

TABLE 8
TEN HIGHEST CERTIFIED MARKET AND ASSESSMENT VALUES
FOR TAX YEAR 1998 OF FULLY TAXABLE PROPERTIES

<u>Rank</u>	<u>Location</u>	<u>1998 Certified Market Value</u>	<u>1998 Certified Assessment Value</u>
1.	1500-42 Market (Centre Square)	\$ 165,000,000	\$ 52,800,000
2.	1650 Market Street (One Liberty Place)	150,000,000	48,000,000
3.	4301 Byberry Road (Franklin Mills Mall)	149,178,700	47,737,184
4.	1717 Arch Street (Bell Atlantic Tower)	140,000,000	44,800,000
5.	50 South 16 th Street (Two Liberty Place)	142,000,000	45,440,000
6.	1735 Market Street (Mellon Bank Center)	142,000,000	45,440,000
7.	1201 Market Street (Marriott Hotel)	120,000,000	38,400,000
8.	1901-19 Market Street (Independence Blue Cross)	98,826,600	31,624,512
9.	2001 Market Street	98,677,400	31,576,768
10.	2005 Market Street	97,000,000	31,040,000

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

TABLE 9
TEN HIGHEST CERTIFIED MARKET AND ASSESSMENT VALUES
FOR TAX YEAR 1998 OF REAL ESTATE TAX ABATED PROPERTIES

<u>Rank</u>	<u>Location</u>	<u>1998 Certified Market Value</u>	<u>Taxable Assessment Value</u>	<u>Exempt Assessment Value</u>
1.	4301 Byberry Road	\$ 149,178,700	\$ 45,999,168	\$ 1,738,016
2.	1901-19 Market Street	98,826,600	8,806,162	22,818,350
3.	1675 Columbus Blvd.	8,200,000	1,573,120	1,050,880
4.	700 E. Hunting Park Avenue	7,729,500	235,392	2,238,048
5.	6201-31 N. Front Street	6,000,000	512,000	1,408,000
6.	6129-35 Palmetto Street	5,200,000	473,600	1,190,400
7.	3601 Market Street	5,000,000	852,000	748,000
8.	1435-41 Walnut	4,207,100	1,256,768	89,504
9.	10301 Decatur	4,190,000	843,200	497,600
10.	2001 Pennsylvania Avenue	2,909,000	404,000	526,880

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

EXPENDITURES OF THE CITY

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

Personal Services (Personnel)

As of June 30, 1997, the City employed 28,365 full-time employees with the salaries of 24,115 employees paid from the General Fund. Additional employment is supported by other funds, including the Water Fund and the Aviation Fund.

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

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

**TABLE 10
CITY OF PHILADELPHIA
FILLED, FULL-TIME POSITIONS - ALL OPERATING FUNDS**

	At June 30					Adopted	Adopted
	Actual					Budget	Budget
	1993	1994	1995	1996	1997	1998	1999
General Fund							
Police	6,885	6,894	7,109	6,960	7,630	7,630	7,858
Streets	2,416	2,259	2,268	2,131	2,160	2,227	2,180
Fire	2,293	2,342	2,398	2,418	2,462	2,487	2,489
Health	1,257	866	872	893	906	951	934
Courts	2,068	2,065	2,046	2,101	2,091	2,206	0
Other	<u>7,927</u>	<u>8,499</u>	<u>7,705</u>	<u>8,743</u>	<u>8,866</u>	<u>9,694</u>	<u>9,433</u>
Total General Fund	22,846	22,925	23,298	23,246	24,115	25,195	22,894
Other Funds	<u>4,395</u>	<u>4,088</u>	<u>4,140</u>	<u>4,239</u>	<u>4,250</u>	<u>5,524</u>	<u>5,222</u>
TOTAL	<u>27,241</u>	<u>27,013</u>	<u>27,438</u>	<u>27,485</u>	<u>28,365</u>	<u>30,719</u>	<u>28,116</u>

Labor Agreements

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

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

In July and October 1996, respectively, arbitration panels awarded new contracts for the City's police and firefighters that parallel, but are slightly more generous, than the AFSCME agreements. The F.O.P. award provided for a two-year agreement, with wage increases of 4% in the first quarters of both Fiscal Year 1997 and 1998, and partial restoration of reductions in starting pay levels instituted in 1992. In most key respects, however, this award retains the benefits restructuring and management rights improvements gained by the City in 1992. In addition, the arbitration panel affirmed the City's right to implement a schedule change projected to achieve significant overtime savings, and resolved long-standing litigation involving overtime claims (estimated by the F.O.P. to be in excess of \$60 million) for payments of approximately \$9 million in each of Fiscal Years 1997 and 1998. In the new award for Local 22, firefighters and paramedics received a four-year contract consistent with the other City agreements, with wage increases of 4% in the first quarters of both Fiscal Year 1997 and 1998, an increase of 3% in the third year (Fiscal Year 1999), and an increase of 4% in fourth year (Fiscal Year 2000).

As a result of these settlements and awards, approximately three quarters of the City's General Fund workforce are now under contract through June 30, 2000. The current F.O.P. collective bargaining agreement expires June 30, 1998. In contract negotiations with the F.O.P., the City is seeking parity across all municipal bargaining units, while pursuing opportunities for savings in fringe benefits and other management reforms.

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

Table 11 presents employee wage increases for the Fiscal Years 1989 through 2000.

**TABLE 11
CITY OF PHILADELPHIA
EMPLOYEE WAGE INCREASES
FISCAL YEARS 1989-2000**

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

- (a) First year of a four year contract - received a cash bonus of \$1,100 in July 1996.
 (b) First year of a two year contract: 4% effective July 1, 1996.
 (c) First year of a four year contract: 4% effective July 1, 1996.
 (d) Second year of a four year contract: 3% effective December 15, 1997.
 (e) Second year of a two year contract: 4% effective September 15, 1997.
 (f) Second year of a four year contract: 4% effective September 15, 1997.
 (g) Third year of a four year contract: 3% effective December 15, 1998.
 (h) Contract in place has two year term, expiring on June 30, 1998
 (i) Third year of a four year contract: 3% effective September 15, 1998.
 (j) Fourth year of a four year contract: 4% effective March 15, 2000.
 (k) Fourth year of a four contract: 4% effective September 15, 1999

Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 1993 through 1999 are shown in Table 12.

TABLE 12
CITY OF PHILADELPHIA
GENERAL FUND EMPLOYEE BENEFIT EXPENDITURES
FISCAL YEARS 1993-1999
 (Amounts in Millions)

	Actual					Adopted Budget	Adopted Budget
	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Pension Contribution	\$186.2	\$207.7	\$187.3	\$195.8	\$207.2	\$218.5	\$230.3
Health-Medical-Dental	136.9	136.2	140.7	142.1	149.6	156.8	171.7
Social Security	42.7	42.3	43.5	46.4	46.2	46.5	47.5
Other	52.4	64.3	55.2	46.7	54.1	53.0	53.6
Total	<u>\$418.2</u>	<u>\$450.5</u>	<u>\$426.7</u>	<u>\$431.0</u>	<u>\$457.1</u>	<u>\$474.8</u>	<u>\$502.5</u>

Municipal Pension Fund (Related to All Funds)

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

- (a) Accrued normal costs. Accrued normal costs for any year are actuarially computed amounts necessary to be contributed to the pension funds to provide, in the future, the pension and survivor benefits earned by the work force during such year.
- (b) Amortization in level installments (which include interest) over a period of 40 years of certain unfunded prior service costs as ordered by the Court of Common Pleas of Philadelphia County in a class action suit brought by pension fund beneficiaries.
- (c) Interest on the unfunded accrued liability of the pension plans.

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

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

Based on an actuarial schedule providing payments increasing at 5.5% per annum, the unfunded accrued liability should be fully amortized by 2019.

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

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

Effective January 1, 1987 the City adopted a new plan ("Plan 87") to cover employees hired after January 8, 1987, as well as members in the previous Plan who elected to transfer to Plan 87. Except for elected officials, Plan 87 provides for less costly benefits and reduced employee contributions. For elected officials, Plan 87 provides for enhanced benefits, with participating elected officials required to pay for the additional normal cost. Police and Fire personnel became eligible for Plan 87 on July 1, 1988. Because of Court challenges, members of District Council 33 and Local 2187 of District Council 47 were not eligible for Plan 87 until October 2, 1992.

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

TABLE 13
CITY OF PHILADELPHIA
CITY MUNICIPAL PENSION FUND
COMPARATIVE SCHEDULE OF OPERATIONS
FOR THE FISCAL YEARS 1993 THROUGH 1997
(Amounts in Millions of Dollars)

	1993		1994		1995		1996		1997	
	Amount	%								
REVENUE:										
Contributions:										
Employees:										
Members' Contributions	\$ 45.0	\$ 10.7	\$ 44.3	\$ 9.6	\$ 44.2	\$ 10.1	\$ 45.6	\$ 7.2	\$ 47.0	\$ 4.9
Less: Refunds to Members	4.9	1.2	4.3	0.9	3.7	0.8	3.8	0.6	3.8	0.4
Net Members' Contributions	<u>40.1</u>	<u>9.5</u>	<u>40.0</u>	<u>8.6</u>	<u>40.5</u>	<u>9.2</u>	<u>41.8</u>	<u>6.6</u>	<u>43.2</u>	<u>4.5</u>
Employer's:										
City of Philadelphia	174.3	41.3	233.7	50.5	212.8	48.5	222.5	35.3	237.0	24.8
Commonwealth of Pennsylvania Through City of Philadelphia	35.1	-	-	-	-	-	-	-	-	-
Quasi Governmental Agencies	<u>3.6</u>	<u>0.9</u>	<u>2.8</u>	<u>0.6</u>	<u>4.6</u>	<u>1.0</u>	<u>4.8</u>	<u>0.8</u>	<u>5.2</u>	<u>0.5</u>
Total Employer's Contributions Commonwealth of Pennsylvania	<u>213.0</u>	<u>42.2</u>	<u>236.5</u>	<u>51.1</u>	<u>217.4</u>	<u>49.5</u>	<u>227.3</u>	<u>36.0</u>	<u>242.2</u>	<u>25.3</u>
Commonwealth of Pennsylvania	<u>6.5</u>	<u>1.5</u>	<u>2.7</u>	<u>0.6</u>	<u>1.3</u>	<u>0.3</u>	<u>4.5</u>	<u>0.7</u>	<u>-</u>	<u>-</u>
Total Contributions	259.6	61.6	279.2	60.4	259.2	59.0	273.6	43.4	285.4	29.8
Investment Earnings	161.6	38.3	182.9	39.5	178.9	40.8	356.4	56.5	669.9	70.1
Other	0.5	0.1	0.5	0.1	0.9	0.2	0.8	0.1	0.3	0.1
Total Revenues	<u>421.7</u>	<u>100.0</u>	<u>462.6</u>	<u>100.0</u>	<u>439.0</u>	<u>100.0</u>	<u>630.8</u>	<u>100.0</u>	<u>955.6</u>	<u>100.0</u>
DISBURSEMENTS: (1)										
For Pension Benefits	312.5		326.2		338.6		353.4		372.0	
For Other Purposes, Excluding Refunds	<u>43.2</u> (1)		<u>26.8</u> (1)		<u>28.1</u> (1)		<u>21.4</u> (1)		<u>13.6</u>	
Total Disbursements	<u>355.7</u>		<u>353.0</u>		<u>366.7</u>		<u>374.8</u>		<u>385.6</u>	
Excess of Revenue Over Disbursements	<u>\$ 66.0</u>		<u>\$ 109.6</u>		<u>\$ 72.3</u>		<u>\$ 256.0</u>		<u>\$ 570.0</u>	
Net Assets										
Opening	\$ 1,847.1		\$ 1,913.1		\$ 2,022.7		\$ 2,095.0		\$ 2,351.0	
Closing	<u>1,913.1</u>		<u>2,022.7</u>		<u>2,095.0</u>		<u>2,351.0</u>		<u>2,921.0</u>	
Increase During the Year	<u>\$ 66.0</u>		<u>\$ 109.6</u>		<u>\$ 72.3</u>		<u>\$ 256.0</u>		<u>\$ 570.0</u>	
EXHIBIT										
1. Pension Benefits Paid as a Percent of										
A. Net Contributions of Members	779.3		815.5		836.0		845.5		861.1	
B. Revenue	74.1		70.5		77.1		56.0		38.9	
C. Closing Net Assets	16.3		16.1		16.2		15.0		12.7	
2. The Closing Net Assets as a Percent of										
Total Disbursements	537.8		573.0		571.3		627.3		757.5	
3. Revenues as a Percent of Disbursements										
	118.6		131.0		119.7		168.3		247.5	
4. Investment Earnings as a Percent of										
Pension Benefits	51.7		56.1		52.8		100.8		180.1	

(1) Disbursements for Other Purposes include \$34.2 million in losses due to the permanent decline in market value of some investments. These losses amounted to \$34.2 million in Fiscal Year 1993, \$14.4 million in Fiscal Year 1994 and \$15.3 million in Fiscal Year 1995.

FIGURES MAY NOT ADD DUE TO ROUNDING

Purchase of Services

The City accounts for a number of expenditures as purchase of services. The following table presents major purchases of services in the General Fund in Fiscal Years 1993 through 1999.

