

AMENDED AND RESTATED INDENTURE OF TRUST

between

**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY**

and

MERIDIAN BANK, as Trustee

Dated as of December 1, 1994

AMENDED AND RESTATED INDENTURE OF TRUST

TABLE OF CONTENTS

(This Table of Contents is not a part of the Amended and Restated Indenture of Trust and is only for convenience of reference.)

	<u>Page</u>
PARTIES	1
RECITALS	1
GRANTING CLAUSES	4

ARTICLE I

DEFINITIONS	6
-----------------------	---

ARTICLE II

THE BONDS

Section 2.01. Authorization of Bonds	18
Section 2.02. Description of Bonds	18
Section 2.03. Place, Manner and Source of Payment of Bonds	21
Section 2.04. Execution; Limited Obligation	22
Section 2.05. Authentication	23
Section 2.06. Delivery of the 1992 Bonds, 1993 Bonds, 1993A Bonds and 1994 Bonds and Disposition of Proceeds Thereof	23
Section 2.07. Mutilated, Lost, Stolen or Destroyed Bonds	27
Section 2.08. Registration and Exchange of Bonds; Persons Treated as Bondholders	28
Section 2.09. Destruction of Bonds	29
Section 2.10. Temporary Bonds	29

Section 2.11.	Additional Bonds	30
Section 2.12.	Book Entry System for the Bonds	32

ARTICLE III

REDEMPTION AND PURCHASE OF BONDS BEFORE MATURITY

Section 3.01.	General Provisions for Redemption	34
Section 3.02.	Notice of Redemption	34
Section 3.03.	Payment of Redemption Price	36
Section 3.04.	Redemption of the Bonds	36

ARTICLE IV

GENERAL COVENANTS

Section 4.01.	Payment of Principal, Premium, if any, and Interest	37
Section 4.02.	Authority Covenants	37
Section 4.03.	Maintenance of Rights and Powers; Compliance With Laws	37
Section 4.04	Prohibition on Pledge of Revenues	38
Section 4.05.	Notice To Trustee of Certain Events	38
Section 4.06.	Instruments of Further Assurance	38
Section 4.07.	Recording and Filing	38
Section 4.08.	Books and Records	39
Section 4.09.	Bond Register	39
Section 4.10.	Tax Covenants	39
Section 4.11.	Financial Statements	40
Section 4.12.	Information to Bond Insurers	40

ARTICLE V

REVENUES AND FUNDS

Section 5.01.	Source of Payment of Bonds	41
Section 5.02.	Creation of Funds and Accounts	41
Section 5.03.	Deficit Fund	42
Section 5.04.	Capital Projects Fund	44
Section 5.05.	Revenue Fund	46
Section 5.06.	Debt Service Fund	47
Section 5.07.	Debt Service Reserve Fund	63
Section 5.08.	Bond Redemption Fund	65
Section 5.09.	Rebate Fund	65
Section 5.10.	Determinations, Notices and Records of Rebate Amount and Yield Reduction Amount	65
Section 5.11.	Deposit into Rebate Fund	66
Section 5.12.	Excess Moneys in the Rebate Fund	66
Section 5.13.	Investment of Rebate Fund	66
Section 5.14.	Payment of Rebate Amount and Yield Reduction Amount to the United States	67
Section 5.15.	Discontinuance of Funds	68

ARTICLE VI

INVESTMENT OF MONEYS

Section 6.01	Investment of Funds	68
Section 6.02	Valuation of Funds	69
Section 6.03	Information as to Status of Funds	69

ARTICLE VII
DISCHARGE OF INDENTURE

ARTICLE VIII
DEFAULTS AND REMEDIES

Section 8.01.	Events of Default	71
Section 8.02.	Remedies; Rights of Bondholders	73
Section 8.03.	Right of Bondholders to Direct Proceedings	74
Section 8.04.	Application of Moneys	74
Section 8.05.	Remedies Vested in the Trustee	75
Section 8.06.	Rights and Remedies of Bondholders	75
Section 8.07.	Termination of Proceedings	76
Section 8.08.	Waivers of Events of Default	76
Section 8.09.	Rights of Bond Insurer	77

ARTICLE IX
TRUSTEE; REGISTRAR

Section 9.01.	Acceptance of Trusts	77
Section 9.02.	Compensation, Expenses and Advances	80
Section 9.03.	Notices by Trustee	81
Section 9.04.	Intervention by Trustee	81
Section 9.05.	Successor Trustee	81
Section 9.06.	Resignation by the Trustee	82
Section 9.07.	Removal of Trustee	82
Section 9.08.	Appointment of Successor Trustee	82
Section 9.09.	Acceptance by Successor Trustee	83

Section 9.10.	Several Capacities	84
Section 9.11.	Dealings in Bonds and With the Authority and the City	84
Section 9.12.	Registrar	84
Section 9.13.	Qualifications of Registrar; Resignation; Removal	84

ARTICLE X

SUPPLEMENTAL INDENTURES

Section 10.01.	Supplemental Indentures Not Requiring Consent of Bondholders	85
Section 10.02.	Supplemental Indentures Requiring Consent of Bondholders	86
Section 10.03.	Consent of City	88
Section 10.04.	Consent of Bond Insurer	88
Section 10.05.	Notice to Rating Agencies	88

ARTICLE XI

MISCELLANEOUS

Section 11.01.	Consents of Bondholders	88
Section 11.02.	Limitation of Rights	89
Section 11.03.	Severability	89
Section 11.04.	No Personal Liability of Authority Officials	89
Section 11.05.	Bonds Owned by the Authority	90
Section 11.06.	Successors and Assigns	90
Section 11.07.	Notices	90
Section 11.08.	Payments Due on Saturdays, Sundays and Holidays	92

Section 11.09. Credit Facility Issuer's Rights	92
Section 11.10. Bond Insurers' Rights	93
Section 11.11. Counterparts	93
Section 11.12. Governing Law	93
Section 11.13. Rules of Interpretation	93
Section 11.14. Captions	93
TESTIMONIUM	
SIGNATURES AND SEALS	
EXHIBIT A- Form of 1992 Bond	
EXHIBIT B- Form of 1993 Bond	
EXHIBIT C- Form of 1993A Bond	
EXHIBIT D- Form of 1994 Bond	
EXHIBIT E- Form of Requisition from Deficit Fund	
EXHIBIT F- Form of Requisition from Capital Projects Fund	
SCHEDULE 1- Schedule of Maturity Dates for 1992 Bonds	
SCHEDULE 2- Schedule of Maturity Dates for 1993 Bonds	
SCHEDULE 3- Schedule of Maturity Dates for 1993A Bonds	
SCHEDULE 4- Schedule of Maturity Dates for 1994 Bonds	
SCHEDULE 5- 1992 Capital Projects	
SCHEDULE 6- 1993 Capital Projects	
SCHEDULE 7- 1994 Capital Projects	
SCHEDULE 8- Schedule of Refunded General Obligation Bonds of the City	

AMENDED AND RESTATED
INDENTURE OF TRUST

THIS AMENDED AND RESTATED INDENTURE OF TRUST, dated as of December 1, 1994, between the PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania under and by virtue of the Constitution and laws of the Commonwealth of Pennsylvania, and MERIDIAN BANK, a bank and trust company organized and existing under the laws of the Commonwealth of Pennsylvania, as trustee (the "Trustee"),

W I T N E S S E T H :

WHEREAS, the Authority is authorized and empowered under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L.9, No. 6, as amended) (as such act may be amended from time to time, the "Act"), to issue its bonds in accordance with the Act for various purposes, including, without limitation, providing financial assistance to a city of the first class to finance a deficit other than a cash flow deficit, to finance capital projects and to otherwise assist such a city and to refund bonds previously issued by the Authority; and

WHEREAS, the Authority and CoreStates Bank, N.A., as trustee (the "Initial Trustee"), entered into an Indenture of Trust, dated as of June 1, 1992 (the "Original Indenture"), to provide for the issuance and securing of Bonds (as defined in the Original Indenture); and

WHEREAS, pursuant to the Original Indenture and at the request of the City of Philadelphia, Pennsylvania (the "City"), the Authority issued and sold \$474,555,000 of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 Bonds") for the purpose of financing certain deficits of the City, financing certain capital projects of the City, providing financial assistance to the City to enhance productivity in the operation of the City government, and for certain other purposes permitted under the Act; and

WHEREAS, the City adopted an ordinance (Bill No. 1437) on June 12, 1991 (the "PICA Tax Ordinance"), which enacted exclusively for the purposes of the Authority a 1.5% tax on salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the

City pursuant to Section 601(a)(3) of the Act (the "Income Tax"); and

WHEREAS, pursuant to the Act, the Authority and the City entered into an Intergovernmental Cooperation Agreement, dated as of January 8, 1992 (as the same may be amended, supplemented or otherwise modified and in effect from time to time, the "Intergovernmental Cooperation Agreement"), pursuant to which the Authority made a grant of certain proceeds of the 1992 Bonds to the City and in which the City made various covenants; and

WHEREAS, Section 604(a) of the Act requires the Department of Revenue of the Commonwealth (the "Department") to administer, enforce and collect the Income Tax and Section 604(c) of the Act authorizes the Department to appoint as its agents, the tax officers, clerks, collectors and other assistants, including revenue and legal departments of the City, to collect and enforce any tax imposed under the authority of Section 601 of the Act, including the Income Tax; and

WHEREAS, acting pursuant to authority granted by Section 604(c) of the Act, the Department appointed the Revenue Department and the Law Department of the City as its agent to collect and enforce the Income Tax; and

WHEREAS, the Department and the City entered into a Pennsylvania Intergovernmental Cooperation Authority Income Tax Collection Agency Agreement dated as of June 1, 1992 (as the same may be amended, supplemented or otherwise modified and in effect from time to time, the "Tax Collection Agency Agreement"), which agreement sets forth the manner in which the Revenue Department and the Law Department of the City shall collect Income Tax on behalf of the Department and in which amounts collected shall be transferred to a Commonwealth account designated by the Department; and

WHEREAS, the Act requires the Department to remit the Income Tax, along with interest and penalties, net of allowed collection costs and any refunds and credits, to the State Treasurer and requires the State Treasurer to hold and invest such funds and then to disburse such funds, at least weekly, to or upon the order of the Authority; and

WHEREAS, pursuant to the Act, the State Treasurer is to remit the Income Tax received from the Department and amounts earned from the investment thereof to or upon the order of the Authority to the Trustee so long as any Bonds are Outstanding; and

WHEREAS, the Authority, by letter to the State Treasurer, designated the Trustee as the Trustee for the funds required or permitted to be established pursuant to Chapter 3 of the Act for the security and payment of the 1992 Bonds and all other Series of Bonds issued hereunder and the State Treasurer has acknowledged and agreed to the terms of such letter (such letter agreement constituting the "PICA Tax Disbursement Agreement"); and

WHEREAS, the Authority and the Initial Trustee entered into a First Supplemental Indenture of Trust dated as of June 22, 1992 amending certain provisions of the Original Indenture (the Original Indenture as so amended is referred to herein as the "Amended Indenture"); and

WHEREAS, Meridian Bank succeeded the Initial Trustee as trustee under the Amended Indenture; and

WHEREAS, the Authority and the Trustee entered into a Second Supplemental Indenture of Trust dated as of July 15, 1993 (the "Second Supplemental Indenture") amending and supplementing the Amended Indenture (the Amended Indenture as so amended and supplemented is referred to herein as the "Second Amended Indenture"); and

WHEREAS, pursuant to the Second Amended Indenture and at the request of the City, the Authority issued \$643,430,000 of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 Bonds") for the purpose of providing grants to the City to pay costs of certain capital projects included in the City's Fiscal Year 1994 Capital Budget, paying the costs of certain capital improvements to the City's criminal justice and correctional facilities and paying the costs of refunding certain of the City's general obligation bonds; and

WHEREAS, the Authority and the Trustee entered into a Third Supplemental Indenture of Trust dated as of August 15, 1993 (the "Third Supplemental Indenture") amending and supplementing the Second Amended Indenture (the Second Amended Indenture as so amended and supplemented is referred to herein as the "Third Amended Indenture"); and

WHEREAS, pursuant to the Third Amended Indenture, the Authority issued \$178,675,000 of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") for the purpose of refunding the entire \$136,670,000 aggregate principal amount of 1992 Bonds maturing on June 15 of the years 2006, 2012 and 2022; and

WHEREAS, the City has requested the Authority to issue Additional Bonds to provide grants to the City to pay costs of certain capital projects included in the City's Fiscal Year 1995 Capital Budget (the "1994 Project"); and

WHEREAS, by Resolution adopted on December 1, 1994, the Authority determined to issue and sell \$122,020,000 of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") for the purpose of financing the 1994 Project; and

WHEREAS, the Authority has determined that it is desirable to amend and restate the Third Amended Indenture to incorporate in one document all of the provisions thereof (including changes in the schedules of capital projects to be funded with proceeds of the 1992 Bonds and the 1993 Bonds effected through substitution requests) and additional provisions in connection with the issuance of the 1994 Bonds; and

WHEREAS, all things necessary to make the Bonds (as hereinafter defined), when authenticated by the Trustee and issued as provided in this Amended and Restated Indenture of Trust, the valid, binding and legal limited obligations of the Authority according to the import thereof, and to constitute this Amended and Restated Indenture of Trust a valid assignment and pledge of the amounts pledged to the payment of the principal of, premium, if any, and interest on the Bonds, and to constitute this Amended and Restated Indenture of Trust a valid and binding trust indenture for the security of all Bonds issued hereunder have been done and performed, and the creation, execution and delivery of this Amended and Restated Indenture of Trust and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized; and

WHEREAS, the Trustee has the power to enter into this Amended and Restated Indenture of Trust and to execute the trusts hereby created and has accepted the trusts so created and in evidence thereof has joined in the execution hereof;

NOW, THEREFORE, THIS AMENDED AND RESTATED INDENTURE OF TRUST WITNESSETH:

GRANTING CLAUSES

That the Authority, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Holders thereof, and of the sum of one dollar, in lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good

and valuable consideration, the receipt of which is hereby acknowledged, in order to secure (i) the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect and (ii) the performance and observance by the Authority of all the covenants expressed herein and in the Bonds and (iii) the payment of all amounts due and owing to any Credit Facility Issuer, does hereby assign, pledge and grant a security interest in the following to the Trustee, and its successors in trust and its assigns forever, for the securing of the performance of the obligations of the Authority hereinafter set forth:

GRANTING CLAUSE FIRST

All right, title and interest of the Authority in and to the Pledged Revenues (as hereinafter defined).

GRANTING CLAUSE SECOND

All right, title and interest of the Authority in and to all moneys and securities from time to time held by the Trustee under the terms of this Amended and Restated Indenture of Trust except for the moneys and securities held in the Rebate Fund in trust for the United States of America.

GRANTING CLAUSE THIRD

Any and all other property rights and interests of every kind or nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected hereto, as and for additional security herewith, by the Authority or any other person on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors in said trust and assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Holders of the Bonds, from time to time, issued under and secured by this Amended and Restated Indenture of Trust without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds, except in the case of funds held hereunder for the benefit of particular Holders of Bonds, to the

extent provided herein, and for the benefit of the Credit Facility Issuer to the extent provided herein;

PROVIDED, HOWEVER, that if the Authority, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of, premium, if any, and interest on the Bonds due or to become due thereon (upon redemption or otherwise), at the times and in the manner set forth in the Bonds according to the true intent and meaning thereof, and shall cause the payments to be made on the Bonds as required under Article IV hereof, or shall provide, as permitted hereby, for the payment thereof by depositing such amounts at such time and in such manner as required under Article VII hereof, and shall well and truly cause to be kept, performed and observed all of its covenants pursuant to the terms of this Amended and Restated Indenture of Trust, shall pay or provide for the payment of all amounts due and owing to any Credit Facility Issuer and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then this Amended and Restated Indenture of Trust and the rights hereby granted shall cease, determine and be void, except to the extent specifically provided in Article VII hereof; otherwise this Amended and Restated Indenture of Trust shall remain in full force and effect.

THIS AMENDED AND RESTATED INDENTURE OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said property, rights and interests, including, without limitation, the Trust Estate and any other amounts hereby assigned and pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as herein expressed, and the Authority has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective Holders of the Bonds, from time to time, as follows:

ARTICLE I

DEFINITIONS

The words and phrases defined in this Article I shall have the meanings specified, unless the context clearly requires otherwise.

The following terms shall have the definitions set forth in the recitals hereof:

Act
Amended Indenture
Authority
City
Department
Income Tax
Intergovernmental Cooperation Agreement
1992 Bonds
1993 Bonds
1993A Bonds
1994 Bonds
Original Indenture
PICA Tax Disbursement Agreement
PICA Tax Ordinance
Second Amended Indenture
Second Supplemental Indenture
State Treasurer
Tax Collection Agency Agreement
Third Amended Indenture
Third Supplemental Indenture

The following terms shall have the definitions indicated:

"Additional Bonds" means bonds or notes authorized to be issued under this Indenture pursuant to Section 2.11 hereof.

"Authority Representative" means the person or persons at the time designated to act on behalf of the Authority by written certificate furnished to the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Authority by its duly authorized agent. Such certificate may designate an alternate or alternates.

"Board" means the governing board of the Authority.

"Bond" or "Bonds" means all bonds authorized to be issued pursuant to the authorizing resolutions previously adopted by the Authority and executed and delivered under and pursuant to such authorizing resolutions and this Indenture or the Original Indenture, as the same was amended and supplemented from time to time, including any bonds issued in substitution therefor, and any Additional Bonds issued pursuant to this Indenture.

"Bond Counsel" means any firm of nationally recognized bond counsel acceptable to the Authority.

"Bondholder" or "Holder" means the registered owner of any Bond.

"Bond Insurance Policy" means, with respect to the 1992 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1992 Insured Bonds that guarantees payment of principal of and interest on the 1992 Insured Bonds and means, with respect to the 1993 Bonds, each municipal bond new issue insurance policy or financial guaranty insurance policy issued by each Bond Insurer for the 1993 Insured Bonds that guarantees payment of principal of and interest on the 1993 Insured Bonds and means, with respect to the 1993A Bonds, the financial guaranty insurance policy issued by the Bond Insurer for the 1993A Insured Bonds that guarantees payment of principal of and interest on the 1993A Insured Bonds and means, with respect to the 1994 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1994 Bonds that guarantees payment of principal of and interest on the 1994 Bonds, and with respect to any other Series shall have the meaning specified in the Supplemental Indenture authorizing such Series.

"Bond Insurer" means, with respect to the 1992 Insured Bonds, the 1993 Insured Serial Bonds and the 1994 Bonds, Financial Guaranty Insurance Company, a New York stock insurance company ("FGIC"), or any successor thereto and means, with respect to the 1993 Insured Term Bonds and the 1993A Insured Bonds, Municipal Bond Investors Assurance Corporation, a New York stock insurance company ("MBIA"), or any successor thereto, and with respect to any other Series shall have the meaning specified in the Supplemental Indenture authorizing such Series.

"Bond Redemption Fund" means the separate fund of such name created by Section 5.02 hereof.

"Bond Register" means the list of the names and addresses of Bondholders and the principal amounts and numbers of the Bonds held by them maintained by the Registrar on behalf of the Authority.

"Bond Year" for any Series of Bonds means each one-year period (or shorter period from the date of issue) that ends at the close of business on the date in the calendar year that is elected by the Authority as permitted under the Code.

"Business Day" means a day other than a Saturday, Sunday or holiday on which the Trustee or any applicable Credit Facility Issuer are authorized or required to be closed under applicable state or federal law.

"Capital Projects Fund" means the separate fund of such name created by Section 5.02 hereof.

"City Account" means the account of such name created under the Act and the Disbursement Agreement.

"City Obligations" means any direct obligations of the City, including tax and revenue anticipation notes of the City, or any obligations guaranteed by the City, the investment in which shall have been approved by the Authority in accordance with Section 311(b) of the Act.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor legislation, and the regulations and published rulings promulgated thereunder or applicable thereto.

"Commonwealth" means the Commonwealth of Pennsylvania.

"Credit Facility" means any letter of credit, bond insurance policy other than a Bond Insurance Policy or other credit facility meeting the requirements of, and delivered to the Trustee in accordance with, this Indenture.

"Credit Facility Issuer" means each issuer of a Credit Facility then in effect, and its successors. References herein to the Credit Facility Issuer shall be read to mean the issuer of the Credit Facility applicable to a particular Series or each issuer of a Credit Facility as the context requires.

"Debt Service Fund" means the separate fund of such name created by Section 5.02 hereof.

"Debt Service Requirement" means for a specified period the principal of (whether at maturity or pursuant to mandatory redemption) and interest (other than capitalized interest) on Outstanding Bonds payable during the period. If any Series bears interest at a variable interest rate, the interest thereon shall be deemed to be an amount calculated using an interest rate equal to the maximum interest rate permitted for such Series under the authorizing Supplemental Indenture. If the repayment obligation of the Authority under a Credit Facility with respect to a particular Series is secured on a parity with the Bonds and provides for a different rate of interest or amortization period than such Series, the principal and interest during a period for such Series for purposes of computing the Debt Service Requirement shall be based upon the maximum interest rate and the amortization provisions of the Credit Facility if they result in a higher Debt Service Requirement. If an interest rate exchange agreement, interest rate cap and floor agreement or other similar agreement permitted by Section 304(10) of the Act is in effect with respect to a Series of Bonds and the unguaranteed debt of the obligated counterparty is rated in one of the two highest rating categories by S&P and Moody's and no default exists under

such agreement, the principal and interest payable during a period for such Series of Bonds for purposes of computing the Debt Service Requirement for such period shall be determined by reference to the net amount payable by the Authority under or after giving effect to such agreement.

