.

2. AMBAC Indemnity has full corporate power and authority to execute and deliver the Policy and the Policy has been duly authorized, executed and delivered by AMBAC Indemnity and constitutes a legal, valid and binding obligation of AMBAC Indemnity enforceable in accordance with its terms except to the extent that the enforceability (but not the validity) of such obligation may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar law or enactment now or hereafter enacted affecting the enforcement of creditors' rights.
3. The execution and delivery by AMBAC Indemnity of the Policy will not, and the consummation of the transactions contemplated thereby and the satisfaction of the terms thereof will not, conflict with or result in a breach of any of the terms, conditions or provisions of the Certificate of Incorporation or By-Laws of AMBAC Indemnity, or any restriction contained in any contract, agreement or instrument to which AMBAC Indemnity is a party or by which it is bound or constitute a default under any of the foregoing.
4. Proceedings legally required for the issuance of the Policy have been taken by AMBAC Indemnity and licenses, orders, consents or other authorizations or approvals of any governmental boards or bodies legally required for the enforceability of the Policy have been obtained; any proceedings not taken and any licenses, authorizations or approvals not obtained are not material to the enforceability of the Policy.
5. The statements contained in the Official Statement under the heading "MUNICIPAL BOND INSURANCE", insofar as such statements constitute summaries of the matters referred to therein, accurately reflect and fairly present the information purported to be shown and, insofar as such statements describe AMBAC Indemnity, fairly and accurately describe AMBAC Indemnity except that the final paragraph under said heading was not supplied by AMBAC Indemnity.
6. The form of Policy contained in the Official Statement under the heading "APPENDIX D - MUNICIPAL BOND INSURANCE POLICY" is a true and complete copy of the form of Policy.

Very truly yours,



Mary P. McKeon  
Vice President and  
Assistant General Counsel

MPM/mlt

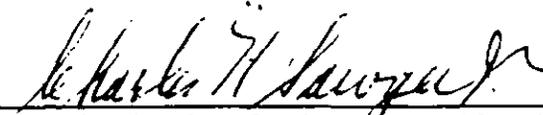
CERTIFICATE OF CHIEF CLERK  
OF THE COUNCIL OF THE  
CITY OF PHILADELPHIA

I, CHARLES H. SAWYER, JR., Chief Clerk of the Council of the City of Philadelphia ("Council"), do hereby certify that:

(a) The Copy of the Ordinance attached hereto (identified as Bill No. 1871) is a true and correct copy of the original Ordinance on file in the office of the Chief Clerk of the Council;

(b) The Ordinance has been duly adopted by the Council; and

(c) The Ordinance has not been repealed and is in full force and effect on the date of this certificate.

  
Chief Clerk of the Council of  
the City of Philadelphia

(SEAL)

Dated: September 6, 1989

Approved for the City of Philadelphia as to correctness and form:

By .....  
City Solicitor

Explanation:  
(Brackets) indicate matter deleted.  
(Inserts) indicate new matter added.

Approved the thirtieth day of May, A.D. 1975.

FRANK L. RIZZO,  
Mayor of Philadelphia.

\* BH -Ms. 1870

BILL-1871

1975

\* 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 Holders 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

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

ance 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:

(Form of Fully Registered Bond)  
UNITED STATES OF AMERICA  
COMMONWEALTH OF PENNSYLVANIA  
CITY OF PHILADELPHIA  
GAS WORKS REVENUE BOND

[Numerical Designation] \$

[Series Designation]

[Interest Rate: % Semi-annual Interest \$ ]

The City of Philadelphia, Pennsylvania (the City), for value received, hereby promises to pay in lawful money of the United States of America to  
or registered assigns, 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 the pay interest on such principal amount in like money, but solely from said rentals, revenues and moneys aforesaid, to the registered owner by check or draft mailed to the registered owner at his address as it appears on the bond register, from the interest payment date next preceding the date hereof, unless the date hereof shall be an interest payment date, in which case from the date hereof, initially on and thereafter on each subsequent and until payment of such principal amount, or provisions therefor, shall have been made upon redemption or at or after maturity, at the annual rate shown hereon. 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. 284 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.

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-

ation 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-

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. §15201) (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.

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 or 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

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, and has also caused the coupons hereto attached to be authenticated with the facsimile signature of the City Controller, as of

Countersigned and

Attested by

(Facsimile Signature)  
City Controller

CITY OF PHILADELPHIA

By .....  
Fiscal Agent

By .....  
Authorized Officer

By .....  
Authorized Officer

(Form of Coupon)

Coupon No.

§

On \_\_\_\_\_, the City of Philadelphia upon surrender of this Coupon will pay to the bearer unless the Bond hereinafter mentioned shall have been called for previous redemption and payment of the redemption price made or provided for, at the principal Philadelphia office of \_\_\_\_\_ in Philadelphia, Pennsylvania, but only out of the rentals, revenues and moneys referred to in the Bond hereinafter mentioned, the amount shown hereon, in lawful money of the United States of America, being interest then due on its Gas Works Revenue Bond, \_\_\_\_\_, dated as of \_\_\_\_\_ and numbered \_\_\_\_\_.

CITY OF PHILADELPHIA

By .....  
City Controller

**Section 2.04. 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

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

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

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 hereinafter 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 unexpired 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.

Bonds surrendered for exchange and the coupons, if 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

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 10. 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.

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 8 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.

) 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-

in after 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

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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 8.01 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-

with 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 maturity 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

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 Ordinance 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 3.03. 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 Depository 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.

**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 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

for projects for which the Bonds are issued, in any case the amount of the debt service financed shall be deposited in the Sinking Fund from the proceeds of Bonds, and 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.

## 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

...provided in the Act) of any other remedy or ... and each and every such remedy shall be cumulative and shall be in addition to every other remedy given ... or now or hereafter existing at law or in equity ...

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

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.

CERTIFICATE OF CHIEF CLERK  
OF THE COUNCIL OF THE  
CITY OF PHILADELPHIA

I, CHARLES H. SAWYER, JR., Chief Clerk of the Council  
City of Philadelphia ("Council"), do hereby certify that:

(a) The Copy of the Ordinance attached hereto  
(Bill No. 2068) is a true and correct copy of the  
Ordinance on file in the office of the Chief Clerk of  
the Council;

(b) The Ordinance has been duly adopted by the  
Council; and

(c) The Ordinance has not been repealed and is in full  
and effect on the date of this certificate.

  
Chief Clerk of the Council of  
the City of Philadelphia

September 6, 1989

mateley 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.

• 281 No. 2068

BILL 2068

1979

• 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 for the purposes set forth 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 determined by a majority of them shall deem to be in the best interest of the City. The Fifth Series Bonds shall conform to all terms and provisions as are determined by a majority of them shall deem to be in the best interest of the City and shall be consistent with the provisions hereof, 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

of property of a capital  
maintenance and administration of the Gas Works  
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-

moneys 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

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 enforce 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 to insure 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. 2049

**• 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 sell the following described lot or piece of City-owned ground for the best terms obtainable.

CERTIFICATE OF CHIEF CLERK  
OF THE COUNCIL OF THE  
CITY OF PHILADELPHIA

CHARLES H. SAWYER, JR., Chief Clerk of the Council  
of Philadelphia ("Council"), do hereby certify that:

The Copy of the Ordinance attached hereto  
(Bill No. 274) is a true and correct copy of the  
Ordinance on file in the office of the Chief Clerk of

The Ordinance has been duly adopted by the

The Ordinance has not been repealed and is in full  
effect on the date of this certificate.

  
Chief Clerk of the Council of  
the City of Philadelphia

September 6, 1989

Council of the City of Philadelphia hereby ordains:

Section 1. The following parking regulation is hereby  
enacted:

NO PARKING ANY TIME

Kewtown 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-274

1980

• AN ORDINANCE

Amending 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 City of Philadelphia hereby ordains:

That the Mayor, the City Controller and the City Council (or a majority of them, or a majority of the City to borrow, by the issue of Gas Works Revenue Bonds, Sixth Series, of the First Class (the "Bonds"), pursuant to The First Class Gas Works Revenue Bond Ordinance (the "Ordinance"), a sum or sums which in the aggregate do not exceed one hundred million dollars as provided in Section 2 of this Ordinance, shall contain such terms and conditions as shall be determined by a majority of the Bond Commission of the City and are not inconsistent with the intent of the Act or of the General

The Bonds shall not pledge the credit or taxing power of the City in charge against the tax or general property of the City or against any property of the City or against any property pledged by the General Ordinance.

The Bonds shall be issued in respect to the gas works system of the City (the "Gas Works System") for the purpose of (i) accumulating the capital improvements included in the capital budget of the City, which may include, without limitation, (a) the acquisition of land or rights therein; (b) the construction or improvement of buildings, structures, fixtures together with their related furnishings, equipment, and apparatus; (c) the acquisition, construction, improvement of pipes and pipe lines; and (d) the acquisition, 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 payment to any fund of the City or to accounts of amounts advanced for Project Costs, and the redemption of outstanding bond anticipation tem-

temporary loan notes or other obligations of the City issued in payment of Project Costs.

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 payment 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 6.** 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 intervals and in such annual amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due.

**Section 8.** 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.

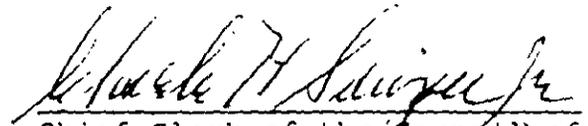
CERTIFICATE OF CHIEF CLERK  
OF THE COUNCIL OF THE  
CITY OF PHILADELPHIA

CHARLES H. SAWYER, JR., Chief Clerk of the Council  
of Philadelphia ("Council"), do hereby certify that:

(a) The Copy of the Ordinance attached hereto  
(Bill No. 534) is a true and correct copy of the  
Ordinance on file in the office of the Chief Clerk of

(b) The Ordinance has been duly adopted by the  
and

(c) The Ordinance has not been repealed and is in full  
effect on the date of this certificate.

  
Chief Clerk of the Council of  
the City of Philadelphia

September 6, 1989



(Bill No. 534)

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 revenues; covenanting the separation of Gas Works revenue accounts and proceeds of the Eighth Series Bonds from general accounts of the City; covenanting

the payment of interest and principal on the Eighth Series Bonds; authorizing covenants and action in order that the Eighth Series Bonds shall not be arbitrage bonds; amending the General Gas Works Revenue Bond Ordinance of 1975, as amended to date, to provide that excess monies in the Sinking Fund Reserve in respect of the Eighth Series Bonds, other than Sinking Fund Reserve Earnings, shall be transferred to certain accounts of the Gas Works and applied to pay capital costs; amending the General Revenue Bond Ordinance of 1975, as amended to date, relating to the issuance of registered bonds; and specifying the applicability of the General Gas Works Revenue Bond Act of 1975, as amended to date.

*Council of the City of Philadelphia hereby ordains:*

1. The Mayor, the City Controller and the Auditor (the "Bond Committee"), or a majority of them, are hereby authorized on behalf of the City to issue and sale of Gas Works Revenue Bonds of the Eighth Series, of the City (the "Eighth Series Bonds") pursuant to The First Class City Revenue Bond Act of 1972, Act No. 234 (the "Act") and the General Ordinance of 1975, as amended to date, a sum or aggregate shall not exceed the

principal amount of Bonds authorized hereunder, to be expended as provided in the Ordinance. The Eighth Series Bonds shall be sold by public competitive sale to the highest bidder, or at a private negotiated sale, as a Committee shall deem to be in the best interests of the City. The Eighth Series Bonds shall conform to the provisions, as are determined by the Committee to be in the best interests of the City, which are inconsistent with the provisions hereof of the General Ordinance.

The aggregate principal amount of Bonds which are authorized to be issued hereunder shall not exceed more than ninety million dollars (\$90,000,000) that if any of the Eighth Series Bonds are issued at a discount, the aggregate principal amount of Bonds which are in lieu of such discounts which are in lieu of such discounts, so long as the aggregate principal amount of Bonds issued hereunder shall be not more than ninety million dollars (\$90,000,000).

The Eighth Series Bonds shall not be sold by the City without the exercise of its taxing power, create any debt or liability, or create any general revenues or create any other obligation of the City other than the revenue provided for in the Ordinance.