TABLE 14
CITY OF PHILADELPHIA
PURCHASE OF SERVICES IN THE GENERAL FUND
FISCAL YEARS 1993-1999
(Amounts in Millions)

	Actual					Adopted Budget	Adopted Budget
	1993	1994	1995	1996	1997	1998	1999
Human Services (a)	\$200.3	\$215.1	\$232.4	\$240.2	\$249.4	\$278.4	\$318.3
Public Health (b)	155.4	136.9	64.2	51.0	54.2	64.0	63.1
Public Property (c)	132.1	141.7	146.8	145.7	135.9	142.0	144.3
Streets (d)	84.2	84.8	66.3	72.7	65.1	60.9	52.3
Sinking Fund-Leased Debt (e)	11.5	36.9	37.8	38.6	38.5	39.5	39.4
Legal Services (f)	18.8	20.0	20.4	21.0	22.6	23.0	24.1
First Judicial District	27.7	27.2	26.6	26.5	29.9	11.7	0.0
Licenses & Inspections (g)	9.2	10.5	13.0	11.8	12.5	11.4	11.8
Emergency Services (h)	10.5	11.6	14.1	16.7	12.3	11.1	9.5
All Other	40.2	69.8	78.1	85.7	115.6	115.8	173.1
Total	\$689.9	\$754.5	\$699.7	\$709.9	\$736.0	\$757.8	\$835.9

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

(b) Prior to FY 1995, the purchased service category for the Department of Public Health included MH/MR payments. The FY 1995 Budget transfers these obligations to the Grants Revenue Fund.

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

(d) Includes solid waste disposal costs.

(e) Includes Justice Center lease debt.

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

(g) Includes payments for demolition.

(h) Includes homeless shelter and boarding home payments. Formerly named O.S.H.A.

FIGURES MAY NOT ADD DUE TO ROUNDING

City Payments to SEPTA

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

DEBT OF THE CITY

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

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

As of February 16, 1997, the Constitutional debt limitation for tax-supported general obligation debt was approximately \$1.2 billion. After legally authorized deductions, approximately \$694.1 million of tax-supported general obligation debt was authorized as of this date, leaving a balance of \$504.1 million available for future authorization. On May 20, 1997, the voters of the City authorized an increase in tax-supported general obligation debt of \$121,956,000. The City is also authorized to issue revenue bonds pursuant to The First Class City Revenue Bond Act of 1974. Bonds so issued are excluded for purposes of the calculation of the Constitutional debt limit.

Short-Term Debt

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

The City issued \$300 million of Tax and Revenue Anticipation Notes in July 1997. These notes are due on June 30, 1998.

Long-Term Debt

Table 15 presents a synopsis of the bonded debt of the City and its component units at the close of Fiscal Year 1997. Table 16 sets forth a ten year historical summary of tax-supported debt of the City and School District. Table 17 sets forth the debt service requirements to maturity of the City's outstanding bonded indebtedness. As of June 30, 1997, the City's tax-supported general obligation debt, less sinking fund assets, equaled \$486.1 million.

Of the total balance of City tax-supported general obligation bonds outstanding at June 30, 1997, 34% is scheduled to mature within 5 years and 54% is scheduled to mature within 10 years.

Other Long -Term Debt Related Obligations

The City has entered into other contracts, leases and guarantees to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations. These obligations include guarantees or the payment of debt service on certain bonds of the Philadelphia Municipal Authority, the Philadelphia Authority for Industrial Development, the Philadelphia Parking Authority, the Philadelphia Redevelopment Authority, the Philadelphia Hospitals and Higher Education Authority and the Pennsylvania Convention Center Authority. The principal amount of the City's obligation with regard to each of these authorities as of June 30, 1997 was as follows:

Philadelphia Municipal Authority	\$415,000,000
Philadelphia Authority for Industrial Development	76,300,000
Philadelphia Parking Authority	10,850,000
Philadelphia Redevelopment Authority	5,210,000
Philadelphia Hospitals and Higher Education Authority	14,143,669
Pennsylvania Convention Center Authority	285,670,000

The Hospitals & Higher Education Facilities Authority of Philadelphia has issued bonds on behalf of the Community College of Philadelphia ("CCP"). These bonds are secured by, among other things, payments to be made by the City as the local sponsor pursuant to the enabling legislation that authorized the creation of CCP. As the local sponsor, the City is obligated to pay up to 50% of the debt service on bonds issued on behalf of CCP. The principal amount of bonds for which the City is obligated to make such payments was \$14,143,669 as of June 30, 1997; this amount represents 50% of the \$28,287,338 principal amount of bonds issued and outstanding for this purpose.

TABLE 15
CITY OF PHILADELPHIA
CITY RELATED BOND INDEBTEDNESS
JUNE 30, 1997
(Amounts in Millions)

	General Fund Types				Enterprise Funds				Total All Funds
	City General Fund	Municipal Authority Fund	PICA	Totals	Water Fund	Aviation Fund	Gas Works Fund	Totals	
Bonded Debt Outstanding, July 1, 1996	\$ 553.6	\$ 434.0	\$ 1,146.2	\$ 2,133.8	\$ 1,603.1	\$ 527.1	\$ 775.4	\$ 2,905.6	\$ 5,039.4
Bonds Issued:									
General Obligation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Bonds Issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds Matured/Refunded:									
General Obligation	41.6	19.0	43.8	104.4	4.2	6.9	0.0	11.1	121.7
General Obligation-Refunded	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue	0.0	0.0	0.0	0.0	37.8	8.7	33.8	80.3	80.3
Total Bonds Matured/Refunded:	41.6	19.0	43.8	104.4	42.0	15.6	33.8	91.5	121.7
Bonded Debt Outstanding, June 30, 1997									
General Obligation	512.0	415.0	1,102.4	2,029.4	24.7	50.0	0.0	74.7	2,104.1
Revenue	0.0	0.0	0.0	0.0	0.0	461.4	741.6	2,739.4	2,739.4
Total Bonded Debt Outstanding, June 30, 1997	512.0	415.0	1,102.4	2,029.4	1,561.1	511.4	741.6	2,814.1	4,843.5
Sinking Fund Assets Available for Payment of Principal	0.0	12.0	86.8	99.4	126.6	44.9	75.5	247.0	373.9
Net Debt	\$ 512.0	\$ 402.4	\$ 1,015.6	\$ 1,930.0	\$ 1,435.5	\$ 466.5	\$ 666.1	\$ 2,567.1	\$ 4,469.6

Source: Consolidated Annual Financial Report for FY 1997
 FIGURES MAY NOT ADD DUE TO ROUNDING

TABLE 16
CITY OF PHILADELPHIA
CITY AND SCHOOL DISTRICT NET TAX SUPPORTED DEBT AND DEBT SERVICE RATIOS
FOR THE FISCAL YEARS 1988 THROUGH 1997
(Amounts in Millions of Dollars)

Line No.	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Net Tax Supported Debt (Millions)										
City										
1	\$ 751.2	\$ 721.6	\$ 841.1	\$ 855.4	\$ 823.9	\$ 792.6	\$ 480.2	\$ 451.4	\$ 522.6	\$ 486.1
2	918.6	1,061.4	1,238.0	1,326.8	1,682.0	1,817.3	1,754.1	1,796.3	1,799.8	1,836.3
3	1,669.8	1,783.0	2,079.1	2,182.2	2,505.9	2,609.9	2,234.3	2,247.7	2,322.4	2,322.4
Overlapping School District:										
4	357.1	377.2	350.7	400.5	411.4	400.7	533.1	498.7	628.2	704.6
5	308.2	328.1	342.7	369.8	392.0	381.3	403.3	420.6	436.5	436.2
6	665.3	705.3	693.4	770.3	803.4	782.0	936.4	919.3	1,064.7	1,140.8
7	0	0	0	0	0	0	1,156.7	1,237.5	1,146.2	1,102.4
8	\$2,335.1	\$2,488.7	\$2,772.5	\$2,952.5	\$3,309.3	\$3,391.9	\$ 4,337.4	\$ 4,404.5	\$ 4,533.3	\$ 4,565.1
9	1,647	1,543	1,586	1,573	1,553	1,539	1,524	1,499	1,478	1,472
10	7,538	7,573	8,417	8,796	8,929	8,872	9,020	8,917	8,954	9,102
11	31,025	30,292	35,380	35,814	35,475	35,318	33,101	32,989	33,126	N/A
City Net Tax Supported Annual Debt Service:										
12	117.2	118.7	116.4	124.8	225.4	176.4	168.0	69.1	67.6	68.
13	47.6	46.4	53.4	88.1	97.9	96.1	132.2	115.0	87.2	104.
14	164.8	165.1	169.8	212.9	323.3	272.5	300.2	184.1	154.8	172.
15	2,071.6	2,225.9	2,250.0	2,379.1	2,552.7	2,623.3	2,785.2	2,832.4	2,952.5	3,155.
Net Tax Supported Debt per Capita:										
16	456.1	467.7	530.3	543.8	530.5	515.0	321.7	301.1	353.6	328
17	1,013.8	1,155.5	1,310.9	1,387.3	1,613.6	1,695.8	1,472.6	1,499.5	1,571.3	1,571
18	403.9	457.4	437.2	489.7	517.3	508.1	614.4	613.3	720.4	771
19	0	0	0	0	0	0	759.0	825.6	775.5	745
20	1,417.8	1,612.9	1,748.1	1,877.0	2,130.9	2,204.0	2,846.1	2,938.3	3,067.2	3,088
Net Tax Supported Debt as a Percentage of Assessed Valuation:										
21	9.97	9.52	9.99	9.72	9.23	8.93	5.43	5.06	5.84	5.7
22	22.16	23.54	24.70	24.81	28.06	29.42	24.88	23.21	25.94	25.7
23	8.83	9.32	8.24	8.76	9.00	8.81	10.38	10.31	11.89	12.7
24	30.99	32.86	32.94	33.57	37.06	38.23	33.26	35.52	37.83	38.7
Net Tax Supported Debt as a Percentage of Estimated Market Value:										
25	2.42	2.38	2.38	2.39	2.32	2.24	1.48	1.37	1.58	N
26	5.38	5.89	5.88	5.88	7.05	7.39	6.78	6.81	7.01	N
27	2.14	2.33	1.96	2.15	2.26	2.21	2.83	2.79	3.21	N
28	7.53	8.22	7.84	8.24	9.33	9.60	9.61	9.60	10.22	N
City Net Tax Supported Debt Service as a Percentage of City General Governmental Obligations:										
29	5.66	5.33	5.17	5.25	8.83	6.72	6.03	2.44	2.29	2
30	7.96	7.42	7.55	8.95	12.67	10.39	10.78	6.50	5.24	5

- (1) Consists of leasing obligations and payments on contingent liabilities and accrued compensated absences.
(2) Consists of amounts due the Commonwealth of Pennsylvania for vocational education, the State Public Building Authority and leasing obligations, and accrued Terminal and Severance Pays.
(3) Source: U.S. Department of Commerce, Bureau of the Census and Wharton Econometric Forecasting Associates.
(4) See Table 6
(5) Consists of General Fund and Special Revenue Funds, all of which account for general governmental functions.

Source: Consolidated Annual Financial Report Fiscal Year Ended June 30, 1997

CITY OF PHILADELPHIA
TABLE 17
CITY RELATED ANNUAL DEBT SERVICE ON LONG-TERM DEBT
AS OF JUNE 30, 1997
(Amounts in Millions of Dollars)