"Debt Service Reserve Fund" means the separate fund of such name created by Section 5.02 hereof.

"Debt Service Reserve Requirement" means an amount equal to the lesser of 10% of the proceeds of the applicable Series of Bonds or the Maximum Annual Debt Service Requirement thereon.

"Deficit Fund" means the separate fund of such name created by Section 5.02 hereof.

"Depository" means CoreStates Bank, N.A., a national banking association organized and existing under the laws of the United States, as Depository under the Disbursement Agreement, and its successors and assigns.

"Disbursement Agreement" means the City Account Deposit and Disbursement Agreement dated as of December 6, 1991 between the Authority and CoreStates Bank, N.A. and acknowledged and agreed to by the City, as the same may be amended, modified or supplemented and in effect from time to time, and including any successor agreement serving substantially the same purpose.

"Encumbered Funds Account" means the account of such name created pursuant to the Encumbered Funds Account Deposit and Disbursement Agreement dated as of June 1, 1992 between CoreStates Bank, N.A. and the Authority and acknowledged and agreed to by the City, as amended by agreement dated as of July 15, 1993, as amended and restated by agreement dated as of December 1, 1994, and as such agreement may be further amended, supplemented or otherwise modified and in effect from time to time, and including any successor agreement serving substantially the same purpose.

"Event of Default" means any event specified as such in Section 8.01 hereof.

"Fiscal Agent" means, with respect to FGIC, State Street Bank and Trust Company, N.A., or its successor as FGIC's fiscal agent and means, with respect to MBIA, State Street Bank and Trust Company, N.A., or its successor as MBIA's fiscal agent.

"Fitch" means Fitch Investors Service, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns and if such corporation shall for any

reason no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority. Whenever rating categories of Fitch are specified in this Indenture, such categories shall be irrespective of gradations within a category.

"Government Obligations" means any of the following which are noncallable and which at the time of investment are legal investments under the Act for the moneys proposed to be invested therein:

(a) direct general obligations of, or obligations the payment of principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America ("Direct Obligations");

(b) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMA's"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMA's"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; or

(c) obligations issued by the Resolution Funding Corporation pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (the "FIRRE Act"), (i) the principal of which obligations is payable when due from payments of the maturing principal of non-interest bearing direct obligations of the United States of America which are issued by the Secretary of the Treasury and deposited in the Funding Corporation Principal Fund established pursuant to the FIRRE Act, and (ii) the interest on which obligations, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to the FIRRE Act.

"Indenture" means this Amended and Restated Indenture of Trust, as amended or supplemented from time to time in accordance with the terms hereof.

"Interest Payment Date" means, with respect to the 1992 Bonds, December 15, 1992 and each June 15 and December 15 thereafter so long as any 1992 Bonds remain Outstanding and, with respect to the 1993 Bonds and the 1993A Bonds, December 15, 1993 and each June 15 and December 15 thereafter so long as any 1993 Bonds or 1993A Bonds, respectively, remain Outstanding and, with respect to the 1994 Bonds, June 15, 1995 and each June 15 and December 15 thereafter so long as any 1994 Bonds remain Outstanding and, with respect to any other Series, shall have the meaning specified in the Supplemental Indenture authorizing such Series.

"Investment Earnings" shall have the meaning specified in Section 6.01 hereof.

"Investment Securities" means any of the following obligations or securities to the extent legal for investment of Authority funds:

(a) Government Obligations;

(b) federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States (which may include the Trustee and the Registrar) having a combined capital and surplus of not less than \$50,000,000, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by S&P;

(c) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3,000,000, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;

(d) (i) direct obligations of, or (ii) obligations the principal of and interest on which are unconditionally guaranteed by, any state of the United States of America, the District of Columbia or the Commonwealth of Puerto Rico, or any political subdivision or agency thereof, other than the City, whose

unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P;

(e) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P;

(f) repurchase agreements collateralized by Government Obligations with a bank, insurance company or other financial institution whose letters of credit, other credit facilities or long-term unsecured obligations are rated in one of the three highest rating categories by Moody's and S&P, provided: (i) a master repurchase agreement or specific written repurchase agreement governs the transaction; (ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent (the "Agent") for the Trustee, and such third party is (1) a Federal Reserve Bank; (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50,000,000; or (3) a bank approved in writing for such purpose by each Bond Insurer, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. §306.1 et seq. or 31 C.F.R. §350.0 et seq. in such securities is created for the benefit of the Trustee; (iv) the repurchase agreement has a term of ten years or less, or, so long as any 1992 Insured Bonds, 1993 Insured Bonds, 1993A Insured Bonds or 1994 Bonds are Outstanding, such shorter term as the respective Bond Insurer may require, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (v) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103 $\frac{1}{4}$ %, or, so long as any 1992 Insured Bonds, 1993 Insured Bonds, 1993A Insured Bonds or 1994 Bonds are Outstanding, such higher collateral requirement as the respective Bond Insurer may require;

(g) money market mutual fund shares issued by a fund having assets not less than \$100,000,000 (including any such fund from which the Trustee or any of its affiliates may receive compensation) which invests in securities of the types specified in clauses (a) or (e) of this definition and is rated "AAAm" or "AAAm-G" by S&P; and

(h) guaranteed investment contracts with a bank, insurance company or other financial institution whose letters of credit, other credit facilities or unsecured obligations are rated in one of the three highest rating categories by Moody's and S&P and which guaranteed investment contracts are either insured by a municipal bond insurance company rated in the highest rating category by Moody's and S&P or fully collateralized at all times with securities of the type described in clause (a) of this definition which have a fair market value at all times equal to the value of the guaranteed investment contract provided that (i) a written agreement governs the transaction; (ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (1) a Federal Reserve Bank or (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50,000,000; (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. §306.1 et seq. or 31 C.F.R. §350.0 et seq. in such securities is created for the benefit of the Trustee; (iv) interest is paid at least semiannually during the entire term of the agreement; (v) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day's notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date); (vi) the Trustee receives an opinion of counsel for the issuer of such agreement that such agreement is an enforceable obligation of the issuer, and (vii) so long as any 1992 Insured Bonds, 1993 Insured Bonds, 1993A Insured Bonds or 1994 Bonds are Outstanding, the respective Bond Insurer approves such use in writing.

"Letter of Representations" shall have the meaning specified in Section 2.12(b) hereof.

"Maximum Annual Debt Service Requirement" means the maximum Debt Service Requirement in any subsequent fiscal year of the Authority on Bonds expected to be Outstanding at the time of such calculation.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority. Whenever rating categories of Moody's are specified in this Indenture, such categories shall be irrespective of gradations.

"1992 Insured Bonds" means the 1992 Bonds scheduled to mature on June 15 in the years 1996 through 2000 and 2002.

"1992 Term Bonds" means the 1992 Bonds scheduled to mature on June 15, 2002, 2006, 2012 and 2022.

"1993 Insured Bonds" means the 1993 Insured Serial Bonds and the 1993 Insured Term Bonds.

"1993 Insured Serial Bonds" means the 1993 Bonds scheduled to mature on June 15 in the years 1995 through 2009.

"1993 Insured Term Bonds" means the 1993 Term Bonds scheduled to mature on June 15 in the years 2015 and 2016 and bearing interest at the rate of 5.60% and the 1993 Term Bonds scheduled to mature on June 15, 2023 and bearing interest at the rate of 5-5/8%.

"1993 Term Bonds" means the 1993 Bonds scheduled to mature on June 15 in the years 2015, 2016 and 2023.

"1993A Insured Bonds" means the 1993A Insured Serial Bonds and the 1993A Insured Term Bonds.

"1993A Insured Serial Bonds" means the 1993A Bonds scheduled to mature on June 15 in the years 1994 through 2008.

"1993A Insured Term Bonds" means the 1993A Term Bonds scheduled to mature on June 15, 2013 in the aggregate principal amount of \$12,000,000 and originally priced to yield interest at the rate of 5.47% and the 1993A Term Bonds scheduled to mature on June 15, 2022.

"1993A Term Bonds" means the 1993A Bonds scheduled to mature on June 15 in the years 2013 and 2022.

"1993A Uninsured Term Bonds" means those 1993A Term Bonds scheduled to mature on June 15, 2013 as to which no Bond Insurance Policy has been issued.

"1994 Term Bonds" means the 1994 Bonds scheduled to mature on June 15 in the years 2014 and 2021.

"Outstanding" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered under this Indenture or the Original Indenture, as the same was amended and supplemented from time to time, except:

(a) Bonds cancelled after purchase in the open market or because of payment or redemption prior to maturity;

(b) Bonds for the payment or redemption of which funds shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee, and provided that all such deposits shall have been made in accordance with Article VII hereof; and

(c) Bonds in lieu of which others have been authenticated and delivered under Section 2.07 or Section 2.08 hereof.

Bonds paid with the proceeds of any Credit Facility shall be Outstanding until the Credit Facility Issuer has been reimbursed for the amount of the payment or has presented the Bonds for cancellation.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, an unincorporated organization, a regulatory body, any political subdivision, municipality or municipal authority or any other group or entity.

"PICA Taxes" means the Income Tax and any other taxes which may be enacted hereafter by the City pursuant to the Act for the exclusive purposes of the Authority and which are pledged by the Authority to secure the Bonds in a Supplemental Indenture.

"Pledged Revenues" means all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes and all moneys and securities held by the Trustee hereunder, together with any earnings thereon, except moneys and securities, together with any earnings thereon, held in the Rebate Fund.

"Rebate Amount" shall have the meaning set forth in the Tax Compliance Agreement.

"Rebate Fund" means the separate fund of such name created by Section 5.02 hereof.

"Record Date" means, with respect to the 1992 Bonds, the 1993 Bonds, the 1993A Bonds and the 1994 Bonds, the last day (whether or not a Business Day) of the calendar month next preceding any Interest Payment Date or any redemption date and, with respect to any other Series, the date specified as the

Record Date therefor in the Supplemental Indenture authorizing such Series.

"Registrar" means the Registrar appointed in accordance with Section 9.12 hereof. "Principal Office" of the Registrar means the office thereof designated in writing to the Authority and the Trustee.

"Revenue Fund" means the separate fund of such name created by Section 5.02 hereof.

"S&P" means Standard & Poor's Ratings Group, a Division of McGraw Hill Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority. Whenever rating categories of S&P are specified in this Indenture, such categories shall be irrespective of gradations within a category.

"Series" or "Series of Bonds" means all of the Bonds designated as being of the same series at the time of issuance thereof in one transaction and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to this Indenture or the Original Indenture, as the same was amended from time to time.

"Settlement Fund" means the separate fund of such name created by Section 5.02 hereof.

"Special Payment Date" means with respect to Outstanding Bonds the date set for the payment of interest or principal that was not paid when due on any Interest Payment Date or on any date that principal is due, which date shall be fixed by the Trustee whenever moneys become available for the payment of such interest or principal.

"Special Record Date" means the date (whether or not a Business Day) which is the fifteenth day prior to any Special Payment Date.

"Supplemental Indenture" means any indenture of the Authority amending or supplementing this Indenture for any purpose, in accordance with the terms hereof.

"Tax Compliance Agreement" means each respective agreement executed by the Authority and the City regarding compliance with provisions of the Code to assure that interest on a Series of

Bonds which is intended to be excluded from gross income for federal income tax purposes is so excludable.

"Trustee" means Meridian Bank, a bank and trust company organized and existing under the laws of the Commonwealth of Pennsylvania, as the Trustee under this Indenture, its successors in trust under Section 9.05 or Section 9.08 hereof and its assigns. "Principal Office" of the Trustee means the principal corporate trust office of the Trustee, which office at the date of acceptance by the Trustee of the duties and obligations imposed on the Trustee by this Indenture is located at the address specified in Section 11.07 hereof.

"Trust Estate" means the property and rights conveyed to the Trustee pursuant to the Granting Clauses of this Indenture.

"Yield Reduction Amount" means an amount with respect to a Series of Bonds which may be paid to the United States in accordance with Treasury Regulations Section 1.148-5(c).

Words importing singular number shall include the plural number, and vice versa, words importing persons shall include firms and corporations and the masculine shall include the feminine, and vice versa, wherever the context requires.

ARTICLE II

THE BONDS

Section 2.01. Authorization of Bonds. The 1992 Bonds, the 1993 Bonds, the 1993A Bonds and the 1994 Bonds are authorized to be issued in the respective aggregate principal amounts of \$474,555,000, \$643,430,000, \$178,675,000 and \$122,020,000. Additional Bonds are authorized to be issued pursuant to Section 2.11 hereof in such aggregate principal amounts as shall be provided in the Supplemental Indentures authorizing such Additional Bonds.

Section 2.02. Description of Bonds.

(a) The 1992 Bonds (i) shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992", (ii) shall be issued as fully registered bonds, and (iii) shall be in denominations of \$5,000 and integral multiples thereof.

(b) The 1992 Bonds shall be substantially in the form of Exhibit A hereto with appropriate insertions, omissions

and variations, including, without limitation, provisions for optional and mandatory redemption, as permitted or required by this Indenture.

(c) The 1992 Bonds shall be initially dated June 1, 1992. The principal of and interest on the 1992 Bonds shall be payable on the dates and the 1992 Bonds shall be subject to redemption in the manner and subject to the conditions stated herein and in the 1992 Bonds.

(d) The 1992 Bonds shall mature on the dates and in the amounts and shall bear interest at the annual rates set forth in Schedule 1 hereto, such interest to be payable on each June 15 and December 15, commencing December 15, 1992, until maturity or such later date as payment of the principal amount thereof shall have been made or provided for.

(e) The 1993 Bonds (i) shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993", (ii) shall be issued as fully registered bonds, and (iii) shall be in denominations of \$5,000 principal amount and integral multiples thereof.

(f) The 1993 Bonds shall be substantially in the form of Exhibit B hereto, with appropriate insertions, omissions and variations, including, without limitation, provisions for optional and mandatory redemption, as permitted or required by this Indenture, and appropriate statements of insurance.

(g) The 1993 Bonds shall be dated July 15, 1993. The principal of and interest on the 1993 Bonds shall be payable on the dates and the 1993 Bonds shall be subject to redemption in the manner and subject to the conditions stated herein and in the 1993 Bonds.

(h) The 1993 Bonds shall mature on the dates and in the amounts and shall bear interest at the annual rates set forth in Schedule 2 hereto, such interest to be payable on each June 15 and December 15, commencing December 15, 1993, until maturity or such later date as payment of the principal amount thereof shall have been made or provided for.

(i) The 1993A Bonds (i) shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A", (ii) shall be issued as fully registered bonds, and (iii) shall be in denominations of \$5,000 principal amount and integral multiples thereof.

(j) The 1993A Bonds shall be substantially in the form of Exhibit C hereto, with appropriate insertions, omissions and variations, including, without limitation, provisions for optional and mandatory redemption, as permitted or required by this Indenture, and a statement of insurance, if applicable.

(k) The 1993A Bonds shall be dated August 15, 1993. The principal of and interest on the 1993A Bonds shall be payable on the dates and the 1993A Bonds shall be subject to redemption in the manner and subject to the conditions stated herein and in the 1993A Bonds.

(l) The 1993A Bonds shall mature on the dates and in the amounts and shall bear interest at the annual rates set forth in Schedule 3 hereto, such interest to be payable on each June 15 and December 15, commencing December 15, 1993, until maturity or such later date as payment of the principal amount thereof shall have been made or provided for.

(m) The 1994 Bonds (i) shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994", (ii) shall be issued as fully registered bonds, and (iii) shall be in denominations of \$5,000 principal amount and integral multiples thereof.

(n) The 1994 Bonds shall be substantially in the form of Exhibit D hereto, with appropriate insertions, omissions and variations, including, without limitation, provisions for optional and mandatory redemption, as permitted or required by this Indenture, and a statement of insurance, if applicable.

(o) The 1994 Bonds shall be dated December 1, 1994. The principal of and interest on the 1994 Bonds shall be payable on the dates and the 1994 Bonds shall be subject to redemption in the manner and subject to the conditions stated herein and in the 1994 Bonds.

(p) The 1994 Bonds shall mature on the dates and in the amounts and shall bear interest at the annual rates set forth in Schedule 4 hereto, such interest to be payable on each June 15 and December 15, commencing June 15, 1995, until maturity or such later date as payment of the principal amount thereof shall have been made or provided for.

(q) The designation, form, denominations, date, redemption provisions, payment provisions, maturity dates, amounts and interest rates of any other Series shall be as specified in the Supplemental Indenture authorizing such Series.

(r) Each Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date, or, unless authenticated prior to the first Interest Payment Date, in which case it shall bear interest from its dated date or such later date as is specified in the Supplemental Indenture providing for its issuance; provided, however, that if at the time of authentication of any Bond interest on such Bond is in default, such Bond shall bear interest from the date to which such interest has been paid or, if no interest has been paid, from its dated date. Interest shall be computed on the basis of a year of 360 days consisting of twelve 30-day months or, in the case of any Bonds bearing interest at a variable interest rate, on the basis of a year of 365 days or 366 days, as appropriate.

Section 2.03. Place, Manner and Source of Payment of Bonds. The principal of, premium, if any, and interest on Bonds issued hereunder shall be payable in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts. Principal of and premium, if any, on Bonds shall be payable at the Principal Office of the Trustee, upon presentation and surrender of the Bonds as the same shall become due and payable. Interest on the Bonds will be paid by the Trustee on each Interest Payment Date by check or draft mailed to the person in whose name a Bond is registered on the Bond Register at the close of business on the Record Date, and at the address appearing on such Bond Register or in lieu thereof, if so requested in a written notice provided to the Trustee not less than ten (10) days prior to the relevant Interest Payment Date by a Bondholder of \$1,000,000 or more in aggregate principal amount of Bonds or respective Series of Bonds, as specified in the particular Bond, by wire transfer to an account in a bank located in the United States designated by such Bondholder. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner thereof as of the Record Date, and shall be payable to the person who is the registered owner thereof (or of one or more predecessor bonds) at the close of business on the Special Record Date preceding the Special Payment Date set by the Trustee whenever moneys become available for payment of such interest. Notice of the Special Payment Date shall be given by the Trustee to registered owners as of the Special Record Date not less than ten (10) days prior to the Special Payment Date. All Bonds shall provide that principal or redemption price and interest in respect thereof shall be payable only out of Pledged Revenues and proceeds of any applicable Credit Facility then in effect.

Section 2.04. Execution; Limited Obligation. The Bonds shall be executed on behalf of the Authority by the Chairperson or Vice Chairperson of the Authority, and shall have affixed, impressed or reproduced thereon the official seal of the Authority which shall be attested by the Secretary or Assistant Secretary of the Authority. Each of the foregoing officers of the Authority may execute the Bonds or cause the Bonds to be executed with a facsimile signature in lieu of a manual signature, provided the signature of the Chairperson or Vice Chairperson of the Authority or the Secretary or Assistant Secretary of the Authority shall, if required by applicable laws, be manually subscribed.

In case any officer of the Authority whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the authentication and delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until authentication and delivery; and any Bond may be signed on behalf of the Authority by such persons as, at the time of execution of such Bond, shall be the proper officers of the Authority, even though at the date of such Bond or of the execution and delivery of this Indenture any such person was not such officer.

The Bonds are limited obligations of the Authority and are payable solely from the sources referred to herein. Neither the credit nor the taxing power of the Commonwealth or of any political subdivision thereof, including the City, is pledged for the payment of the principal of, redemption premium, if any, or interest on the Bonds. The Bonds are not and shall not be deemed to be a debt or liability of the Commonwealth or of any political subdivision thereof, including the City, and neither the Commonwealth nor any political subdivision thereof, including the City, is or shall be liable for the payment of such principal, redemption premium, if any, or interest.

Notwithstanding any provision of the Act or any other law to the contrary, or any implication that may be drawn therefrom, neither the Commonwealth nor any other government agencies, except the Authority, but including the City, shall have any legal or moral obligation for the payment of any expenses or obligations of the Authority, including, but not limited to, principal and interest on the Bonds, the funding or refunding of any reserves and any operating or administrative expenses whatsoever, other than for the advance of funds for initial operating expenses of the Authority as provided in the Act, which advance is to be repaid by the Authority as set forth in the Act. Obligees of the Authority, including holders of Bonds, shall have no recourse, either legal or moral, to the Commonwealth or to any

government agency, including the City, for the payment of principal of or interest on the Bonds.

Section 2.05. Authentication. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Indenture unless and until a certificate of authentication on such Bond substantially in the form set forth in the form of such Bond attached as an exhibit hereto or set forth in the Supplemental Indenture authorizing such Bond shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized signatory of the Trustee, but it shall not be necessary that the same signatory execute the certificate of authentication on all of the Bonds. The date of each Bond shall be the date of authentication thereof.

Section 2.06. Delivery of the 1992 Bonds, 1993 Bonds, 1993A Bonds and 1994 Bonds and Disposition of Proceeds Thereof.