Principal amount of Bonds authorized to be issued hereunder, to be expended as provided in Section 2 of this Ordinance. The Eighth Series Bonds shall be sold either at public competitive sale to the highest bidder or bidders or at a private negotiated sale, as a majority of the Bond Committee shall deem to be in the best interest of the City. The Eighth 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 aggregate principal amount of Eighth Series Bonds which are authorized to be issued hereunder shall not be more than ninety million dollars (\$90,000,000); provided that if any of the Eighth Series Bonds are to be sold at discounts which are in lieu of periodic interest, the aggregate principal amount of Eighth Series Bonds which may be issued hereunder shall be increased to reflect such discounts, so long as the aggregate gross proceeds from the sale of the Eighth Series Bonds shall not exceed ninety million dollars (\$90,000,000).

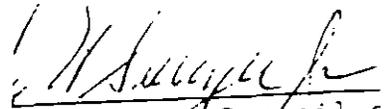
The Eighth Series Bonds shall not pledge the credit or taxing power, create any debt or charge against the tax or general revenues or create any lien against any property of the City other than the revenues pledged by the General Ordinance.

erk of the Council  
reby certify that:

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the Chief Clerk o

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ate.

  
erk of the Council c  
ty of Philadelphia

SECTION 2. The Eighth 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 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; and (iii) 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 of Project Costs. The City covenants that the proceeds of the sale of the Eighth Series Bonds which remain available for the payment of the costs of the capital improvements, after deducting the financing costs, the required payment into

the Sinking Fund Reserve and the repayment to the Gas Works of amounts previously advanced for Project Costs or for the funding or refunding of anticipation notes or other obligations shall be deposited and held in and distributed to more unsegregated accounts of the City, which shall be separate and apart from and not a part of the consolidated cash account of the City. This covenant shall not be construed to prevent the establishment of any Gas Works accounts or any other Gas Works accounts. All interest earned on the investment of such monies shall be deposited in the operating fund and applied as Project Revenue 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 shall be deposited in the unsegregated accounts of the Gas Works depository and applied to pay capital costs as provided in the Act.

SECTION 3. Based on the financial condition of the City filed with the Finance of the City filed with the Finance of the City in accordance with Section 8 of the Act, it is hereby pledged Project Revenue

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

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*[Signature]*  
Clerk of the  
City of Phil.



vestment 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

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*[Signature]*  
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of Section 7.02 of  
covenants that, so long as  
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with respect to, all fully registered installments  
 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  
 office of the Fiscal Agent in Philadelphia, Pennsylvania,  
 or at the principal office of the Fiscal Agent in  
 Philadelphia, Pennsylvania, or at the principal office  
 of the Fiscal Agent designated in such Bonds, but with  
 respect to such principal, only upon presentation and

surrender of such Bonds, or with respect  
 payable at or prior to maturity of such  
 only upon presentation and  
 respective coupons for interest  
 herein provided with respect to  
 lost or stolen Bonds or coupons

(c) The first sentence of  
 Ordinance is amended to

"All Bonds of any  
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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

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APP. NO. 247-10

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

APP. NO. 247-11

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 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 the same Series and maturity and of the same denominations in principal amount 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 as directed by the Holder, in any other form authorized by the City."

SECTION 8. This Ordinance is supplementary to and does not repeal any other Ordinance, General Ordinance and all Section 5.04 of the Act not inconsistent with the terms contained in the Act or in this Ordinance.



(Bill No. 511)

AN ORDINANCE

Constituting the Twelfth 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 of the City of Philadelphia, in one or more series or subseries, in the additional maximum aggregate principal amount of one hundred sixty million (\$160,000,000.00) dollars less the aggregate principal amount of any bonds issued by the Philadelphia Municipal Authority in connection with the sale and leaseback of a certain parcel of land located at 800 West Montgomery avenue, and the building, fixtures and certain equipment and appurtenant facilities and property situated thereon and an easement in connection therewith, 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 one hundred sixty million (\$160,000,000.00) dollars less the aggregate gross proceeds to the City from the sale of the above-described bonds of the Philadelphia Municipal Authority, if any; designating that the Bonds are being issued to pay the costs of certain projects and to refund certain outstanding series of Gas Works Revenue Bonds and the application of proceeds of the Bonds for such purpose; determining the sufficiency of the 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; 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 to date.

*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 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, 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 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 aggregate principal amount of Bonds which are authorized to be issued hereunder shall not be more than one hundred sixty million (\$160,000,000.00) dollars less the aggregate principal amount of any bonds issued by the Philadelphia Municipal Authority in connection with the sale and leaseback of a certain parcel of land located at 800 West Montgomery Avenue, and the building, fixtures and certain equipment and appurtenant facilities and property situated thereon and an easement in connection therewith (the "Facility"); provided 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 reflect such discounts, so long as the proceeds from the sale of the Bonds shall be not more than one hundred sixty million (\$160,000,000.00) dollars less the aggregate gross proceeds to the City from the Facility to the Philadelphia Municipal Authority.

The Bonds shall not pledge the credit of the City or create any debt or charge against the revenues or create any lien against the revenues of the City other than the revenues pledged by the Ordinance.

SECTION 2. The Bonds shall be used for providing funds for any or all of the following: (a) acquiring and constructing the Sewerage and Water Works, as approved by City Council, from time to time included in the capital program of the City, without limitation; (b) the acquisition, construction, repair, replacement or replacement of buildings, structures and related apparatus; (c) the acquisition, repair, replacement or replacement of pipes and pipes; (d) the operation, maintenance, repair or replacement of the Sewerage and Water Works system of the City; (e) the maturities of the City's Eighth Series, or such other series as may be determined by the Director of Finance; (f) the costs of issuing the Bonds; (g) the Sinking Fund Reserves; (h) Project Costs (as defined in the Ordinance) without limitation; (i) or to accounts of the City; (j) Project Costs, and the

the payment of periodic interest, the aggregate principal amount of Bonds which may be issued hereunder shall be increased to reflect such discounts, so long as the aggregate gross proceeds from the sale of the Bonds shall not exceed one hundred sixty million (\$160,000,000.00) dollars less the aggregate gross proceeds to the City from the sale, if any, of the Facility to the Philadelphia Municipal Authority.

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.

SECTION 2. 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 certain maturities of the City's Gas Works Revenue Bonds, Eighth Series, or such other series as shall be designated by the 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

E L P H I  
SEYMOUR KURLANT  
City Solicitor

reviewed the Facility as Works Revenue Ordinance", be thereto authorized a maximum principal amount of a certain percentage of the building value and an easement "Facility", (greater principal amount the aggregate \$160,000,000 less the amount of the Facility (the "Twelfth Supplement")

opinion that the Twelfth Supplement taxing power or nor will they Philadelphia of the General Ordinance pursuant to the Ordinance and to

Very truly yours,  
SEYMOUR KURLANT  
City Solicitor

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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 an escrow or similar account 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 refunded Prior Bonds. 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 for the benefit of the holders of the Bonds and to take any and all other irrevocable pledge of such proceeds from the investment thereof in the redemption of all required re-publication of the refunded Bonds giving of irrevocable instructions necessary or appropriate to acquire the Prior Bonds and to comply with Section 10 of the Act.

Any excess moneys in the respect of the Bonds other than Earnings shall be transferred to the Gas Works described in this Section for the purposes described in this Section.

SECTION 3. Based on the provisions of the Finance of the City filed under Section 8 of the Act, it is hereby covenanted and pledged that Project Revenues Ordinance, will be sufficient to pay the principal payments required to be made in priority stated in Section 4.02 of the General Ordinance.

SECTION 4. Subject to the provisions of the General Ordinance, the proceeds of any of the Bonds shall be deposited in Project Revenues and disbursed from one or more accounts of the Gas Works which shall not be commingled with the consolidated cash account of the City or any other account of the City.

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 2 and applied to any of the purposes 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 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

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APP. NO. 302-6

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 5. The City covenants that, so 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 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 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 7. 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

APP. NO. 302-7

Ordinance to  
respect thereof.

SECTION 8. This  
General Ordinance  
Ordinance and the Act  
applicable to the Bonds  
in the Act or in the General  
herewith shall apply to

APP. NO. 302-7

Ordinance to be deposited in the Sinking Fund Reserve in respect thereof.

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 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.

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STONE & WEBSTER MANAGEMENT CONSULTANTS, INC.

ONE PENN PLAZA • 250 WEST 34TH STREET • NEW YORK, NEW YORK 10119  
212-290-7000

TELEX: 229 038 SWMGMT  
FAX: 212-290-7094

June 25, 1989

Honorable Elizabeth C. Reveal  
Director of Finance  
City of Philadelphia  
1420 Municipal Services Building  
Philadelphia, Pennsylvania 19107

Subject: Independent Consultant's Report  
City of Philadelphia, Pennsylvania  
Gas Works Revenue Bonds, Twelfth Series

Dear Ms. Reveal:

The attached report contains the findings and conclusions of Stone & Webster Management Consultants, Inc. (Stone & Webster) with respect to the issuance of up to \$160,000,000 of Gas Works Revenue Bonds, Twelfth Series (the Bonds). These Bonds are being proposed in order to fund the City of Philadelphia Gas Works' (PGW) capital improvement program, establish sinking fund reserves, and to partially advance refund the Eighth Series Gas Works Revenue Bonds. The amount of the Twelfth Series Revenue Bonds issued will be reduced by the amount of the proceeds (netting \$23,000,000) of the sale/leaseback of the PGW Headquarters Building presently contemplated, and secondly, could be further reduced if the previously issued Eighth Series Revenue Bonds are not advance refunded. 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 the Philadelphia Gas Works and has a favorable reputation for competence in such field.

#### 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,

APP. NO. 302-8

CERTIFICATION: This is a true and correct copy of  
the original Ordinance approved by the Mayor on

AUGUST 3, 1989

*Charles H. Sauger Jr*

Chief Clerk of the Council

**Certificate As To Legislative Procedures, Compliance  
With Statutory Requirements and Effective Status of  
Bond Ordinance And Related Ordinances**

Re: \$50,420,551.45 City of Philadelphia, Pennsylvania,  
Gas Works Revenue Bonds, Twelfth Series A

I, CHARLES H. SAWYER, JR., 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:

1. Bill Number 1871 of 1975 authorizing generally the issuance and sale of Gas Works Revenue Bonds as specified by supplemental ordinances (hearing held May 21, 1975).
2. Bill Number 2068 of 1979 authorizing the creation of a loan in the amount of \$50,000,000 to be evidenced by Gas Works Revenue Bonds and amending Bill Number 1871 of 1975 (hearing held June 27, 1979).
3. Bill Number 274 of 1980 authorizing the creation of a loan in the amount of \$100,000,000 to be evidenced by Gas Works Revenue Bonds and amending Bill Number 1871 of 1975 as theretofore amended (hearing held July 21, 1980).

4. Bill Number 534 of 1985 authorizing the creation of a loan in the maximum principal amount of \$90,000,000 to be evidenced by Gas Works Revenue Bonds and amending Bill Number 1871 of 1975 as theretofore amended (hearing held May 8, 1985).
5. Bill Number 511 of 1989 authorizing the creation of a loan in the maximum principal amount of \$135,000,000 to be evidenced by Gas Works Revenue Bonds (\$160,000,000 less \$25,000,000 issued by the Philadelphia Municipal Authority on behalf of the Philadelphia Gas Works on August 3, 1989) (hearing held June 16, 1989).

(b) Notices of public hearings on said Bills and of their report 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 Bill Number 1871 of 1975, Bill Number 2068 of 1979, Bill Number 274 of 1980, Bill Number 534 of 1985 and Bill Number 511 of 1989 was 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 Number 511 of 1989, 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:

1. An executed copy of the financial report dated June 28, 1989, signed by the chief financial officer of the City of Philadelphia, together with an executed letter of Stone & Webster Management Consultants, Inc., independent consulting engineers, 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 engineers attached thereto,

as required by Section 8(a) of the Revenue Bond Act; and

2. An executed copy of the opinion of Seymour Kurland, as City Solicitor, dated June 26, 1989, required by Section 8(b) of the Revenue Bond Act.

(e) The copies of the Ordinances attached hereto (identified as Bills No. 1871, 2068, 274, 534 and 511) are true and correct copies of the originals of those Ordinances on file in the Office of the Chief Clerk of the Council; and

(f) Such Ordinances have not been amended or repealed and are in full force and effect on the date of this certificate.