Fiscal Year	General Obligation Bonds									Revenue Bonds								
	Tax Supported			Self-Supporting			Total GO			Water and Sewer			Gas Works			Aviation Fund		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1998	32.5	28.9	61.4	19.2	5.0	24.1	51.7	33.9	85.5	45.7	80.8	126.5	35.9	38.1	74.0	9.9	32.4	42.3
1999	35.7	26.9	62.6	15.6	4.0	19.6	51.3	30.9	82.2	48.3	78.3	126.6	32.9	36.2	69.1	10.6	31.7	42.3
2000	31.1	23.3	55.4	18.7	2.7	21.4	49.8	27.0	76.8	51.0	75.6	126.6	33.9	31.5	68.4	11.4	30.9	42.3
2001	31.8	22.1	53.9	17.6	1.6	19.2	49.4	23.7	73.0	51.2	73.3	126.5	36.5	31.2	69.7	14.8	30.1	44.9
2002	31.8	20.6	52.4	8.3	0.8	9.1	40.1	21.4	61.4	55.3	71.3	126.6	33.2	31.8	65.0	15.8	29.0	44.8
2003	31.1	19.0	50.1	4.6	0.6	5.2	35.7	19.6	55.3	57.4	69.2	126.6	39.0	30.4	69.4	17.0	27.9	44.9
2004	32.8	17.3	50.1	4.7	0.4	5.1	37.5	17.7	55.2	59.8	66.8	126.6	35.4	28.9	64.3	18.1	26.7	44.8
2005	19.1	15.5	34.6	3.6	0.2	3.8	22.7	15.7	38.4	62.2	64.4	126.6	34.4	27.7	62.1	19.4	25.5	44.9
2006	8.1	14.4	22.5	1.7	0.1	1.8	9.4	14.5	23.8	67.2	59.4	126.6	34.0	26.0	60.0	20.8	24.1	44.9
2007	8.9	13.9	22.8	1.2	0.1	1.3	10.1	14.0	24.0	70.8	55.7	126.5	31.3	24.2	55.5	14.4	22.6	37.0
2008	9.7	13.3	23.0	1.2	0.1	1.3	10.9	13.4	24.2	74.1	52.5	126.6	31.0	22.3	53.3	15.4	21.5	36.9
2009	10.6	12.7	23.3	1.2	--	1.2	11.8	12.7	24.4	77.0	49.6	126.6	30.4	20.3	50.7	16.6	20.4	37.0
2010	11.4	12.0	23.4	1.2	--	1.2	12.6	12.0	24.5	80.1	46.5	126.6	28.2	18.4	46.6	17.8	19.1	36.9
2011	12.3	11.3	23.6	1.2	--	1.2	13.5	11.3	24.7	85.6	40.9	126.5	39.0	17.0	56.0	19.1	17.8	36.9
2012	13.2	10.4	23.6	1.2	--	1.0	14.2	10.4	24.7	91.6	35.0	126.6	27.9	15.7	43.6	20.6	16.4	37.0
2013	14.2	9.5	23.7	1.0	--	--	14.2	9.5	24.8	96.8	29.8	126.6	16.0	14.9	30.9	22.1	14.8	36.9
2014	15.2	8.6	23.8	--	--	--	15.2	8.6	23.8	102.4	24.2	126.6	25.4	13.6	39.0	23.8	13.2	37.0
2015	16.1	7.6	23.9	--	--	--	16.3	7.6	23.9	108.1	18.5	126.6	20.1	12.0	32.1	25.6	11.4	37.0
2016	13.2	6.7	19.9	--	--	--	13.2	6.7	19.9	114.0	12.5	126.5	19.8	10.7	30.5	18.2	9.4	27.6
2017	14.0	5.8	19.8	--	--	--	14.0	5.8	19.8	28.1	6.7	34.8	21.4	9.5	30.9	19.5	8.2	27.7
2018	14.9	4.9	19.8	--	--	--	14.9	4.9	19.8	29.6	5.2	34.8	20.4	8.2	28.6	20.8	6.9	27.7
2019	16.1	3.9	20.0	--	--	--	16.1	3.9	20.0	21.9	3.8	25.7	19.4	6.9	26.3	10.7	5.5	16.2
2020	17.4	2.8	20.2	--	--	--	17.4	2.8	20.2	13.0	3.0	16.0	18.4	5.8	24.2	11.3	4.8	16.1
2021	18.8	1.7	20.5	--	--	--	18.8	1.7	20.5	13.7	2.3	16.0	17.2	4.7	21.9	12.0	4.1	16.1
2022	6.0	1.3	7.3	--	--	--	6.0	1.3	7.3	14.4	1.5	15.9	16.0	3.7	19.7	12.7	3.4	16.1
2023	6.3	1.0	7.3	--	--	--	6.3	1.0	7.3	15.1	0.8	15.9	15.3	2.7	18.0	13.5	2.6	16.1
2024	6.6	0.7	7.3	--	--	--	6.6	0.7	7.3	--	--	--	14.0	1.8	15.8	14.3	1.8	16.1
2025	7.0	0.3	7.3	--	--	--	7.0	0.3	7.3	--	--	--	12.8	1.0	13.6	15.2	0.9	16.1
2026	--	--	--	--	--	--	--	--	--	--	--	--	5.5	0.5	6.0	--	--	--
2027	--	--	--	--	--	--	--	--	--	--	--	--	5.2	0.2	5.4	--	--	--
Total	\$486.1 (a)	\$317.4 (b)	\$803.5	\$101.8 (c)	\$15.6	\$116.1	\$586.7	\$333.0	\$920.0	\$1,536.4	\$1,027.6	\$2,564.0	\$741.6	\$500.9	\$1,242.6	\$461.4	\$463.1	\$924.5
Sinking Fund																		
Assets Held by																		
Fiscal Agent	0.0	3.0	3.0	0.0	0.0	0.0	0.0	3.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Available City																		
Sinking Fund																		
Assets	0.0	0.6	0.6	0.0	0.0	0.0	0.0	0.6	0.6	126.6	0.0	126.6 (d)	75.5	0.0	75.5	44.9	27.4	72.3 (e)
Net Debt	\$486.1	\$313.8	\$799.9	\$101.8	\$15.6	\$116.1	\$586.7	\$329.4	\$916.4	\$1,409.8	\$1,027.6	\$2,437.4	\$666.1	\$500.9	\$1,167.1	\$416.5	\$435.7	\$852.2

- (a) Included in this amount is \$21.2 million issued for Port purposes which has been reclassified as Tax Supported due to the sale of the Port Corporation.
- (b) On March 22, 1990, \$148.0 million was issued as 30 year variable rate bonds. The variable rate bonds were hedged with a ten year 6.85% interest rate swap transaction. A 6.85% interest rate was assumed for the remaining term of the Bonds.
- (c) Of this amount, Bonds have been issued for the following major purposes: Water and Sewer, \$24.7 million; Airport, \$50.0 million; Veterans Stadium, \$8.4 million and Subways, \$15.5 million. Issues for five other purposes account for the balance of \$2.0 million.
- (d) In addition to the \$126.6 million available in Sinking Fund Assets, \$163.6 million has been reserved in the Water and Sewer Rate Stabilization Fund in accordance with the Seventh Supplemental Amendment to the General Water and Sewer Revenue Bond Ordinance of 1974 as amended by Bill No. 544 dated June 24, 1993.
- (e) In addition to the \$72.3 million available on Sinking Fund Assets, \$2.5 million has been reserved in a Renewal, Replacement and Contingency Fund, which has been funded by the proceeds of the Series 1978 Aviation Revenue Bonds.

ROUNDING DIFFERENCES ACCOUNT FOR MINOR DEVIATIONS FROM FY 97 CAFR

TABLE 17 (continued)
 CITY OF PHILADELPHIA
 CITY RELATED ANNUAL DEBT SERVICE ON LONG-TERM DEBT
 AS OF JUNE 30, 1997
 (Amounts in Millions of Dollars)

Fiscal Year	Total Revenue Bonds			Total General Obligation and Revenue Bonds			Other Long Term Obligation			Total Long Term Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1998	91.5	151.3	242.8	143.1	185.2	328.3	87.1	21.0	108.1	230.3	206.2	436.5
1999	91.8	146.2	238.0	143.1	177.1	320.2	94.0	19.7	113.7	237.1	196.8	433.9
2000	96.3	141.0	237.3	146.0	168.1	314.1	103.7	18.7	122.4	249.8	186.8	436.5
2001	104.5	136.6	241.1	153.8	160.3	314.1	104.0	17.8	121.8	257.9	178.1	436.0
2002	104.3	132.1	236.4	144.2	153.6	297.8	114.7	16.8	131.5	259.1	170.3	429.4
2003	113.4	127.5	240.9	149.1	147.1	296.2	138.7	15.7	154.4	287.8	162.8	450.6
2004	113.3	122.4	235.7	150.8	140.1	290.9	147.5	14.6	162.1	298.3	154.7	453.0
2005	116.0	117.6	233.6	138.7	133.3	272.0	145.9	13.6	159.5	284.6	146.9	431.5
2006	122.0	109.5	231.5	131.3	124.0	255.3	156.9	12.6	169.5	288.3	136.6	424.9
2007	116.5	102.5	219.0	126.5	116.5	243.0	168.8	11.5	180.3	295.4	128.0	423.4
2008	120.5	96.3	216.8	131.3	109.7	241.0	177.2	10.4	187.6	308.6	120.1	428.7
2009	124.0	90.3	214.3	135.7	103.0	238.7	140.0	9.8	149.8	275.8	112.8	388.6
2010	118.1	84.0	202.1	130.6	96.0	226.6	68.9	9.0	77.9	199.6	105.0	304.6
2011	143.7	75.7	219.4	157.1	87.0	244.1	22.5	8.3	30.8	179.7	95.3	275.0
2012	140.1	67.1	207.2	154.4	77.5	231.9	22.7	7.4	30.1	177.0	84.9	261.9
2013	134.9	59.5	194.4	150.2	69.0	219.2	23.2	6.6	29.8	172.3	75.6	247.9
2014	151.6	51.0	202.6	166.8	59.6	226.4	24.0	5.6	29.6	190.8	65.2	256.0
2015	153.8	41.9	195.7	170.1	49.5	219.6	24.3	4.7	29.0	194.4	54.2	248.6
2016	152.0	32.6	184.6	165.2	39.3	204.5	17.9	3.6	21.5	183.1	42.9	226.0
2017	69.0	24.4	93.4	83.0	30.2	113.2	19.0	2.5	21.5	102.0	32.7	134.7
2018	70.8	20.3	91.1	85.7	25.2	110.9	24.8	1.5	26.3	110.5	26.7	137.2
2019	52.0	16.2	68.2	68.1	20.1	88.2	10.5	0.3	10.8	78.6	20.4	99.0
2020	42.7	13.6	56.3	60.1	16.4	76.5	--	--	--	60.1	16.4	76.5
2021	42.9	11.1	54.0	61.7	12.8	74.5	--	--	--	61.7	12.8	74.5
2022	43.1	8.6	51.7	49.1	9.9	59.0	--	--	--	49.1	9.9	59.0
2023	43.9	6.1	50.0	50.2	7.1	57.3	--	--	--	50.2	7.1	57.3
2024	28.3	3.6	31.9	34.9	4.3	39.2	--	--	--	34.9	4.3	39.2
2025	27.7	2.0	29.7	34.7	2.2	36.9	--	--	--	34.7	2.3	37.0
2026	5.5	0.5	6.0	5.5	0.5	6.0	--	--	--	5.5	0.5	6.0
2027	5.2	0.2	5.4	5.2	0.2	5.4	--	--	--	5.2	0.2	5.4
Total	\$ 2,739.4	\$ 1,991.7	\$ 4,731.1	\$ 3,326.1	\$ 2,324.7	\$ 5,650.8	\$ 1,836.3	\$ 231.7	\$ 2,068.0	\$ 5,162.4	\$ 2,556.4	\$ 7,718.8
Sinking Fund Assets Held by Fiscal Agent	0.0	0.0	0.0	0.0	2.7	2.7	--	--	--	--	3.0	3.0
Available City Sinking Fund Assets	247.0	27.4	274.4	247.0	28.0	275.0	--	--	--	247.0	28.0	275.0
Net Debt	\$ 2,492.4	\$ 1,964.3	\$ 4,456.7	\$ 3,079.1	\$ 2,293.7	\$ 5,372.8	\$ 1,836.3	\$ 231.7	\$ 2,068.0	\$ 4,915.4	\$ 2,525.4	\$ 7,440.8

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program approved by the Mayor on April 2, 1998 for Fiscal Years 1999-2004 contemplates a total expenditure of \$4.132 billion, of which \$1.832 billion is to be provided from Federal, Commonwealth, and other sources and \$2.300 billion is to be provided for through City funding. The following table shows the amounts anticipated to be spent each year from various sources of funds for capital projects.

TABLE 18
CITY OF PHILADELPHIA
FISCAL YEARS 1999-2004
CAPITAL IMPROVEMENT PROGRAM
 (Amounts in Thousands)

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

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

LITIGATION

Generally, judgments and settlements on claims against the City are payable from the General Fund, except for claims against the Water Department, the Aviation Division, and the Gas Works. Claims against the Water Department are paid first from the Water Fund and only secondarily from the General Fund. Claims against the Aviation Division, to the extent not covered by insurance, are paid first from the Aviation Fund and only secondarily from the General Fund. Claims against the Gas Works, to the extent not covered by insurance, are paid first from Gas Works revenues 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," (the "Tort Claims Act") establishes a \$500,000 aggregate limitation on damages for injury to a person or property 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 repeatedly upheld by the Pennsylvania Supreme Court. In February 1987, an appeal of a decision upholding such constitutionality to the United States Supreme Court was dismissed for want of jurisdiction. However, under Pennsylvania Rule of Civil Procedure 238, delay damages in State Court cases are not subject to the \$500,000 limitation. Moreover, the limit on damages is inapplicable to any suit against the City which does not arise under state tort law such as claims made against the City under Federal civil rights laws.

The aggregate loss for Fiscal Year 1997, which resulted from general and special litigation claims and was paid by June 30, 1997, was \$43.9 million. The City's current Five-Year Plan includes estimates of settlements and judgments of \$34.6 million, \$34.7 million, \$34.8 million, \$36.4 million and \$36.5 million for the Fiscal Years 1998 through 2002, respectively. In budgeting for settlements and judgments in the annual Operating Budget and projecting settlements and judgments for each Five-Year Plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. Actual claims paid out for settlements and judgments have averaged \$44.0 million over the past five years, excluding payments through the Special Indemnities Fund (\$11.1 million in Fiscal Year 1994 and \$11.9 million in Fiscal Year 1995) used for settlements and judgments in connection with the Court of Common Pleas' "Day Backward" inventory reduction program.