(a) Upon the execution and delivery of the Original Indenture, the Authority was to execute and deliver to the Trustee and the Trustee was to authenticate the 1992 Bonds and deliver them to the initial purchaser or purchasers thereof as directed by the Authority in an order delivered by the Authority to the Trustee upon receipt of the proceeds of the 1992 Bonds. Proceeds from the sale of the 1992 Bonds were to be received by the Trustee and deposited in the Settlement Fund and to then be disbursed and transferred from the Settlement Fund as follows:

(1) To the account in the Debt Service Fund for the 1992 Bonds the accrued interest on the 1992 Bonds and \$20,000,000 of capitalized interest.

(2) To the account in the Debt Service Reserve Fund for the 1992 Bonds an amount equal to the initial Debt Service Reserve Requirement for the 1992 Bonds.

(3) To or upon the order of the Authority the amount specified by the Authority at or after the closing for the issuance of the 1992 Bonds as the costs of issuance of the 1992 Bonds (including, without limitation, fees and expenses of bond counsel, consultants, the Trustee and the Trustee's counsel, the City's counsel and consultants, and the Authority's counsel in connection with the issuance of the 1992 Bonds, fees payable to any Credit Facility Issuer, printing costs payable by the Authority and rating agency fees).

(4) To or upon the order of the Authority \$650,000 to enable the Authority to repay the Commonwealth the \$150,000 advanced to the Authority for operating expenses and to provide for, or reimburse to the City amounts previously deducted by the Authority from proceeds of the Income Tax in respect of, the Authority's initial Operating Expenses.

(5) To the account in the Capital Projects Fund for the 1992 Bonds \$120,000,000 for the capital projects listed on Schedule 5.

(6) To the City the sum of \$153,500,000 in respect of the City's General Fund deficit for the fiscal year ended June 30, 1991.

(7) To the City the sum of \$20,000,000 as additional financial assistance to enhance productivity in the operation of City government, which amount is to be deposited by the City in the Productivity Bank Account of the City's Grants Revenue Fund.

(8) To the Deficit Fund the sum of \$102,700,000.

Any amount of proceeds of the 1992 Bonds remaining in the Settlement Fund after the foregoing disbursements and transfers was to be disbursed or transferred by the Trustee to the Debt Service Fund.

The provisions of the Original Indenture regarding the execution, authentication and delivery of the 1992 Bonds and the deposit and disbursement of the proceeds from the sale of the 1992 Bonds have been complied with and are hereby reaffirmed.

The capital projects for which proceeds in the account in the Capital Projects Fund derived from the 1992 Bonds may be disbursed are those listed on Schedule 5 attached hereto, subject to revision as provided in Section 5.04(a) hereof.

(b) Upon the execution and delivery of the Second Supplemental Indenture and the satisfaction of the requirements of Section 2.11(f) of the Original Indenture, the Authority was to execute and deliver to the Trustee and the Trustee was to authenticate the 1993 Bonds and deliver them to the initial purchaser or purchasers thereof as directed by the Authority in an order delivered by the Authority to the Trustee upon receipt of the proceeds of the 1993 Bonds. Proceeds from the sale of the 1993 Bonds were to be received by the Trustee and deposited in the Settlement Fund and to then be disbursed and transferred from the Settlement Fund as follows:

(1) To the account in the Debt Service Fund for the 1993 Bonds the accrued interest on the 1993 Bonds.

(2) To the account in the Debt Service Reserve Fund for the 1993 Bonds an amount equal to the initial Debt Service Reserve Requirement for the 1993 Bonds.

(3) To or upon the order of the Authority the amount specified by the Authority at or after the closing for the issuance of the 1993 Bonds as the costs of issuance of the 1993 Bonds (including, without limitation, fees and expenses of bond counsel, consultants, the Trustee and the Trustee's counsel, the City's counsel and consultants, and the Authority's counsel in connection with the issuance of the 1993 Bonds, fees payable to any Credit Facility Issuer or Bond Insurer, printing costs payable by the Authority and rating agency fees).

(4) To the account in the Capital Projects Fund for the 1993 Bonds \$174,000,000 for the capital projects listed on Schedule 6 attached hereto.

(5) To First Fidelity Bank, N.A., Pennsylvania, as fiscal agent and escrow agent for the City, to enable the City to refund its general obligation bonds specified in Schedule 8 attached hereto.

Any amount of proceeds of the 1993 Bonds remaining in the Settlement Fund after the foregoing disbursements and transfers was to be disbursed or transferred by the Trustee to the Debt Service Fund.

Accrued interest deposited in the account in the Debt Service Fund in respect of the 1993 Bonds was to be applied to pay interest on the 1993 Bonds on December 15, 1993.

The provisions of the Second Supplemental Indenture regarding the execution, authentication and delivery of the 1993 Bonds and the deposit and disbursement of the proceeds from the sale of the 1993 Bonds have been complied with and are hereby reaffirmed.

The capital projects for which proceeds in the account in the Capital Projects Fund derived from the 1993 Bonds may be disbursed are those listed on Schedule 6 attached hereto, subject to revision as provided in Section 5.04(a) hereof.

(c) Upon the execution and delivery of the Third Supplemental Indenture and the satisfaction of the requirements of Section 2.11(f) of the Original Indenture, the Authority was to execute and deliver to the Trustee and the Trustee was to

authenticate the 1993A Bonds and deliver them to the initial purchaser or purchasers thereof as directed by the Authority in an order delivered by the Authority to the Trustee upon receipt of the proceeds of the 1993A Bonds. Proceeds from the sale of the 1993A Bonds were to be received by the Trustee and deposited in the Settlement Fund and to then be disbursed and transferred from the Settlement Fund as follows:

(1) To the account in the Debt Service Fund for the 1993A Bonds the accrued interest on the 1993A Bonds.

(2) To the account in the Debt Service Reserve Fund for the 1993A Bonds an amount equal to the initial Debt Service Reserve Requirement for the 1993A Bonds.

(3) To or upon the order of the Authority the amount specified by the Authority at or after the closing for the issuance of the 1993A Bonds as the costs of issuance of the 1993A Bonds (including, without limitation, fees and expenses of bond counsel, consultants, the Trustee and the Trustee's counsel, the City's counsel and consultants, and the Authority's counsel in connection with the issuance of the 1993A Bonds, fees payable to any Credit Facility Issuer or Bond Insurer, printing costs payable by the Authority and rating agency fees).

(4) To the Escrow Fund under and as defined in the Escrow Deposit Agreement dated as of August 15, 1993 between the Authority and Meridian Bank the sum of \$150,407,158.16 to provide for the payment of interest on and the redemption price of the 1992 Bonds scheduled to mature on June 15 in the years 2006, 2012 and 2022.

Any amount of proceeds of the 1993A Bonds remaining in the Settlement Fund after the foregoing disbursements and transfers was to be disbursed or transferred by the Trustee to the Debt Service Fund.

Accrued interest deposited in the account in the Debt Service Fund in respect of the 1993A Bonds was to be applied to pay interest on the 1993A Bonds on December 15, 1993.

The provisions of the Third Supplemental Indenture regarding the execution, authentication and delivery of the 1993A Bonds and the deposit and disbursement of the proceeds from the sale of the 1993A Bonds have been complied with and are hereby reaffirmed.

(d) Upon the execution and delivery of this Indenture and the satisfaction of the requirements of Section 2.11(f) of this Indenture, treating the 1994 Bonds as if they

were Additional Bonds, the Authority shall execute and deliver to the Trustee and the Trustee shall authenticate the 1994 Bonds and deliver them to the initial purchaser or purchasers thereof as directed by the Authority in an order delivered by the Authority to the Trustee upon receipt of the proceeds of the 1994 Bonds. Proceeds from the sale of the 1994 Bonds shall be received by the Trustee and deposited in the Settlement Fund and shall then be disbursed and transferred from the Settlement Fund as follows:

(1) To the account in the Debt Service Fund for the 1994 Bonds the accrued interest on the 1994 Bonds.

(2) To the account in the Debt Service Reserve Fund for the 1994 Bonds an amount equal to the initial Debt Service Reserve Requirement for the 1994 Bonds.

(3) To or upon the order of the Authority the amount specified by the Authority at or after the closing for the issuance of the 1994 Bonds as the costs of issuance of the 1994 Bonds (including, without limitation, fees and expenses of bond counsel, consultants, the Trustee and the Trustee's counsel, the City's counsel and consultants, and the Authority's counsel in connection with the issuance of the 1994 Bonds, fees payable to any Credit Facility Issuer or Bond Insurer, printing costs payable by the Authority and rating agency fees).

(4) To the account in the Capital Projects Fund for the 1994 Bonds \$106,773,000 for the capital projects listed on Schedule 7 attached hereto.

Any amount remaining in the Settlement Fund after the foregoing disbursements and transfers shall be disbursed or transferred by the Trustee to the Debt Service Fund.

The capital projects for which proceeds in the account in the Capital Projects Fund derived from the 1994 Bonds may be disbursed are those listed on Schedule 7 attached hereto, subject to revision as provided in Section 5.04(a) hereof.

Accrued interest deposited in the account in the Debt Service Fund in respect of the 1994 Bonds shall be applied to pay interest on the 1994 Bonds on June 15, 1995.

Section 2.07. Mutilated, Lost, Stolen or Destroyed Bonds.
Upon receipt by the Authority and the Trustee of evidence satisfactory to both of them that any Outstanding Bond has been mutilated, destroyed, lost or stolen, and of indemnity satisfactory to both of them, the Authority shall execute, and the Trustee shall authenticate and deliver, a new Bond of like tenor and denomination in exchange and in substitution for, and

upon surrender and cancellation of, the mutilated Bond, or in lieu of and in substitution for the Bond so destroyed, lost or stolen.

Any Bondholder requesting a new Bond authenticated and delivered under the provisions of this Section, shall pay the expenses, including printing costs, indemnity bond fees and charges, and counsel fees, which may be incurred by the Authority and the Trustee in connection therewith. In case any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Trustee, in its discretion, may, instead of issuing a new Bond, direct the payment thereof and shall thereupon pay the same.

Any Bond issued under the provisions of this Section 2.07 in exchange or substitution for any Bond alleged to be destroyed, lost or stolen, shall constitute an original additional contractual obligation on the part of the Authority, whether or not the Bond so alleged to be destroyed, lost or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with the Bond being replaced.

Section 2.08. Registration and Exchange of Bonds; Persons Treated as Bondholders. The Registrar shall maintain and keep on behalf of the Authority, at its Principal Office, books for the registration and registration of transfer of Bonds, which books shall, at all reasonable times, be open for inspection by the Authority and the Trustee; and, upon presentation for such purpose of any Bond entitled to registration or registration of transfer at the Principal Office of the Registrar, the Registrar shall register or register the transfer of such Bond in such books, under such reasonable regulations as the Registrar may prescribe. The Registrar shall make all necessary provisions to permit the exchange or registration of transfer of Bonds at its Principal Office.

The transfer of any Bond shall be registered in the registration books of the Registrar at the written request of the Bondholder thereof or his attorney duly authorized in writing, upon surrender and cancellation thereof at the Principal Office of the Registrar, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Bondholder or his duly authorized attorney. Upon the registration of transfer of any such Bond or Bonds, the Authority shall issue in the name of the transferee, in authorized denominations, a new fully registered Bond or Bonds in the same aggregate principal amount and of like tenor as the surrendered Bond or Bonds.

The Authority, the Trustee and the Registrar may deem and treat the Bondholder of any Bond as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The Bonds, upon surrender thereof at the Principal Office of the Registrar, may, at the option of the Bondholder thereof, be exchanged for an equal aggregate principal amount of any authorized denominations of Bonds of the same series and maturity and having the same interest rate as the surrendered Bonds.

In all cases in which the privilege of exchanging Bonds or registering the transfer of Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Indenture. For every such exchange or registration of transfer of Bonds, whether temporary or definitive, the Authority, the Registrar or the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, which sum or sums shall be paid by the person requesting such exchange or registration of transfer as a condition precedent to the exercise of the privilege of making such exchange or registration of transfer.

The Registrar shall not be required to transfer or exchange any Bond during the period from a Record Date through the next Interest Payment Date, inclusive, nor to transfer or exchange any Bond selected for redemption in whole or in part.

Section 2.09. Destruction of Bonds. Whenever any Outstanding Bond shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment of the principal amount and interest represented thereby, or for replacement pursuant to Sections 2.07 and 2.08 hereof, such Bond shall be promptly cancelled and destroyed by the Trustee, and counterparts of a certificate of destruction shall be furnished by the Trustee to the Authority and the Registrar.

Section 2.10. Temporary Bonds. Until Bonds in definitive form are ready for delivery, the Authority may execute and, upon the request of the Authority, the Trustee shall authenticate and deliver to the purchasers thereof, subject to the provisions, limitations and conditions set forth above, one or more Bonds in

temporary form, whether printed, typewritten, lithographed or otherwise produced, substantially in the form of the definitive Bonds, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit of this Indenture. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Authority shall, without unreasonable delay, prepare, execute and deliver to the Trustee, and the Trustee shall authenticate and deliver to the Holder or Holders thereof, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Trustee without making any charge therefor to the Holders of such Bonds in temporary form.

Section 2.11. Additional Bonds. The Authority may issue Additional Bonds from time to time, subject to the provisions of the Act, for any purpose permitted under the Act, including refunding part or all of the Outstanding Bonds of any Series. Such Additional Bonds shall be issued pursuant to a Supplemental Indenture and shall have such rights, preferences and other terms as shall be specified in such Supplemental Indenture, provided that such Additional Bonds shall not have a security interest in Pledged Revenues which is prior to the security interest of the Outstanding Bonds issued under this Indenture. The Supplemental Indenture authorizing Additional Bonds may contain provisions regarding the disbursement of proceeds of such Additional Bonds, including provisions for the establishment of additional funds under this Indenture. Notwithstanding the foregoing, no Additional Bonds shall be issued if an Event of Default has occurred and is continuing.

Prior to the delivery by the Trustee of any Additional Bonds there shall be delivered to the Trustee:

(a) Copies, duly certified by the Secretary of the Authority, of the resolutions adopted by the Authority authorizing the issuance of the Additional Bonds and the execution and delivery of the Supplemental Indenture related to the Additional Bonds, any agreement pursuant to which the proceeds of such Additional Bonds are to be made available to the City, any Tax Compliance Agreement related to such Additional Bonds, any supplement or amendment to the Intergovernmental Cooperation Agreement or any separate intergovernmental cooperation agreement executed in connection with the issuance of such Additional Bonds and any supplement or amendment to the PICA Tax Disbursement Agreement or any similar agreement executed in connection with the issuance of such Additional Bonds.

(b) Original executed counterparts of each of the agreements referred to in the preceding paragraph.

(c) A request and authorization to the Trustee on behalf of the Authority signed by its Chairperson or other authorized officer of the Authority to authenticate and deliver the Additional Bonds to the purchasers therein identified upon payment to the Trustee, but for the account of the Authority, of a sum specified in such request and authorization plus accrued interest, if any, thereon to the date of delivery.

(d) Copies, duly certified by the Chief Clerk of the Council of the City, of the resolution of the City Council of the City approving the request, executed by the Mayor of the City, for the Authority to issue such Additional Bonds, if required by the Act, and of the ordinance of the City approving any agreement pursuant to which proceeds of the Additional Bonds are to be made available to the City and the ordinance of the City, if any, enacting any additional PICA Taxes.

(e) In the case of the issuance of Additional Bonds for refunding Outstanding Bonds which are to be redeemed prior to maturity, evidence satisfactory to the Trustee that notice of redemption of such Bonds has been properly provided pursuant to this Indenture or irrevocable instructions for the provision of such notice have been given by the Authority.

(f) Except for Additional Bonds issued to refund Outstanding Bonds where the Maximum Annual Debt Service Requirement for the Additional Bonds and the total principal and interest payable on the Additional Bonds for the term thereof do not exceed the comparable amounts for the Bonds being refunded or Additional Bonds which have a security interest in the Pledged Revenues which is subordinate to the security interest granted to secure the 1992 Bonds, the 1993 Bonds, the 1993A Bonds and the 1994 Bonds, a certificate executed by the Authority, including a verification of the calculations by an independent certified public accountant, showing that (1) the PICA Taxes collected with respect to any 12 consecutive months during the 15 month period preceding the date of issuance of such Additional Bonds, after giving retroactive effect during each month of such 12 month period to any PICA Taxes which were not in effect (including for this purpose any increase in the rate of an existing tax) during each such month but which have been imposed prior to the issuance of the Additional Bonds, equaled at least 175% of the Maximum Annual Debt Service Requirement on Bonds to be Outstanding after the issuance of the Additional Bonds and (2) the PICA Taxes projected to be collected during the 12 months following issuance of the Additional Bonds, which projection may be based on the PICA Taxes projected for such period in the City's most recent Financial Plan (as defined in the Intergovernmental Cooperation Agreement) approved by the Authority, equal at least 175% of the Debt Service Requirement during such 12 month period on Bonds to

be Outstanding after the issuance of the Additional Bonds. In making the foregoing calculations, PICA Taxes other than the Income Tax shall not be included in the calculation unless each Bond Insurer then insuring Outstanding Bonds has consented to the inclusion of such other PICA Taxes in writing.

Section 2.12. Book Entry System for the Bonds.

(a) Unless otherwise provided in the Supplemental Indenture authorizing a Series of Bonds, each Series of Bonds shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of each maturity of such Series, which Bonds shall be registered in the name of Philadep & Co., as nominee of Philadelphia Depository Trust Company ("PHILADEP"). Except as provided in paragraph (g) below, all of the Bonds of each such Series shall be registered in the books kept by the Trustee in the name of Philadep & Co., as nominee of PHILADEP; provided that if PHILADEP shall request that the Bonds of any such Series be registered in the name of a different nominee, the Trustee shall exchange all or any portion of the Bonds of such Series for an equal aggregate principal amount of Bonds of such Series registered in the name of such nominee or nominees of PHILADEP. No person other than PHILADEP or its nominee shall be entitled to receive from the Authority or the Trustee either a Bond of any such Series or any other evidence of ownership of such Bonds, or any right to receive any payment in respect thereof unless PHILADEP or its nominee shall transfer record ownership of all or any portion of the Bonds of any such Series on the books kept by the Trustee, in connection with discontinuing the book entry system as provided in paragraph (g) below or otherwise.

(b) So long as the Bonds of a Series or any portion thereof are registered in the name of PHILADEP or any nominee thereof, all payments of the principal of or premium or interest on the Bonds of such Series shall be made to PHILADEP or its nominee in accordance with the Letter of Representations relating to such Series from the Authority to PHILADEP (each a "Letter of Representations") on the dates provided for such payments under this Indenture. Each such payment to PHILADEP or its nominee shall be valid and effective to fully discharge all liability of the Authority or the Trustee with respect to the principal of and premium and interest on the Bonds of such Series to the extent of the sum or sums so paid.

(c) The Authority and the Trustee may treat PHILADEP (or its nominee) as the sole and exclusive owner of the Bonds of each Series registered in its name for the purposes of payment of the principal of or premium or interest on the Bonds of such Series, selecting the Bonds of such Series or portions thereof :

be redeemed, giving any notice permitted or required to be given to Holders of Bonds of such Series under this Indenture, registering the transfer of Bonds of such Series, obtaining any consent or other action to be taken by Holders of Bonds of such Series and for all other purposes whatsoever; and neither the Authority nor the Trustee shall be affected by any notice to the contrary. Neither the Authority nor the Trustee shall have any responsibility or obligation to any participant in PHILADEP, any person claiming a beneficial ownership interest in the Bonds of any Series registered in the name of PHILADEP (or its nominee) under or through PHILADEP or any such participant, or any other person which is not shown on the Bond Register as being a Bondholder, with respect to (1) the Bonds of such Series; (2) the accuracy of any records maintained by PHILADEP or any such participant; (3) the payment by PHILADEP or any such participant of any amount in respect of the principal of or premium or interest on the Bonds of such Series; (4) any notice which is permitted or required to be given to Holders of the Bonds of such Series under this Indenture; (5) the selection by PHILADEP or any such participant of any person to receive payment in the event of a partial redemption of the Bonds of such Series; or (6) any consent given or other action taken by PHILADEP as Holder of the Bonds of such Series.

(d) So long as the Bonds of a Series or any portion thereof are registered in the name of PHILADEP or any nominee thereof, all notices required or permitted to be given to the Holders of the Bonds of such Series under this Indenture shall be given to PHILADEP as provided in the Letter of Representations.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to this Indenture by the Trustee with respect to any consent or other action to be taken by Holders of the Bonds of any Series to be registered in the name of PHILADEP (or its nominee), PHILADEP shall consider the date of receipt of notice requesting such consent or other action as the record date for such consent or other action, provided that the Trustee may establish a special record date for such consent or other action. The Trustee shall give PHILADEP notice of such special record date not less than 15 calendar days in advance of such special record date to the extent possible.

(f) At or prior to settlement for the Bonds of any Series to be registered in the name of PHILADEP (or its nominee), the Authority and the Trustee shall execute or signify their approval of the respective Letter of Representations. Any successor Trustee shall, in its written acceptance of its duties under this Indenture, agree to take any actions necessary from

time to time to comply with the requirements of each such Letter of Representations.