  
\_\_\_\_\_  
CHARLES H. SAWYER, JR., Chief Clerk of  
the Council of the City of Philadelphia

Dated: March 29, 1990

(SEAL)



(Bill No. 511)

AN ORDINANCE

Constituting the Twelfth 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 of the City of Philadelphia, in one or more series or subseries, in the additional maximum aggregate principal amount of one hundred sixty million (\$160,000,000.00) dollars less the aggregate principal amount of any bonds issued by the Philadelphia Municipal Authority in connection with the sale and leaseback of a certain parcel of land located at 800 West Montgomery avenue, and the building, fixtures and certain equipment and appurtenant facilities and property situated thereon and an easement in connection therewith, 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 one hundred sixty million (\$160,000,000.00) dollars less the aggregate gross proceeds to the City from the sale of the above-described bonds of the Philadelphia Municipal Authority, if any; designating that the Bonds are being issued to pay the costs of certain projects and to refund certain outstanding series of Gas Works Revenue Bonds and the application of proceeds of the Bonds for such purpose; determining the sufficiency of the project revenues; covenanting the separation of Gas Works revenue accounts and proceeds of the Bonds from

APP. NO. 302-1

Vary, L.A.



PHILADELPHIA  
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City Solicitor

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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.

SECTION 2. 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 certain maturities of the City's Gas Works Revenue Bonds, Eighth Series, or such other series as shall be designated by the 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

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*Seymour Kurlap*  
SEYMOUR KURLAP  
City Solicitor

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 an escrow or similar account 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 refunded Prior Bonds. 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 for the benefit of the holders of and to take any and all other irrevocable pledge of such proceeds from the investment through redemption of the refund publication of all required giving of irrevocable instruments necessary or appropriate to the Prior Bonds and to comply with Section 10 of the Act.

Any excess moneys in respect of the Bonds other than Earnings shall be transferred to the Gas Works described in this Section and to be used for the purposes described in this Section.

SECTION 3. Based on the Finance of the City file Section 3 of the Act, the pledged Project Revenues Ordinance, will be subject to the covenant contained in the Ordinance and also the payments required to be made in priority stated in Section 4.02 of the General Ordinance.

SECTION 4. Subject to the General Ordinance, any of the Bonds or Project Revenues shall be disbursed from the operating funds of the Gas Works which shall not be commingled with the consolidated cash account of the City or any other account of the City.

other obligations of the City

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 2 and applied to any of the purposes 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 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

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APP. NO. 302-6

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 5. The City covenants that, so 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 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 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 7. 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

APP. NO. 302-6

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SECTION 8.  
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APP. NO. 302-7

Ordinance to be deposited in the Sinking Fund Reserve in respect thereof.

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 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.

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APP. NO. 302-8

CERTIFICATION: This is a true and correct copy of  
the original Ordinance approved by the Mayor on

AUGUST 3, 1989

*Charles H. Langer Jr*

Chief Clerk of the Council



(Bill No. 534)

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 revenues; covenanting the separation of Gas Works revenue accounts and proceeds of the Eighth Series Bonds from general accounts of the City; covenanting

the payment of interest and principal on the Eighth Series Bonds; authorizing covenants and action in order that the Eighth Series Bonds shall not be arbitrage bonds; amending the General Gas Works Revenue Bond Ordinance of 1975, as amended to date, to provide that the Eighth Series Bonds, other than Sinking Fund Reserve Earnings, shall be transferred to certain accounts of the Gas Works and applied to pay capital costs; amending the General Revenue Bond Ordinance of 1975, as amended to date, relating to the issuance of fully registered bonds; 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 to date.

*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, Eighth Series, of the City (the "Eighth 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 to date (the "General Ordinance"), a sum or sums which in the aggregate shall not exceed the

principal amount of Bonds authorized hereunder, to be expended as provided in the General Ordinance. The Eighth Series Bonds shall be sold by public competitive sale to the highest bidder, or by a private negotiated sale, as the Bond Committee shall deem to be in the best interest of the City. The Eighth Series Bonds shall conform to the provisions, as are determined by the Bond Committee to be in the best interest of the City, inconsistent with the provisions of the General Ordinance.

The aggregate principal amount of Bonds which are authorized to be issued hereunder shall not exceed more than ninety million dollars (\$90,000,000); that if any of the Eighth Series Bonds are issued at a discount which are in lieu of cash, the aggregate principal amount of Bonds which may be issued hereunder shall be reduced by the amount of such discounts, so long as the aggregate principal amount of Bonds sold at a public sale of the Eighth Series Bonds does not exceed ninety million dollars (\$90,000,000).

The Eighth Series Bonds shall not create any new taxing power, create any debt or increase any general revenues or create any other obligations of the City other than the revenues provided for in the General Ordinance.

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principal amount of Bonds authorized to be issued hereunder, to be expended as provided in Section 2 of this Ordinance. The Eighth Series Bonds shall be sold either at public competitive sale to the highest bidder or bidders or at a private negotiated sale, as a majority of the Bond Committee shall deem to be in the best interest of the City. The Eighth 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 aggregate principal amount of Eighth Series Bonds which are authorized to be issued hereunder shall not be more than ninety million dollars (\$90,000,000); provided that if any of the Eighth Series Bonds are to be sold at discounts which are in lieu of periodic interest, the aggregate principal amount of Eighth Series Bonds which may be issued hereunder shall be increased to reflect such discounts, so long as the aggregate gross proceeds from the sale of the Eighth Series Bonds shall not exceed ninety million dollars (\$90,000,000).

The Eighth 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.

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SECTION 2. The Eighth 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 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; 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 notes or other obligations of the City issued in respect of Project Costs.

The City covenants that the proceeds of the sale of the Eighth Series 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 rep. and the Gas Works of amounts previ Project Costs or for the funding or anticipation notes or other obligation shall be deposited and held in and more unsegregated accounts of the C be separate and apart from and not consolidated cash account of the Ci of the City not held exclusively fo This covenant shall not be cor establishment of any Gas Works any other Gas Works accounts. earned on the investment of expenditure for the aforesaid pu to and deposited in the operati and applied as Project Reve Section 4.02 of the General O

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Eighth Series Bonds shall be issued for the Sinking Fund Reserve and the repayment to the City of the gas works system of the City and the Gas Works of amounts previously advanced for Project Costs or for the funding or refunding of bond incurred or to be incurred for the Project Costs or for the funding or refunding of bond and constructing the capital anticipation notes or other obligations as described above, in the capital program of the Gas Works shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall included in the capital budgets of the Gas Works which shall be separate and apart from and not commingled with the by City Council, which may consolidated cash account of the City or any other account at the acquisition of land or of the City not held exclusively for Gas Works purposes. ructures and facilities. This covenant shall not be construed to require the the acquisition, establishment of any Gas Works account segregated from ructures and facilities. All interest and income ructures and facilities. earned on the investment of such proceeds pending ructures and facilities. expenditure for the aforesaid purposes may be transferred ructures and facilities. to and deposited in the operating funds of the Gas Works ructures and facilities. and applied as Project Revenues in accordance with ructures and facilities. 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

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APP. NO. 247-6

Ordinance, will be sufficient to comply with the ratification and approval of the Ordinance 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

NO. 247-7

vestment of the proceeds of the Eighth Series Bonds and the Director of Finance and any member of the Finance Committee are authorized to make such investments as may be necessary or advisable in order that the Bonds shall not be "arbitrage bonds" as defined in Section 103(j) of the Internal Revenue Code of 1954, as amended.

SECTION 7. In order to comply with Section 103(j) of the Code that all tax-exempt bonds be in registered form, the General Ordinance is 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 any Bond, the date which precedes such interest payment date by a certain number of days, whether or not such day is a business day."

(b) The General Ordinance is amended to read as follows:

"The third paragraph of Section 3.04A shall apply to Bonds issued after March 1, 1970. The following provision shall apply to such Bonds: (1) The principal of and interest on each installment of principal (including accrued interest payable on such installment) shall be payable on the date specified in the Bond (including accrued interest payable on such installment) and the principal of and interest on each installment of principal (including accrued interest payable on such installment) shall be payable on the date specified in the Bond (including accrued interest payable on such installment)."

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vestment 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

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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 redemption payable at or prior to maturity of such Bonds only upon presentation and payment of the respective coupons for interest herein provided with respect to such Bonds lost or stolen Bonds or coupons.

(c) The first sentence of Ordinance is amended to read:

"All Bonds of any denomination exchangeable for any other Bonds of any authorized denomination and, in each case, for the same amount, shall be payable at the same rate of interest in the same manner."

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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

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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 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 the same Series and maturing at the same time as the unredeemed portion of the Bond presented, which new Bond or Bonds shall be in the same form of the Bond to be redeemed of the Holder, in any other form authorized by the City."

SECTION 8. This Ordinance is supplementary to and does not amend the General Ordinance and all Sections of the Act not inconsistent herewith shall apply to the Eighth Series Bonds. The Act not inconsistent herewith shall apply to the Eighth Series Bonds.

*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

BILL-214

1980

• 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-

porary loan notes or other obligations of the City issued in respect of Project Costs.

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.*

ately 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.*

• BILL No. 2068

BILL 2068

1979

• 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. 284 (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

of property of a capital nature ...  
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.*

• EN No. 2048

• 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 sell the following described lot or piece of City-owned ground for the best terms obtainable.

Approved for the City of Philadelphia as to correctness and form:

By .....  
City Solicitor

Explanation:  
[Brackets] indicate matter deleted.  
/ indicate where matter added.

Approved the thirtieth day of May, A.D. 1975.

FRANK L. RIZZO,  
Mayor of Philadelphia.

\* BH 445. 1870

BILL-1871

1975

• 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

5  
6  
7

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 Holders 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

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

ances 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:

(Form of Fully Registered Bond)  
UNITED STATES OF AMERICA  
COMMONWEALTH OF PENNSYLVANIA  
CITY OF PHILADELPHIA  
GAS WORKS REVENUE BOND

[Numerical Designation]

§

[Series Designation]

[Interest Rate: % Semi-annual Interest § ]

The City of Philadelphia, Pennsylvania (the City), for value received, hereby promises to pay in lawful money of the United States of America to

or registered assigns, 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 the pay interest on such principal amount in like money, but solely from said rentals, revenues and moneys aforesaid, to the registered owner by check or draft mailed to the registered owner at his address as it appears on the bond register, from the interest payment date next preceding the date hereof, unless the date hereof shall be an interest payment date, in which case from the date hereof, initially on

and thereafter on each subsequent and

until payment of such principal amount, or provisions therefor, shall have been made upon redemption or at or after maturity, at the annual rate shown hereon.

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 (Gas 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.

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 Depository, 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-

ation 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-

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 of 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. §15201) (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.

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 or 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

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, and has also caused the coupons hereto attached to be authenticated with the facsimile signature of the City Controller, as of

Countersigned and	
Attested by	CITY OF PHILADELPHIA
(Facsimile Signature)	By .....
City Controller	Fiscal Agent
	By .....
	Authorized Officer
	By .....
	Authorized Officer

(Form of Coupon)

Coupon No. §

On . the City of Philadelphia upon surrender of this Coupon will pay to the bearer unless the Bond hereinafter mentioned shall have been called for previous redemption and payment of the redemption price made or provided for, at the principal Philadelphia office of in Philadelphia, Pennsylvania, but only out of the rentals, revenues and moneys referred to in the Bond hereinafter mentioned, the amount shown hereon, in lawful money of the United States of America, being interest then due on its Gas Works Revenue Bond, dated as of . and numbered.

CITY OF PHILADELPHIA

By .....

City Controller

**Section 2.04. General Form, Content and Payment of Bonds.** Bonds shall be generally designated as Gas Works Avenue 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

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 8.05. 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

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

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 hereinafter 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 unmaturing 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 Bond, 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.

Bonds surrendered for exchange and the coupons, if 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

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 type-written 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 10. 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.

attached to coupon Bonds shall be executed on behalf of the City by the facsimile signature of the City Treasurer. 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-

destroyed, 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 8 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.

) 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

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...nated 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 8.01 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

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 Depository 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.

**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

ject 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.

## 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

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.*

SECTION 1. Pursuant to Section 11-404 of The Philadelphia Code, the Board of Surveyors of the Department of Streets is authorized and directed to revise the curb lines and grades on a portion of City Plan No. 307 by relocating the westerly curb line of Eleventh street two feet westwardly from Arch street to Race street.

Approved the fifth day of June, A.D. 1991.