In addition to routine litigation incidental to performance of the City's governmental functions and litigation arising in the ordinary course relating to contract and tort claims and alleged violations of law, certain special litigation matters are currently being litigated and adverse outcomes of such litigation could have a substantial or long-term adverse effect on the City's General Fund. These proceedings involve: (i) consent decrees and/or ordered prescribed relief in Federal and State Court relating to prison conditions, subjecting the City to fines for non-compliance; (ii) environmental-related actions against the City for damages and the possible imposition of fines against the City arising out of allegations that the City disposed of certain hazardous substances and is, in whole or in part, responsible to conduct or pay for the clean-up of certain contaminated sites and should be responsible for personal and economic injuries resulting from such actions; (iii) a class action seeking the provision of various child welfare services; (iv) several consolidated appeals from determinations of the Board of Revision of Taxes concerning the commencement and termination dates of commercial real estate tax abatements granted by the Board during the period from 1986 through 1991; (v) possible contempt of a consent decree in Federal Court relating to mentally retarded individuals formerly residing in Pennhurst State School, subjecting the City to fines for non-compliance; (vi) the 26-year old desegregation lawsuit against the Philadelphia School District, in which the Commonwealth of Pennsylvania and the City of Philadelphia have been joined as additional defendants; (vii) possible contempt of a consent decree in Federal Court relating to conditions at the Youth Study Center; (viii) a tax refund appeal based on a claimed exemption, seeking refund of

business privilege taxes paid by a beer distributor; (ix) refund claims based on the asserted unconstitutionality of the Philadelphia County Personal Property Tax; (x) a state court mandamus action in which the City was ordered to restore "automatic flex benefit credits" to non-union represented City civil service employees to the January 1993 level and to make payments to the subject employees to make them whole for the lost credits; (xi) a civil rights claim alleging damages sustained as a result of a decline in market value of commercial real estate when the motion picture theater erected on the real estate was designated historic by the Philadelphia Historical Commission; (xii) a class action suit alleging that the City failed to properly oversee management of funds in the deferred compensation plan of City employees; (xiii) a class action suit alleging that the application of the Philadelphia Code § 17-500, concerning goals for minority, female and handicapped disadvantaged businesses, had damaged members of the class by denying their right to equal protection in the award of City contracts; and (xiv) an action by the First Judicial District seeking an Order in Mandamus to compel the City to appropriate and disburse funds for Court operations during Fiscal Year 1999.

The ultimate outcome and fiscal impact, if any, on the City's General Fund of the claims and proceedings described in the preceding paragraph are not currently predictable.

Various claims in addition to the lawsuits described above have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. The aggregate loss for Fiscal Year 1977 which resulted from these claims and lawsuits, and which were paid out by June 30, 1997, was \$4.8 million. The estimated loss for Fiscal Year 1998 is \$6.5 million. The Water Department's budget for Fiscal Year 1998 contains a reserve for Water Department claims in the amount of \$6.5 million. The Water Fund is the first source of payment for any of these claims.

CITY SOCIOECONOMIC INFORMATION

Introduction

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

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

Quality of Life

The City is a very livable city with relatively low housing costs. Philadelphia is the most affordable of the nation's 27 housing markets. According to Federal government statistics, the City is among the safest large cities in the country.

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

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

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

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

Demographics

During the ten-year period between 1980 and 1990, the population of the City decreased from 1,688,210 to 1,585,577. This 6% loss of population was less than half of the 13% loss experienced during the 1970's.

**TABLE 19
POPULATION
CITY, PMSA & NATION**

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

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

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

**TABLE 20
POPULATION AGE DISTRIBUTION**

<u>Age</u>	<u>1984</u>	<u>Philadelphia</u>		<u>Pennsylvania</u>		<u>% of Total</u>		
		<u>% of Total</u>	<u>1990</u>	<u>% of Total</u>	<u>1980</u>		<u>1990</u>	
0-24	633,899	38.4	563,816	35.6	4,623,651	38.9	4,021,585	33.8
25-44	435,458	26.4	490,224	30.9	3,068,618	25.9	3,657,323	30.8
45-64	340,744	20.6	290,803	18.3	2,641,397	22.3	2,373,629	20.0
65-84	219,272	13.3	217,913	13.7	1,404,884	11.8	1,657,270	13.9
85 & up	<u>20,966</u>	<u>1.3</u>	<u>22,801</u>	<u>1.4</u>	<u>125,345</u>	<u>1.1</u>	<u>171,836</u>	<u>1.4</u>
Total	1,650,339	100.0	1,585,577	100.0	11,863,895	100.0	11,881,643	100.0

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

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

The Economy

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

The cost of living in Philadelphia is relatively moderate compared to other major metropolitan areas. The City, as one of the country's education centers, offers the business community a large, diverse, and industrious labor pool. Office occupancy rates are among the highest in the United States while the average cost per square foot for office space in the City also compares favorably with costs in other cities.

TABLE 21
RENTAL RATES FOR
CENTRAL BUSINESS DISTRICT OFFICE SPACE
IN \$ PER SQUARE FOOT

Average Rates as of June 1997	
Atlanta	22
Boston	37
Chicago	26
Dallas	18
Houston	16
Los Angeles	21
Miami	25
New York City (midtown)	33
Philadelphia	20
Phoenix	21
San Francisco	34
Washington, D.C.	37

Source: Jackson Cross/Oncor International.
Adjusted to include electric costs and operation costs.

Employment

Employment data for City residents is reflected in the table below. In 1997, City residents represented 27% of all employed residents of the PMSA. The employment and unemployment rates and the total number of jobs within the City are reflected in Table 23 and 24 respectively. The Philadelphia PMSA gained a net of 19,800 jobs in 1994, 7,200 jobs in 1995, 41,600 jobs in 1996 and 1,400 jobs in 1997.

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

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

Since the closing, the City has obtained over \$3.3 million in grant funds to support planning and study efforts related to converting the shipyard to alternative uses, and has obtained an \$82 million grant to provide financing and retraining assistance to business and workers. In 1997, Kvaerner ASA, a Norwegian firm, which is one of the largest shipbuilders in the world, signed an agreement to renovate a portion of the Shipyard and create a state-of-the-art commercial shipbuilding facility. Kvaerner also agreed to locate its North American headquarters in Philadelphia. The total project cost is \$429 million, which will result in infrastructure and other capital improvements, extensive employment training and jobs creation for 1,000 workers.

In addition, nearly 550,000 square feet of space had been leased by mid-1998 to firms relocating all or part of their companies' operations to the Shipyard. Activity is expected to increase even more when the City takes title to the land which is expected to occur in late 1998.

TABLE 22
LABOR FORCE DATA ANNUAL AVERAGE
BASED ON RESIDENCY

	<u>1988</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994(1)</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Philadelphia (000)*									
Labor Force	728.9	699.1	689.4	695.1	672.8	657.0	644.4	652.1	652.6
Employment	686.6	655.1	631.0	634.1	608.7	604.6	594.5	606.9	617.1
Unemployment	42.3	43.9	58.4	61.0	64.1	52.5	49.9	45.2	35.5
Unemployment Rate (%)	5.8	6.3	8.5	8.6	9.5	8.0	7.7	6.9	5.4
Philadelphia PMSA (000)*									
Labor Force	2,420.0	2,470.0	2,465.5	2,457.4	2,434.9	2,428.5	2,430.0	2,459.2	2,460.7
Employment	2,320.2	2,353.6	2,304.5	2,276.8	2,261.0	2,280.5	2,287.7	2,329.3	2,330.7
Unemployment	99.8	116.3	161.0	180.5	173.9	148.0	142.3	130.0	130.0
Unemployment Rate (%)	4.1	4.7	6.5	7.3	7.1	6.1	5.9	5.3	5.3
United States (000,000)									
Labor Force	121.7	125.8	126.3	128.1	129.2	131.1	132.3	135.0	137.5
Employment	115.0	118.8	117.7	118.5	120.3	123.1	124.9	127.7	131.1
Unemployment	6.7	7.0	8.6	9.6	8.9	8.0	7.4	7.3	6.4
Unemployment Rate (%)	5.5	5.6	6.8	7.5	6.9	6.1	5.6	5.3	4.7

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

*All data are on the latest available benchmark.

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

TABLE 23
PHILADELPHIA
TOTAL MONTHLY EMPLOYMENT AND MONTHLY UNEMPLOYMENT RATES
BASED ON RESIDENCY
January 1992 - December 1997

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

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

TABLE 24
PHILADELPHIA CITY
NON-FARM PAYROLL EMPLOYMENT*
(Amounts in Thousands)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Total Employment	760.3	772.3	775.9	761.6	746.7	718.4	696.1	687.0	690.3	676.4	676.2	670.3
Manufacturing	99.8	96.0	92.2	87.0	81.6	74.8	68.9	66.0	64.5	61.1	60.4	60.2
Non-Manufacturing	660.5	676.3	683.7	674.6	665.1	643.8	627.2	621.0	614.0	604.8	615.8	616.2
Construction & Mining	17.2	17.3	17.5	17.0	16.0	13.4	11.4	10.7	11.8	10.5	10.2	10.1
Transportation & Public Utilities	44.3	45.0	44.4	40.9	39.9	89.5	37.4	37.9	38.0	33.4	32.6	33.1
Wholesale & Retail Trade	148.1	148.1	149.3	144.3	136.3	126.5	119.9	117.0	114.3	114.8	113.9	117.2
Finance, Insurance & Real Estate	69.5	72.8	71.5	68.6	64.7	61.3	59.8	57.7	58.0	56.0	53.9	55.2
Services	242.5	250.3	257.2	262.1	265.2	264.4	263.5	265.8	271.6	272.1	278.0	279.5
Government	138.9	142.8	143.8	141.7	143.0	139.5	135.1	131.8	132.1	128.5	127.2	125.9

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

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

TABLE 25
LARGEST NON-GOVERNMENTAL EMPLOYERS
IN PHILADELPHIA COUNTY
1997

<u>Employer (a)</u>	<u>No. of Local Employees</u>
University of Pennsylvania	27,088
Allegheny Health, Education and Research Foundation	9,550
Jefferson Health System	9,023
Lockheed Martin Corp.	8,260
Bell Atlantic-Pennsylvania	6,593
SmithKline Beecham	6,500
Peco Energy Co.	6,013
Prudential Insurance Co. of America	6,000
Merck & Co., Inc.	5,800
Boeing Defense & Space Group, Helicopters Division	5,700
Aramark Corp.	4,560
United Parcel Service of America	4,355
Worth-Ayerst Laboratories, Inc.	4,314
PNC Bank, NA	4,168
Crozer-Keystone Health System	4,039
Albert Einstein Healthcare Network	3,990
Cigna Corporation	3,762
Vanguard Group of Investment Cos. Inc.	3,719
Sun Co., Inc.	3,700
Thomas Jefferson University	3,645
Aetna U.S. Healthcare	3,643
Rohm and Haas Co.	3,614
Independence Blue Cross	3,595
Unisys Corp.	3,500
CoreStates Financial Corporation	3,445
Pennsylvania Hospital	3,240
USAir, Inc.	3,019

Source: Philadelphia Business Journal, 1998 Book of Business Lists.
(a) Excludes government or government-related institutions

TABLE 26
FORTUNE 500
LARGEST INDUSTRIAL CORPORATIONS
WITH HEADQUARTERS IN PHILADELPHIA PMSA
1997

<u>Corporation</u>	<u>Type of Industry</u>	<u>Ranking</u>	<u>Assets (\$ Millions)</u>
CIGNA	Life Insurance	59	20,038.0
Sun Company	Petroleum Refining	173	8,986.0
Crown Cork & Seal	Metal Products	187	8,49.6
Aramark	Food Services	261	6,310.4
Comcast	Telecommunications	314	4,912.6

Source: Fortune Magazine, April 28, 1998.

TABLE 27
FORTUNE 500
LARGEST SERVICE CORPORATIONS
WITH HEADQUARTERS IN PHILADELPHIA PMSA
1997

<u>Corporation</u>	<u>Type of Industry</u>	<u>Ranking/Industry</u>	<u>Assets (\$ Millions)</u>
CIGNA	Insurance	2/Insurance	20,030.0
Aramark	Food Service	3/Food Service	6,310.4
Comcast	Telecommunications	14/Telecommunications	4,617.9
Peco Energy	Utility	17/Utilities	4,378.7
CoreStates Financial Corporation	Banking	19/Banking	4,912.6

Source: Fortune Magazine, April 28, 1998.