(g) The book entry system for registration of the ownership of the Bonds of a Series through PHILADEP shall be discontinued at any time that (1) PHILADEP determines to resign as securities depository for the Bonds of such Series and gives notice of such determination to the Authority and the Trustee or (2) the Authority determines that continuation of the system of book entry transfers through PHILADEP is not in the best interests of the Authority or the Holders of Bonds of such Series and gives notice of such determination to the Trustee and PHILADEP. In either of such events the Authority may appoint a successor securities depository; but if the Authority does not appoint a successor, the Bonds of such Series shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by PHILADEP, but without any liability on the part of the Authority or the Trustee for the accuracy of such designation. If a successor securities depository is appointed, this Section 2.12 shall be amended as necessary to reflect such succession and to incorporate provisions required by the successor.

ARTICLE III

REDEMPTION AND PURCHASE OF BONDS BEFORE MATURITY

Section 3.01. General Provisions for Redemption. Bonds issued hereunder shall be subject to redemption at such time, times and from time to time, in such order, at such redemption prices, upon such notice, unless waived, and upon such terms and conditions as may be expressed in the particular Bonds, or, as the case may be, in this Indenture or in the pertinent Supplemental Indenture. Whenever Bonds to be redeemed are required to be selected by lot, the Trustee shall be authorized to draw by lot the numbers of the Bonds to be redeemed in any manner deemed reasonable by the Trustee. In the case of a Bond of a denomination greater than the minimum authorized denomination, the Trustee shall treat each such Bond as representing such number of separate Bonds as is obtained by dividing the actual principal amount of such Bond by the minimum authorized denomination.

Section 3.02. Notice of Redemption. When the Authority shall determine to redeem Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Bonds to be redeemed, or whenever the Trustee shall be required to redeem Bonds from moneys in the Bond Redemption Fund, without action on the part of the Authority, the Trustee, at the

Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall specify (i) the complete official name of the Bonds, with series designation; (ii) if less than all then Outstanding Bonds are to be redeemed, the numbers, including CUSIP numbers if applicable, of the Bonds to be redeemed which may, if appropriate, be expressed in designated blocks of numbers, (iii) the date of issue of each Bond being redeemed as originally issued, (iv) the rate of interest borne by each Bond being redeemed, (v) the maturity date of each Bond being redeemed and (vi) any other descriptive information considered appropriate by the Authority to accurately identify the Bonds to be redeemed. Such notice shall also state the redemption price and the date fixed for redemption, that on such date the Bonds called for redemption will be due and become payable at the Principal Office of the Trustee, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of all Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such redemption, without the requirement of written notice. If a notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

The notices required to be given by this Section 3.02 shall state that no representation is made as to correctness or accuracy of the CUSIP numbers listed in such notice or stated on the Bonds.

The notice to Bondholders shall be deposited by the Trustee in the United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days, unless otherwise provided with respect to any Series in the Supplemental Indenture authorizing such Series, prior to the redemption date, addressed to the Holders of Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Bonds.

When notice of redemption is mailed to the Bondholders, the Trustee shall mail a similar notice to The Bond Buyer, S&P, Moody's, Fitch and Kenny Information Service's Called Bond

Service so long as they maintain investment information services, but failure to mail any such notice referred to in this paragraph or defect in such mailed notice or in the mailing thereof shall not affect the validity of the redemption notice.

Not more than 60 days following the applicable redemption date, a further notice shall be mailed as provided above to the Bondholders of any Bonds called for redemption and not then presented for payment containing substantially the same information set forth above.

Section 3.03. Payment of Redemption Price. Whenever Bonds are to be redeemed, all redemption costs, including the amounts necessary to pay all costs of required mailing, any other costs incidental to the redemption and to pay the principal, premium, if any, and all interest accrued and to accrue to the date fixed for redemption, shall be set aside and held in separate trust by the Trustee exclusively for such purposes. Notice having been given in the manner hereinbefore provided, or written waivers of notice having been filed with the Trustee prior to the date set for redemption, the Bonds so called for redemption shall become due and payable on the redemption date so designated and interest on such Bonds shall cease to accrue from the redemption date whether or not such Bonds shall be presented for payment. The principal amount of all Bonds so called for redemption, together with the accrued and unpaid interest thereon to the date of redemption, shall be paid (upon presentation and surrender thereof) by the Trustee out of the funds set aside and held in special trust as described in this Section 3.03.

Section 3.04. Redemption of the Bonds.

(a) The 1992 Bonds, 1993 Bonds, 1993A Bonds and 1994 Bonds maturing, respectively, on and after June 15, 2003, June 15, 2004, June 15, 2004 and June 15, 2006 are redeemable by the Authority, on or after June 15, 2002, June 15, 2003, June 15, 2003 and June 15, 2005, respectively, in whole at any time, or in part at any time and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount, plus accrued interest to the redemption date.

(b) The 1992 Term Bonds, 1993 Term Bonds, 1993A Term Bonds and 1994 Term Bonds are subject to mandatory redemption in the amounts and on the dates set forth in Section 5.06 hereof.

(c) Each other Series may be subject to optional redemption and mandatory redemption as specified in the Supplemental Indenture authorizing such Series.

ARTICLE IV

GENERAL COVENANTS

Section 4.01. Payment of Principal, Premium, if any, and Interest. The Authority covenants that it will promptly pay or cause to be paid the principal of, premium, if any, and interest on every Bond at the place, on the dates and in the manner provided herein and in said Bonds, according to the true intent and meaning thereof, but solely from the Pledged Revenues. The principal of, premium, if any, and interest on the Bonds are payable solely from the Pledged Revenues, which amounts are hereby specifically pledged to the payment thereof in the manner and to the extent herein specified, and nothing in the Bonds or in this Indenture shall be construed as pledging any other funds or assets of the Authority.

Section 4.02. Authority Covenants. The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond and in all of its proceedings pertaining hereto. The Authority represents and warrants that it is duly authorized under the Constitution and laws of the Commonwealth, including particularly and without limitation the Act, to issue the Bonds authorized hereby and to execute this Indenture and to pledge the Trust Estate in the manner and to the extent herein set forth, that all actions on its part for the issuance of the Bonds and the execution and delivery of this Indenture have been duly and effectively taken, and that the Bonds in the hands of the Holders thereof are and will be valid and enforceable limited obligations of the Authority according to the terms thereof and hereof. The Authority shall not enter into any interest rate exchange agreement, interest rate cap and floor agreement or other similar agreement permitted by Section 304(10) of the Act if entering into such agreement would materially adversely affect any rating of the Bonds by Moody's or S&P.

Section 4.03. Maintenance of Rights and Powers: Compliance With Laws. The Authority shall do and perform or cause to be done or performed all acts and things required to be done or performed by it under the Act, shall use its best efforts to maintain, preserve and renew all the rights and powers provided to it by the Act and shall comply with all valid acts, rules, regulations, orders and directions of any legislative,

executive, administrative or judicial body applicable to this Indenture.

Section 4.04 Prohibition on Pledge of Revenues. Except for the pledge of Pledged Revenues for the benefit of the Holders of Bonds and all Credit Facility Issuers permitted hereunder and any pledge of Pledged Revenues for subordinate debt which has the priority in payment specified in Section 5.05 hereof, the Pledged Revenues shall be free and clear of any pledge, lien, charge, encumbrance or interest therein and the Authority shall not pledge or otherwise grant or permit any lien, charge, encumbrance or interest in the Pledged Revenues. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the assignment and pledge of, and security interest in, the Trust Estate under this Indenture and all the rights of the Bondholders and all Credit Facility Issuers under this Indenture against all claims and demands of all Persons whomsoever.

Section 4.05. Notice to Trustee of Certain Events. The Authority agrees to notify the Trustee promptly after the Authority learns of any default (i) by the City in the performance of its obligations under the PICA Tax Ordinance, the Tax Compliance Agreement or the Tax Collection Agency Agreement, (ii) by the State Treasurer under the Act or the PICA Tax Disbursement Agreement or (iii) by the Department under the Act or the Tax Collection Agency Agreement. The Authority agrees to notify the Trustee promptly of the Authority's certification to the Secretary of the Budget of the Commonwealth that the City is not in compliance with an approved financial plan pursuant to the provisions of Section 210(e) of the Act.

Section 4.06. Instruments of Further Assurance. The Authority shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the amounts pledged hereby to the payment of the principal of, premium, if any, and interest on the Bonds. The Authority, except as herein provided, shall not sell, convey, mortgage, encumber or otherwise dispose of any part of the Trust Estate.

Section 4.07. Recording and Filing. The Authority shall cause all financing statements related to this Indenture and all supplements thereto, as well as such other security agreements, financing statements and all supplements thereto and other instruments as may be required from time to time to be kept, to be recorded and to be filed in such manner and in such places as may from time to time be required by law in order to preserve and

protect fully the security of Bondholders and the rights of the Trustee hereunder, and to take or cause to be taken any and all other action necessary to perfect the security interest created by this Indenture.

Section 4.08. Books and Records. The Authority shall maintain accurate books and records with respect to the Pledged Revenues. All books and records in the Authority's possession or under its control relating to the Pledged Revenues shall at all reasonable times be open to inspection by the Trustee or such accountants or other agents as the Trustee may designate from time to time.

Section 4.09. Bond Register. The Registrar will keep the Bond Register on file at its Principal Office. Neither the Trustee nor the Authority shall be under any responsibility with regard to the accuracy of the Bond Register. At reasonable times and under reasonable regulations established by the Registrar, the Bond Register may be inspected and copied by the Authority, the Trustee or Bondholders of fifteen percent (15%) or more in principal amount of Bonds then Outstanding (or a designated representative thereof), such possession or ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Registrar.

Section 4.10. Tax Covenants. The Authority hereby covenants with the Holders from time to time of the Bonds and the Authority shall cause the City to covenant with the Authority that they shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on any Series of Bonds which, when such Bonds were issued, was intended to be excluded from the gross income of the recipients thereof for purposes of federal income taxation shall be and remain so excludable and that they will refrain from doing or performing any act or thing that will cause such interest not to be so excludable.

The Authority hereby covenants with the Holders from time to time of the Bonds and the Authority shall cause the City to covenant with the Authority and the Trustee that they will not make any investment or other use of the proceeds (as that term is defined in Section 148 of the Code and all applicable regulations promulgated thereunder) of the Bonds which would cause the Bonds the interest on which, when such Bonds were issued, was intended to be excluded from gross income for federal income tax purposes to be "arbitrage bonds" (as that term is defined in Section 148 of the Code and all applicable regulations promulgated thereunder), and that they will comply with the requirements of such Code section and regulations throughout the term of all such Bonds.

The Authority hereby covenants with the holders from time to time of the Bonds that it will comply with the requirement for rebate to the United States as described herein and with other requirements in the Tax Compliance Agreement and that it will take all action within its power to cause the City to comply with its obligations under the Tax Compliance Agreement.

Section 4.11. Financial Statements. The Authority shall deliver to the Trustee and to Moody's, S&P, Fitch and any Credit Facility Issuer within 120 days after the end of each fiscal year, on the basis of an audit conducted by independent certified public accountants, financial statements of the Authority at the end of such fiscal year together with notes and exhibits thereto (which shall include exhibits showing (i) all Bonds of the Authority then Outstanding, (ii) a summary of total annual debt service requirements and (iii) a statement of debt service coverage), which financial statements shall be audited by a firm of independent certified public accountants in accordance with generally accepted auditing standards. The Trustee is authorized to deliver copies of such financial statements to Bondholders and to any other Person who requests such financial statements.

Section 4.12. Information to Bond Insurers. The Authority shall provide each Bond Insurer with the following information:

(a) within 120 days after the end of the Authority's fiscal year, the budget for the new year, the annual audited financial statements for the fiscal year most recently ended, a statement of the amount on deposit in the Debt Service Reserve Fund as of the last valuation, and, if not presented in the audited financial statements, a statement of the Pledged Revenues available for payment of Bonds in such fiscal year most recently ended;

(b) the official statement or other disclosure, if any, prepared in connection with the issuance of additional debt, whether or not it is on a parity with the 1992 Bonds, the 1993 Bonds, the 1993A Bonds or the 1994 Bonds, within 30 days after the sale thereof;

(c) notice of any draw upon, or deficiency due to market fluctuation in the amount, if any, on deposit in, the Debt Service Reserve Fund;

(d) notice of the redemption, other than mandatory sinking fund redemption, of any of the 1992 Bonds, the 1993 Bonds, the 1993A Bonds and the 1994 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(e) written notice of the resignation or removal of the Trustee or Bond Registrar and the appointment of any successor thereto; and

(f) such additional information as the Bond Insurer may reasonably request from time to time.

ARTICLE V

REVENUES AND FUNDS

Section 5.01. Source of Payment of Bonds. The Bonds herein authorized and all payments by the Authority hereunder are not general obligations of the Authority, but are limited obligations payable by the Authority solely from the Pledged Revenues. Payments of PICA Taxes collected by or on behalf of the Department and held by the State Treasurer when remitted to the Trustee shall be deposited in the Revenue Fund.

Section 5.02. Creation of Funds and Accounts. There are hereby created by the Authority and ordered established with the Trustee the following trust funds:

- (a) Deficit Fund;
- (b) Capital Projects Fund;
- (c) Revenue Fund;
- (d) Debt Service Fund;
- (e) Debt Service Reserve Fund;
- (f) Bond Redemption Fund;
- (g) Rebate Fund; and
- (h) Settlement Fund.

The Trustee shall establish such accounts and subaccounts within each of these funds as it or the Authority considers advisable to identify the source or nature of the amounts in such funds. The Trustee shall establish accounts in each of the above-mentioned funds to identify the Series providing the source of money in such account or in respect of which money in such account is available to pay debt service. Moneys in accounts in respect of a particular Series shall only be available to pay debt service or the redemption price of Bonds of such Series, except as may otherwise be provided herein or in the Supplemental Indenture

adopted at or prior to the time of issuance of such Series. All references herein to the transfer from certain funds to other funds shall be read to refer to transfers from the several accounts of the respective funds to the corresponding accounts of the other funds relating to the same Series, whether or not expressly stated herein.

The moneys and investments from time to time in the funds shall be trust funds under the terms hereof and shall not be subject to lien (other than the lien of this Indenture) or attachment by any creditor of the Authority. Such moneys and investments (other than those held in the Rebate Fund) shall be held by the Trustee, until disbursed as authorized by this Article V, in trust for the benefit of each Credit Facility Issuer and the Holders from time to time of the Bonds issued and Outstanding under this Indenture and shall be subject to a lien and charge for the further security of such Holders and each Credit Facility Issuer, provided, however, that whenever Bonds shall be selected for redemption out of moneys on deposit in the Bond Redemption Fund, moneys on deposit therein up to the amount necessary to pay principal, redemption premium, if any, and interest accrued to the date fixed for redemption of such Bonds shall be held by the Trustee in trust for payment to the respective Holders of the particular Bonds so selected for redemption or for reimbursement to the Credit Facility Issuer on account of the payment of such Bonds.

Section 5.03. Deficit Fund.

(a) At the time of issuance of each Series of Bonds, there shall be deposited in the Deficit Fund such amount as shall be specified herein or in the Supplemental Indenture authorizing the issuance of such Series of Bonds.

(b) Proceeds of 1992 Bonds deposited in the Deficit Fund shall be disbursed by the Trustee to the City upon requisition signed by the Authority in the form attached hereto as Exhibit E for payment to the City in the following amounts at the following times:

(i) within 10 days following delivery by the City to the Authority of the City's financial statements for a fiscal year, certified by the Director of Finance, 90% of the City's General Fund deficit (determined before the transfer of the Authority grant of 1992 Bond proceeds for such fiscal year) shown on such financial statements for such fiscal year; and

(ii) within 10 days following delivery by the City to the Authority of the City's financial statements for a fiscal year, audited by the City Controller, the balance of the

City's General Fund deficit (determined before the transfer of the Authority grant of 1992 Bond proceeds for such fiscal year) shown on such financial statements for such fiscal year; provided, however, that the aggregate amount paid to the City in respect of the City's General Fund deficit for its 1992 fiscal year shall not exceed the amount of 1992 Bond proceeds which were allocated to the City's General Fund deficit for such fiscal year at the time the 1992 Bond proceeds were initially deposited with the Trustee.

(c) If, after making the payments required by Section 5.03(b) hereof for a particular fiscal year, there shall remain on deposit in the Deficit Fund 1992 Bond proceeds allocable to the City's General Fund deficit for such fiscal year, the Trustee, at the direction of the Authority, shall:

(i) apply such amount to such other use as the City shall request and the Authority shall approve and direct in writing, such request and direction to be accompanied by an opinion of Bond Counsel to the effect that such use is permitted by the Act and will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes; or

(ii) transfer such amount (or such portion thereof as the Authority shall direct) to the Debt Service Fund for payment of principal next becoming due on the 1992 Bonds.

(d) Notwithstanding the foregoing, the Authority may direct the Trustee by requisition to disburse 1992 Bond proceeds in the Deficit Fund to the City on earlier dates than those set forth in Section 5.03(b) hereof; provided that the final disbursement of the balance of the deficit for a City fiscal year shall be made no later than the date specified in Section 5.03(b)(ii) hereof; and provided further that the aggregate amount disbursed to the City for the City's General Fund deficit for each fiscal year shall not exceed the amount of such deficit (determined before the transfer of the Authority grant of 1992 Bond proceeds for such fiscal year) shown on the City's financial statements for such fiscal year as audited by the City Controller.

(e) Disbursements from the Deficit Fund of proceeds of other Series of Bonds shall be made at such times and in such amounts as the Supplemental Indenture authorizing such Series of Bonds shall provide.

(f) Notwithstanding any other provision of this Indenture, the Trustee shall not transfer any amounts from the Deficit Fund to the City if any provision of Section 202 of the

Act is held invalid by a court of competent jurisdiction and the Trustee has received notice thereof unless the Trustee receives a copy of an order from the Supreme Court of Pennsylvania indicating that such transfer can be made.

(g) Notwithstanding any other provision of this Indenture, to the extent that amounts in the Debt Service Fund are insufficient to make any payment of principal or interest due on the Bonds after all available amounts in the Debt Service Reserve Fund and the Capital Projects Fund have been used, the Trustee shall transfer amounts from the Deficit Fund to the Debt Service Fund to the extent necessary to eliminate such deficiency.

Section 5.04. Capital Projects Fund.

7# (a) At the time of issuance of each Series of Bonds, there shall be deposited in the Capital Projects Fund such amount as shall be specified herein or in the Supplemental Indenture authorizing the issuance of such Series of Bonds. Amounts in the account in the Capital Projects Fund derived from proceeds of a Series of Bonds shall be disbursed only for costs of the capital projects identified herein or in the Supplemental Indenture authorizing the issuance of such Series of Bonds. The capital projects for which proceeds in the accounts in the Capital Projects Fund derived from the 1992 Bonds, the 1993 Bonds and the 1994 Bonds may be disbursed are, respectively, those listed on Schedules 5, 6 and 7 attached hereto. The capital projects identified in Schedules 5, 6 and 7 hereto or in any schedule to a Supplemental Indenture may be revised upon delivery by the Authority, with the consent of the City, to the Trustee of a revised Schedule 5, 6 or 7 or revised schedule to a Supplemental Indenture accompanied by an opinion of Bond Counsel that such revision is permitted under the Act and will not adversely affect the excludability of interest on any Bonds from gross income for federal income tax purposes. Such revision of Schedule 5, 6 or 7 or any such schedule to a Supplemental Indenture shall not require the execution of a Supplemental Indenture and shall not be considered an amendment requiring the consent of any Bond Insurer or the Bondholders.

(b) The Trustee shall transfer amounts in the applicable account in the Capital Projects Fund to the Encumbered Funds Account upon the receipt of a requisition signed by the Authority accompanied by a notice from the City in substantially the form attached hereto as Exhibit F to the effect that the City is prepared to award a contract for or commence work on an approved capital project or projects, which notice shall identify in reasonable detail (i) the capital project or projects, (ii) the amount of the contract to be awarded or the cost of the work

to be encumbered, and (iii) the proposed date of award of such contract or the proposed date of commencement of the work. Notwithstanding the provisions of this Section 5.04, the Trustee shall not transfer any amounts from the Capital Projects Fund to the Encumbered Funds Account at any time when a suspension of payments from the Commonwealth to the City is in effect as a result of the Authority's certifying to the Commonwealth's Secretary of the Budget the City's noncompliance with an approved financial plan pursuant to the provisions of the Act and the Trustee has notice of such suspension. Also, notwithstanding the provisions of this Section 5.04, the Trustee shall not transfer any amounts from the Capital Projects Fund to the Encumbered Funds Account if any provision of Section 202 of the Act is held invalid by a court of competent jurisdiction and the Trustee has received notice thereof unless the Trustee receives a copy of an order of the Supreme Court of Pennsylvania indicating that such transfer can be made. Upon completion, termination or abandonment of any capital project with respect to which moneys shall have been disbursed to the Encumbered Funds Account, any unspent moneys deposited therein for such capital project shall, to the extent not approved by the Authority for application to other capital projects being funded from the Encumbered Funds Account, be deposited, at the direction of the Authority, in the applicable account of the Capital Projects Fund and applied in the manner provided in this Section 5.04.