W. WILSON GOODE,

*Mayor of Philadelphia.*

\*Bill No. 1420

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\*AN ORDINANCE

Constituting the Thirteenth 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, at a private negotiated sale, Gas Works Revenue Bonds of the City of Philadelphia, in one or more series, in the maximum aggregate principal amount of seventy-five million (\$75,000,000) dollars, 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 seventy-five million (\$75,000,000) dollars; designating that the Bonds are being issued to pay the costs of certain projects and the application of the proceeds of

the Bonds for such purpose; determining the sufficiency of the project revenues; covenanting the separation of the 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; 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 to date.

*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 of the City (the "Bonds"), in one or more series, 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 to date (the "General Ordinance"), a sum or sums which in the aggregate shall not exceed the principal amount of the Bonds authorized to be issued hereunder, to be expended as provided in Section 2 of this Ordinance. The Bonds shall be sold at a private negotiated sale as said officers or a majority of them shall deem to be in the best interest of the City. The 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 aggregate principal amount of the Bonds which are authorized to be issued hereunder shall not be more than seventy-five million (\$75,000,000) dollars; provided 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, so long as the aggregate gross proceeds from the sale of the Bonds shall not exceed seventy-five million (\$75,000,000) dollars.

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 Bond Committee, or a majority of them, is authorized on behalf of the City to enter into agreements (the "Agreements") with any bank, insurance company or other appropriate entity providing credit enhancement or payment or liquidity sources for the account of the City for the Bonds (the "Credit Enhancer"), including, without limitation, letters of credit, lines of credit and insurance. Such Agreements may provide for payment or acquisition of the Bonds by the Credit Enhancer if the City does not pay the Bonds when due and may provide for repayment with interest to the Credit Enhancer from the date of such payment or acquisition.

The Bond Committee, or a majority of them, 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.

SECTION 2. 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) paying the costs of issuing the Bonds and any required deposits to the Sinking Fund Reserve; and (iii) 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 of Project Costs.

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 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 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 any of the purposes 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 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 5. The City covenants that, so 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 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 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, and in order to otherwise effect or maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

SECTION 7. 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 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.

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 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.

SECTION 9. This Ordinance shall take effect immediately.

Approved the sixth day of June, A.D. 1991.

W. WILSON GOODE,

*Mayor of Philadelphia.*

**NEW ISSUE**

**RATINGS:** (See "RATINGS", herein)

*In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Thirteenth Series Bonds, including original issue discount, is not includable in the gross income of the holders thereof for federal income tax purposes and is not a specific preference item for purposes of computing the alternative minimum tax imposed on individuals and corporations. However, for the purpose of computing the alternative minimum tax on corporations, interest on the Thirteenth Series Bonds may be taken into account in determining adjusted current earnings. The opinion of Bond Counsel assumes compliance by the City with its covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended. Under the laws of the Commonwealth of Pennsylvania, as presently enacted and construed, the Thirteenth Series Bonds are exempt from Pennsylvania personal property taxes and the interest on the Thirteenth Series Bonds and any gain from the sale thereof are exempt from Pennsylvania personal income tax and from Pennsylvania corporate net income tax. See "Federal Tax Exemption" and "Pennsylvania Tax Exemption" herein for a further discussion of tax consequences of ownership of the Thirteenth Series Bonds.*

**\$75,220,000**

**CITY OF PHILADELPHIA, PENNSYLVANIA**  
**Gas Works Revenue Bonds, Thirteenth Series**

**Dated: June 15, 1991**

**Due: June 15, as shown below**

The Thirteenth Series Bonds are issuable as fully registered bonds maturing in the aggregate principal amounts and bearing interest at the rates set forth below. The Thirteenth Series Bonds shall be issued in denominations of \$5,000 or any whole multiple thereof. The principal and redemption price of the Thirteenth Series Bonds are payable at the principal corporate trust office of CoreStates Bank, N.A., Philadelphia, Pennsylvania, Fiscal Agent and Sinking Fund Depository, at the times and in the amounts set forth therein. Interest is payable initially on December 15, 1991 and thereafter semiannually on each June 15 and December 15 by check mailed by the Fiscal Agent to the persons in whose names the Thirteenth Series Bonds are registered on the 15th day preceding each interest payment date. Registered owners of at least \$1,000,000 principal amount of the Thirteenth Series Bonds may elect to receive interest payments by wire transfer as hereinafter described. The Thirteenth Series Bonds are subject to redemption prior to maturity as described herein under the heading "DESCRIPTION OF THE THIRTEENTH SERIES BONDS".

THE THIRTEENTH SERIES BONDS DO NOT PLEDGE THE CREDIT OR TAXING POWER OF THE CITY OF PHILADELPHIA OR CREATE ANY DEBT OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY OR CREATE A LIEN AGAINST ANY CITY PROPERTY, OTHER THAN CERTAIN REVENUES AND FUNDS OF THE PHILADELPHIA GAS WORKS REFERRED TO HEREIN.

**\$10,215,000 Serial Bonds**

Due (June 15)	Principal Amount	Interest Rate	Price or Yield	Due (June 15)	Principal Amount	Interest Rate	Price or Yield
1992	\$750,000	5.90%	100%	1997	\$1,030,000	7.10%	100%
1993	795,000	6.40	100	1998	1,105,000	7.20	100
1994	845,000	6.65	100	1999	1,185,000	7.30	100
1995	905,000	6.90	100	2000	1,270,000	7.40	100
1996	965,000	7.00	100	2001	1,365,000	7.50	100

**\$20,975,000 7.70% Term Bonds Due June 15, 2011 @ 100%**

**\$44,030,000 7.70% Term Bonds Due June 15, 2021 @ 99.5% to Yield 7.74%**

(Plus Accrued Interest)

Proceeds of the Thirteenth Series Bonds are being used to (i) finance a portion of the Philadelphia Gas Works' capital improvements program which includes additions and improvements to gas supply plants and the distribution system, (ii) make a deposit into the Sinking Fund Reserve Account, and (iii) pay costs of issuing the Thirteenth Series Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

*The Thirteenth Series Bonds are being offered when, as and if issued and accepted by the Underwriters, subject to prior sale, withdrawal, or modification of the offer without notice, and subject to the approval as to the legality of the issuance of the Thirteenth Series Bonds by Astor, Weiss & Newman, Bond Counsel, Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Underwriters by Saul, Ewing, Remick & Saul and Genev E. Brinkley, Esquire, both of Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the City by the Office of the City Solicitor and Fineman & Bath, P.C. Certain legal matters will be passed upon for the Philadelphia Gas Works by Obermayer, Rehmman, Maxwell & Hippel, Philadelphia, Pennsylvania. It is anticipated that the Thirteenth Series Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about July 10, 1991.*

**The First Boston Corporation**

**Dillon, Read & Co. Inc.**

**Innova Securities, Inc.**

**Butcher & Singer**

**Chemical Securities, Inc.**

**Kidder, Peabody & Co.**

A Division of Wheat, First Securities, Inc.

INCORPORATED

**PaineWebber Incorporated**

**William E. Simon & Sons**

MUNICIPAL SECURITIES, INC.

**A.H. Williams & Co.**

**Dean Witter Reynolds Inc.**

INCORPORATED

The date of this Official Statement is June 28, 1991

**CITY OF PHILADELPHIA**

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**MAYOR  
HONORABLE W. WILSON GOODE**

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**MAYOR'S CABINET**

David W. Brenner .....Director of Finance  
Charisse R. Lillie .....City Solicitor  
David H. Pingree .....Managing Director  
Edward A. Schwartz .....Director of Housing  
Gerri H. Walker .....City Representative and Director of Commerce

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**City Treasurer  
Benjamin Blakney**

---

**City Controller  
Jonathan A. Saidel**

---

**President of City Council  
Honorable Joseph E. Coleman**

---

**PHILADELPHIA GAS WORKS**

Alfred P. Degen, Executive Vice President  
Sydney M. Avent, Senior Vice President—Administration and General Counsel  
Joseph G. Horan, Senior Vice President and Chief Operating Officer  
Edward H. Morris, Jr., Senior Vice President and Chief Financial Officer  
Harry A. Connelly, Vice President—Rates and Regulatory Affairs  
Robert J. Dunnigan, Vice President—Administration  
A. Jack Egan, Vice President—Support Services  
Thomas J. Hanna, Vice President—Technical Services  
Don C. Kenley, Vice President—Public Affairs  
Terri M. Maloney, Vice President—Customer Activities  
Richard J. Ney, Vice President—Marketing  
Dennis E. Stinson, Vice President—Operations

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**FINANCIAL ADVISOR  
P.G. Corbin & Company, Inc.**

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**FISCAL AGENT  
CoreStates Bank, N.A.**

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No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Thirteenth Series Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness. The information and the opinions expressed herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the operations of the Philadelphia Gas Works or the City of Philadelphia, since the date hereof. The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PHILADELPHIA GAS WORKS, THE CITY OF PHILADELPHIA AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT.**

**IN CONNECTION WITH THE OFFERING OF THE THIRTEENTH SERIES BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.**

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**OFFICIAL STATEMENT**  
of the  
**CITY OF PHILADELPHIA, PENNSYLVANIA**  
respecting its  
**\$75,220,000**  
**Gas Works Revenue Bonds, Thirteenth Series**

**INTRODUCTION**

**General**

This Official Statement, including the cover page, table of contents, tables and appendices, sets forth information with respect to the issuance by the City of Philadelphia, Pennsylvania (the "City") of its \$75,220,000 aggregate principal amount Gas Works Revenue Bonds, Thirteenth Series, dated June 15, 1991 (the "Thirteenth Series Bonds").

The City's fiscal year begins on July 1 and ends on June 30 of the following calendar year. The term "Fiscal Year" when followed by a year and used in connection with the City refers to the fiscal year of the City ending June 30 of that year. For example, "Fiscal Year 1991" refers to the fiscal year ending June 30, 1991. The fiscal year of the Philadelphia Gas Works ("PGW" or the "Gas Works") begins on September 1 and ends on August 31 of the following calendar year. The term "Fiscal Year" when followed by a year and used in connection with the Gas Works, refers to the fiscal year of the Gas Works ending August 31 of that year.

This introduction is a brief description of certain matters described in this Official Statement and is qualified by reference to the entire Official Statement. Persons considering a purchase of any of the Thirteenth Series Bonds should read this Official Statement, including the cover page, table of contents, tables and appendices, in its entirety. The information contained herein is subject to change.

**The City of Philadelphia Gas Works**

The Gas Works consists of all the real and personal property owned by the City and used for the acquisition, manufacture, storage, processing and distribution of gas within the City, and all property, books and records employed and maintained in connection with the operation, maintenance and administration thereof. See "PHILADELPHIA GAS WORKS".

PGW serves the entire 129 square mile area contained within the boundaries of the City and is the sole supplier of gas in the City. PGW has no distribution mains and serves no customers outside the City limits. As of April 30, 1991, PGW served approximately 533,000 customers.

The Philadelphia Home Rule Charter provides for a Gas Commission to be constituted and appointed and to exercise such power and perform such duties as may from time to time be provided in contracts between the City and the operator of PGW, or, in the absence of a contract, as may be provided by ordinance. For details of the Gas Commission's various responsibilities and oversight of the operations of PGW, see "THE GAS COMMISSION."

Since January 1, 1973, PGW has been managed by the Philadelphia Facilities Management Corporation ("PFMC"), a not-for-profit corporation, pursuant to an agreement between the City and PFMC dated December 29, 1972, as amended, authorized by ordinances of City Council (the "Management Agreement").

Rates, including the Gas Cost Rate, and charges of PGW are fixed by the Gas Commission and not by the Public Utility Commission of the Commonwealth. See "PGW BUDGET, RATES AND FINANCING PROGRAM". The Court of Common Pleas of Philadelphia County has ruled that deci-

sions of the Gas Commission regarding PGW rate increases are subject to court review. See "PGW BUDGET, RATES AND FINANCING PROGRAM" for a further discussion of PGW's budget process and recent rate proceedings.

The Financial Statements of PGW for the years ended August 31, 1990 and 1989 are presented in Appendix A hereto and summary statements of income for the seven month period ending March 31, 1991 are presented in "SUMMARY STATEMENTS OF INCOME" herein.

The offices of PGW are located at 800 W. Montgomery Avenue, Philadelphia, Pennsylvania 19122. The telephone number is 215/236-0500.

### **Financial Position of the City**

Set forth below is a brief discussion of the financial position of the City. For further information regarding the City's financial situation see APPENDIX D - "Certain Financial Information Concerning the City of Philadelphia" herein.