TABLE 28
TOTAL INDUSTRY EMPLOYMENT BY ESTABLISHMENT
ANNUAL AVERAGES
(Amounts In Thousands)
PHILADELPHIA PMSA

ESTABLISHMENT DATA

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Non-Agricultural Employment	2,203.1	2,126.6	2,095.5	2,129.3	2,169.1	2,178.9	2,214.4
Goods Producing	446.6	405.8	386.7	390.9	392.7	386.0	384.9
Construction & Mining	97.3	79.0	73.7	77.0	79.2	77.9	79.1
Manufacturing	349.3	326.8	313.0	313.8	313.5	308.1	305.8
Durable Goods	177.4	160.4	149.9	148.5	149.0	148.9	146.6
Nondurable Goods	171.9	166.4	163.1	165.3	164.5	159.2	159.3
Service Producing	1,756.5	1,720.8	1,708.8	1,738.4	1,776.4	1,792.9	1,829.5
Transp. & Public Utilities	101.5	100.7	97.8	102.3	105.4	103.6	104.6
Wholesale & Retail Trade	502.1	481.1	486.9	468.8	479.5	487.2	793.3
Fin., Insurance & Real Estate	160.9	156.3	157.4	156.3	158.0	153.9	154.4
Services	687.4	681.6	685.0	708.9	729.1	744.1	774.8
Government	304.7	301.1	299.7	302.1	304.4	304.1	302.3
Federal Government	80.4	78.8	75.0	73.1	73.6	69.0	65.0
State & Local Government	224.3	222.3	224.7	229.0	230.8	235.1	237.4

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

Income

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

TABLE 29
CONSUMER PRICES PERSONAL INCOMES

	<u>1985</u>	<u>1990</u>	<u>1991</u>	<u>% change</u> <u>1985-1991</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
CPI-U United States (a)	107.6	130.7	136.2	26.6%	153.5	155.1	160.5
CPI-U Philadelphia PMSA (a)	108.8	135.8	142.2	30.7%	158.7	164.3	166.5
Personal Income Per Capita (b)							
Philadelphia	\$12,410	\$16,721	\$17,430	40.5%	\$19,633	\$20,199	N/A
Philadelphia PMSA	\$15,253	\$21,347	\$18,383	20.5%	\$24,397	\$25,220	\$25,257 ^(c)
United States	\$13,899	\$18,696	\$19,091	37.4%	\$21,699	\$23,208	\$24,776 ^(c)

Source:

(a) Consumer Price Index - All Urban Consumers. U.S. Bureau of Labor Statistics.

(b) U.S. Department of Commerce, Bureau of Economic Analysis. Regional Economic Information System.

(c) Woods and Poole Economics

TABLE 30
NUMBER OF HOUSEHOLDS BY INCOME RANGE IN PHILADELPHIA COUNTY

<u>Income</u>	<u>Number of Households*</u>			<u>Percentage of Households*</u>		
	<u>1990</u>	<u>1980</u>	<u>1970</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
Under \$5,000	59,823	127,401	N/A	9.9%	20.5%	N/A
\$5,000-9,999	76,512	116,931	N/A	12.7	18.8	N/A
\$10,000-14,999	59,331	98,540	N/A	9.9	15.9	N/A
\$15,000-24,999	108,405	150,851	N/A	18.1	24.3	N/A
\$25,000-49,999	190,237	112,508	N/A	31.7	18.1	N/A
\$50,000 and over	<u>106,432</u>	<u>14,408</u>	<u>N/A</u>	<u>17.7</u>	<u>2.3</u>	<u>N/A</u>
Total	600,740	620,639	N/A	100.0%	100.0%	N/A

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

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

TABLE 30 (Continued)
NUMBER OF HOUSEHOLDS BY INCOME RANGE IN UNITED STATES

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

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

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

Retail Sales

Philadelphia is the nation's 4th largest metropolitan area in terms of total retail sales. The following table reflects taxable sales for Philadelphia from fiscal years 1992 to 1997.

TABLE 31
PHILADELPHIA
TAXABLE RETAIL SALES 1992-1997
(\$000's)

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

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

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

TABLE 32
RETAIL SALES BY STORE GROUP (\$000)*
1996

	<u>Philadelphia</u>	<u>PMSA</u>	<u>Pennsylvania</u>	<u>United States</u>
Total Retail Sales*	9,361,208	47,088,399	113,491,907	2,465,147,126
Food	1,823,488	7,496,914	19,215,814	424,090,654
Eating & Drinking	1,182,592	3,757,309	9,215,517	243,842,859
Gen. Merchandise	825,799	4,487,086	12,319,797	309,403,914
Furniture, Furnishings	459,364	2,238,894	5,030,331	134,370,229
Automotive	1,634,617	12,165,585	29,266,631	605,127,843

Source: Sales and Marketing Management, "1997 Survey of Buying Power"

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

Effective Buying Income and Household Income

The median household effective buying income for the City in 1996 was \$28,551, 82.5% of the Commonwealth median household effective buying income, and 85.3% of the U.S. median household effective buying income. The Philadelphia metropolitan area has the nation's 5th largest total effective buying income. Effective buying income ("EBI") is defined as all personal income less personal taxes, non-tax payments (fines, fees and penalties), and contributions to social insurance. EBI is also commonly referred to as disposable or after-tax income.

TABLE 33
CITY AND PMSA EFFECTIVE BUYING INCOME
1996

	Total EBI (000)	Median Household EBI	% of Households by EBI		
			\$20,000- 34,999	\$35,000- 49,999	\$50,000 and over
Philadelphia(City)	\$20,512,973	28,551	22.3%	16.8%	24.3%
Bucks Co.	11,934,911	50,550	16.8	19.0	50.7
Chester Co.	10,465,980	58,438	14.5	15.5	58.5
Delaware Co.	10,769,092	44,122	19.1	18.7	43.0
Montgomery Co.	17,194,668	49,784	17.6	18.4	49.7
Burlington Co., N.J.	7,793,644	46,719	19.1	20.5	45.6
Camden Co., N.J.	8,301,782	39,005	20.8	19.6	35.9
Gloucester Co., N.J.	3,967,932	54,944	14.5	18.9	57.3
Salem Co., N.J.	1,063,206	39,930	19.6	19.4	37.0
Pennsylvania	199,187,320	34,616	22.9	18.7	30.8
United States	4,161,512,384	33,482	----	----	----

Source: Sales and Marketing Management, "1997 Survey of Buying Power"

Transportation

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

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

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

The City owns Philadelphia International Airport (PHL) located eight miles southwest of center city and a smaller reliever airport in Northeast Philadelphia. PHL is accessible by major highways within the City and from surrounding communities and SEPTA's high speed train line. PHL provides its passengers with service on eleven domestic carriers and eleven regional and commuter carriers, while four foreign flag carriers and one U.S. carrier provide international service. In addition, there are eight all-cargo carriers. PHL serves as a key connecting hub for USAir. Terminal A, PHL's newest passenger terminal, which opened in 1991, accommodates both domestic and international flights plus all charter operations.

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

PHL is currently planning a major expansion which will include a new international terminal, a new commuter terminal, ramp and roadway development and two new parking garages to be owned by the Philadelphia Parking Authority.

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

Water and Wastewater Systems

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

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

Municipal Solid Waste Disposal

The City is responsible for collecting solid wastes from sources other than industrial or commercial institutions. Approximately 3,000 tons of solid waste per day are collected by the City. Municipal solid waste is disposed of at various landfills operated outside of the City limits. The City has entered into contracts with several private contractors for landfill space. The primary disposal contract began in January 1994 and has a term of up to seven years.

Housing

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

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

TABLE 34
HOUSING AFFORDABILITY IN MAJOR MARKETS

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

<u>MSA Name</u>	1997 MIRS** Sample	MEDIAN	AVERAGE	Year of
	Median Price	VALUE	VALUE	
	<u>Conventionally</u>	Constructed in	Constructed in	<u>AHS Survey</u>
	<u>Financed New</u>	<u>Past Four</u>	<u>Past Four Year</u>	
	<u>Construction</u>	<u>Years</u>		
Atlanta, GA	133,500	139,146	154,420	96
Buffalo, NY	na	170,926	174,320	94
Charlotte, NC/SC	155,500	118,181	135,340	95
Chicago, IL	185,000	191,502	203,740	95
Cleveland, OH	203,000	194,787	207,660	96
Columbus, OH	na	145,018	155,800	95
Dallas, TX	160,354	121,613	138,850	94
Denver, CO	179,195	193,707	203,530	95
Detroit, MI	167,900	162,605	176,070	95
Forth Worth/Arlington., TX	148,473	147,684	155,980	94
Hartford, CT	153,000	197,534	201,620	96
Indianapolis, IN	147,758	139,085	150,400	96
Kansas City, MO/KS	167,248	148,990	159,780	95
Los Angeles/Long Beach, CA	222,665	na	198,840	95
Memphis, TN/ARMS	160,157	124,638	134,020	96
Miami/Ft. Lauderdale, FL	132,995	145,897	158,850	95
Milwaukee, WI	175,285	179,154	185,990	94
New Orleans, LA	na	113,277	120,340	95
New York/Nassau/Suffolk, NY	231,500	na	200,970	95
Newark, NJ	195,000	145,873	176,940	95
Oklahoma City, OK	121,102	121,968	130,200	96
Orange County, CA	251,000	250,053	na	94
Philadelphia/PA,NJ	191,815	157,881	174,500	95
Phoenix, AZ	154,671	137,881	153,450	94
Pittsburgh, PA	169,000	174,180	173,800	95
Portland, OR	161,275	181,465	191,340	95
Riverside/San Bernadino, CA	169,440	138,327	151,660	94
Sacramento, CA	185,475	172,890	185,230	96
St. Louis, MO/IL	161,786	143,477	155,150	96
San Antonio, TX	124,990	116,069	125,150	95
San Diego, CA	235,000	226,279	na	94
Seattle/Everett, WA	180,000	209,419	210,190	96

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

***AHS data as of year of survey.

Source: Housing and Unit Development Office of Policy Development and Research

**TABLE 35
CHARACTERISTICS OF HOUSING UNITS**

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>
Total Housing Units				
City of Philadelphia	649,033	673,524	685,629	674,899
Philadelphia PMSA	1,333,962	1,536,872	1,554,651	1,491,310
Pennsylvania	3,581,877	3,924,757	4,597,412	4,938,140
Percent Owner Occupied				
City of Philadelphia	61.9%	59.7%	61.0%	62.0%
Philadelphia PMSA	70.0%	67.1%	63.4%	68.5%
Pennsylvania	68.3%	68.0%	64.2%	70.6%
Median Value of Owner Occupied Housing				
City of Philadelphia	\$7,000	\$10,600	N/A	\$48,400
Philadelphia PMSA	7,100	14,900	\$41,700	96,700
Pennsylvania	7,100	13,600	39,100	67,900
Number of Persons per Housing Unit				
City of Philadelphia	3.00	2.50	2.66	2.63

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

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

**TABLE 36
CONSTRUCTION AUTHORIZED BY BUILDING PERMIT
DECLARED VALUATION
(Millions of Dollars)**

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

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

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

Economic Development

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

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

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

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

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

Center City Hotel Development - To realize the City's goal of having 2000 additional hotel rooms within walking distance of the Convention Center by the year 2000, new hotel development in the Center City core reached an all-time high in 1998. In addition to the Marriott Convention Center Hotel, four new Center City hotels were under construction at the beginning of 1998, and two others have been announced. Five of the hotels are in spaces that had been vacant, one for as long as a decade.

The hotels under construction are a \$23 million 294-suite Hawthorne Suites at 11th and Vine Streets being built in what had been an abandoned multi-story loft building. It is scheduled to open in summer 1998. Scheduled to open in summer 1999 is the \$71 million 350-room Grand Bay Hotel at Broad and Chestnut Streets in the vacant Two Mellon Tower and adjacent Mellon Dome. Scheduled to open in fall 1999 is the \$76 million, 499-room Courtyard by Marriott Hotel, in the former City Hall Annex, directly across from the Philadelphia City Hall. Construction began in late 1997, on a \$41 million Philadelphia Convention Marriott Hotel expansion at 11th and Market Streets. The 215-room all-suites hotel will

connect to the Convention Center. Plans to convert the abandoned, historic PSFS building into a \$110 million, 590-room first class Loews/PSFS were announced in 1997 as were plans to construct a \$23 million, 282-room Hilton Garden above the Gallery Garage in Market East. In addition, in mid-1998, 536 hotel rooms were either open or under construction at Philadelphia International Airport.

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

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

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

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

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

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

Empowerment Zone - When the Cities of Philadelphia and Camden were awarded the nation's only bi-state Empowerment Zone designation by the U.S. Department of Housing and Urban Development in December 1994, the neighborhoods of the Philadelphia Empowerment Zone had among them the highest rates of poverty and the lowest educational attainment. They also had the fewest viable businesses and the highest unemployment. By the end of 1997, however, the Zone began seeing some positive changes.

Thirty-six businesses have received financial assistance to move into the zone or expand at their current locations within the zone, and 38 additional businesses are operating in the zone. Through October, 1997, the total of all sources of public support for business development within the Zone exceeded \$21.5 million. This investment has helped leverage more than \$10 million in private capital. One of the more visible signs of improvement in North Philadelphia on American Street is the clean up of the 3.2 acre Sovereign Oil Brownfields site at American and Berks Streets. In West Philadelphia, an 80,000 square foot commercial and retail shopping center has been situated along 52nd Street just off Parkside Avenue.

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

TABLE 37
CITY OF PHILADELPHIA
HOSPITALS AND MEDICAL CENTERS

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

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

(1) Purchased by Allegheny Health, Education, and Research Foundation in December 1996.

(2) Wholly-owned affiliate of the Medical College of Pennsylvania division of the Allegheny Health, Education, and Research Foundation.

(3) No longer renders services.

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

Recent Construction - The following table lists projects under construction in the City. Completion dates vary, but all projects are expected to be completed by 2000.