(c) Amounts remaining in any account in the Capital Projects Fund after completion, termination or abandonment of the capital project or projects to be financed with the proceeds of the related Series of Bonds shall be transferred at the direction of the Authority to the Debt Service Fund for the payment of principal next becoming due on the applicable Series of Bonds or to the Bond Redemption Fund for redemption of Bonds of such Series at the earliest practicable date that Bonds of such Series can be redeemed without a premium unless the Trustee is directed by the Authority at the request of the City to apply such excess for a purpose permitted under the Act and the Trustee receives an opinion of Bond Counsel that such use is permitted under the Act and will not adversely affect the excludability of interest on any Bonds from gross income for federal income tax purposes.

(d) The Trustee shall retain all notices and requisitions provided under this Section 5.04 for a period of six (6) years following the discharge of this Indenture as provided in Article VII hereof.

(e) Notwithstanding any other provision of this Indenture, to the extent that amounts in the Debt Service Fund are insufficient to make any payment of principal or interest due on the Bonds after all available amounts in the Debt Service

Reserve Fund have been used, the Trustee shall transfer amounts from the Capital Projects Fund to the Debt Service Fund to the extent necessary to eliminate such deficiency.

Section 5.05. Revenue Fund. All payments of PICA Taxes made to the Trustee by the State Treasurer shall be received by the Trustee, deposited in the Revenue Fund and disbursed as hereinafter provided.

Promptly after deposit of PICA Taxes or other moneys to the Revenue Fund as provided herein, the Trustee shall transfer any money in the Revenue Fund into the following funds in the following order and priority:

7 (a) to the Debt Service Fund the amount necessary to cause the aggregate amount deposited therein in each month to equal the sum of (i) the aggregate for all Series of Bonds of 1/6 (such fraction to be increased or decreased, as appropriate, for a Series to account for any initial or final interest period shorter or longer than six months) of the amount of interest that will be due and payable on each Series of Bonds on the next succeeding Interest Payment Date for the respective Series, (ii) the aggregate for all Series of Bonds of 1/12 (such fraction to be increased, as appropriate, for a Series to account for any initial or final principal payment period shorter than 12 months) of the amount of principal that will become due and payable on each Series of Bonds (whether upon maturity or mandatory redemption) on the next succeeding principal payment date (whether upon maturity or mandatory redemption) for the respective Series occurring within the next year following the date of such transfer, (iii) any deficiency in deposits required to be made in prior months under the preceding clauses (i) and (ii) which has not been eliminated and (iv) any amount owed to any Credit Facility Issuer in respect of payments made for principal and interest on Bonds;

(b) to the Debt Service Reserve Fund the amount necessary to eliminate deficiencies in the accounts therein (a deficiency being the amount by which the Debt Service Reserve Requirement applicable to a particular account exceeds the amount in such account);

(c) to any Person entitled to payment pursuant to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement an amount equal to the net amount then required to be paid to such person by the Authority pursuant to such an agreement;

(d) as directed in a certificate of the Authority delivered to the Trustee, to the trustees or other depositories

in respect of subordinated debt, if any, payable from Pledged Revenues the amount necessary to cause the aggregate amount paid in respect of such subordinated debt from all sources to equal the amount then required to be paid in respect of each issue of subordinated debt;

(e) to the Authority the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made to equal the operating expenses of the Authority for such fiscal year as set forth in a certificate of the Authority (which certificate may be revised from time to time) delivered to the Trustee with respect to such fiscal year, to the extent that the amounts transferred from the Debt Service Reserve Fund pursuant to Section 5.07(c) hereof are not sufficient for such purpose provided that for the period from June 16, 1992 to December 31, 1992 the amount transferred pursuant to this paragraph shall not exceed \$600,000; and

(f) to the Rebate Fund the amounts required pursuant to Section 5.11 hereof, to the extent that the transfers from the earnings in the Debt Service Reserve Fund pursuant to Section 5.07(b) are insufficient for such purpose.

Notwithstanding the order of priority set forth in this Section 5.05 to the contrary, to the extent the Trustee is required to make payment of the Rebate Amount and Yield Reduction Amount, if any, to the United States of America pursuant to Section 5.14 hereof and there are insufficient amounts in the Rebate Fund on the date which is thirty days prior to the due date of such payment, the Trustee shall thereafter transfer moneys from the Revenue Fund to the Rebate Fund prior to making any other transfers of moneys to any other funds until the amount in the Rebate Fund equals the required Rebate Amount and Yield Reduction Amount.

Any moneys remaining in the Revenue Fund after all transfers required by paragraphs (a), (b), (c), (d), (e) and (f) have been made shall be transferred by the Trustee to the Depositary for deposit to the City Account.

Section 5.06. Debt Service Fund.

(a) On the date of settlement for each Series, there shall be deposited in the Debt Service Fund an amount equal to the accrued interest, if any, on such Series to the date of settlement therefor and any capitalized interest in respect of such Series.

Amounts received by the Trustee pursuant to an interest rate exchange agreement or other agreement permitted by Section 3.04(10) of the Act in respect of a Series of Bonds shall be credited to the accounts in respect of such Series of Bonds.

The Trustee shall use the moneys in the Debt Service Fund, both the initially deposited moneys and moneys subsequently deposited in the Debt Service Fund as provided herein, to pay the principal and mandatory sinking fund installments of and interest on the Bonds as it becomes due and payable and to pay any amount owed to the Credit Facility Issuer in respect of payments made for principal and interest on Bonds.

Accrued and capitalized interest deposited in respect of the 1992 Bonds shall be applied to pay interest on the 1992 Bonds on December 15, 1992 and June 15, 1993.

(b) The Trustee shall establish as a part of the Debt Service Fund a 1992 Bonds Sinking Fund Account (the "1992 Bonds Sinking Fund Account") for the retirement of 1992 Term Bonds. Moneys deposited in the 1992 Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 1992 Term Bonds and shall be applied as hereafter provided.

7 The Trustee shall transfer moneys from the Debt Service Fund to the 1992 Bonds Sinking Fund Account on June 15 of the years set forth below in the amount required to retire 1992 Term Bonds in the following amounts through mandatory redemption, in direct order of maturities and within a maturity as chosen by the Trustee by lot at the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

1992 Term Bonds
Maturing June 15, 2002

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2001	\$48,250,000
2002*	51,145,000

1992 Term Bonds
Maturing June 15, 2006**

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2003	\$3,430,000
2004	3,655,000
2005	3,900,000
2006*	4,155,000

1992 Term Bonds
Maturing June 15, 2012**

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2007	\$4,430,000
2008	4,730,000
2009	5,055,000
2010	5,400,000
2011	5,765,000
2012	6,155,000

1992 Term Bonds
Maturing June 15, 2022**

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2013	\$6,575,000
2014	7,025,000
2015	7,500,000
2016	8,010,000
2017	8,555,000
2018	9,135,000
2019	9,760,000
2020	10,420,000
2021	11,130,000
2022*	11,885,000

* Maturity

** No longer Outstanding by virtue of refunding

Prior to May 1 of each year in which 1992 Term Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1992 Bonds Sinking Fund Account of as many 1992 Term Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund). Prior to May 15 of each year or such date as will permit the Trustee to mail the notice of redemption required under Section 3.02 hereof, so long as any 1992 Term Bonds shall remain Outstanding, the Trustee shall draw by lot, for redemption on June 15 of such year a principal amount of 1992 Term Bonds as shall represent the difference between the principal amount of such 1992 Term Bonds

fixed for redemption on such date as described above and the principal amount thereof which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as above provided.

Upon selection by lot of the particular 1992 Term Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the Bondholders of such 1992 Term Bonds so drawn for redemption in the manner provided in Article III hereof, and, upon presentation by the Bondholders thereof, the Trustee shall pay the principal amount thereof out of moneys in the 1992 Bonds Sinking Fund Account and shall pay accrued interest due from moneys available therefor in the Debt Service Fund.

If at any time all the 1992 Term Bonds shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 1992 Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund. Whenever 1992 Term Bonds are to be purchased out of the 1992 Bonds Sinking Fund Account, if the Authority shall notify the Trustee that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to this Indenture.

7. (c) (i) If, on the third day preceding any Interest Payment Date for the 1992 Insured Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the 1992 Insured Bonds due on such date, the Trustee shall immediately notify the Bond Insurer for the 1992 Insured Bonds and its Fiscal Agent of the amount of such deficiency. If, by said Interest Payment Date, the Authority has not provided the amount of such deficiency, the Trustee shall simultaneously make available to such Bond Insurer and to its Fiscal Agent the registration books for the 1992 Insured Bonds maintained by the Trustee. In addition:

(A) The Trustee shall provide the Bond Insurer for the 1992 Bonds with a list of the Bondholders entitled to receive principal or interest payments from such Bond Insurer under the terms of the Bond Insurance Policy for the 1992 Insured Bonds and shall make arrangements for such Bond Insurer and its Fiscal Agent (1) to mail checks or drafts to Bondholders of 1992 Insured Bonds entitled to receive full or partial interest payments from such Bond Insurer and (2) to pay principal of the 1992 Insured Bonds surrendered to such Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from such Bond Insurer; and

(B) The Trustee shall, at the time it makes the registration books available to the Bond Insurer for the 1992 Insured Bonds pursuant to (A) above, notify Bondholders entitled to receive the payment of principal of or interest on the 1992

Insured Bonds from such Bond Insurer (1) as to the fact of such entitlement, (2) that such Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Bond Insurance Policy for the 1992 Insured Bonds, (3) that, except as provided in paragraph (ii) below, in the event that any Bondholder is entitled to receive full payment of principal from such Bond Insurer, such Bondholder must tender his 1992 Insured Bond with the instrument of transfer in the form provided on the 1992 Insured Bond executed in the name of such Bond Insurer, and (4) that, except as provided in paragraph (ii) below, in the event that such Bondholder is entitled to receive partial payment of principal from such Bond Insurer, such Bondholder must tender his 1992 Insured Bond for payment first to the Trustee, which shall note on such 1992 Insured Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of such Bond Insurer, to the Bond Insurer's Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy for the 1992 Insured Bonds.

(ii) In the event that the Trustee has notice that any payment of principal of or interest on a 1992 Insured Bond has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer for the 1992 Insured Bonds, notify all Bondholders of such 1992 Insured Bonds that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from the Bond Insurer for the 1992 Insured Bonds to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer for the 1992 Insured Bonds its records evidencing the payments of principal of and interest on the 1992 Insured Bonds which have been made by the Trustee and subsequently recovered from Bondholders, and the dates on which such payments were made.

(iii) The Bond Insurer for the 1992 Insured Bonds shall, to the extent it makes payment of principal of or interest on the 1992 Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from such Bond Insurer of proof of the payment of interest thereon to the Bondholders of such 1992 Insured Bonds and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books for the 1992 Insured Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Bondholders of such 1992 Insured Bonds. Notwithstanding anything in this Indenture or the 1992 Insured

Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to such Bond Insurer to the extent that such Bond Insurer is a subrogee with respect thereto.

(d) Accrued interest deposited in respect of the 1993 Bonds shall be applied to pay interest on the 1993 Bonds on December 15, 1993.

(e) The Trustee shall establish as a part of the Debt Service Fund a 1993 Bonds Sinking Fund Account (the "1993 Bonds Sinking Fund Account") for the retirement of certain of the 1993 Term Bonds. Moneys deposited in the 1993 Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 1993 Term Bonds specified below and shall be applied as hereafter provided.

The Trustee shall transfer moneys from the Debt Service Fund to the 1993 Bonds Sinking Fund Account on June 15 of the years set forth below in the amount required to retire 1993 Term Bonds specified below in the following amounts through mandatory redemption, in direct order of maturities and within a maturity as chosen by the Trustee by lot at the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

1993 Insured Term Bonds
Maturing June 15, 2015
(5.60% coupon)

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2010	\$15,145,000
2011	12,860,000
2012	14,075,000
2013	15,375,000
2014	16,735,000
2015*	18,175,000

1993 Uninsured Term Bonds
Maturing June 15, 2015
(5.75% coupon)

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2010	\$9,060,000
2011	9,060,000
2012	9,065,000
2013	9,065,000
2014	9,065,000
2015*	9,065,000

* Maturity

1993 Insured Term Bonds
Maturing June 15, 2023
(5 5/8% coupon)

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2016	\$13,755,000
2017	25,360,000
2018	17,955,000
2019	10,535,000
2020	11,420,000
2021	12,355,000
2022	13,345,000
2023*	14,390,000

1993 Uninsured Term Bonds
Maturing June 15, 2023
(5 7/8% coupon)

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2016	\$5,000,000
2017	5,000,000
2018	5,000,000
2019	5,000,000
2020	5,000,000
2021	5,000,000
2022	5,000,000
2023*	5,000,000

*** Maturity**

Prior to May 1 of each year in which 1993 Term Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1993 Bonds Sinking Fund Account of as many 1993 Term Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund). Prior to May 15 of each year or such date as will permit the Trustee to mail the notice of redemption required under Section 3.02 hereof, so long as any 1993 Term Bonds specified above shall remain Outstanding, the Trustee shall draw by lot, for redemption on June 15 of such year a principal amount of 1993 Term Bonds as shall represent the difference between the principal amount of such 1993 Term Bonds fixed for redemption on such date as described above and the principal amount thereof which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as above provided.

Upon selection by lot of the particular 1993 Term Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the Bondholders of such 1993 Term Bonds so drawn for redemption in the manner provided in Article III hereof, and, upon presentation by the Bondholders thereof, the Trustee shall pay the principal amount thereof out of moneys in the 1993 Bonds Sinking Fund Account and shall pay

accrued interest due from moneys available therefor in the Debt Service Fund.

If at any time all the 1993 Term Bonds eligible for redemption shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 1993 Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund. Whenever 1993 Term Bonds are to be purchased out of the 1993 Bonds Sinking Fund Account, if the Authority shall notify the Trustee that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to this Indenture.

(f) (i) If, on the third day preceding any Interest Payment Date for the 1993 Insured Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the 1993 Insured Bonds due on such date, the Trustee shall immediately notify the appropriate Bond Insurer for such 1993 Insured Bonds and its Fiscal Agent of the amount of such deficiency. If, by said Interest Payment Date, the Authority has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the appropriate Bond Insurer for such 1993 Insured Bonds and to its Fiscal Agent the registration books for such 1993 Insured Bonds maintained by the Trustee. In addition:

7. (A) The Trustee shall provide the appropriate Bond Insurer with a list of the Bondholders entitled to receive principal or interest payments from such Bond Insurer under the terms of the applicable Bond Insurance Policy for the 1993 Insured Bonds and shall make arrangements for such Bond Insurer and its Fiscal Agent (1) to mail checks or drafts to Bondholders of 1993 Insured Bonds entitled to receive full or partial interest payments from such Bond Insurer and (2) to pay principal of the 1993 Insured Bonds surrendered to such Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from such Bond Insurer; and

(B) The Trustee shall, at the time it makes the registration books available to the appropriate Bond Insurer for the 1993 Insured Bonds pursuant to A) above, notify Bondholders entitled to receive the payment of principal of or interest on the 1993 Insured Bonds from such Bond Insurer (1) as to the fact of such entitlement, (2) that such Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Bond Insurance Policy for such 1993 Insured Bonds, (3) that, except as provided in paragraph (ii) below, in the event that any Bondholder is entitled to receive full payment of principal from the appropriate Bond Insurer, such Bondholder must tender his 1993 Insured Bond with the instrument of transfer in the form provided on the 1993 Insured Bond executed in the name of the appropriate Bond Insurer, and (4) that, except as provided in paragraph (ii) below, in the event that such

Bondholder is entitled to receive partial payment of principal from the appropriate Bond Insurer, such Bondholder must tender his 1993 Insured Bond for payment first to the Trustee, which shall note on such 1993 Insured Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the appropriate Bond Insurer, to such Bond Insurer's Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy for such 1993 Insured Bonds.

(ii) In the event that the Trustee has notice that any payment of principal of or interest on a 1993 Insured Bond has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer for such 1993 Insured Bonds, notify all Bondholders of such 1993 Insured Bonds that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from the Bond Insurer for such 1993 Insured Bonds to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer for such 1993 Insured Bonds its records evidencing the payments of principal of and interest on the 1993 Insured Bonds which have been made by the Trustee and subsequently recovered from Bondholders, and the dates on which such payments were made.

(iii) Each Bond Insurer for 1993 Insured Bonds shall, to the extent it makes payment of principal of or interest on 1993 Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of its Bond Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Bondholders of 1993 Insured Bonds and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books for the 1993 Insured Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Bondholders of 1993 Insured Bonds. Notwithstanding anything in this Indenture or the 1993 Insured Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to each Bond Insurer for the 1993 Insured Bonds to the extent that such Bond Insurer is a subrogee with respect thereto.

(g) Accrued interest deposited in respect of the 1993A Bonds shall be applied to pay interest on the 1993A Bonds on December 15, 1993.

(h) The Trustee shall establish as a part of the Debt Service Fund a 1993A Bonds Sinking Fund Account (the "1993A Bonds Sinking Fund Account") for the retirement of certain of the 1993 Term Bonds. Moneys deposited in the 1993A Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 1993A Term Bonds specified below and shall be applied as hereafter provided.

The Trustee shall transfer moneys from the Debt Service Fund to the 1993A Bonds Sinking Fund Account on June 15 of the years set forth below in the amount required to retire 1993A Term Bonds specified below in the following amounts through mandatory redemption, in direct order of maturities and within a maturity (treating the 1993A Insured Term Bonds and the 1993A Uninsured Term Bonds maturing June 15, 2013 as separate maturities for this purpose) as chosen by the Trustee by lot at the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

1993A Insured Term Bonds
Maturing June 15, 2013

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2009	\$2,160,000
2010	2,280,000
2011	2,400,000
2012	2,520,000
2013*	2,640,000

1993A Uninsured Term Bonds
Maturing June 15, 2013

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2009	\$4,665,000
2010	4,885,000
2011	5,125,000
2012	5,380,000
2013*	5,655,000

* Maturity

1993A Insured Term Bonds
Maturing June 15, 2022

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2014	\$ 8,710,000
2015	9,145,000
2016	9,600,000
2017	10,080,000
2018	10,585,000
2019	11,120,000
2020	11,670,000
2021	12,255,000
2022*	12,865,000

* Maturity

Prior to May 1 of each year in which 1993A Term Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1993A Bonds Sinking Fund Account of as many 1993A Term Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund). Prior to May 15 of each year or such date as will permit the Trustee to mail the notice of redemption required under Section 3.02 hereof, so long as any 1993A Term Bonds specified above shall remain Outstanding, the Trustee shall draw by lot, for redemption on June 15 of such year a principal amount of 1993A Term Bonds as shall represent the difference between the principal amount of such 1993A Term Bonds fixed for redemption on such date as described above and the principal amount thereof which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as above provided.

Upon selection by lot of the particular 1993A Term Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the Bondholders of such 1993A Term Bonds so drawn for redemption in the manner provided in Article III hereof, and, upon presentation by the Bondholders thereof, the Trustee shall pay the principal amount thereof out of moneys in the 1993A Bonds Sinking Fund Account and shall pay

accrued interest due from moneys available therefor in the Debt Service Fund.

If at any time all the 1993A Term Bonds eligible for redemption shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 1993A Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund. Whenever 1993A Term Bonds are to be purchased out of the 1993A Bonds Sinking Fund Account, if the Authority shall notify the Trustee that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to this Indenture.

(i) (i) If, on the third day preceding any Interest Payment Date for the 1993A Insured Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the 1993A Insured Bonds due on such date, the Trustee shall immediately notify the Bond Insurer for the 1993A Insured Bonds and its Fiscal Agent of the amount of such deficiency. If, by said Interest Payment Date, the Authority has not provided the amount of such deficiency, the Trustee shall simultaneously make available to such Bond Insurer and to its Fiscal Agent the registration books for the 1993A Insured Bonds maintained by the Trustee. In addition:

(A) The Trustee shall provide the Bond Insurer for the 1993A Insured Bonds with a list of the Bondholders entitled to receive principal or interest payments from such Bond Insurer under the terms of the Bond Insurance Policy for the 1993A Insured Bonds and shall make arrangements for such Bond Insurer and its Fiscal Agent (1) to mail checks or drafts to Bondholders of 1993A Insured Bonds entitled to receive full or partial interest payments from such Bond Insurer and (2) to pay principal of the 1993A Insured Bonds surrendered to such Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from such Bond Insurer; and

(B) The Trustee shall, at the time it makes the registration books available to the Bond Insurer for the 1993A Insured Bonds pursuant to (A) above, notify Bondholders entitled to receive the payment of principal of or interest on the 1993A Insured Bonds from such Bond Insurer (1) as to the fact of such entitlement, (2) that such Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Bond Insurance Policy for the 1993A Insured Bonds, (3) that, except as provided in paragraph (ii) below, in the event that any Bondholder is entitled to receive full payment of principal from such Bond Insurer, such Bondholder must tender his 1993A Insured Bond with the instrument of transfer in the form provided on the 1993A Insured Bond executed in the name of such Bond Insurer, and (4) that, except as provided in paragraph (ii) below, in the event that such Bondholder is entitled to receive partial payment of principal from such Bond Insurer, such Bondholder must tender

his 1993A Insured Bond for payment first to the Trustee, which shall note on such 1993A Insured Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the Bond Insurer, to the Bond Insurer's Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy for the 1993A Insured Bonds.

(ii) In the event that the Trustee has notice that any payment of principal of or interest on a 1993A Insured Bond has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, non-appealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer for the 1993A Insured Bonds, notify all Bondholders of such 1993A Insured Bonds that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from the Bond Insurer for the 1993A Insured Bonds to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer for the 1993A Insured Bonds its records evidencing the payments of principal of and interest on the 1993A Insured Bonds which have been made by the Trustee and subsequently recovered from Bondholders, and the dates on which such payments were made.