The City experienced a series of general fund deficits for Fiscal Years 1988 through 1990 which have culminated in the City's financial difficulties in recent months. The City is projecting a cumulative general fund deficit of approximately \$219.4 million for Fiscal Year 1991. In addition, the general fund budget approved by City Council and signed by the Mayor on June 13, 1991 for Fiscal Year 1992 is balanced by the inclusion of: (i) revenues in the amount of approximately \$173.8 million which are of a contingent or speculative nature and which may not be realized, (ii) proceeds in the amount of approximately \$261.4 million of deficit reduction bonds which, if issued, would be issued by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and (iii) \$65.4 million in expense reductions and other adjustments. For more information about the revenues referred to in "(i)" above, the deficit reduction bonds referred to in "(ii)" above, and the expense reductions and other adjustments referred to in "(iii)" above, see "Summaries of Financial Operations" in APPENDIX D herein. The City has no legal authority to issue deficit reduction bonds and there can be no assurances given that the Authority will issue deficit reduction bonds in the amounts set forth above. For more information about the Authority see "The Intergovernmental Cooperation Authority" in APPENDIX D, herein.

The City and the Philadelphia Housing Authority (hereinafter collectively, "Municipal and Housing Authority") are expected to account for an estimated 4.7% of PGW's total revenues in Fiscal Year 1991. The City's ability to pay for services it receives from PGW and PGW's ability to collect payment from the City may be impaired by the City's financial difficulties. See "REMEDIES OF BONDHOLDERS", herein.

The City has covenanted in the Thirteenth Supplemental Ordinance to deposit into, hold in and disburse from one or more unsegregated accounts of PGW, 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 PGW purposes, proceeds of the Thirteenth Series Bonds which are available for the payment of the costs of the capital improvements. The City further covenants in the Thirteenth Supplemental Ordinance that, so long as any of the Thirteenth Series Bonds shall remain outstanding, all pledged Project Revenues shall be deposited and held and disbursed from one or more unsegregated accounts of PGW 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 PGW purposes. However, the effectiveness of the segregation of Thirteenth Series Bond proceeds and Project Revenues may be limited under certain circumstances, including a bankruptcy filing by the City. See "SECURITY" and "REMEDIES OF BONDHOLDERS" herein.

### **Authorization to Issue the Thirteenth Series Bonds**

The Thirteenth Series Bonds are being issued 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 General Gas Works Revenue Bond Ordinance of 1975, approved May 30, 1975 - Bill No. 1871, as amended from time to time (the "General Ordinance"), the Thirteenth Supplemental Gas Works Rev-

enue Bond Ordinance approved June 6, 1991 – Bill No. 1440 (the “Thirteenth Supplemental Ordinance”) and a determination of the Bond Committee of the City, or a majority of them, dated June , 1991 (the “Bond Authorization”). Bonds of all series issued or to be issued under the General Ordinance (herein referred to as the “Bonds” or as “Gas Works Revenue Bonds”) are issued on a parity basis and share equally and ratably in the pledge of revenues provided for in the General Ordinance. As of April 30, 1991, \$606,807,000 aggregate principal amount of Gas Works Revenue Bonds were outstanding under the General Ordinance and appropriate supplemental ordinances.

### **The Thirteenth Series Bonds**

The Thirteenth Series Bonds will be issued pursuant to the Act, the General Ordinance and the Thirteenth Supplemental Ordinance. The Thirteenth Series Bonds will be dated June 15, 1991 and will bear interest from such date, payable commencing on December 15, 1991 and on each June 15 and December 15 thereafter. The Thirteenth Series Bonds will be issued as fully registered bonds in the aggregate principal amount set forth on the cover page hereof in denominations of \$5,000 or any whole multiple thereof. The principal and redemption price of the Thirteenth Series Bonds will be payable at the principal corporate trust office of CoreStates Bank, N.A., in Philadelphia, Pennsylvania (the “Fiscal Agent”). Interest on the Thirteenth Series Bonds will be paid by check mailed by the Fiscal Agent to the persons in whose names the Thirteenth Series Bonds are registered on the 15th day preceding each interest payment date; except in the case of any default by the City in payment of interest due which shall be payable to the persons in whose names the Thirteenth Series Bonds are registered on a special record date as determined by the Fiscal Agent. See “DESCRIPTION OF THE THIRTEENTH SERIES BONDS”. Registered Owners of at least \$1,000,000 principal amount of the Thirteenth Series Bonds may elect to receive interest payments by wire transfer.

The Thirteenth Series Bonds maturing on or after June 15, 2002 are subject to optional redemption at the direction of the City as a whole, or in part, at any time, on or after June 15, 2001. The Thirteenth Series Bonds are also subject to mandatory redemption as described herein. See “DESCRIPTION OF THE THIRTEENTH SERIES BONDS”.

### **Security for the Thirteenth Series Bonds**

The Thirteenth Series Bonds are secured solely by moneys derived, directly or indirectly, from PGW’s Project Revenues as provided in the Act, the General Ordinance and the Thirteenth Supplemental Ordinance. Neither the general credit nor the taxing power of the City is pledged to any such payment.

The City has pledged and granted a security interest in all Project Revenues and the proceeds thereof for security and payment of all bonds issued under the General Ordinance, including the Thirteenth Series Bonds. In the Thirteenth Supplemental Ordinance, the City has covenanted that so long as any of the Thirteenth Series Bonds remain outstanding, all Project Revenues shall be deposited and held in, and disbursed from, one or more unsegregated accounts of PGW which shall be separate and not commingled with moneys or accounts of the City not held exclusively for PGW purposes. The security interest of Bondholders in Project Revenues may be materially adversely affected under certain circumstances, including a bankruptcy filing by the City. See “SECURITY” and “REMEDIES OF BONDHOLDERS” herein. Pursuant to the General Ordinance, all moneys deposited in PGW’s Sinking Fund (including the Sinking Fund Reserve), are subject to a security interest in favor of all holders of PGW’s revenue bonds until such moneys are properly disbursed. See “SECURITY – Pledge of Revenues and Funds” herein.

The General Ordinance requires PGW to comply with a rate covenant which requires the City to impose, charge and collect in each fiscal year, rates and charges which, together with all other Project Revenues to be received in such fiscal year, shall be sufficient to meet debt service coverage requirements as specified in the General Ordinance (the “Rate Covenant”). See “SECURITY – Rate Covenant and Rate Requirements” and APPENDIX C – “The General Ordinance – Rate Covenant” herein.

The General Ordinance permits the issuance of additional bonds which are on a parity with the Thirteenth Series Bonds. See “SECURITY – Additional Parity Bonds” herein.

The General Ordinance establishes a Sinking Fund Reserve which is established in the Sinking Fund as a separate account and is held for the benefit of owners of all Bonds issued under the General Ordinance. The City will deposit certain amounts from the proceeds of sale of the Thirteenth Series Bonds into the Sinking Fund Reserve. See "SECURITY – Sinking Fund Reserve" herein.

The outstanding Gas Works Revenue Bonds and all Gas Works Revenue Bonds which may be issued in the future under the Act and the General Ordinance are issued on a parity basis and are payable, directly or indirectly, solely from Project Revenues (as defined in the General Ordinance). The City expects that the capital improvements program of PGW will require the issuance of additional Bonds in subsequent fiscal years.

The City also has outstanding as of June 15, 1991, \$81,300,000 of tax-exempt notes (the "Gas Works Notes"). By July 15, 1991, \$75 million of Gas Works Notes will have matured. The Gas Works Notes are issued pursuant to The City of Philadelphia Municipal Utility Inventory and Receivables Financing Act of the Commonwealth of Pennsylvania (the "Inventory and Receivables Financing Act") and the General Inventory and Receivables Gas Works Revenue Note Ordinance of 1988, Bill No. 117, approved June 30, 1988 (the "Note Ordinance"). The Gas Works Notes are junior in priority of payment to the Gas Works Revenue Bonds. See "ADDITIONAL DEBT – Subordinated Short-Term Borrowings – Gas Works Notes". The City may have up to \$85,000,000 of Gas Works Notes outstanding during each fiscal year. The City expects to issue additional Gas Works Notes and anticipates that a total of up to \$83 million in Gas Works Notes may be outstanding by the end of August 1991. See "PGW BUDGET, RATES AND FINANCING PROGRAM – Tax-Exempt Commercial Paper."

The City had outstanding as of June 15, 1991, \$24,610,000 aggregate principal amount of lease obligations pursuant to a lease entered into in connection with the issuance of the Philadelphia Gas Works Lease Revenue Bonds, Series of 1989, by The Philadelphia Municipal Authority (see "ADDITIONAL DEBT – Subordinated Long-Term Borrowings – Lease Revenue Bonds"). These rental obligations are payable out of Project Revenues and are junior in priority of payment to the Gas Works Revenue Bonds and the Gas Works Notes.

### **The Project**

The Thirteenth Series Bonds are being issued to fund a portion of PGW's capital improvements program, which includes additions and improvements to gas supply plants and the distribution system. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF PROCEEDS".

### **Engineering Report**

The report of Stone & Webster Management Consultants, Inc. ("Stone & Webster"), an independent consulting firm, with respect to PGW and the Thirteenth Series Bonds is appended hereto as APPENDIX B (the "Engineering Report"). In its report, Stone & Webster has concluded that, on the basis of actual and estimated financial operations of the PGW system, including future rate increases not presently enacted, such system will yield sufficient Project Revenues over the amortization period of the Thirteenth Series Bonds to meet the requirements of the Rate Covenant in the General Ordinance. See "SECURITY". Stone & Webster is of the opinion that the repairs and replacements contemplated in the Capital Improvement Program as described in their report will enable PGW to continue to maintain its system in good operating condition. Stone & Webster has also concluded in its report that the supply of PGW's contracted gas supplies plus spot market purchases, anticipated additional contractual supplies and proposed supplemental gas capacities will continue to be adequate to meet PGW's forecast of demand for the period 1992-1996. The Engineering Report contains projections of results of financial operations of the PGW system taking into account anticipated capital improvement expenditures and assuming certain base rate increases for PGW's Fiscal Years 1992-1996. The Engineering Report should be read in its entirety for an understanding of the information, assumptions and rationale on which Stone & Webster's conclusions and findings are based.

**Miscellaneous**

Any quotation from and summaries and explanations of the constitution and laws of the Commonwealth and ordinances of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Thirteenth Series Bonds are qualified in their entirety by reference to the definitive forms of the Thirteenth Series Bonds. All capitalized terms used herein, unless otherwise defined herein, shall have the meanings ascribed to them in the Act and the General Ordinance. See APPENDIX C. Copies of the Act, the General Ordinance and the Thirteenth Supplemental Ordinance are available from the Office of the Director of Finance, Room 1420, Municipal Services Building, Philadelphia, Pennsylvania 19102.

This Official Statement speaks only as of the date printed on the cover hereof. The information contained herein is subject to change. The Official Statement will be made available through one or more of the Nationally Recognized Municipal Securities Information Repositories.

**PLAN OF FINANCE AND ESTIMATED SOURCES  
AND USES OF PROCEEDS**

The proceeds from the sale of the Thirteenth Series Bonds will be used to finance a portion of PGW's Capital Program, to reimburse PGW for capital expenditures made during Fiscal Year 1991 from operating revenues, to make the required deposit to the Sinking Fund Reserve and to pay the costs of issuance of the Thirteenth Series Bonds as set forth below.

**Estimated Sources and Uses of Proceeds**

The sources and uses of proceeds of the Thirteenth Series Bonds are estimated to be as follows:

Estimated Sources of Proceeds

Principal Amount .....	\$75,220,000.00
Less Original Issue Discount .....	(220,150.00)
Accrued Interest .....	397,378.65
	<u>\$75,397,228.65</u>

Estimated Use of Proceeds

Capital Improvement Program (1) .....	\$67,173,238.18
Accrued Interest Deposited to Sinking Fund .....	397,378.65
Sinking Fund Reserve Deposit (2) .....	6,475,930.00
Costs of Issuance (3) .....	1,350,681.82
	<u>\$75,397,228.65</u>

(1) \$32,148,000 will be used by PGW as reimbursement for capital expenditures already made during Fiscal Year 1991 in anticipation of the issuance of the Thirteenth Series Bonds and \$35,025,238.18 will be used by PGW to pay future capital expenditures.

(2) The deposit to the Sinking Fund Reserve from the proceeds of the Thirteenth Series Bonds is equal to the maximum annual debt service requirement on the Thirteenth Series Bonds. See "SECURITY - Sinking Fund Reserve".