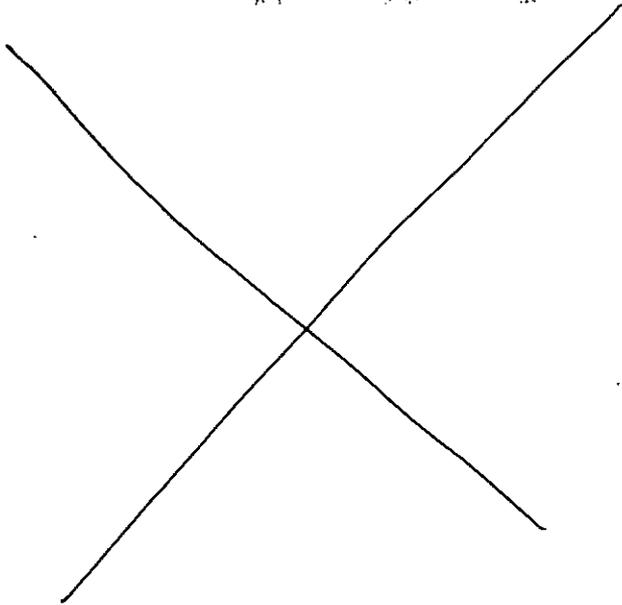
**TABLE 38
PROJECTS UNDER CONSTRUCTION**

<u>Project</u>	<u>Estimated Cost</u>
Frankford Elevated Reconstruction	\$733,000,000
Philadelphia International Airport Runway	221,000,000
City Hall Tower Restoration	200,000,000
Grays Ferry Cogeneration Project	167,000,000
Walt Whitman Bridge Corridor Improvement Project	150,000,000
Hospital of the University of Pennsylvania Renovations	135,000,000
Children's Hospital of Philadelphia Renovations	100,000,000
QVC Studio Park	100,000,000
Appollo of Temple	75,000,000
Bell of Pennsylvania Building for City of Philadelphia	60,000,000
Route 295 reconstruction	52,000,000
Six Penn Center	51,000,000
Sound Buffer on 295	35,600,000
Okidata North American Headquarters	35,000,000

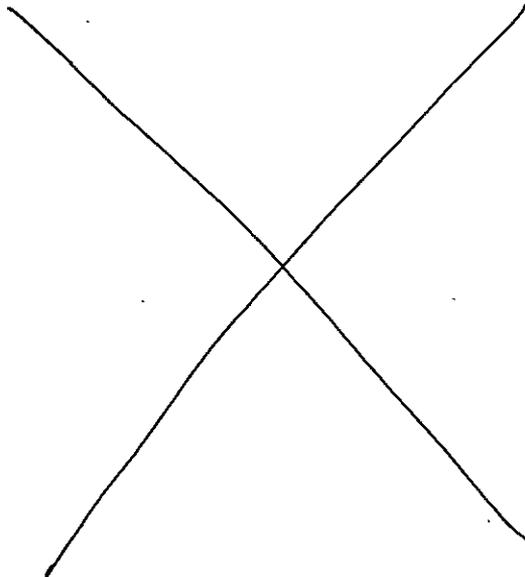
Source: Philadelphia Business Journal, *Book of Business Lists, 1998 Edition*.

Appendix E

Form of
Continuing Disclosure Agreement



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CONTINUING DISCLOSURE AGREEMENT

City of Philadelphia, Pennsylvania
\$287,185,000 Gas Works Revenue Bonds, First Series
consisting of
\$161,640,000 First Series A Bonds
\$103,550,000 First Series B Bonds
\$21,995,000 First Series C Bonds (Subordinate)

THIS CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement") is executed and delivered as of this ____ day of June, 1998 by and between the City of Philadelphia, Pennsylvania (the "City") and First Union National Bank, a national banking association having a corporate trust office in Philadelphia, Pennsylvania, as dissemination agent, in connection with the issuance by the City of \$287,185,000 aggregate principal amount of its Gas Works Revenue Bonds, First Series (the "First Series Bonds"). The First Series Bonds are issued in three subseries: Series A (the "First Series A Bonds") in the aggregate principal amount of \$ 161,640,000, Series B (the "First Series B Bonds") in the aggregate principal amount of \$103,550,000, and Series C (Subordinate) (the "First Series C Bonds") in the aggregate principal amount of \$21,995,000.

The First Series Bonds shall be as described in the Official Statement, and shall be issued and secured under the provisions of The First Class City Revenue Bond Act, P.L. 955, Act No. 234 of the General Assembly of the Commonwealth of Pennsylvania approved October 18, 1972 (the "Act") and an ordinance adopted by the City Council of the City of Philadelphia on April 30, 1998, and signed by the Mayor on May 8, 1998, Bill No. 980232 (the "1998 General Ordinance").

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

Section 1. Definitions.

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

"Annual Financial Information" means the financial information or operating data with respect to PGW, delivered at least annually pursuant to Section 3 hereof, substantially similar to the type set forth in Appendix A of the Official Statement. Annual financial information may be provided in any format deemed convenient by the City.

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

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

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

"Fiscal Agent" shall mean First Union National Bank, as Fiscal Agent under the Fiscal Agent Agreement.

"Fiscal Agent Agreement" shall mean the Fiscal Agent Agreement dated as of June 1, 1998 between the City and First Union National Bank, as fiscal agent.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"NRMSIR" or "NRMSIRs" shall mean each nationally recognized municipal securities information repository designated by the Securities and Exchange Commission in accordance with the Rule.

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

"Official Statement" means the City's Official Statement dated June 3, 1998 relating to the First Series Bonds.

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

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

"Registered Owner or Owners" shall mean the person or persons in whose name a Bond is registered on the books of the City maintained by the Dissemination Agent in accordance with the General Ordinance. For so long as the First Series Bonds shall be registered in the name of the Securities Depository or its nominee, the term "Registered Owners" shall also mean and include, for

the purposes of this Disclosure Agreement, beneficial owners and the owners of book-entry credits evidencing a beneficial ownership interest in the First Series Bonds. Owners of book-entry credits may file their names and addresses with the Dissemination Agent for the purpose of receiving notices or giving direction under this Disclosure Agreement:

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

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

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

"Representative" shall mean collectively, Merrill Lynch & Co., on behalf of itself and First Union Capital Markets, a division of Wheat First Securities, Inc., Legg Mason Wood Walker, Inc., Pryor, McClendon, Counts & Co., Inc., Janney Montgomery Scott Inc., PaineWebber Incorporated, Dain Rauscher, Inc., The Chapman Company, M.R. Beal & Company and A.G. Edwards & Sons, Inc.

Section 2. Authorization and Purpose of Agreement.

This Disclosure Agreement is authorized to be executed and delivered by the City pursuant to the 1998 General Ordinance in order to enable the Participating Underwriters to comply with the requirements of the Rule.

Section 3. Provision of Annual Financial Information.

The City hereby agrees, in accordance with the provisions of the Rule, to provide through the Dissemination Agent to each NRMSIR and to the State Information Depository, if any, within 240 days of the end of each fiscal year, the following annual financial information and operating data:

(a) commencing with the fiscal year ending June 30, 1998, a copy of the Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, prepared by the office of the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units; and

(b) commencing with the fiscal year ending August 31, 1999, to the extent such information is not contained in the CAFR, an update of the information in the Official Statement

contained in "APPENDIX A - FINANCIAL STATEMENTS FOR PGW FOR FISCAL YEARS ENDED AUGUST 31, 1997 AND 1996".

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

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

Section 4. Material Events.

(a) The City agrees that it shall provide through the Dissemination Agent, in a timely manner, to the MSRB, and to the State Information Depository, if any, notice of the occurrence of any of the following events with respect to the First Series Bonds if material within the meaning of the Rule (each a "Material Event"):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) modifications to the rights of the holders of the security holders;
- (8) bond calls;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the securities;
and
- (11) rating changes.

The foregoing eleven (11) events are quoted from the Rule.

(b) Whenever the City concludes that a Material Event has occurred, the Disclosure Representative shall promptly notify the Dissemination Agent in writing of such occurrence, specifying the Material Event. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB and the State Information Depository, if any. Upon receipt, the Dissemination Agent shall promptly file such notice with the MSRB and the State Information Depository, if any.

(c) Notwithstanding the foregoing, the Dissemination Agent shall, promptly after obtaining actual knowledge of an event listed in clauses (a)(1) or (a)(9) of this Section 4, notify the Disclosure Representative of the occurrence of such event and shall, within five (5) Business Days after giving notice to the Disclosure Representative, file notice of such occurrence with the MSRB and the State Information Depository, if any, unless the Disclosure Representative gives the Dissemination Agent written instructions not to file such notice.

(d) The City agrees that it shall provide through the Dissemination Agent, in the manner provided in subsection (b) of this Section 4, in a timely manner, to the MSRB and to the State Information Depository, if any, notice of any failure by the City to provide any information required pursuant to Section 3 hereof on or before the dates specified therein.

Section 5. Amendment; Waiver.

(a) The City and the Dissemination Agent may amend this Disclosure Agreement or waive any of the provisions hereof only in a manner which is consistent with the Rule and by a writing executed by each of the parties hereto. The City and the Dissemination Agent shall be entitled to receive a favorable opinion from bond counsel or other counsel before agreeing to any amendment.

(b) Notice of any amendment or waiver containing an explanation of the reasons therefor shall be given by the Disclosure Representative to the Dissemination Agent upon execution of the amendment or waiver and the Dissemination Agent shall promptly file such notice with each NRMSIR, the MSRB and the State Information Depository, if any. The Dissemination Agent shall also send notice of the amendment or waiver to each Registered Owner (including owners of book-entry credits who have filed their names and addresses with the Dissemination Agent).

Section 6. Other Information.

(a) Nothing in this Disclosure Agreement shall preclude the City from disseminating any other information with respect to the City, including the Philadelphia Gas Works, or the First Series Bonds, using the means of communication provided in this Disclosure Agreement or otherwise, in addition to the Annual Financial Information and the notices of Material Events specifically-provided for herein, nor shall the City be relieved of complying with any applicable law relating to the availability and inspection of public records. Any election by the City to furnish any

information not specifically provided for herein in any notice given pursuant to this Disclosure Agreement or by the means of communication provided for herein shall not be deemed to be an additional contractual undertaking and the City shall have no obligation to furnish such information in any subsequent notice or by the same means of communication.

(b) Nothing in this Disclosure Agreement shall relieve the Dissemination Agent of any of its duties and obligations under the Fiscal Agent Agreement.

(c) Nothing in this Disclosure Agreement is intended to modify or limit the right of First Union National Bank, in its capacity as Fiscal Agent, to provide notices and other information to Registered Owners and such other parties as it deems necessary or appropriate in the performance of its duties as Fiscal Agent under the Fiscal Agent Agreement.

Section 7. Default.

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

(b) A default under the Disclosure Agreement shall not be or be deemed to be an Event of Default under the First Series Bonds or the Fiscal Agent Agreement and the sole remedy in the event of a failure by the City or the Dissemination Agent to comply with the provisions hereof shall be the action to compel performance described in Section 7(a) above.

Section 8. Concerning the Dissemination Agent.

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

answerable for the exercise of any discretion or power under this Disclosure Agreement, except only its own willful misconduct or negligence.

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

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

Section 9. Term of Disclosure Agreement.

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

Section 10. Beneficiaries.

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

Section 11. Notices.

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

(a) To the Dissemination Agent at:

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

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

City of Philadelphia
Office of the Director of Finance
1330 Municipal Services Building
1401 J.F.K. Boulevard
Philadelphia, PA 19102
Attention: Director of Finance
Telecopy No.: (215) 568-1947

(c) To the MSRB at:

Municipal Securities Rulemaking Board
1640 King Street, Suite 300
Alexandria, VA 22314-2719
Attention: CDI
Telecopy No.: (703) 683-1930

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

Section 12. Addresses of NRMSIRs.

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

Bloomberg Municipal Repositories
P.O. Box 840
Princeton, NJ 08542-0840
Phone: (609) 279-3200
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

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

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

DPC Data, Inc.
One Executive Drive
Fort Lee, 0702
Phone: (201) 346-0701
Fax: (201) 947-0107

Section 13. No Personal Recourse.

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

Section 14. Controlling Law.

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

Section 15. Successors and Assigns.

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

Section 16. Headings for Convenience Only.

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

Section 17. Counterparts.

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

Section 18. Entire Agreement.

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

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA has caused this Disclosure Agreement to be executed by the Director of Finance and its corporate seal to be hereunto affixed and FIRST UNION NATIONAL BANK, as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its duly authorized officers and its seal to be hereunto affixed and attested by one of its duly authorized officers, all as of the day and year first above written.