(iii) The Bond Insurer for the 1993A Insured Bonds shall, to the extent it makes payment of principal of or interest on the 1993A Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of its Bond Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from such Bond Insurer of proof of the payment of interest thereon to the Bondholders of such 1993A Insured Bonds and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books for the 1993A Insured Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Bondholders of such 1993A Insured Bonds. Notwithstanding anything in this Indenture or the 1993A Insured Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to such Bond Insurer to the extent that such Bond Insurer is a subrogee with respect thereto.

(j) Accrued interest deposited in respect of the 1994 Bonds shall be applied to pay interest on the 1994 Bonds on June 15, 1995.

(k) The Trustee shall establish as a part of the Debt Service Fund a 1994 Bonds Sinking Fund Account (the "1994 Bonds Sinking Fund Account") for the retirement of certain of the 1994

Term Bonds. Moneys deposited in the 1994 Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 1994 Term Bonds specified below and shall be applied as hereafter provided.

The Trustee shall transfer moneys from the Debt Service Fund to the 1994 Bonds Sinking Fund Account on June 15 of the years set forth below in the amount required to retire 1994 Term Bonds specified below in the following amounts through mandatory redemption, in direct order of maturities and within a maturity as chosen by the Trustee by lot at the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

1994 Term Bonds
Maturing June 15, 2014

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2010	\$4,485,000
2011	4,795,000
2012	5,135,000
2013	5,490,000
2014*	5,875,000

1994 Term Bonds
Maturing June 15, 2021

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2015	\$6,290,000
2016	6,710,000
2017	7,165,000
2018	7,650,000
2019	8,165,000
2020	8,715,000
2021*	9,305,000

* Maturity

Prior to May 1 of each year in which 1994 Term Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1994 Bonds Sinking Fund Account of as many 1994 Term Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund). Prior to May 15 of each year or such date as will permit the Trustee to mail the notice of redemption required under Section 3.02 hereof, so long as any 1994 Term Bonds specified above shall remain Outstanding, the Trustee shall draw by lot, for redemption on June 15 of such year a principal amount of 1994 Term Bonds as shall represent the difference between the principal amount of such 1994 Term Bonds fixed for redemption on such date as described above and the principal amount thereof

which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as above provided.

Upon selection by lot of the particular 1994 Term Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the Bondholders of such 1994 Term Bonds so drawn for redemption in the manner provided in Article III hereof, and, upon presentation by the Bondholders thereof, the Trustee shall pay the principal amount thereof out of moneys in the 1994 Bonds Sinking Fund Account and shall pay accrued interest due from moneys available therefor in the Debt Service Fund.

If at any time all the 1994 Term Bonds eligible for redemption shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 1994 Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund. Whenever 1994 Term Bonds are to be purchased out of the 1994 Bonds Sinking Fund Account, if the Authority shall notify the Trustee that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to this Indenture.

(1) (i) If, on the third day preceding any Interest Payment Date for the 1994 Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the 1994 Bonds due on such date, the Trustee shall immediately notify the Bond Insurer for the 1994 Bonds and its Fiscal Agent of the amount of such deficiency. If, by said Interest Payment Date, the Authority has not provided the amount of such deficiency, the Trustee shall simultaneously make available to such Bond Insurer and to its Fiscal Agent the registration books for the 1994 Bonds maintained by the Trustee. In addition:

(A) The Trustee shall provide the Bond Insurer for the 1994 Bonds with a list of the Bondholders entitled to receive principal or interest payments from such Bond Insurer under the terms of the Bond Insurance Policy for the 1994 Bonds and shall make arrangements for such Bond Insurer and its Fiscal Agent (1) to mail checks or drafts to Bondholders of 1994 Bonds entitled to receive full or partial interest payments from such Bond Insurer and (2) to pay principal of the 1994 Bonds surrendered to such Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from such Bond Insurer; and

(B) The Trustee shall, at the time it makes the registration books available to the Bond Insurer for the 1994 Bonds pursuant to (A) above, notify Bondholders entitled to receive the payment of principal of or interest on the 1994 Bonds from such Bond Insurer (1) as to the fact of such entitlement, (2) that such Bond Insurer will remit to them all or

part of the interest payments coming due subject to the terms of the Bond Insurance Policy for the 1994 Bonds, (3) that, except as provided in paragraph (ii) below, in the event that any Bondholder is entitled to receive full payment of principal from such Bond Insurer, such Bondholder must tender his 1994 Bond with the instrument of transfer in the form provided on the 1994 Bond executed in the name of such Bond Insurer, and (4) that, except as provided in paragraph (ii) below, in the event that such Bondholder is entitled to receive partial payment of principal from such Bond Insurer, such Bondholder must tender his 1994 Bond for payment first to the Trustee, which shall note on such 1994 Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of such Bond Insurer, to the Bond Insurer's Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy for the 1994 Bonds.

7. (ii) In the event that the Trustee has notice that any payment of principal of or interest on a 1994 Bond has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, non-appealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer for the 1994 Bonds, notify all Bondholders of such 1994 Bonds that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from the Bond Insurer for the 1994 Bonds to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer for the 1994 Bonds its records evidencing the payments of principal of and interest on the 1994 Bonds which have been made by the Trustee and subsequently recovered from Bondholders, and the dates on which such payments were made.

(iii) The Bond Insurer for the 1994 Bonds shall, to the extent it makes payment of principal of or interest on the 1994 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of its Bond Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from such Bond Insurer of proof of the payment of interest thereon to the Bondholders of such 1994 Bonds and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note such Bond Insurer's rights as subrogee on the registration books for the 1994 Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Bondholders of such 1994 Bonds. Notwithstanding anything in this Indenture or the 1994 Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to such Bond Insurer to the extent that such Bond Insurer is a subrogee with respect thereto.

(m) The Trustee shall establish such other sinking fund account for each Series of Additional Bonds as may be directed in the Supplemental Indenture establishing such Series.

Section 5.07. Debt Service Reserve Fund. At the time of issuance of each Series of Bonds, there shall be deposited into the Debt Service Reserve Fund in a separate account in respect of such Series and which shall secure only such Series an amount equal to the initial Debt Service Reserve Requirement for such Series of Bonds. In lieu of such deposit, at the time of issuance of a Series, subject to the written approval of the Bond Insurer (which approval shall be granted if, but only if, the proposed Credit Facility meets the then current credit requirements of the Bond Insurer with respect to such facilities), there may be provided a Credit Facility in such amount issued by a Credit Facility Issuer whose credit facilities are such that bonds secured by such credit facilities are rated in one of the three highest rating categories by Moody's and S&P. To the extent that additional amounts are required to be deposited in the Debt Service Reserve Fund, such moneys shall come from sources other than the proceeds of the Bonds. To the extent that there is an excess amount in any account in the Debt Service Reserve Fund as of the date any valuation is required to be made as hereinafter provided or as a result of a reduction described above, unless otherwise provided in the Supplemental Indenture authorizing the issuance of such Series, the excess (other than any Investment Earnings) shall be transferred, at the written direction of the Authority, either to the Debt Service Fund or to the Bond Redemption Fund for redemption of Bonds of such Series at the earliest possible date that Bonds of such Series can be redeemed without a premium.

All Investment Earnings derived from funds on deposit in the Debt Service Reserve Fund shall be retained or transferred, as applicable, in the following order and priority:

(a) the Trustee shall retain in the Debt Service Reserve Fund the amount necessary to eliminate deficiencies in any of the accounts therein;

(b) the Trustee shall transfer to the Rebate Fund in respect of each Bond Year such amount as is certified by the Authority to the Trustee pursuant to the applicable Tax Compliance Agreement as the Rebate Amount and Yield Reduction Amount, if any, for such Bond Year with respect to the 1992 Bonds, the 1993 Bonds, the 1993A Bonds and the 1994 Bonds and such additional amount for each other Series of Bonds as may be specified in the Supplemental Indenture authorizing the Series;

(c) the Trustee shall transfer to the Authority the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made (together with transfers made pursuant to

Section 5.05) to equal the total operating expenses of the Authority for such fiscal year as set forth in the certificate of the Authority (which certificate may be revised from time to time) filed with the Trustee in respect of such fiscal year; and

(d) the Trustee shall transfer any remaining amount to the Revenue Fund.

If there are insufficient moneys to pay the Debt Service Requirement on any Series of Bonds on any Interest Payment Date or maturity date of such Series of Bonds, the Trustee shall transfer from the related account in the Debt Service Reserve Fund to the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund.

In the event of any application of funds in the Debt Service Reserve Fund in accordance with the preceding paragraph causes the amount in any account in the Debt Service Reserve Fund to be less than the applicable Debt Service Reserve Requirement, the Trustee shall promptly notify the Authority.

The Investment Securities in the account in the Debt Service Reserve Fund in respect of a Series shall be valued by the Trustee at the end of each Bond Year for such Series and six months after the end of such Bond Year. If the value of such Investment Securities plus any moneys in such account in the Debt Service Reserve Fund (other than Investment Earnings which have not yet been transferred as provided herein) falls below the Debt Service Reserve Requirement with respect to such account, the Trustee shall promptly notify the Authority. Such deficiency shall be eliminated as provided above and if necessary by the transfer from the Revenue Fund specified in Section 5.05 hereof. If such valuation shows that there is an excess amount in such account in the Debt Service Reserve Fund, the Trustee shall promptly notify the Authority and shall apply such excess as provided in the first paragraph of this Section 5.07.

In connection with a redemption or final maturity of all of the Bonds of a Series, the moneys in the associated account in the Debt Service Reserve Fund shall be transferred to the Bond Redemption Fund or to the Debt Service Fund, respectively, to be used for purposes of such redemption or payment at final maturity, unless moneys for such redemption or payment are otherwise provided, in which event the moneys remaining in the Debt Service Reserve Fund shall be transferred as directed by the Authority. Also, in connection with the maturity of 1992 Bonds on June 15, 2002, moneys in the account in the Debt Service Reserve Fund in respect of the 1992 Bonds shall be transferred to the Debt Service Fund to be used for purposes of payment of such maturity to the extent that the moneys in such account exceed the Debt Service Reserve Requirement for the 1992 Bonds that will apply immediately following such maturity.

Section 5.08. Bond Redemption Fund. The Trustee shall deposit in the Bond Redemption Fund amounts received from any source for redemption of Bonds other than mandatory sinking fund payments.

Moneys deposited into the Bond Redemption Fund shall be used to redeem Bonds or, at the request of the Authority in writing, to purchase Bonds in the open market at a price not in excess of the principal amount thereof plus accrued interest thereon (or, in the case of zero coupon bonds, original issue price plus accrued original issue discount). Upon such deposit, to the extent such moneys are to be used to redeem Bonds, the Trustee shall promptly select and call Bonds for redemption.

Section 5.09. Rebate Fund. Amounts shall be deposited in the Rebate Fund as hereinafter specified in order to comply with rebate requirements of Section 148 of the Code. Notwithstanding any other provision of this Indenture, the Rebate Fund shall not be subject to any security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder, any Credit Facility Issuer or any other Person. Rules and definitions concerning the requirements of this fund are contained in the Tax Compliance Agreement. The provisions of Sections 5.10 through 5.14 hereof regarding the Rebate Fund may be amended upon receipt by the Trustee and the Authority of an opinion of Bond Counsel that such amendment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any moneys released from the Rebate Fund as a result of any such amendment shall be applied by the Trustee as required or permitted (in which case such application shall be at the written direction of the Authority) by such opinion of Bond Counsel.

Section 5.10. Determinations, Notices and Records of Rebate Amount and Yield Reduction Amount.

(a) The Authority, with the cooperation of the Trustee in providing information concerning accounts, investments and earnings thereon, shall determine the Rebate Amount and Yield Reduction Amount, if any, in respect of each Series of Bonds or cause the same to be determined in the manner provided in Section 148 of the Code. Determinations of the Rebate Amount and Yield Reduction Amount, if any, shall be made at the end of each Bond Year and upon the retirement of the last Bond of a particular Series of Bonds as required by the Code. As of any computation date, the computation of the Rebate Amount and Yield Reduction Amount, if any, takes into account amounts previously paid to the United States of America by the Trustee on behalf of the Authority pursuant to Section 5.14 hereof. The Trustee, at the request of the Authority, shall provide the Authority information concerning accounts, investments and earnings thereon.

(b) Within 30 days after the end of each Bond Year and the retirement of the last bond of a particular Series of Bonds, the Authority shall furnish or cause to be furnished to the Trustee, a written notice specifying the Rebate Amount and Yield Reduction Amount, if any, as at the end of such Bond Year or such retirement. In connection with each such determination of the Rebate Amount and Yield Reduction Amount, if any, the Trustee shall report to the Authority (i) the amount, if any, theretofore paid to the United States of America by the Trustee on behalf of the Authority pursuant to Section 5.14 hereof, (ii) the amount in the Rebate Fund as at the end of the Bond Year or the retirement of the last bond of a particular Series of Bonds, (iii) the balance to be added to or removed from the Rebate Fund pursuant to Sections 5.11 and 5.12 hereof.

(c) The notice specifying the Rebate Amount and Yield Reduction Amount, if any, for a particular Series shall be retained by the Trustee until a date which is six (6) years after the retirement of the last Bond of such Series. The Trustee shall make such notice available for review by the Authority and the City upon reasonable notice.

Section 5.11. Deposit into Rebate Fund. Within 60 days after the end of each Bond Year in respect of each Series of Bonds or the retirement of the last bond of a particular Series, the Trustee, following receipt of notification from the Authority pursuant to Section 5.10(b), shall transfer amounts first from the Investment Earnings on the Debt Service Reserve Fund pursuant to Section 5.07(b) and then from the Revenue Fund pursuant to Section 5.05(e) to the Rebate Fund as may be necessary so that the amount in the Rebate Fund shall be equal to the Rebate Amount and Yield Reduction Amount, if any, as of the computation date.

Section 5.12. Excess Moneys in the Rebate Fund. In the event that as of the first day of any Bond Year in respect of each Series of Bonds, the amount on deposit in the Rebate Fund exceeds the Rebate Amount and Yield Reduction Amount, if any, (as reported in the notice furnished by the Authority pursuant to Section 5.10(b) with respect to such date), the Trustee, upon the receipt of written instructions from the Authority specifying the amount of the excess, shall transfer such excess amount into the Revenue Fund. If any amount shall remain in the Rebate Fund after the Trustee has made the final payment to the United States of America pursuant to Section 5.14 hereof in respect of each Series of Bonds, such amount shall be transferred to the Revenue Fund.

Section 5.13. Investment of Rebate Fund.

(a) Any moneys held as part of the Rebate Fund shall be invested or reinvested by the Trustee, as provided in Article VI hereof.

(b) Any investment of funds in the Rebate Fund shall mature or be redeemable by the Trustee at such times as may be necessary to provide funds when, at the time of the investment, it is anticipated the same will be needed to make payments from the Rebate Fund. The Trustee at any time as directed by the Authority, to the extent required for payments from the Rebate Fund, may sell any of such investments, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the Rebate Fund. Interest and other income received or losses on moneys or securities in the Rebate Fund shall be credited or charged to the Rebate Fund and shall become a part thereof, to be disbursed as provided for herein.

(c) Any and all moneys held as part of the Rebate Fund shall be considered proceeds of the Bonds for all purposes (except as otherwise specifically provided herein).

Section 5.14. Payment of Rebate Amount and Yield Reduction Amount to the United States.

(a) The Rebate Amount and Yield Reduction Amount, if any, for each Series of Bonds shall be paid to the United States of America by the Trustee on behalf of the Authority in installments in amounts and at times directed in writing by the Authority in accordance with this Indenture. The first installment shall be made not later than sixty (60) days after the end of the fifth Bond Year; each subsequent installment shall be made not later than five (5) years after the preceding installment was due. Each installment shall be in an amount, as calculated by or on behalf of the Authority, that ensures that the Yield Reduction Amount and at least 90% of the Rebate Amount (exclusive of Yield Reduction Amounts) as of the end of the immediately preceding Bond Year will have been paid to the United States of America. Not later than sixty (60) days after the retirement of the last Bond, the Trustee shall pay to the United States of America an amount, as calculated by or on behalf of the Authority which equals 100% of the Rebate Amount and Yield Reduction Amount determined as of the date of retirement of the last Bond.

(b) Each payment of an installment of the amount required to be paid to the United States of America pursuant to this Section 5.14 shall be paid at the Internal Revenue Service Center, Philadelphia, Pa. Each payment shall be accompanied by a Form 8038-T prepared by or on behalf of the Authority filed with respect to the Series of Bonds.

(c) The duty of the Trustee to make payments to the United States of America pursuant to this Section 5.14 shall be expressly limited to funds available in the Rebate Fund at the times such payments are required to be made (including all investment earnings on funds theretofore deposited by the Trustee

in the Rebate Fund) and any other funds actually provided to the Trustee by the Authority for such payments. The Trustee shall not be under any duty to pay any amounts in excess of the amount available in the Rebate Fund or actually provided to it by the Authority. The Trustee shall be entitled to rely on the directions and calculations provided by or on behalf of the Authority, without further inquiry, and shall have no obligation to confirm the accuracy of any Rebate Amount or Yield Reduction Amount or the timing of any such payment.

Section 5.15 Discontinuance of Funds. After all Bonds and other sums required to discharge this Indenture shall have been paid or provision for their payment shall have been made as provided herein, all amounts required to be deposited in the Rebate Fund have been deposited and all sums owing to the Credit Facility Issuer shall have been paid and the Credit Facility surrendered to the Credit Facility Issuer, any balance remaining in the funds established hereunder (other than the Rebate Fund) shall be used to pay the Authority any amount owing in respect of operating expenses as set forth in the certificate of the Authority for such fiscal year and the balance shall be paid to the Depositary for deposit in the City Account.

ARTICLE VI

INVESTMENT OF MONEYS

7. Section 6.01. Investment of Funds. Moneys in the funds established hereunder shall, to the extent permitted by law and at the written direction of the Authority and subject to any limitations imposed by the agreement pursuant to which the Credit Facility is issued, be invested and reinvested in Investment Securities or City Obligations, except that moneys in the Debt Service Fund, the Revenue Fund and the Rebate Fund shall only be invested in Government Obligations with maturities which will assure the availability of money at the time when needed and moneys in the account in the Debt Service Reserve Fund in respect of the 1992 Bonds, the 1993 Bonds, the 1993A Bonds and the 1994 Bonds shall only be invested as set forth below.

Subject to the further provisions of this Article VI, such investments shall be made by the Trustee as directed and designated by the Authority in a certificate of, or telephonic advice promptly confirmed by a certificate of, an Authority Representative. As and when any amounts thus invested may be needed for disbursements from the funds established hereunder, the Trustee shall cause a sufficient amount of such investments to be sold or otherwise converted into cash to the credit of such fund as directed by an Authority Representative in writing. The Authority shall have the right to designate the investments to be made and to be sold and to otherwise direct the Trustee in the sale or conversion to cash of the investments made with the moneys in the funds established hereunder.

Notwithstanding anything herein to the contrary, capitalized interest deposited in the Debt Service Fund pursuant to subsection 2.06(a) hereof shall be invested only in Government Obligations described in clause (a) of such defined term.

Notwithstanding anything herein to the contrary, moneys in the accounts in the Debt Service Reserve Fund in respect of the 1992 Bonds, the 1993 Bonds, the 1993A Bonds and the 1994 Bonds shall only be invested in Investment Securities with a maturity of not more than five years; provided, however, that if moneys are invested in a guaranteed investment contract or a repurchase agreement which allows the full principal of and interest on the investment to be withdrawn at par on any principal or interest payment date for the 1992 Bonds, the 1993 Bonds, the 1993A Bonds or the 1994 Bonds, respectively, such guaranteed investment contract or repurchase agreement may have a maturity longer than five years but not longer than ten years. Accounts in the Debt Service Reserve Fund in respect of any other Series of Bonds shall be invested as specified in the Supplemental Indenture authorizing such Series.

The interest and income received from such investments, losses suffered by reason of such investments, and any interest paid by the Trustee or any other depository of any fund established hereunder, and any net profit or losses resulting from the sale of securities (collectively "Investment Earnings") shall be added or charged to the Revenue Fund when earned or realized; subject, however, to the provisions of Article VII hereof in the case of defeasance and provided that (i) Investment Earnings from investment of amounts in the Debt Service Reserve Fund shall be transferred as provided in Section 5.07 hereof; (ii) Investment Earnings from investment of amounts in the Rebate Fund shall remain in the Rebate Fund and become a part thereof, to be disbursed as provided in Article V and (iii) Investment Earnings from investment of amounts in the Capital Projects Fund shall remain in the Capital Projects Fund so long as costs of capital projects are to be paid therefrom.

Section 6.02. Valuation of Funds. In computing the assets of any fund, investments and interest earned thereon, unless otherwise provided herein, shall be deemed a part thereof. Such investments, except for investments in the Debt Service Reserve Fund other than any guaranteed investment contract, shall be valued at the amortized cost thereof plus accrued interest, or at the redemption price thereof, if then redeemable at the option of the holder. Investments in the Debt Service Reserve Fund other than any guaranteed investment contract shall be valued at the fair market value thereof.