(3) Includes, among other things, fees and expenses of Counsel, the Fiscal Agent and the Underwriters' Discount.

**DESCRIPTION OF THE THIRTEENTH SERIES BONDS**

The Thirteenth Series Bonds are being issued pursuant to the Act, the General Ordinance and the Thirteenth Supplemental Ordinance. The General Ordinance is the governing ordinance under which all Gas Works Revenue Bonds are issued. The Thirteenth Supplemental Ordinance was enacted by City Council and approved by the Mayor on June 6, 1991.

The Thirteenth Series Bonds will be dated June 15, 1991 and will bear interest from such date, payable initially on December 15, 1991 and on each June 15 and December 15 thereafter. The Thirteenth Series Bonds will be issued as fully registered bonds in the aggregate principal amount set forth on the cover page hereof in denominations of \$5,000 or any whole multiple thereof. The principal of, and premium, if any, on the Thirteenth Series Bonds will be payable at the principal corporate trust office of the Fiscal Agent in Philadelphia, Pennsylvania. Interest on the Thirteenth Series Bonds, when due, will be paid by check, mailed by the Fiscal Agent to the persons in whose names the Thirteenth Series Bonds are registered on the 15th day preceding each interest payment date, except that if any such interest payment date is not a Business Day, then such interest check shall be mailed on the next succeeding Business Day. Business Day shall mean any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed. Registered owners of at least \$1,000,000 principal amount of the Thirteenth Series Bonds may elect to receive interest payments by wire transfer. In the event of any default by the City in the payment of interest due on any interest payment date, such defaulted interest shall be payable to the persons in whose names the Thirteenth Series Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by or on behalf of the City to the registered owners of the Thirteenth Series Bonds not less than ten (10) days preceding such special record date, such notice to be mailed to the persons in whose names the Thirteenth Series Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

**Optional Redemption**

The Thirteenth Series Bonds maturing on or before June 15, 2001 are not subject to redemption prior to maturity. The Thirteenth Series Bonds maturing on or after June 15, 2002 will be subject to redemption at the direction of the City in whole or in part on or after June 15, 2001 at the option of the City. In the case of any optional redemption of less than all of the Thirteenth Series Bonds, such Thirteenth Series Bonds shall be selected for redemption in such order of maturity as may be designated by the City, and within each maturity by lot at any time, in denominations of \$5,000 or whole multiples thereof, at the redemption prices, expressed as percentages of the principal amount of Thirteenth Series Bonds to be redeemed, set forth below, plus accrued interest to the redemption date:

<u>Redemption Period</u> <u>(both dates inclusive)</u>	<u>Redemption</u> <u>Price</u>
June 15, 2001 through June 14, 2002 .....	102%
June 15, 2002 through June 14, 2003 .....	101
June 15, 2003 and thereafter .....	100

**Mandatory Redemption**

The Thirteenth Series Bonds maturing on June 15, 2011 are subject to mandatory redemption prior to maturity, in part by lot, at the times and in the amounts set forth below at a price equal to 100% of the principal amount of such Thirteenth Series Bonds being redeemed, plus accrued interest to the date of redemption:

<u>(June 15)</u>	<u>Principal</u> <u>Amount</u>	<u>(June 15)</u>	<u>Principal</u> <u>Amount</u>
2002	\$1,470,000	2007	\$2,125,000
2003	1,580,000	2008	2,290,000
2004	1,705,000	2009	2,470,000
2005	1,835,000	2010	2,660,000
2006	1,975,000	2011*	2,865,000

\*Stated maturity

The Thirteenth Series Bonds maturing on June 15, 2021 are subject to mandatory redemption prior to maturity, in part by lot, at the times and in the amounts set forth below at a price equal to 100% of the principal amount of such Thirteenth Series Bonds being redeemed, plus accrued interest to the date of redemption:

<u>(June 15)</u>	<u>Principal Amount</u>	<u>(June 15)</u>	<u>Principal Amount</u>
2012	\$3,085,000	2017	\$4,470,000
2013	3,320,000	2018	4,810,000
2014	3,575,000	2019	5,180,000
2015	3,850,000	2020	5,580,000
2016	4,150,000	2021*	6,010,000

\*Stated maturity

The City may purchase Thirteenth Series Bonds in the open market and apply the principal amount of such purchases to the mandatory redemption requirements in accordance with the provisions of the Thirteenth Supplemental Ordinance. The principal amount of Thirteenth Series Bonds required to be redeemed by mandatory redemption in any year shall be subject to a credit at the election of the City for the principal amount of Thirteenth Series Bonds which have been provided for other than by mandatory redemption.

**Notice of Redemption of Thirteenth Series Bonds**

Notice of redemption of Thirteenth Series Bonds shall be made not less than thirty nor more than sixty days before the date fixed for redemption, by first class mail, postage prepaid, to the registered owners appearing on the bond register of the Thirteenth Series Bonds to be redeemed. Failure to mail such notice, or any defect therein, shall not affect the validity of the proceedings for redemption of Thirteenth Series Bonds for which such notice has been properly given. 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 the Thirteenth Series Bonds called for redemption accruing after the date fixed for redemption shall cease, and the registered owners of the Thirteenth Series Bonds called for redemption shall have no security, benefit or lien under the General Ordinance or any rights thereunder, except to receive payment of the redemption price.

**Transfer of Thirteenth Series Bonds**

The Thirteenth Series Bonds are transferable and exchangeable by the registered owners thereof at the principal corporate trust office of the Fiscal Agent in Philadelphia, Pennsylvania in the manner and subject to the limitations contained in the General Ordinance. The City and the Fiscal Agent shall not be required to issue or to register the transfer of or exchange any Thirteenth Series Bonds (a) during the period fifteen business days next preceding any interest payment date for such Thirteenth Series Bonds, or (b) during the period twenty business days next preceding the first publication or mailing of any notice of redemption of such Thirteenth Series Bonds.

**SECURITY**

The Thirteenth Series Bonds are secured solely by moneys derived, directly or indirectly, from PGW's Project Revenues as provided in the Act, the General Ordinance and the Thirteenth Supplemental Ordinance. Such Project Revenues include principally the rents, rates and charges imposed on or charged by the City to the users of gas distributed by PGW. Reference is made to Appendix C for summaries of the Act, the General Ordinance and the Thirteenth Supplemental Ordinance, including definitions of certain terms used herein.

**Pledge of Revenues and Funds**

In the General Ordinance, the City has pledged and granted a security interest in all Project Revenues and all accounts, contract rights and general intangibles representing Project Revenues and, in each case, the proceeds of the foregoing, for the security and payment of all Bonds issued under the General Ordinance.

The General Ordinance subjects all moneys deposited in the Sinking Fund, including the Sinking Fund Reserve, to a security interest for the Bonds until such moneys are properly disbursed and provides that no bonds issued under the Act shall pledge the credit or taxing power of the City 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 Project Revenues and moneys deposited in the Sinking Fund.

**Covenant Against Commingling with Other City Funds**

The City has covenanted in the Thirteenth Supplemental Ordinance that so long as any of the Thirteenth Series Bonds remain outstanding, all Project Revenues shall be deposited and held in, and disbursed from, one or more unsegregated accounts of PGW which shall be separate from and not commingled with moneys or accounts of the City not held exclusively for PGW purposes. See "REMEDIES OF BONDHOLDERS".

**Priority In Application of Project Revenues**

The General Ordinance creates a lien on and pledge of all Project Revenues of PGW for the benefit of the holders of Gas Works Revenue Bonds and together with the Note Ordinance creates a priority in application of Project Revenues in each fiscal year as follows:

First, to Net Operating Expenses of PGW;

Second, to required payments into the Sinking Fund to pay the principal of and interest then due on all Bonds issued and outstanding under the General Ordinance and to accumulate funds in the Sinking Fund Reserve to the extent required by any Supplemental Ordinance or to restore any deficiency in the Sinking Fund Reserve;

Third, to the payment of general obligation bonds which have been adjudged to be self-liquidating on the basis of expected revenues from PGW\*;

Fourth, to the payment of interest and sinking fund charges of other general obligation debt incurred for PGW\*;

Fifth, to the payment of the principal of and interest on the Gas Works Notes and any amounts owed to the issuer of the credit facility established with respect to the Gas Works Notes; and

Sixth, to the payment of the City Charges, including the Base Payment (currently \$18,000,000), and the payment of rentals under the Lease (defined under the heading "ADDITIONAL DEBT – Subordinated Long-Term Borrowings – Lease Revenue Bonds") on a parity basis after the payments listed in items First through Fifth above.

City Charges include charges for services performed for PGW by various City departments including the expenses of the Gas Commission which also includes the cost of rate hearings. During PGW's Fiscal Years 1986-1990, City Charges exclusive of the \$18,000,000 Base Payment and of rate hearing charges have averaged approximately \$965,000 per year.

The General Ordinance provides that all interest and income earned on moneys held in the Sinking Fund Reserve may, to the extent not required to comply with the requirements of the General Ordinance relating to the Sinking Fund Reserve, be transferred to the operating funds of PGW to be applied as Project Revenues in accordance with the terms of the General Ordinance. To the extent that

\* The last general obligation debt of the City related to PGW was paid in full in Fiscal Year 1987. No general obligation debt of the City described in items Third and Fourth above is currently outstanding.

in any fiscal year a balance remains in the Project Revenues, such balance, upon approval of the Gas Commission, may be paid to the City, provided that in a given fiscal year such balance does not exceed the amount of Sinking Fund Reserve Earnings transferred to the operating funds of PGW during the same fiscal year. The City requested and received a transfer of excess Project Revenues in the amount of \$6,500,000 in Fiscal Year 1986 but no additional transfers have been requested by or made to the City since then.

#### **Rate Covenant and Rate Requirements**

The General Ordinance includes the Rate Covenant which requires that, so long as Gas Works Revenue Bonds are outstanding, the City impose, charge and collect in each fiscal year such gas rates and charges as shall, together with all other Project Revenues to be received in such fiscal year, be sufficient to provide, after meeting any Sinking Fund Reserve requirements, the greater of (a) the sum of all Net Operating Expenses payable during such fiscal year plus 150% of the debt service requirements for such year on all outstanding Gas Works Revenue Bonds or (b) the sum of all Net Operating Expenses payable during such fiscal year plus the debt service requirements for such year on all outstanding Gas Works Revenue Bonds and all outstanding City general obligation bonds issued for improvements to PGW. For a further discussion of the Rate Covenant and other rate requirements applicable to PGW, see "PGW BUDGET, RATES AND FINANCING PROGRAM" and "HISTORICAL REVENUES AND DEBT SERVICE COVERAGE".

#### **Additional Parity Bonds**

The General Ordinance permits the issuance of additional Bonds which shall be parity bonds, provided, among other requirements, that an independent engineer determines that estimated Project Revenues will be sufficient to meet the Rate Covenant. See the material under the caption "The General Ordinance" in APPENDIX C for a discussion of the provisions relating to the issuance of additional Bonds. The Thirteenth Supplemental Ordinance authorizes the issuance of up to \$75,000,000 aggregate principal amount of Gas Works Revenue Bonds in one or more series, provided that such maximum principal amount may be increased to reflect sales of such Bonds at discounts which are in lieu of periodic interest, to fund capital improvements. See APPENDIX C. In accordance with the Thirteenth Supplemental Ordinance, the Thirteenth Series Bonds are being issued to fund capital improvements.

#### **Sinking Fund**

Pursuant to the Act, the General Ordinance establishes a Sinking Fund for the benefit and security of the holders of all Bonds to be held separate and apart from all other accounts of the City, and directs the Director of Finance to deposit therein from the Project 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 interest on the Bonds then coming due and payable. It is the current practice of the City to make deposits in the Sinking Fund on or immediately prior to the date on which debt service payments are due. To the extent moneys are on deposit in the Sinking Fund which are not currently required for the payment of debt service, such moneys shall be invested at the direction and under the management of the Director of Finance. Interest and profit from any such investment shall be added to the Sinking Fund and credited in reduction of or to satisfy required deposits into the Sinking Fund.