**THE CITY OF PHILADELPHIA,
PENNSYLVANIA**

[SEAL]

By: _____
Director of Finance

**FIRST UNION NATIONAL BANK, as
Dissemination Agent**

[SEAL]

By: _____

Attest:

Authorized Officer

MUNICIPAL SECONDARY MARKET DISCLOSURE
INFORMATION COVER SHEET

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

Issuer's and/or Other Obligated Person's Name _____

CUSIP Numbers (attach additional sheet if necessary)

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

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

Number of pages of attached material event notice: _____

Description of Material Events Notice (Check One):

1. _____ Principal and interest payment delinquencies
2. _____ Non-Payment related defaults
3. _____ Unscheduled draws on debt service reserves reflecting financial difficulties
4. _____ Unscheduled draws on credit enhancements reflecting financial difficulties
5. _____ Substitution of credit or liquidity providers, or their failure to perform
6. _____ Adverse tax opinions or events affecting the tax-exempt status of the security
7. _____ Modifications to rights of security holders
8. _____ Bond calls
9. _____ Defeasances
10. _____ Release, substitution, or sale of property securing repayment of the security
11. _____ Rating changes
12. _____ Failure to provide annual financial information as required
13. _____ Other material event notice (specify) _____
- *14. _____ Financial information: Please check all appropriate boxes:
 CAFR (a) includes does not include Annual Financial Information
(b) Audited? Yes No
 Annual Financial Information: Audited? Yes No
 Operating Data
Fiscal Period Covered: _____

* Financial information should not be filed with the MSRB.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

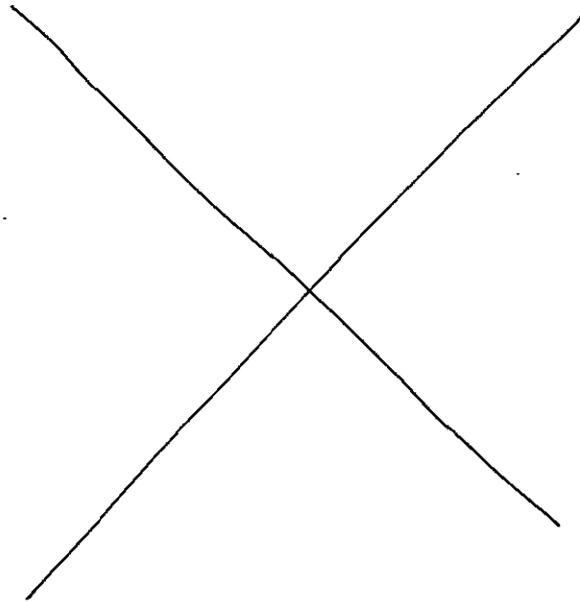
Name: _____ Title: _____

Employer: _____

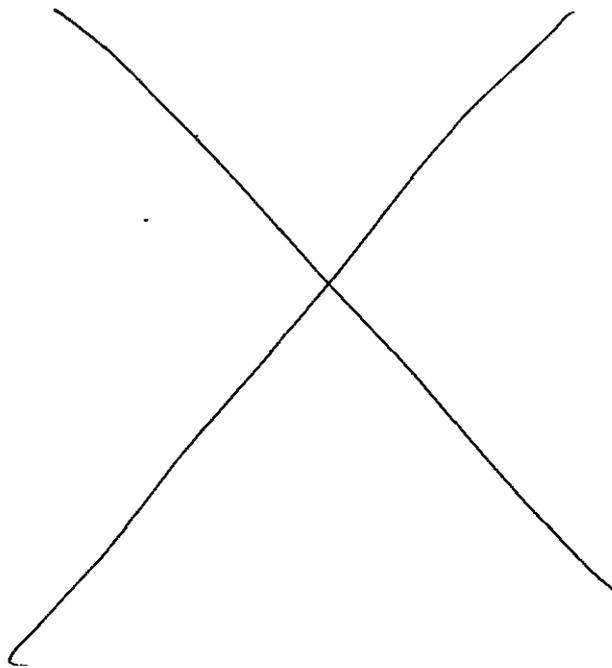
Address: _____

City, State, Zip Code: _____

Voice Telephone Number: (____) _____

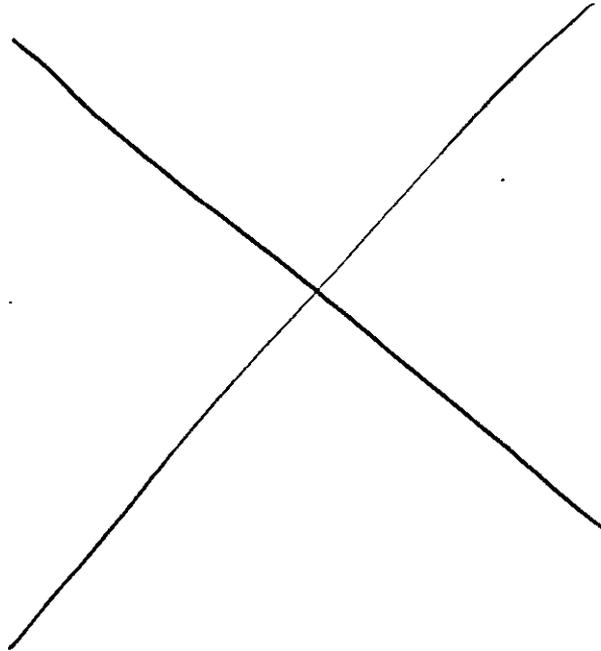


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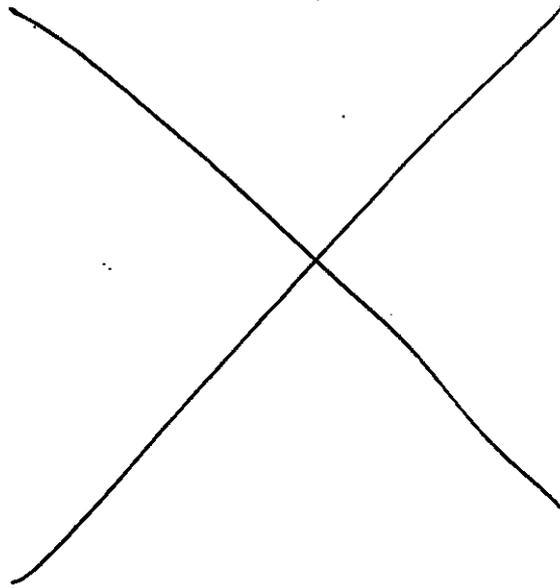


Appendix F

Form of Text of Opinion of Co-Bond Counsel



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June __, 1998

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

Re: \$287,185,000 City of Philadelphia Gas Works Revenue
Bonds, First Series

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to The City of Philadelphia, Pennsylvania (the "City") in connection with the issuance and sale by the City of \$287,185,000 aggregate principal amount of its Gas Works Revenue Bonds, First Series (the "First Series Bonds") pursuant to The First Class City Revenue Bonds Act of the Commonwealth of Pennsylvania, Act No. 234, approved October 18, 1972 (P.L. 955) (the "Act"), the City's General Gas Works Revenue Bond Ordinance of 1998, approved May 8, 1998 (the "1998 General Ordinance"), and the First Supplemental Ordinance to the 1998 General Ordinance, approved May 8, 1998 (the "First Supplemental Ordinance").

The proceeds from the sale of the First Series Bonds will be used to (i) pay the costs of capital projects of the Philadelphia Gas Works (the "Gas Works"), (ii) refund certain revenue bonds issued under the City's General Gas Works Revenue Bond Ordinance of 1975, (iii) acquire a building currently being leased by the City for the Gas Works by making a prepayment of rent under the lease for such building, (iv) make a deposit to the Sinking Fund Reserve under the 1998 General Ordinance, and (v) pay the costs of issuance of the First Series Bonds.

In our capacity as Co-Bond Counsel to the City, we have examined such statutes of the Commonwealth of Pennsylvania and such ordinances of the City and proceedings relating thereto as we have deemed necessary to enable us to render the opinion set forth below. We have also examined and relied upon the proceedings authorizing the issuance of the First Series Bonds and certain certifications, agreements (including a Tax Compliance Agreement intended to satisfy certain provisions of the Internal Revenue Code of 1986, as amended (the

"Code"), and applicable Treasury Regulations), affidavits, receipts and other documents, including specimen First Series Bonds, which we have considered relevant. We have also relied on the Trustee's Certificate as to its authentication of the First Series Bonds.

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

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

1. The City has the power to perform its obligations under the 1998 General Ordinance and the First Supplemental Ordinance and to issue and sell the First Series Bonds.

2. All conditions precedent to the issuance of the First Series Bonds pursuant to the Act, the 1998 General Ordinance and the First Supplemental Ordinance have been satisfied, and the purposes for which the First Series Bonds have been issued are permitted purposes under the Act and the 1998 General Ordinance.

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

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

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

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

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

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

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

The City of Philadelphia, Pennsylvania
June __, 1998
Page 4

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

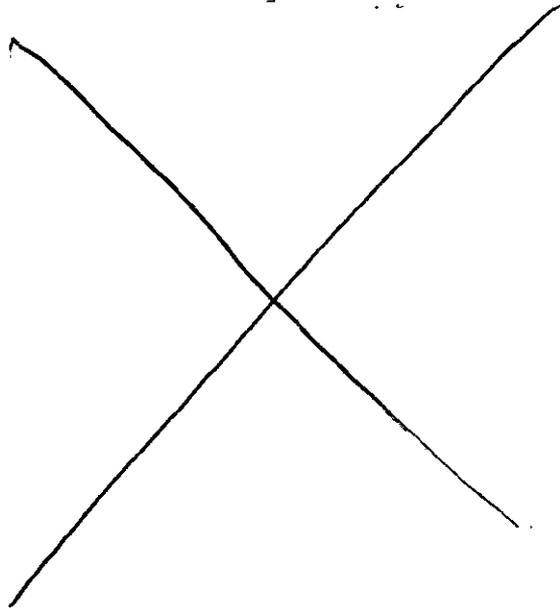
Very truly yours,

RONALD A. WHITE, A PROFESSIONAL
CORPORATION

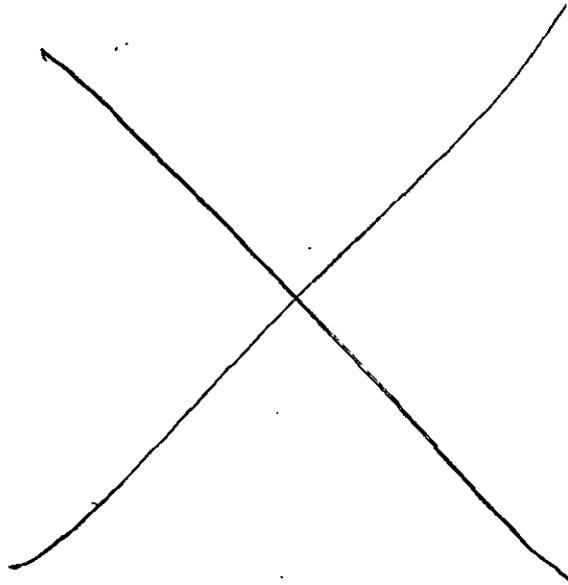
WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

Appendix G

Specimen Municipal Bond Insurance Policy



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**FINANCIAL
SECURITY
ASSURANCE.**

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER:

Policy No.:

BONDS:

Effective Date:

Premium:

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

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

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

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

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

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

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly provided by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 26 OF THE NEW YORK INSURANCE LAW.

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

FINANCIAL SECURITY ASSURANCE INC.

By _____
Authorized Officer

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

(212) 826-0100

Form 50004 (5/80)



**FINANCIAL
SECURITY
ASSURANCE**

MUNICIPAL BOND INSURANCE POLICY

ISSUER: City of Philadelphia, Pennsylvania

Policy No.: 23672-N

BONDS: \$265,190,000 in aggregate principal amount of Gas Works Revenue Bonds, First Series (1998 General Ordinance) \$161,640,000 in aggregate principal amount of First Series A Bonds and \$103,550,000 First Series B Bonds

Effective Date: June 24, 1998

Premium: \$2,439,343.61

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

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

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

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

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

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

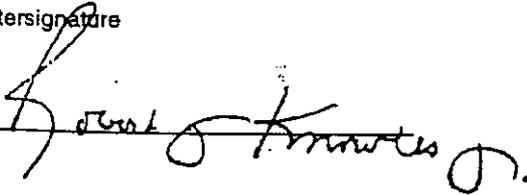
This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect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

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

Countersignature

FINANCIAL SECURITY ASSURANCE INC.

By



By


Authorized Officer

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

(212) 826-0100

Form 500NY (5/90)



**FINANCIAL
SECURITY
ASSURANCE**

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: City of Philadelphia, Pennsylvania

Policy No.: 23673-N

BONDS: \$21,995,000 in aggregate principal amount of
Gas Works Revenue Bonds, First Series (1998
General Ordinance) First Series C Bonds
(Subordinated)

Effective Date: June 24, 1998

Premium: \$219,833.60

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

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

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

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

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

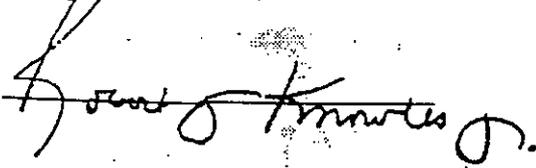
To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation,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

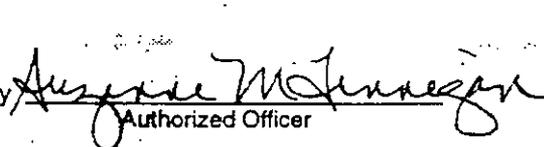
This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect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

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

Countersignature

FINANCIAL SECURITY ASSURANCE INC.