Section 6.03. Information as to Status of Funds. The Trustee shall provide the Authority and the City with monthly statements of each fund. The Trustee shall provide the Authority and the City with such additional information as they may

reasonably request regarding the status of each fund held by the Trustee.

ARTICLE VII

DISCHARGE OF INDENTURE

If the Authority shall pay or cause to be paid, or there shall otherwise be paid or provision be made for payment, to the Holders of the Bonds the principal of, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein, and all fees, expenses and other amounts due to the Trustee, each Registrar and each Credit Facility Issuer, then these presents and the Trust Estate and rights hereby granted shall cease, determine and be void, whereupon the Trustee shall cancel and discharge this Indenture, and execute and deliver to the Authority such instruments in writing as shall be requisite to release this Indenture, and reconvey, release, assign and deliver unto the Authority any and all of the Trust Estate and all right, title and interest in and to any and all rights conveyed, assigned or pledged to the Trustee or otherwise subject to this Indenture, except amounts held in or payable to the Rebate Fund for payment to the United States of America and amounts held by the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds. Notwithstanding the foregoing, Bonds paid with the proceeds of any Credit Facility shall be Outstanding until the Credit Facility Issuer has been reimbursed for the amount of the payment.

Any Bond shall be deemed to be paid within the meaning of this Article VII and for all purposes of this Indenture when payment of the principal of, the redemption premium, if any, and the interest on such Bond to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein) either (i) shall have been made or caused to be made in accordance with the terms hereof or (ii) shall have been provided for by irrevocably depositing with the Trustee (1) moneys sufficient to make such payment and/or (2) Government Obligations (only clause (a)), Refcorp interest strips, CATS, TIGRS, STRPS or defeased municipal bonds rated AAA by S&P or Aaa by Moody's, in each case non-callable and maturing as to principal and interest in such amount and at such time as will insure the availability of sufficient moneys to make such payment. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of any such payment from such moneys or Government Obligations.

Notwithstanding the foregoing paragraph, no deposit under clause (ii) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until: (a) proper notice of redemption of such Bonds shall have been previously given in accordance with Section 3.02 of this Indenture or, in the event that such Bonds are not to be redeemed within the next succeeding sixty (60) days, until the Authority shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Holders of the Bonds, in accordance with Section 3.02 hereof, that the deposit required by clause (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Article VII and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the redemption premium, if any, on such Bonds plus interest thereon to the due date thereof; or (b) the maturity of such Bonds.

In the event of a refunding in advance of the payment or mandatory sinking fund redemption date of the 1992 Bonds, the 1993 Bonds, the 1993A Bonds or the 1994 Bonds, the Authority shall cause to be delivered to the applicable Bond Insurer a verification report of an independent nationally recognized certified public accountant.

The provisions of this Indenture relating to the registration of transfer and exchange of Bonds shall remain in full force and effect with respect to all Bonds until the maturity date of the Bonds or the last date fixed for redemption of all Bonds prior to maturity, notwithstanding that all or any portion of the Bonds are deemed to be paid within the meaning of this Article VII.

Anything in Article X hereof to the contrary notwithstanding, if moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to this Article VII for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this Article VII shall be made without the consent of the Bondholders affected thereby.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.01. Events of Default. Each of the following events is hereby declared to constitute an "Event of Default":

(a) Default in the due and punctual payment of interest on any Bond after such payment has become due and payable; or

(b) Default in the due and punctual payment of the principal or mandatory sinking fund installment of any Bond, whether at the stated maturity thereof or upon proceedings for redemption thereof; or

(c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Authority contained in this Indenture, any Supplemental Indenture or in the Bonds; or

(d) Failure by the City to perform any of its covenants or agreements contained in the PICA Tax Ordinance or any other ordinance of the City enacting PICA Taxes; or

(e) Failure by the State Treasurer or the Department in the performance of any of their duties under the Act or covenants or agreements contained in the PICA Tax Disbursement Agreement or the Tax Collection Agency Agreement;

provided, however, that a default under (c) or (e) shall not constitute an Event of Default hereunder unless the Authority, the State Treasurer or the Department, as applicable, shall have had thirty (30) days after receipt of notice of such default from the Trustee or from the Bondholders of not less than twenty-five percent (25%) in aggregate principal amount of all Outstanding Bonds to correct said default or cause said default to be corrected and shall not have corrected said default or caused said default to be corrected within such period; provided that, if said default is such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority, the State Treasurer or the Department, as applicable, within the applicable period and diligently pursued until the default is corrected, subject to each Bond Insurer's approval of the grace period for the taking of such corrective action; provided, further, that the period to cure any of such defaults shall be only seven (7) days in the case of a default in the payment of money and shall be such shorter period as may be specified in the notice of such default in the case of any default which would have a material adverse effect on the tax exempt status of the 1992 Bonds, the 1993 Bonds, the 1993A Bonds or the 1994 Bonds if not cured sooner than the period specified in the notice. In determining whether a payment default has occurred or whether payment on the Bonds has been made, no effect shall be given to payments made under the Bond Insurance Policy.

The Trustee shall give each Bond Insurer notice of any default under (a) or (b) above immediately and notice of any other default known to the Trustee within thirty (30) days of the Trustee's knowledge thereof.

Section 8.02. Remedies; Rights of Bondholders. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity, including, without limitation, enforcement of the rights of the Trustee and the Bondholders under the PICA Tax Ordinance or the Tax Compliance Agreement, the remedies provided in Section 305 of the Act and the rights of enforcement provided in Section 310 of the Act, to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, the performance by the Authority of its obligations hereunder and the performance by the Department and by the State Treasurer of their obligations under the Act; provided, however, that there shall be no right to accelerate the time for payment of the Bonds. Without limiting the generality of the foregoing, if at any time the Trustee shall not receive the Pledged Revenues for transfer to the Debt Service Fund at the times and on the dates required by the Act and this Indenture, the Trustee shall promptly enforce the pledge of, security interest in and lien and charge on the Pledged Revenues against all government agencies (as defined in the Act) in possession of any of such Pledged Revenues at any time and shall send notice to the Department and the State Treasurer requesting that they take appropriate corrective actions.

If an Event of Default shall have occurred and be continuing and if directed in writing by the Bondholders of twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and upon being indemnified as provided in Section 9.01 hereof, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section 8.02 hereof, as directed, provided such direction shall not be otherwise than in accordance with law and the provisions of this Indenture and the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would prejudice Bondholders not parties to such direction.

No remedy conferred upon or reserved to the Trustee (or to the Bondholders) by the terms of this Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

No waiver of any Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Section 8.03. Right of Bondholders to Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture. The Trustee shall not be required to follow any direction from the Bondholders in the absence of indemnification of the Trustee, in accordance with Section 9.01, in form and substance satisfactory to the Trustee.

Section 8.04. Application of Moneys. All moneys received by the Trustee pursuant to any right or remedy given or action taken under the provisions of this Article VIII shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of all expenses, fees (including, without limitation, reasonable counsel fees), liabilities and advances incurred or made by the Trustee under the terms of this Indenture, be deposited in the Debt Service Fund and applied as follows:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, including any amounts owed to any Credit Facility Issuer in respect of payments made for interest on the Bonds, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are otherwise held pursuant to the provisions of this Indenture, but including any amounts owed to any Credit Facility Issuer in respect of payments made for principal of the Bonds), with interest on such Bonds from the respective dates upon which they became due, in order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To deposit in the Revenue Fund for use as provided in Section 5.05 hereof.

Whenever moneys are to be applied pursuant to the provisions of this Section 8.04, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be the earliest practicable date it deems suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date to all Holders of Outstanding Bonds, and shall not be required to make payment to any Holder of a Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 8.05. Remedies Vested in the Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by Trustee shall be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any Bondholders, and any recovery of judgment shall be for the equal and ratable benefit of the Bondholders of the Outstanding Bonds.

Section 8.06. Rights and Remedies of Bondholders. No Bondholder shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless an Event of Default has occurred of which the Trustee has been notified as provided in subsection 9.01(h) hereof, or of which by said subsection it is deemed to have notice, unless the Bondholders of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in their own name or names, nor unless also they have offered to the Trustee indemnity as provided in subsection 9.01(k), nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding; and such notification, request and offer of indemnity are hereby declared in every case to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one more of the Bondholders shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this

Indenture by its, his, her or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the Bondholders of all Outstanding Bonds. However, nothing contained in this Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest on any Bond upon and after the maturity thereof, or the obligation of the Authority to pay the principal of, premium, if any, and interest on each of the Bonds issued hereunder to and for the equal benefit of all Bondholders at the time and place, from the source and in the manner expressed in the Bonds.

Section 8.07. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 8.08. Waivers of Events of Default. The Trustee may at its discretion waive any Event of Default hereunder and its consequences, and shall do so upon the written request of the Bondholders of (1) not less than sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of all Outstanding Bonds in respect of which default in the payment of principal or interest, or both, exists or (2) not less than a majority in aggregate principal amount of all Outstanding Bonds in the case of any other Event of Default; provided, however, that there shall not be waived any Event of Default in the payment of the principal of or interest on any Outstanding Bonds unless, prior to such waiver or rescission, all arrears of principal and interest, and all expenses of the Trustee in connection with such Event of Default shall have been paid or provided for and, in the case of any Bonds to which a Credit Facility applies, any amount drawn under the Credit Facility shall have been reinstated (if applicable) or the Credit Facility Issuer shall have been reimbursed. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee, the Credit Facility Issuer and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon. The foregoing notwithstanding, so long as a Credit Facility applies to the affected Bonds and the Credit Facility Issuer has not wrongfully

failed to honor a drawing thereunder, the consent of the Credit Facility Issuer must be obtained prior to any such waiver with respect to such Bonds. Also, notwithstanding the foregoing, the consent of the Bond Insurer of the Series of Bonds as to which such Event of Default exists, which consent may not unreasonably be withheld, must be obtained prior to any such waiver becoming effective.

Section 8.09. Rights of Bond Insurer. For all purposes of this Article VIII, except for the giving of notice of default to Bondholders, each Bond Insurer shall be deemed to be the sole holder of the 1992 Insured Bonds, the 1993 Insured Bonds, the 1993A Insured Bonds or the 1994 Bonds insured by it for so long as it has not failed to comply with its payment obligations under the applicable Bond Insurance Policy.

ARTICLE IX

TRUSTEE; REGISTRAR

Section 9.01. Acceptance of Trusts. Meridian Bank is hereby appointed Trustee. The Trustee hereby accepts the trusts imposed upon it by this Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants shall be read into this Indenture against the Trustee. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in the exercise of such rights and powers as a prudent man would exercise under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys or agents, and shall not be answerable for the conduct of the same if such persons are selected in accordance with the standard specified above. The Trustee shall be entitled to advice of counsel concerning its duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Authority) approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or

inaction in good faith in reliance upon such opinion or advice received in writing.

(c) The Trustee shall not be responsible for any recital, statement or representation herein or in the Bonds (except with respect to the certificate of the Trustee endorsed on the Bonds), or for the validity of the execution by the Authority of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for reviewing any financial statements, reports, audits or annual reports and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants or agreements on the part of the City, the Department or the State Treasurer; but the Trustee may require of the Authority full information and advice as to the performance of the aforesaid covenants and agreements. Notwithstanding the foregoing, if there is a deficit in the amount deposited in the Debt Service Fund in excess of one month's required deposit, the Trustee shall make inquiry to determine whether there has been an Event of Default under Section 8.01(d) or (e) hereof. The Trustee shall not be liable or responsible because of the failure of the Authority to perform any act required of it by this Indenture or because of the loss of any moneys arising through the insolvency or the act or default or omission of any depository other than itself in which such moneys shall have been deposited under this Indenture. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, invested, withdrawn or transferred in accordance with the provisions of this Indenture or for any loss resulting from any such investment or the sale or disposition of any such investment in accordance with the provisions of this Indenture. The Trustee shall not be liable in connection with the performance of its duties under this Indenture except for its own negligence, willful misconduct or bad faith. The immunities and exemptions from liability of the Trustee shall extend to its directors, officers, employees, agents and servants and persons under the Trustee's control or supervision.

(d) The Trustee shall not be accountable for the use of the proceeds of any Bonds disbursed in accordance with Section 2.06, 5.03 and 5.04 hereof or be accountable for any Bonds once authenticated and delivered in accordance herewith.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and believed by the Trustee to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Holder of any Bond shall

be conclusive and binding upon all future Holders of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as a Bondholder or to take any action at his request unless his Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such Bond shall be furnished to the Trustee.

(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed by the Authority Representative as sufficient evidence of the facts therein contained and, prior to the occurrence of an Event of Default of which the Trustee has been notified as provided in subsection 9.01(h) hereof, or of which by subsection 9.01(h) it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of an Authority Representative to the effect that a resolution in the form therein set forth has been adopted by the Authority as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its own negligence, willful misconduct or bad faith.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the Authority to cause to be made any of the payments to the Trustee required to be made by Article IV hereof, an Event of Default under subsections 8.01(a) or (b), or an Event of Default under subsections 8.01 (c), (d) or (e) as to which the Authority has notified the Trustee or failure by the Authority to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such Event of Default by the Authority, by Holders of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds or by a Bond Insurer, and all notices or other instruments required by this Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the Principal Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(i) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(j) Notwithstanding anything elsewhere in this Indenture with respect to the authentication of any Bonds, the withdrawal of any cash, the release of any property or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, deemed desirable by the Trustee for the purpose of establishing the right of the Authority to the authentication of any Bonds, the withdrawal of any cash or the taking of any other action by the Trustee.

(k) Before taking any action referred to in Section 8.02 hereof, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its own negligence, willful misconduct or bad faith in connection with any such action. Except as provided in the preceding sentence, the Trustee may not require indemnity prior to making payment on the Bonds when due or making a drawing under any Credit Facility or obtaining payment pursuant to any Credit Facility in accordance with the terms hereof.

(l) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received strictly in accordance with the provisions of the Act and this Indenture and shall not be commingled with any other funds of the Trustee.

(m) All books and records in the Trustee's possession or under its control relating to the Bonds shall at all reasonable times be open to inspection by the Authority and the City and such agents as either of them may designate from time to time and by such other Persons as may be entitled under the Act to examine such books and records.

Section 9.02. Compensation, Expenses and Advances. The Trustee shall be entitled to reasonable compensation for its services rendered hereunder (not limited by any provision of law in regard to the compensation of the trustee of an express trust and to reimbursement for its actual out-of-pocket expenses (including counsel fees) reasonably incurred in connection therewith except as a result of its own negligence, willful misconduct or bad faith. The obligation of the Authority to pay or reimburse the Trustee for expenses, fees, disbursements and advances shall survive the satisfaction and discharge of this Indenture and the resignation, removal and succession of the Trustee. If the Authority shall fail to perform any of the covenants or agreements contained in this Indenture, other than the covenants or agreements in respect of the payment of the principal of and interest on the Bonds, the Trustee may, in its

discretion and without notice to the Bondholders, but with notice to the Authority, at any time and from time to time, make advances to effect performance of the same on behalf of the Authority, but the Trustee shall be under no obligation to do so; and any and all such advances may bear interest at a rate per annum not exceeding the base rate then in effect for 90-day commercial loans by the Trustee in the city in which is located the Principal Office of the Trustee to borrowers of the highest credit standing; but no such advance shall operate to relieve the Authority from any default hereunder. The Authority shall pay the Trustee all such fees, expenses and reimbursement.

Section 9.03. Notices by Trustee.

(a) If an Event of Default occurs of which the Trustee is by subsection 9.01(h) hereof required to take notice or if notice of an Event of Default be given as therein provided, then the Trustee shall as soon as practicable give written notice thereof to all Holders of Outstanding Bonds, the Authority, the City and any Credit Facility Issuer.

(b) The Trustee shall give notice to the Authority and the City whenever it is required hereby to give notice to either of them and, additionally, shall furnish to the Authority and the City copies of any other notice given by it pursuant to any provision hereof. The Trustee shall send copies of all notices which it gives or receives under this Indenture to any Credit Facility Issuer.

(c) The Trustee shall send copies of any notices given pursuant to Sections 9.03(a) or (b) to S&P, Moody's, Fitch and any Credit Facility Issuer.

Section 9.04. Intervention by Trustee. The Authority shall notify the Trustee and each Bond Insurer then insuring Outstanding Bonds promptly of any judicial proceeding to which the Authority is a party. In any judicial proceeding to which the Authority is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Bondholders, the Trustee may intervene on behalf of Bondholders and shall do so, upon receipt of indemnity satisfactory to it, if requested in writing by the Holders of at least twenty-five percent (25%) of the aggregate principal amount of Outstanding Bonds or by a Bond Insurer then insuring Outstanding Bonds.

Section 9.05. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall be and become successor Trustee hereunder and vested with all of the title to the Trust

Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided such successor corporation or association meets the requirements of Section 9.08 hereof.

Section 9.06. Resignation by the Trustee. The Trustee may resign and be discharged of the trusts created by this Indenture by executing an instrument in writing resigning such trust and specifying the date when such resignation shall take effect, and filing the same with the Authority and the Commonwealth not less than thirty (30) days before the date specified in such instrument when such resignation shall take effect, and by giving notice of such resignation, not less than three weeks prior to such resignation date, to all Bondholders. Such resignation shall take effect on the day specified in such instrument and notice, unless previously a successor Trustee shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor Trustee; provided that such resignation shall not take effect until the appointment of a temporary or successor Trustee by the Bondholders, by the Authority or by a court of competent jurisdiction and the acceptance of such appointment by such successor. The Trustee shall be reimbursed for all reasonable costs incurred by it if it is necessary for the Trustee to apply to any court for the appointment of a successor.

Section 9.07. Removal of Trustee. The Trustee may be removed at any time by (a) an instrument or concurrent instruments in writing delivered to the Trustee, the Commonwealth, the Authority and the City and signed by the Holders of a majority in aggregate principal amount of Outstanding Bonds or (b) provided no Event of Default exists, by the Authority in its discretion by an instrument in writing delivered to the Trustee, the Commonwealth and the Bondholders; provided that such removal shall not become effective until a successor has been appointed and has accepted the duties of Trustee.

Section 9.08. Appointment of Successor Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court or any regulatory authority, a successor may be appointed by the Authority, by an instrument executed, attested and sealed by an Authority Representative. Notwithstanding anything herein to the contrary, if any Credit Facility is in effect and such Credit Facility Issuer has not wrongfully failed to honor a drawing under the

Credit Facility or otherwise defaulted thereunder, no successor Trustee shall be appointed unless approved by such Credit Facility Issuer. If no successor Trustee shall have been so appointed and have accepted appointment within thirty (30) days after the giving of the notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a temporary Trustee. Such temporary Trustee so appointed by a court of competent jurisdiction shall immediately and without further act be superseded by the Trustee appointed by the Authority. After any appointment by the Authority, it shall cause notice of such appointment to be given to the Commonwealth and the City and to be given to all Bondholders. Every such Trustee appointed pursuant to the provisions of this Section 9.08 shall be a trust company or bank with trust powers in good standing with a place of business in the Commonwealth having a reported capital and surplus of not less than \$50,000,000 if there be such an institution willing, qualified and able to accept the trust upon customary terms.

Section 9.09. Acceptance by Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority and the Commonwealth an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Authority, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. The predecessor Trustee shall take all steps necessary to be taken on the Trustee's part to cause any Credit Facility outstanding to be transferred to the successor Trustee. Should any instrument in writing from the Authority be required by any successor Trustee to more fully and certainly vest in such successor Trustee the Trust Estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. If applicable, the successor Trustee shall cause any Credit Facility to be transferred to it pursuant to the terms thereof. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed or recorded by the successor Trustee in each recording office where the Indenture shall have been filed or recorded.

Section 9.10. Several Capacities. Anything in this Indenture to the contrary notwithstanding, the same entity may serve hereunder as the Trustee and Registrar, to the extent permitted by law.

Section 9.11. Dealings in Bonds and With the Authority and the City. The Trustee and the Registrar, in their individual capacities, may in good faith buy, sell, own, hold and deal in any of the Bonds issued hereunder, and may join in any action which any Bondholder may be entitled to take with like effect as if it did not act in any capacity hereunder. The Trustee and the Registrar, in their individual capacities, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority, and may act as depository, trustee, or agent for any committee or body of Bondholders secured hereby as freely as if it did not act in any capacity hereunder.

Section 9.12. Registrar. The Trustee is hereby appointed as the initial Registrar for the Bonds. The Authority may appoint one or more additional Registrars. The Authority shall appoint any successor Registrar for the Bonds subject to the conditions set forth in Section 9.13 hereof. Each Registrar other than the Trustee shall designate to the Authority and the Trustee its Principal Office and signify its acceptance of the duties imposed upon it hereunder by a written instrument of acceptance delivered to the Authority and the Trustee under which such Registrar will agree, particularly, to keep the Bond Register and such other books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Authority and the Trustee at all reasonable times.

The Authority shall cooperate with the Trustee to cause the necessary arrangements to be made and to be thereafter continued whereby Bonds executed by the Authority and authenticated by the Trustee shall be made available for exchange, registration and registration of transfer at the Principal Office of the Registrar.

Section 9.13. Qualifications of Registrar; Resignation; Removal. Each Registrar shall be a corporation or national association duly organized under the laws of the United States of America or any state or territory thereof, having a reported capital and surplus of not less than \$50,000,000 and authorized by law to perform all the duties imposed upon it by this Indenture. The Registrar may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty (60) days' notice to the Authority, the Trustee and the Commonwealth. The Registrar may be removed at any time by an instrument, signed by the Authority, filed with the Registrar and the Trustee.