#### **Sinking Fund Reserve**

The General Ordinance establishes a Sinking Fund Reserve as part of the Sinking Fund. The City is required to deposit in the Sinking Fund Reserve from the proceeds of sale of each series of Bonds issued under the General Ordinance 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 coming due and payable in that fiscal year unless the Supplemental Ordinance authorizing the series of Bonds authorizes the accumulation from Project Revenues of a reserve of such amount over a period of not more than six fiscal

years after the issuance and delivery of the Bonds. Although the Thirteenth Supplemental Ordinance has authorized an accumulation from Project Revenues, the Sinking Fund Reserve requirement will be funded from proceeds of the Thirteenth Series Bonds to the extent that the proceeds of the Thirteenth Series Bonds utilized to make such deposit is not greater than ten percent (10%) of the proceeds of such Bonds. The money and investments (valued at market) in the Sinking Fund Reserve must be held and maintained at all times in an amount equal to the maximum of the principal and interest requirements of all outstanding Bonds in any subsequent fiscal year. The City verifies the value of amounts in the Sinking Fund Reserve on a periodic basis. As of April 30, 1991, the value of the funds and investments on deposit in the Sinking Fund Reserve was required to be at least \$68,472,673 and the amount in the Sinking Fund Reserve met this requirement. If, at any time, the moneys in the Sinking Fund (other than the Sinking Fund Reserve) are insufficient to pay, as and when due, debt service on any Bond or Bonds, the Sinking Fund Depository is required to pay over to the Fiscal Agent from the Sinking Fund Reserve the amount of the deficiency. The Sinking Fund and Sinking Fund Reserve are managed by, and invested and reinvested under the direction of, the Director of Finance of the City. The General Ordinance provides that interest and income earned on moneys held in the Sinking Fund Reserve may be transferred and paid by the Director of Finance to the operating funds of PGW and applied as Project Revenues in the manner described under "SECURITY – Priority in Application of Project Revenues".

#### **Required Deposit to Sinking Fund from Project Revenues**

The City has covenanted in the General Ordinance that, if the City shall fail to make required deposits into the Sinking Fund, including the Sinking Fund Reserve, or if, for any reason, there shall be a deficiency in the Sinking Fund Reserve, it will immediately upon such failure or deficiency and without notice thereof from any Bondholder, fiscal agent, paying agent or sinking fund depository, and so long as such failure or deficiency shall continue, deposit in the Sinking Fund, including the Sinking Fund Reserve, on a daily basis, 50% of all Project Revenues or such greater percentage thereof as the Director of Finance shall determine. This obligation is generally specifically enforceable by the trustee for bondholders appointed in accordance with the Act or, if none is appointed, by any bondholder. However, the application of the Federal Bankruptcy laws could result in less than 50% of the Project Revenues being deposited in the Sinking Fund. See "REMEDIES OF BONDHOLDERS".

### **ADDITIONAL DEBT**

#### **Bond Anticipation Notes**

The Act authorizes the City to issue revenue bond anticipation notes as well as Gas Works Revenue Bonds. Section 16 of the Act provides that:

The City may issue its revenue bond anticipation notes which shall be payable by exchange for, or out of the proceeds of the sale of, a designated series of revenue bonds referred to in the bond anticipation notes. The reference to the revenue bonds shall specify a maximum rate of interest to be borne by said bonds and may provide that said bonds shall be offered for sale but if no proposals shall be received, the sole remedy of the holders of the revenue bond anticipation notes shall be either to accept the bonds at the specified maximum interest rate, or to extend the maturity of the revenue bond anticipation notes for one or more specified additional periods of not less than six months each during which additional offers of the bonds may be made.

The Gas Commission has requested previously that PGW explore the possibility of issuing revenue bond anticipation notes pursuant to the foregoing statutory authorization. PGW does not currently intend to issue revenue bond anticipation notes during the remainder of Fiscal Year 1991 or Fiscal Year 1992.

#### **Subordinated Short-Term Borrowings – Gas Works Notes**

In addition to revenue bond anticipation notes issuable pursuant to the Act, the City is authorized by the Inventory and Receivables Financing Act and the Note Ordinance to issue Gas Works Notes from time to time in amounts, as approved by the Gas Commission, not to exceed \$100,000,000 agree-

gate principal amount at any one time outstanding in order to finance inventory and accounts receivable. The Gas Commission has approved a maximum amount at any time outstanding for such notes of \$85,000,000. The City had outstanding as of June 15, 1991, \$81,300,000 aggregate principal amount of Gas Works Notes which are payable out of Project Revenues. For a further discussion of the issuance of tax-exempt notes, see "PGW BUDGET, RATES AND FINANCING PROGRAM - Tax-Exempt Commercial Paper" and APPENDIX A.

The Note Ordinance establishes a sinking fund for the benefit and security of the holders of the Gas Works Notes. The City covenants to deposit in the sinking fund for the Gas Works Notes from PGW's revenues (after payment of certain other expenses of PGW including the payment of debt service on Bonds outstanding under the General Ordinance) such amounts as will, together with interest and profits earned and to be earned on investments held therein, be sufficient to pay, on or before each payment date of the Gas Works Notes, the amount required, after taking into account any other available amounts, to pay the Gas Works Notes then becoming due and payable.

#### **Subordinated Long-Term Borrowings -- Lease Revenue Bonds**

The Philadelphia Gas Works Lease Revenue Bonds, Series of 1989 (the "Lease Revenue Bonds") were issued in August, 1989 by The Philadelphia Municipal Authority (the "Authority"). The proceeds of the Lease Revenue Bonds were used by the Authority to acquire the headquarters and administrative office building of PGW (the "Facility") at 800 West Montgomery Avenue, Philadelphia, Pennsylvania, from the City. The amount received from the Authority has been used in PGW's ongoing capital program. The Authority and the City entered into a Lease dated as of August 1, 1989 (the "Lease") whereby the City leased the Facility back from the Authority and agreed to maintain the Facility and pay out of Project Revenues of PGW (after payment of certain other expenses of PGW including the payment of debt service on Bonds outstanding under the General Ordinance and Gas Works Notes under the Note Ordinance) rentals sufficient to pay all debt service on the Lease Revenue Bonds and other obligations of the Authority incurred in connection with the issuance of the Lease Revenue Bonds, the Lease and the transactions contemplated therein.

Rental payments by the City under the Lease are made solely from Project Revenues, to the extent such Project Revenues are available. The payment of rentals by the City under the Lease out of the Project Revenues is subject and subordinate to payment of the Gas Works Revenue Bonds and the Gas Works Notes issued by the City and certain other debt obligations relating to PGW. The City has covenanted in the Lease that it will not in any fiscal year of PGW, if and for so long as a default exists under the Lease, pay out of Project Revenues any portion of the Base Payment unless and until all rentals due under the Lease for such fiscal year shall have been paid.

#### **REMEDIES OF BONDHOLDERS**

Remedies under the Act and the General Ordinance available to Bondholders, including the holders of the Thirteenth Series Bonds, and to any trustee for Bondholders appointed by the holders of 25% in principal amount of any series of Bonds in default are described in the summaries contained in APPENDIX C hereof. In addition to the remedies described therein, Bondholders or a trustee therefor are entitled under the Pennsylvania Uniform Commercial Code to all remedies of secured parties in respect of the Project Revenues and the funds on deposit in the Sinking Fund, including the Sinking Fund Reserve.

#### **Limitation on Remedies of Bondholders**

The ultimate enforcement of Bondholders' rights upon any default by the City in the performance of its obligations under the Act, the Thirteenth Supplemental Ordinance, the General Ordinance, and the Thirteenth Series Bonds will depend upon the application of remedies provided in the Act, the Thirteenth Supplemental Ordinance, the General Ordinance and other applicable laws. Litigation may be necessary to obtain relief in accordance with these remedies. Such litigation may be protracted and costly. Remedies such as mandamus, specific performance or injunctive relief are equitable remedies, which are subject to the discretion of the court.

*Enforcement of Bondholders' rights may be limited by and is subject to the provisions of the Federal Bankruptcy Code, as now or hereafter enacted, or to other laws or legal or equitable principles which may affect the enforcement of creditors' rights. Certain provisions of the Financially Distressed Municipalities Act, Act No. 1987-47 of the Commonwealth of Pennsylvania, approved July 10, 1987 (the "Distressed Municipalities Act"), which formerly applied to the City and provide, among other things, for the restructuring of debt of a financially distressed municipality and the method by which municipalities are permitted to apply for relief under the Federal Bankruptcy Code have been repealed by the Intergovernmental Cooperation Act for Cities of the First Class (Act No. 6, P.L. ) (the "Intergovernmental Cooperation Act") insofar as applicable to the City. The provisions of the Distressed Municipalities Act relating to the City, which were not repealed, have been suspended with respect to the City by the Intergovernmental Cooperation Act. In addition, the Distressed Municipalities Act empowered the Department of Community Affairs of the Commonwealth to declare certain municipalities financially distressed upon the occurrence of certain events and the making of certain determinations by such Department. The Intergovernmental Cooperation Act prevents the City from filing a petition for relief under Chapter 9 of the Federal Bankruptcy Code as long as the Authority created thereunder has outstanding any bonds issued pursuant to the Intergovernmental Cooperation Act, or if no such bonds are outstanding, requires approval in writing by the Governor prior to a filing under Chapter 9 by the City. If the provisions of the Intergovernmental Cooperation Act relating to the authorization by the Governor for the City to file a petition under Chapter 9 of the Federal Bankruptcy Code were invoked, such provisions could limit the enforcement of Bondholders' rights and remedies. See "INTERGOVERNMENTAL COOPERATION AUTHORITY" in APPENDIX D.*

The filing of a petition under Chapter 9 operates as an automatic stay of the commencement or continuation of any judicial or other proceeding against the debtor or its property. However, a petition filed under Chapter 9 does not operate as a stay of application of pledged special revenues to the payment of indebtedness secured by such revenues. Special revenues include receipts derived from the ownership or operation of systems that are used to provide utility services and the proceeds of borrowing to finance such systems and would include the pledged Project Revenues. The Federal Bankruptcy Code further provides that special revenues acquired by the debtor after commencement of a Chapter 9 case shall remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement. However, the lien on special revenues derived from a system will be subject to the payment of the necessary operating expenses of that system. Therefore, Project Revenues acquired by the City after the filing of a Chapter 9 petition will remain subject to the lien of the General Ordinance and the Thirteenth Supplemental Ordinance in favor of Bondholders, but will be subject to the payment of PGW's necessary operating expenses as determined by the City. These required payments could be inconsistent with the requirement in the General Ordinance that, under certain circumstances, at least 50% of the Project Revenues be deposited in the Sinking Fund on a daily basis. If the pledged Project Revenues cannot support both the debt service requirements and operating expenses of PGW, it is possible that the bankruptcy court could alter the payments to Bondholders under Section 105 of the Federal Bankruptcy Code to "promote the public good". The Federal Bankruptcy Code also provides that a transfer of property of a debtor to or for the benefit of a bondholder, on account of such bond, may not be avoided as a preferential transfer.

Unless the debtor consents or the plan proposed under Chapter 9 provides, the bankruptcy court may not interfere with any of the property or revenues of a Chapter 9 debtor or with such debtor's use or enjoyment of any income-producing property. Accordingly, if the City decided to use the proceeds of the Thirteenth Series Bonds or the Project Revenues pledged for the benefit of the Bondholders for other than the benefit of the Philadelphia Gas Works, it is unclear whether a bankruptcy court would have the power to interfere with that decision. Even if a bankruptcy court had such power, the court, in the exercise of its equitable powers, could refuse to require the City to use the proceeds of the Thirteenth Series Bonds and the Project Revenues to pay Bondholders, could permit a subordination of the Gas Works Revenue Bonds liens to new bonds if the former were found more than "adequately protected" or could avail itself of a broad range of available equitable remedies. Section 105 of the Bankruptcy Code would permit a bankruptcy court to do all that is necessary with respect to the effective administration of the bankruptcy estate.

Under the Federal Bankruptcy Code, the debtor may file a plan for the adjustment of its debts which may include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, when confirmed by the court, binds all creditors which had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interest of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if the votes of at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted are cast in favor of the plan. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder, does not discriminate unfairly and the court determined value of the Project Revenues as collateral was preserved. Thus, under the above-described "cramdown" provisions of the Federal Bankruptcy Code, a plan of adjustment could be imposed on the Bondholders that would give them less than their anticipated rate of interest on the Bonds or possibly even less than a full return of their principal and/or extend the time for payment of principal of or interest on the Bonds.

The foregoing references to the Federal Bankruptcy Code, the Distressed Municipalities Act and the Intergovernmental Cooperation Act should not be construed as implying that the City expects to resort to the provisions of such statutes or that, if it did, any proposed restructuring would include a dilution of the sources of payment of and security for the Thirteenth Series Bonds.