By 

By 
Authorized Officer

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

(212) 826-0100

Form 500NY (5/90)

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

I, MARIE B. HAUSER, Chief Clerk of the Council of the City of Philadelphia (the "Council"), do hereby certify that:

(a) A public hearing was held on the Bill listed below as required by Section 2-201(2) of the Philadelphia Home Rule Charter:

Bill No. 1242 approved December 28, 1995, authorizing the execution of a Lease and a Sublease for certain equipment used by the Philadelphia Gas Works.

(b) Notice of public hearings on said Bill and of the report from Committee were duly given by advertisement, such Bill was duly enacted by the affirmative vote of a majority of all the members of the Council, as reported from Committee, and the vote thereon has been recorded in the Journal of Council, all as required by Section 2-201 of the Philadelphia Home Rule Charter;

(c) The copy of the Ordinance attached hereto (identified as Bill No. 1242) is a true and correct copy of the original of the Ordinance on file in the office of the Chief Clerk of the Council;

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

(e) The Ordinance has not been amended or 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: January 31, 1996

City of Philadelphia



(Bill No. 950678)

AN ORDINANCE

Authorizing the Commissioner of Public Property, on behalf of the City, to enter into a Lease with the Philadelphia Municipal Authority and an escrow agent for certain equipment presently owned and certain equipment to be acquired as described in the Lease authorized herein, whereby the City will lease the equipment to said Authority; authorizing said Authority to enter into a Lease and Leaseback Agreement in order to finance its leasing of the equipment from the City; authorizing the City to enter into a Sublease with said Authority, whereby the Authority will sublease all such equipment to the City for operational purposes; covenanting to be bound by the terms of said Lease and said Sublease and as to the unconditional payment of rentals due under said Sublease, but only out of revenues of the Philadelphia Gas Works; covenanting not to pay in any fiscal year of the Gas Works, if and for so long as a default exists under the said Sublease, out of revenues of the Philadelphia Gas Works, those charges of the Philadelphia Gas Works that constitute base payments as described in the management agreement for the management and operation of the Philadelphia Gas Works, unless and until all rentals due under said Sublease for such fiscal year are paid; and authorizing the Director of Finance and other officials of the City to take certain actions required to accomplish the intent of this Ordinance. (Bill No. 1242)

City of Philadelphia

Bill No. 950678

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WHEREAS, In order to provide for the health, safety and well-being of the citizens of the City of Philadelphia (the "City"), it is necessary for the City, from time to time, to make certain capital improvements as set forth in the capital program of the Philadelphia Gas Works (the "Gas Works"); and

WHEREAS, In order to provide the City with money to enable the City to acquire certain capital assets for use in the Gas Works for the delivery of utility services, the City desires to enter into a Lease (the "Lease") pursuant to which it will lease certain equipment to the Philadelphia Municipal Authority (the "Authority"), which will then lease such equipment to and from a financing company (the "Company") to be selected by the Director of Finance for a lump sum rental payment paid by the Company pursuant to a Lease and Leaseback Agreement (the "Lease and Leaseback Agreement") and then sublease such equipment to the City pursuant to a Sublease (the "Sublease"); and

WHEREAS, The money received by the City pursuant to the Lease will be used to finance various capital projects included in capital budgets of the Gas Works which have been approved by the City; and

WHEREAS, The Lease and Leaseback Agreement will be secured by an assignment to the Company of the Authority's right, title and interest in the Sublease except for certain reserved rights; now therefore

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. The Commissioner of Public Property, on behalf of the City, is hereby authorized to enter into a Lease with The Philadelphia Municipal Authority (the "Authority")

City of Philadelphia

Bill No. 950678

Certified Copy

and an Escrow Agent for a term not to exceed seven (7) years, substantially in the form attached hereto as Exhibit "A".

SECTION 2. The Commissioner of Public Property, on behalf of the City, is hereby authorized to enter into a Sublease with the Authority, substantially in the form attached hereto as Exhibit "B".

SECTION 3. The City agrees to be bound by each and every provision, covenant and agreement set forth in the Lease and in the Sublease as if each were specifically adopted as a part of this Ordinance, with full force and effect of law.

SECTION 4. The Authority is hereby authorized to enter into the Lease and Leaseback Agreement substantially in the form attached hereto as Exhibit "C".

SECTION 5. The City covenants to unconditionally pay, but only out of revenues of the Philadelphia Gas Works ("the Gas Works"), all rental payments due under the Sublease and to make such payments directly to a financing company ("the Company") upon assignment of the Sublease to the Company as security for payment of the obligations of the Authority under the Lease and Leaseback Agreement. The City further covenants that such rental payments shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever regardless of any rights of setoff, recoupment or counterclaim that the City may have against the Authority or the Company or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstances or occurrence that may arise after the date hereof.

SECTION 6. The City covenants not to pay in any

City of Philadelphia

Bill No. 950678

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fiscal year of the Gas Works, if and for so long as a default exists under the Sublease, out of revenues of the Gas Works, those charges of the Gas Works that constitute base payments as described in the management agreement for the management and operation of the Gas Works.

SECTION 7. The Commissioner of Public Property and all other proper officials of the City are hereby authorized to execute and deliver the Lease and the Sublease substantially in the forms attached hereto, with such changes as shall be approved by the officials executing such documents, such approval to be conclusively evidenced by their execution thereof, and to execute and deliver all other documents and to take all actions as may be necessary or appropriate in order to accomplish the intent and purpose of this Ordinance and of the Lease and the Sublease, and as shall be consistent with the terms of this Ordinance.

SECTION 8. The City Solicitor is hereby authorized to include in the Lease and in the Sublease such other terms and provisions as he shall deem necessary or appropriate to protect the interest of the City and is authorized to make any other changes to the Lease and the Sublease consistent with the terms of this Ordinance and applicable law as he deems necessary or advisable.

SECTION 9. The Chief Clerk of City Council shall keep Exhibits "A", "B", and "C" to this Ordinance on file and make said Exhibits available to the public for inspection.

SECTION 10. The Director of Finance is authorized to make such elections under the Internal Revenue Code of 1986, as amended, and Treasury Regulations promulgated thereunder with respect to the Lease and the Sublease, to take such action on behalf of the City with respect to the investment of the

City of Philadelphia

Bill No. 950678

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proceeds received under the Lease and to make such covenants as he deems necessary or advisable, in each case so that the interest portion of the rental payments received by the Company under the Lease and Leaseback Agreement shall be and remain excludable from the gross income of the recipient thereof for purposes of federal income taxation.

SECTION 11. This Ordinance shall take effect immediately.

City of Philadelphia

Bill No. 950678

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City of Philadelphia

Bill No. 950678

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City of Philadelphia

Bill No. 950678

Certified Copy

CERTIFICATION: This is a true and correct copy of the original Bill, Passed by the City Council on December 7, 1995 The Bill was Signed by the Mayor on December 28, 1995



Marie B. Hauser
Chief Clerk of the City Council

City of Philadelphia



(Bill No. 970454)

AN ORDINANCE

Authorizing the Commissioner of Public Property, on behalf of the City, to enter into a Contract with the Philadelphia Municipal Authority (the "Authority") for the purpose of acquiring the use of equipment by the Philadelphia Gas Works; limiting the aggregate purchase price to be paid by the Authority for the equipment; determining the maximum lease term for any item of equipment; approving the equipment financing by the Authority; covenanting to be bound by the terms of said Contract and as to the unconditional payment of amounts due under said Contract, but only out of revenues of the Philadelphia Gas Works; covenanting not to pay in any fiscal year of the Philadelphia Gas Works, those charges of the Philadelphia Gas Works that constitute base payments as described in the management agreement for the management and operation of the Philadelphia Gas Works, unless and until all amounts due under said Contract for such fiscal year are paid; requiring public bidding for the equipment as required by the Municipality Authorities Act of 1945, as amended, or assignment by the City of its public bids; authorizing assumption by the City of all risks and liabilities in respect to delivered equipment; and authorizing the Director of Finance and other officials of the City to take certain actions to accomplish the intent of this Ordinance.

City of Philadelphia

Bill No: 970454

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WHEREAS, In order to provide for the health, safety and well-being of the citizens of the City of Philadelphia, the City desires to enter into a Contract with the Philadelphia Municipal Authority pursuant to which the Philadelphia Gas Works will acquire the use of certain equipment; now, therefore,

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. The Commissioner of Public Property, on behalf of the City of Philadelphia (the "City"), is hereby authorized to enter into a contract (the "Contract") with the Philadelphia Municipal Authority (the "Authority") for the purpose of acquiring the use of capital equipment (as determined under generally accepted accounting principles), including, without limitation, vehicles, vehicle parts, rolling stock, computer equipment and software (collectively, the "Equipment"), for the exclusive use by the Philadelphia Gas Works (the "Gas Works"). The Contract shall be substantially in the form set forth in Exhibit A attached hereto.

SECTION 2. The maximum aggregate purchase price for Equipment leased under the Contract shall not exceed the aggregate amount financed with proceeds of the Bonds (hereinafter defined).

SECTION 3. The Commissioner of Public Property shall determine the lease term for each item of Equipment leased under the Contract. The lease term for each item of Equipment shall be the lesser of:

(1) the number of months remaining to the Contract Term Date defined in the Contract, or

(2) the service life of the item of Equipment, not to

City of Philadelphia

Bill No. 970454
exceed twelve (12) years.

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SECTION 4. In order to finance the acquisition of the Equipment, the Authority is hereby authorized to obtain municipal bond insurance or enter into a reimbursement agreement (the "Reimbursement Agreement") relating to the issuance by a bank of a letter of credit, if considered advantageous by the Director of Finance, and to issue and sell from time to time its lease revenue bonds (the "Bonds") with the aggregate amount outstanding at any time not to exceed thirty-two million (\$32,000,000) dollars, plus amounts required to be deposited into any fund under an indenture (the "Indenture") by and between the Authority and a trustee (the "Trustee") under which the Bonds are issued, and to pay the costs of issuance of the Bonds. Notwithstanding the above, no Bonds may be issued after four (4) years from the date of the execution of the Contract authorized by this Ordinance.

SECTION 5. The City covenants to make appropriations in each fiscal year of the City, but only out of revenues of the Gas Works, in such amounts as shall be required in order to make all payments due and payable in each fiscal year under the Contract or under the Reimbursement Agreement.

SECTION 6. The City covenants to unconditionally pay, but only out of revenues of the Gas Works, all amounts due under the Contract and to make such payments directly to the Trustee when the Contract has been assigned to the Trustee as security for payment of the Bonds issued under the Indenture or the obligations of the Authority under the Reimbursement Agreement, and such payments shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever, regardless of any rights of setoff, recoupment or counterclaim that the City may have against the Authority or the Trustee or any other party or

City of Philadelphia

Bill No. 970454

Certified Copy

parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstance or occurrence that may arise.

SECTION 7. The City covenants not to pay in any fiscal year of the Gas Works, if and for so long as a default exists under the Contract, out of revenues of the Gas Works, those charges of the Gas Works that constitute base payments as described in the management agreement for the management and operation of the Gas Works.

SECTION 8. The Commissioner of Public Property and all other proper officials of the City are hereby authorized to execute and deliver the Contract substantially in the form attached hereto, with such changes as shall be approved by the officials executing the Contract, such approval to be conclusively evidenced by their execution thereof, and to execute and deliver all other documents and to take all actions as may be necessary or appropriate, including execution of amendments to documents, in order to accomplish the intent and purpose of this Ordinance and of the Contract, and as shall be consistent with the terms of this Ordinance.

SECTION 9. As required by the Municipality Authorities Act of 1945, as amended, the Authority shall arrange by means of public bids for the acquisition of, or shall have assigned to it public bids received by the City for, items of Equipment to be leased under the Contract.

SECTION 10. The Contract may provide that the City assumes all risks of loss, and property and personal injury liability in respect to each item of Equipment from the time each item of Equipment is delivered to the City, but only out of revenues of the Gas Works.

City of Philadelphia

Bill No. 970454

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SECTION 11. The Director of Finance shall approve all terms of the Bonds, the Indenture, and the Reimbursement Agreement, if any.

SECTION 12. The City Solicitor is hereby authorized to include in the Contract such other terms and provisions as she shall deem necessary or appropriate to protect the interest of the City and is authorized to make any other changes consistent with the purpose of this Ordinance and applicable law as she deems necessary or advisable.

SECTION 13. The Chief Clerk of City Council shall keep Exhibit A to this Ordinance on file and make said Exhibit A available to the public for inspection.

SECTION 14. The Director of Finance is authorized to make such elections under the Internal Revenue Code of 1986, as amended, and Treasury Regulations promulgated thereunder with respect to the Contract and to make such covenants as he deems necessary or advisable, in each case so that the interest on those Bonds which is intended to be excludable from the gross income of the recipient thereof for purposes of federal income taxation shall be and remain so excludable.

SECTION 15. This Ordinance shall take effect immediately.

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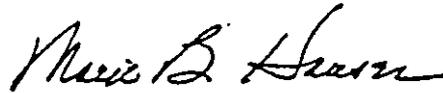
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CERTIFICATION: This is a true and correct copy of the original Bill, Passed by the City Council on June 19, 1997 The Bill was Signed by the Mayor on July 1, 1997



Marie B. Hauser
Chief Clerk of the City Council