## PHILADELPHIA GAS WORKS

### General

PGW consists of all the real and personal property owned by the City and used for the acquisition, manufacture, storage, processing and distribution of gas in the City, and all property, books and records employed and maintained in connection with the operation, maintenance and administration thereof. Included in such assets, in addition to an extensive distribution system, are facilities for the production of gas to supplement the natural gas supply from pipeline transmission companies and facilities for storage. Such facilities include a liquefied natural gas ("LNG") plant, a substitute natural gas ("SNG") plant and a liquid propane gas ("LPG") plant.

Of total gas revenues for the twelve month period ended August 31, 1990, 71% was derived from residential customers, 24% was derived from commercial and industrial customers and approximately 5% was derived from Municipal and Housing Authority sources.

Recent operating results for PGW and debt service coverages are shown below under the heading "HISTORICAL REVENUES AND DEBT SERVICE COVERAGE." For a further explanation of revenues and expenses, see "MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY STATEMENTS OF INCOME" and APPENDIX B. See also the table entitled "Debt Service Requirements" below for future debt service payments.

### PGW Service Area

PGW, the nation's largest municipally-owned gas utility, purchases, sells and distributes gas within the limits of the City. The City's boundaries enclose a predominantly 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 serving slightly more than a half million customers. The mix of PGW's customers during the last five years is shown in the following table:

	Percent of Gas Sales Years Ended August 31				
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
Residential .....	66.1	67.4	65.6	67.2	66.8
Industrial and Commercial .....	28.9	27.7	29.5	28.1	28.5
Municipal and Housing Authority .	<u>5.0</u>	<u>4.9</u>	<u>4.9</u>	<u>4.7</u>	<u>4.7</u>
Total .....	100.0	100.0	100.0	100.0	100.0

For a discussion of PGW's sales, see "MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY STATEMENTS OF INCOME" and "PGW BUDGET, RATES AND FINANCING PROGRAM - Sales."

### Management Agreement

PFMC has operated PGW pursuant to the Management Agreement since January 1, 1973. Under the Management Agreement, various aspects of PFMC's management of PGW are subject to review and approval by the Gas Commission and, where authorization of City Council is required, recommendation of the City's Director of Finance or the Gas Commission or, as appropriate, both. The Gas Commission has various responsibilities for the oversight of the operations of PGW; the Director of Finance oversees certain financial practices of PGW and the operations of its pension plan; and the City's Law Department is designated as the legal advisor to the Gas Commission and PGW. See "THE GAS COMMISSION" and "PGW BUDGET, RATES AND FINANCING PROGRAM" for a discussion of the Gas Commission and rate proceedings.

The term of the Management Agreement commenced on January 1, 1973 for a period of two years. In the absence of notice of cancellation the term is automatically extended for additional two year periods. The term is subject to cancellation by the City at any time, or upon the expiration of the two year period, upon ninety days notice. No cancellation will be effective unless and until approved by resolution or ordinance of City Council.

## **Management**

PFMC is responsible for providing executive management of PGW under the Management Agreement. The Management Agreement states that PFMC shall provide a chief executive officer, chief operating officer and chief financial officer and other personnel as deemed appropriate by PFMC. All PFMC personnel are subject to the approval of the Gas Commission. PFMC's officers also serve as officers of PGW.

The position of President and Chief Executive Officer has been vacant since August 1, 1989. A national search to fill the vacancy is currently being conducted by a search committee formed by PFMC. A new President is expected to be named in the near future. Alfred P. Degen, PGW's Executive Vice President has served as Acting President since August 1, 1989.

The following brief resumes provide pertinent information on the major management qualifications of the PFMC and PGW senior managers:

### **Alfred P. Degen, Executive Vice President**

Mr. Degen joined PGW in 1968 and has held management positions in the Finance, Customer Activities and Administrative areas of PGW, including the positions of Assistant Vice President-Customer Activities, Vice President-Administration and Senior Vice President and Chief Financial Officer. He is a member of the Managing Committee of the American Gas Association's Finance and Administrative Section, and the Society of Gas Lighting.

### **Sydney M. Avent, Esq., Senior Vice President Administration and General Counsel**

Ms. Avent joined PGW in January 1984 as Staff Attorney and was named Senior Attorney in December 1984, Corporate Counsel in October 1985, Senior Vice President and General Counsel in January 1988 and Senior Vice President Administration and General Counsel in September 1990. Ms. Avent is a member of the American Gas Association Legal Forum; the past president of the Women Lawyers Division of the National Bar Association; a trustee of the Philadelphia Bar Foundation (1987-1990); and a member of the American and Philadelphia Bar Associations, and the Barristers Association of Philadelphia. She also is a member of the American Association of Blacks in Energy.

### **Joseph G. Horan, Senior Vice President and Acting Chief Operating Officer**

Mr. Horan joined PGW in 1956 and has held management positions in the Operations, Customer Activities and the Corporate Planning and Development areas, including the positions of Vice President-Operations and Vice President-Customer Activities. He was named Senior Vice President-Corporate Planning and Development on March 1, 1986, Senior Vice President in January, 1988 and Senior Vice President and Acting Chief Operating Officer on September 11, 1990. He is a member of the American Gas Association and serves on the Managing Committee of the Operating Section, as well as a member of the government Relations Committee. He is also a member of the Executive Committee of the Associated Gas Distributors and the Society of Gas Operators.

### **Edward H. Morris, Jr., Senior Vice President and Chief Financial Officer**

Mr. Morris joined PGW as Assistant Vice President of Finance in 1984, was named Vice President of Finance in 1986, appointed Vice President and Chief Financial Officer in 1988 and Senior Vice President and Chief Financial Officer in December, 1990. He has overall responsibility for PGW's Operating Budget, and the administration and overview of the Accounting and Budget, Treasury, and Claims and Insurance Departments. In addition, Mr. Morris directs the functions of the Customer Activities Area, through the Vice President of Customer Activities. He is a member of the American Gas Association, Board of Trustees of the American Gas Foundation, Financial Executives Institute, and the Government Finance Officers Association.

## **Employee Relations**

At April 30, 1991, PGW employed 2,453 people. Presently, approximately 74% of PGW's employees are represented by the Gas Workers Employees Union Local 686, approximately 2% are represented by the United Plant Guard Workers of America, Local 506 and 24% are unaffiliated management.

On May 13, 1989, an agreement was reached with the Gas Worker's Employees' Union Local 686 bargaining committee and accepted by the membership on May 15, 1989, resulting in a four-year agreement.

## Facilities

*Production Facilities* – The principal PGW natural gas facilities include eight city gate stations and two major gas production plants, Richmond and Passyunk. Located at these plants are two liquefied natural gas (LNG) plants, a gas control center, a propane/air plant, a decommissioned substitute natural gas (SNG) plant and two gas holders.

Natural gas is received through eight City gate stations from two pipeline transmission companies – Texas Eastern Transmission Corporation (TETCO) and Transcontinental Gas Pipe Line Corporation (TRANSCO). The facilities at each of the City gate stations perform two basic functions, metering the flow of gas and controlling the pressure delivered to PGW's distribution system.

The gas control dispatchers, located at the Richmond Plant, monitor and control gas flow and pressure from the eight 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 LNG and propane/air plants. Operations are facilitated through the use of a computer system which includes a backup unit and an auxiliary power supply.

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

The Richmond LNG plant has facilities for liquefaction in addition to storage and vaporization. During the nonheating season, PGW uses the Richmond LNG plant to liquefy and store natural gas from the pipeline. The plant has the capacity to liquefy and store approximately 25,000 mcf per day and the two storage tanks have a combined capacity of 48,970,000 gallons of LNG (4,046,000 mcf). Regasification of the liquid is accomplished with six vaporizers.

The Passyunk propane/air plant has the air compression and propane vaporization capacity to produce 60,000 dekatherms (Dth) of propane/air mix per day and has a liquid propane storage capacity of approximately 662,000 gallons. The propane/air plant is now temporarily being taken out of service as required use, even under design conditions, is not anticipated until the 1996 Fiscal Year.

The Passyunk plant SNG facility is inoperative. However, many components of the plant including a water demineralization unit, boilers, and air compressors are being retained and are utilized in the day-to-day operations of other portions of the Passyunk plant.

Both the Richmond and Passyunk plants have a low pressure gas holder. Holders are used for keeping daily pipeline purchases within contract limitations and for hourly peak shaving requirements. These holders have operating capacities of 3,000 mcf and 6,000 mcf for the Richmond and Passyunk plants, respectively.

*Distribution Facilities* – The principal gas distribution facilities consist of approximately 3,012 miles of main, 503,439 service pipes, 205 regulator stations, 522,018 active meters, miscellaneous valves, instruments and other appurtenances. There are five different operating pressure systems; each system is connected to the others by control regulators. The high pressure systems operate at approximately 100, 60 and 30 pounds per square inch of gas (psig); the intermediate pressure system operates at 5 psig; the low pressure system operates between 6 and 9 inches of water column (approximately .25 psig). The majority of customers are served from the low pressure system.

Approximately 62 percent of the gas mains are cast iron pipe, 32 percent steel pipe, 5 percent ductile iron pipe and less than 1 percent plastic pipe. Approximately 67 percent of the service laterals are steel and 33 percent plastic. That part of the system subject to corrosion is cathodically protected.

*Other Facilities* – PGW's executive and operating offices are located at 800 West Montgomery Avenue which is a 150,000 square foot office building completed in 1988. The old office building houses distribution and customer service-dispatch centers, service stations, and warehouses, as well as man-

agement information systems, a metal fabrication shop and a meter repair shop. Additional facilities include eight district offices and four operating stations for customer service and distribution crews. In addition, there is 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 1,068 vehicles and equipment. PGW also maintains minor automotive repair facilities at three of its operating stations.

### **THE GAS COMMISSION**

The Management Agreement provides for a five member Gas Commission consisting of the City Controller (or his representative), two members appointed by City Council and two members appointed by the Mayor, and vests in the Gas Commission the responsibility for overseeing the operation by PFMC of PGW. The current members of the Gas Commission are listed below:

Lucien E. Blackwell, Chairman – Mr. Blackwell is a former member of the City Council of Philadelphia representing the Third District. Mr. Blackwell is also the head of the Car Loaders Local of the International Longshoremen's Association. Mr. Blackwell was appointed to the Gas Commission by City Council.

Jonathan A. Saidel – Mr. Saidel is the City Controller of the City. Mr. Saidel's term of office as Controller and his position on the Commission expire on January 1, 1994.

Laurence Reaves – Mr. Reaves serves as a mayoral appointee on the Gas Commission with a term expiring January 1, 1992. Mr. Reaves is retired.

David Boonin – Mr. Boonin serves as a mayoral appointee to the Gas Commission with a term expiring January 1, 1992. Mr. Boonin is the Assistant to the Director of Finance for Utility and Regulatory Affairs for the City.

Ann J. Land – Mrs. Land currently represents the Fourth District in Philadelphia City Council. Her current term as a member of City Council expires January 1, 1992. Mrs. Land was appointed to the Gas Commission by City Council.

The Management Agreement grants to the Gas Commission certain specified powers and duties and all other powers not specifically granted to PFMC. The powers and duties granted to the Gas Commission include fixing of PGW rates and charges, approval of personnel provided by PFMC, review of gas supply contracts for approval by City Council, approval of changes in tests and standards of gas quality and pressure, approval of the annual operating budget, review of the capital budget and recommendations thereon to City Council, approval of certain loans, access to and review of all books, records and accounts of PGW, prescription of insurance requirements, promulgation of standards for procurement and disposal of material, supplies and services, and approval of all real property acquisitions for further approval of City Council.

### **PGW BUDGET, RATES AND FINANCING PROGRAM**

The Project Revenues which PGW uses to pay debt service on the Bonds and to fund its operations are derived primarily from the sale of gas and related services to its customers. Rate and tariff charges for the sale of gas and services are proposed by PGW based on anticipated revenues and expenses, required debt service coverage and need for funds for capital expenditures, among other factors.

#### **PGW Budget Process and Rate Charges**

The Management Agreement in its current form requires PGW to prepare an annual operating budget and an operating forecast for four years comprising the ensuing year and the three years following the budget year. The operating budget and forecast are subject to the approval of the Gas Commission. PGW also prepares annually a proposed capital budget and a forecast for six years