In the event of the resignation or removal of the Registrar, the Registrar shall deliver any Bonds held by it in such capacity to its successor or, if there be no successor, to the Trustee.

In the event that the Authority shall fail to appoint a Registrar hereunder, or in the event that the Registrar shall resign or be removed, or be dissolved, or if the property or affairs or the Registrar shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Trustee may petition any court of competent jurisdiction for the appointment of a Registrar and shall be reimbursed by the Authority for all costs and expenses incurred in connection therewith.

ARTICLE X

SUPPLEMENTAL INDENTURES

Section 10.01. Supplemental Indentures Not Requiring Consent of Bondholders. The Authority and the Trustee may, without consent of or notice to any of the Bondholders, enter into a Supplemental Indenture for any one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission in this Indenture;

(b) To grant to or confer upon the Bondholders or the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(c) To subject to this Indenture additional revenues or collateral;

(d) To modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America;

(e) To provide for the adoption of a book-entry registration of any Series of Bonds;

(f) To evidence the appointment of a separate or co-Trustee or the succession of a new Trustee hereunder;

(g) To authorize the issuance and establish the terms of Additional Bonds and to effect an interest rate swap agreement, an interest rate cap or floor agreement or other similar agreement;

(h) To make any other change in this Indenture, including changes in connection with the Authority's issuance of subordinated debt, which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Bondholders;

(i) To secure or maintain the rating for the Bonds from S&P and/or Moody's and/or Fitch;

(j) To cure any defects in this Indenture which would, if not cured, cause the interest on Bonds which at the time of issuance was intended to be excluded from gross income for federal income tax purposes not to be so excluded;

(k) To make any change permitted under Section 5.09;
or

(l) To make any other change in this Indenture which is approved by the Credit Facility Issuer if at the time of such change a Credit Facility is in effect and there has been no failure by the Credit Facility Issuer to make any payment under the Credit Facility or, if a new Credit Facility is being obtained, which is requested by the new Credit Facility Issuer and is to be effective only at the time the new Credit Facility becomes effective, except a change specified in Section 10.02 hereof as requiring the consent of the Holders of all Outstanding Bonds or a change which would affect the rights of the Authority unless the Authority approves of such change.

In exercising its discretion under this Section 10.01, the Trustee shall not unreasonably withhold its consent to any Supplemental Indenture for any of the foregoing purposes. The Trustee shall have the right to require an opinion of counsel that such Supplemental Indenture is authorized and permitted under this Indenture.

Section 10.02. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of Supplemental Indentures permitted by Section 10.01 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Bondholders of not less than a majority in aggregate principal amount of the Outstanding Bonds which would be adversely affected thereby shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such other Supplemental Indentures as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in

any Supplemental Indenture; provided, however, that nothing in this Section 10.02 or in Section 10.01 hereof shall permit, or be construed as permitting, without the consent of the Holders of all Bonds Outstanding which would be adversely affected thereby, (a) an extension of the maturity of the principal of or the interest on any Bond issued hereunder, (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or a change in the terms of redemption of the Bonds, (c) a privilege or priority of any Bond or Bonds over any Outstanding Bond or Bonds, (d) a reduction in the aggregate principal amount of the Bonds required for consent to Supplemental Indentures, (e) the creation of any lien ranking prior to or on a parity with the lien of this Indenture on the Trust Estate or any part thereof, except as hereinbefore expressly permitted, (f) the deprivation of the Bondholder of any Outstanding Bond of the lien hereby created on the Trust Estate or (g) an adverse affect on the interest of the Bondholders in any Credit Facility; and further provided that no amendment shall be permitted by this Section without the consent of the Credit Facility Issuer so long as the Credit Facility Issuer has not wrongfully failed to honor a drawing under the Credit Facility or otherwise defaulted thereunder.

If at any time the Authority shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section 10.02, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be given to all Holders of Outstanding Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Bondholders. If, within sixty (60) days or such longer period as shall be prescribed by the Authority following such notices, the Holders of not less than a majority in aggregate principal amount of affected Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Bondholder shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Notwithstanding any other provisions of this Indenture, including the provisions of this Section 10.02, upon receipt of consent of the Holders of the applicable percentage of principal amount of Outstanding 1992 Bonds and 1993 Bonds and compliance with the other requirements of this Indenture for amendments with Bondholder consent, but without the need for consent of any

Holder of 1993A Bonds or 1994 Bonds, (1) the term "Debt Service Reserve Requirement" may be amended to mean, with respect to all Bonds, an amount equal to the lesser of (i) the Maximum Annual Debt Service Requirement with respect to all Bonds Outstanding under this Indenture and (ii) the maximum amount permitted by the Internal Revenue Code of 1986, as amended, (2) the provisions of this Indenture regarding the Debt Service Reserve Fund may be amended to eliminate the need for separate accounts in respect of each series of Bonds, and (3) any surplus funds in the Debt Service Reserve Fund upon the effectiveness of the foregoing amendments shall be applied by the Trustee as directed in writing by the Authority, provided that, if such direction is other than to deposit such surplus funds in the Debt Service Fund or the Bond Redemption Fund, the Authority shall provide the Trustee with an opinion of nationally recognized bond counsel that the proposed application is permitted under the Act and will not adversely affect the exclusion of interest on any Bonds from gross income for purposes of federal income taxation.

Section 10.03. Consent of City. Notwithstanding any other provision in this Article X, no amendment or supplement to Section 5.05 of this Indenture which affects the payments to the City Account shall be effective unless the prior written consent of the City to such amendment or supplement is obtained. Copies of all amendments or supplements to this Indenture shall be filed with the City prior to the execution and delivery thereof.

Section 10.04. Consent of Bond Insurer. Notwithstanding any other provision in this Article X, no amendment or supplement shall be effective unless the prior written consent of each Bond Insurer to such amendment or supplement is obtained, provided that a Bond Insurer may not unreasonably withhold its consent to an amendment or supplement pursuant to Section 10.01(j). The Authority shall provide each Bond Insurer with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

Section 10.05. Notice to Rating Agencies. At least fifteen (15) days prior to the execution of any amendment or supplement to the Indenture, the Authority shall provide notice thereof to S&P, Moody's and Fitch. The Authority shall send copies of all amendments and supplements to the Indenture to S&P, Moody's, Fitch and any Credit Facility Issuer.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Consents of Bondholders. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of counterparts and may be

executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the written appointment of any such agent or of the ownership of Bonds shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of holding the same shall be proved by the Bond Register.

Section 11.02. Limitation of Rights. With the exception of any rights herein expressly conferred, nothing expressed or implied in this Indenture or the Bonds is intended or shall be construed to give to any Person other than the parties hereto, the Credit Facility Issuer, and the Holders of the Bonds, any legal or equitable right, remedy or claim under or with respect to this Indenture or any covenants, conditions and provisions herein contained, this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto, the Credit Facility Issuer and the Holders of the Bonds as herein provided. Notwithstanding the foregoing, the City shall have the right to enforce the provisions of Section 10.03 hereof and Section 5.05 hereof relating to transfers to the City after application in accordance with the terms of such section, which provisions are hereby declared to be for the benefit of the City.

Section 11.03. Severability. If any provision of this Indenture shall be held or deemed to be illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not affect any other provision or provisions hereof, and this Indenture shall be construed as if such illegal, invalid, or unenforceable provision had never been contained herein.

Section 11.04. No Personal Liability of Authority Officials. No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any official, officer, agent or employee of the Authority in his individual capacity, and neither the members of the Board of the Authority nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 11.05. Bonds Owned by the Authority. In determining whether Bondholders of the requisite aggregate principal amount of the Bonds have concurred in any direction, consent or waiver under this Indenture, Bonds which are owned by the Authority (unless the Authority owns all Bonds which are then Outstanding) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only Bonds which the Trustee's records establish conclusively as so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Authority. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 11.06. Successors and Assigns. All the covenants, promises and agreements in this Indenture contained by or on behalf of the Authority, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether or not so expressed.

Section 11.07. Notices. Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or sent by telegram, addressed as follows:

If to the Authority:

Pennsylvania Intergovernmental
Cooperation Authority
1429 Walnut Street
14th Floor
Philadelphia, PA 19102

Attention: Executive Director

If to the Trustee or Registrar:

Meridian Bank
35 North Sixth Street
Reading, PA 19601
Attention: Corporate Trust Administration

If to the City:

City of Philadelphia
Municipal Services Building
1401 J.F. Kennedy Boulevard
Philadelphia, PA 19102

Attention: Director of Finance

If to Moody's:

Moody's Investors Service
99 Church Street
New York, NY 10007

If to S&P:

Standard & Poor's Ratings Group
25 Broadway
New York, NY 10004

If to Fitch:

Fitch Investors Service, Inc.
One State Street Plaza
New York, NY 10004

If to the State Treasurer:

The Honorable Treasurer of the
Commonwealth of Pennsylvania
Office of the State Treasurer
129 Finance Building
Harrisburg, PA 17120

If to the Department:

Secretary of Revenue
Pennsylvania Department of Revenue
Dept. 281100
Harrisburg, PA 17128

If to the Bond Insurer (as applicable):

Financial Guaranty Insurance Company
115 Broadway
New York, NY 10006

Attention: Managing Counsel

Municipal Bond Investors Assurance
Corporation
113 King Street
Armonk, NY 10504

Attention: General Counsel

If to the Fiscal Agent for FGIC:

State Street Bank and Trust Company, N.A.
61 Broadway
New York, NY 10006

Attention: Corporate Trust Department

If to the Fiscal Agent for MBIA:

State Street Bank and Trust Company, N.A.
61 Broadway
New York, NY 10006

Attention: Corporate Trust Department

The above parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.08. Payments Due on Saturdays, Sundays and Holidays. In any case where the Interest Payment Date or date of maturity of principal of the Bonds or the date fixed for redemption or purchase upon tender of any Bonds shall not be a Business Day, then payment of principal, premium, if any, or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date or date of maturity of principal or the date fixed for redemption, and no interest shall accrue for the period after such Interest Payment Date, date of maturity of principal or redemption date.

Section 11.09. Credit Facility Issuer's Rights. Any Credit Facility Issuer is hereby explicitly recognized as a third party beneficiary of this Indenture and shall be entitled to enforce the obligations of the Trustee and the Authority hereunder. In the event any Credit Facility shall have terminated without being replaced by another Credit Facility and such Credit Facility shall have been cancelled and surrendered to the related Credit Facility Issuer, then no further action with respect to such Credit Facility or notice to or consent of such Credit Facility Issuer shall be required under the terms of this

Indenture and such Credit Facility Issuer shall cease to be a third party beneficiary of this Indenture.

Section 11.10. Bond Insurers' Rights. Each Bond Insurer is hereby explicitly recognized as a third party beneficiary of this Indenture and shall be entitled to enforce the obligations of the Trustee and the Authority hereunder. When the 1992 Insured Bonds, the 1993 Insured Bonds, the 1993A Insured Bonds or the 1994 Bonds are no longer Outstanding, no further notice to or consent or approval of the respective Bond Insurer shall be required under the terms of this Indenture and such Bond Insurer shall cease to be a third party beneficiary of this Indenture. In addition, no consent or approval of a Bond Insurer shall be required under the terms of this Indenture unless a Bond Insurance Policy issued by such Bond Insurer is in full force and effect and such Bond Insurer is not in default of its payment obligations under its Bond Insurance Policy.

Section 11.11. Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.12. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the Commonwealth.

Section 11.13. Rules of Interpretation. Unless expressly indicated otherwise, references to Sections or Articles are to be construed as references to Sections or Articles of this Indenture as originally executed. Use of the words "herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to this Indenture and not solely to the particular portion in which any such word is used.

Section 11.14. Captions. The captions and headings in this Indenture are for reference purposes only and shall not control or affect the meaning or interpretation of any provisions of this Indenture.

IN WITNESS WHEREOF, the Authority has caused these presents to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials; and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be executed in its name and

EXHIBIT A

(Form of Fully Registered Bond)

No. R

\$

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

**Special Tax Revenue Bonds
(City of Philadelphia Funding Program)**

Series of 1992

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
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REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania, United States of America, duly existing under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6) (the "Act"), for value received, hereby promises to pay (but only out of Pledged Revenues (as hereinafter defined) to the Registered Owner identified above or registered assigns (the "Holder"), on the Maturity Date identified above, upon the presentation and surrender hereof, the Principal Amount identified above and to pay (but only out of the Pledged Revenues) interest on said Principal Amount at the annual rate specified above, from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid, from June 1, 1992, on June 15 and December 15 in each year (each, an "Interest Payment Date"), commencing December 15, 1992, until payment of the principal sum or provision therefor shall have been made or provided for.

The principal of this Bond, upon maturity or redemption, is payable at the Principal Office of _____, or its successor, as Trustee (the "Trustee"). Interest on this Bond

will be paid by the Trustee on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered on the registration books of the Authority (the "Bond Register") maintained by CoreStates Bank, N.A. or its successor as Registrar and at the address appearing thereon on the last day of the month preceding such Interest Payment Date (the "Record Date") or in lieu thereof, if so requested in a written notice provided to the Trustee not less than ten (10) days prior to the relevant Interest Payment Date by a Bondholder of \$1,000,000 or more in aggregate principal amount of Bonds, by wire transfer to an account in a bank located in the United States designated by such Bondholder. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof as of the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on the fifteenth (15th) day prior to the date set for the payment of such defaulted interest (the "Special Payment Date"). Such Special Payment Date shall be fixed by the Trustee in accordance with Section 2.03 of the Indenture (as hereinafter defined). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Interest on the Series 1992 Bonds (as hereinafter defined) shall be paid on each Interest Payment Date and shall be computed on the basis of a year of 360 days consisting of twelve 30-day months and the actual number of days elapsed.

THIS BOND IS A LIMITED OBLIGATION OF THE AUTHORITY AND IS PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND. THIS BOND IS NOT AND SHALL NOT BE DEEMED AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, AND NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS OR SHALL BE LIABLE FOR THE PAYMENT OF SUCH PRINCIPAL OR INTEREST. THE AUTHORITY HAS NO TAXING POWER.

NOTWITHSTANDING ANY PROVISION OF THE ACT OR ANY OTHER LAW TO THE CONTRARY, OR OF ANY IMPLICATION THAT MAY BE DRAWN THEREFROM, THE COMMONWEALTH OF PENNSYLVANIA AND ALL OTHER GOVERNMENT AGENCIES, EXCEPT THE AUTHORITY, BUT INCLUDING THE CITY, SHALL HAVE NO LEGAL OR MORAL OBLIGATION FOR THE PAYMENT OF ANY EXPENSES OR OBLIGATIONS OF THE AUTHORITY, INCLUDING, BUT NOT LIMITED TO, PRINCIPAL AND INTEREST ON THE SERIES 1992 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER, OTHER THAN FOR THE ADVANCE OF FUNDS FOR INITIAL OPERATING EXPENSES OF THE AUTHORITY AS PROVIDED IN THE ACT, WHICH ADVANCE IS TO BE REPAID BY THE AUTHORITY AS SET

FORTH IN THE ACT. OBLIGEEES OF THE AUTHORITY, INCLUDING HOLDERS OF BONDS, SHALL HAVE NO RECOURSE, EITHER LEGAL OR MORAL, TO THE COMMONWEALTH OF PENNSYLVANIA OR TO ANY GOVERNMENT AGENCY, INCLUDING THE CITY, FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 1992 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office of the Registrar. No transfer shall be valid as against the Authority or the Trustee unless made by the registered owner in person or by his duly authorized attorney or legal representative and similarly noted upon the Bond Register and hereon. Upon any such transfer or exchange, the Authority shall issue and, after due authentication by the Trustee, shall deliver to or upon the order of the registered owner, a new registered Bond or Bonds, in authorized denominations aggregating the principal amount hereof, maturing on the same date, bearing interest at the same rate, bearing the same series designation as this Bond and registered in such names as shall be requested.

The Authority, the Trustee and the Registrar may treat the person in whose name this Bond is registered as the absolute owner of this Bond for all purposes whether or not this Bond shall be overdue, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All payments of the principal, interest or redemption price made to the registered owner hereof in the manner set forth herein and in the Indenture shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, whether or not notation of the same be made hereon, and any consent, waiver or action taken by such registered owner pursuant to the provisions of the Indenture shall be conclusive and binding upon such registered owner, his heirs, successors and assigns, and upon all transferees hereof, whether or not notation thereof be made hereon or on any Bond issued in exchange therefor.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER PROVISIONS SHALL, FOR ALL PURPOSES, HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the Commonwealth of Pennsylvania to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this Bond, exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the Authority in his individual capacity, and neither the members of the Board of the Authority nor any official executing this Bond nor any such officer, agent or employee shall be liable personally on this Bond or under the Indenture or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond, all such liability of such members, officers, agents and employees being released as a condition of and as consideration for the execution of the Indenture and the issuance of this Bond.

This Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this Bond to be executed with the facsimile signature of its Chairperson and a facsimile of its official seal to be imprinted hereon and attested with the facsimile signature of its Secretary or Assistant Secretary.

[SEAL]

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

Attest:

By: _____
Chairperson

Secretary

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 1992 Bonds described in the within mentioned Indenture. The text of the opinion of Bond Counsel printed on this Bond is the complete text of the opinion of Wolf, Block, Schorr and Solis-Cohen and Drinker Biddle & Reath, both of Philadelphia, Pennsylvania, a signed original of which is on file with the undersigned, which was dated and delivered on the date of the original delivery of and payment for the Series 1992 Bonds.

_____, Trustee

By: _____
Authorized Signature

Date of Authentication:

[FORM OF REVERSE OF BOND]

This Bond is one of a duly authorized issue of \$474,555,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "Series 1992 Bonds"), all of like date and tenor. The Series 1992 Bonds are issued to make grants to the City of Philadelphia, Pennsylvania (the "City") to finance certain deficits of the City, to finance certain capital projects of the City and to provide funds to enable the City to enhance productivity in the operation of City government and for other purposes permitted by the Act and thereby to accomplish the public purposes set forth in the Act.

The Series 1992 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted June 4, 1992 (the "Resolution") and under an Indenture of Trust dated as of June 1, 1992 (the "Indenture"), executed and delivered by the Authority to the Trustee, and, together with other Outstanding Bonds, are equally and ratably secured under the Indenture, except as otherwise provided therein, by an assignment and pledge of, and grant of a security interest in, (i) all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes, and (ii) all moneys and securities held by the Trustee under the Indenture (except funds held in trust for the United States) (collectively, the "Pledged Revenues").

Initial capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture.

Optional Redemption

The Series 1992 Bonds maturing on and after June 15, 2003 are redeemable by the Authority, on or after June 15, 2002, in whole at any time or in part at any time, and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series 1992 Bonds maturing on June 15, 2002, 2006, 2012 and 2022 are subject to mandatory sinking fund redemption prior to maturity on June 15 of the years and in the amounts set forth below in direct order of maturity and within a maturity as chosen by the Trustee by lot at 100% of the principal amount

thereof plus accrued interest, or to redemption through purchase as hereinafter provided:

<u>2002 Maturity</u>		<u>2006 Maturity</u>	
<u>Year</u> <u>(June 15)</u>	<u>Amount</u>	<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2001	\$48,250,000	2003	\$3,430,000
		2004	3,655,000
		2005	3,900,000
<u>2012 Maturity</u>		<u>2022 Maturity</u>	
<u>Year</u> <u>(June 15)</u>	<u>Amount</u>	<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2007	\$4,430,000	2013	\$6,575,000
2008	4,730,000	2014	7,025,000
2009	5,055,000	2015	7,500,000
2010	5,400,000	2016	8,010,000
2011	5,765,000	2017	8,555,000
		2018	9,135,000
		2019	9,760,000
		2020	10,420,000
		2021	11,130,000

Prior to May 1 of each year in which Series 1992 Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1992 Bonds Sinking Fund Account of as many Series 1992 Bonds then subject to mandatory sinking fund redemption on the next June 15 as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund).

Notice of Redemption

When the Authority shall determine to redeem Series 1992 Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Series 1992 Bonds to be redeemed, or whenever the Trustee shall be required to redeem Series 1992 Bonds from moneys in the Bond Redemption Fund, without action on the part of the Authority, the Trustee, at the Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall, among other things, state the redemption price and the date fixed for

redemption, that on such date the Series 1992 Bonds called for redemption will be due and become payable at the Principal Office of the Trustee, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of all Series 1992 Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Series 1992 Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such redemption, without the requirement of written notice. If a notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

The notice to Bondholders shall be deposited by the Trustee in the United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days prior to the redemption date, addressed to the Holders of Series 1992 Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any Series 1992 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Series 1992 Bonds.

Reference is made to the Act, the Resolution, the Indenture and the PICA Tax Ordinance, executed or certified counterparts of which are on file at the principal corporate trust office of the Trustee, for statements of the purposes for which the Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Bonds (including the Income Tax) and the nature, extent and manner of enforcement of such security, certain covenants of the Authority and the City made for the benefit of Bondholders, the terms and conditions under which the Indenture may be amended or modified, the rights and duties of the Authority and the Trustee, and the extent of the rights of the registered owners of the Bonds issued under the Indenture.

STATEMENT OF INSURANCE*

Financial Guaranty Insurance Company ("Financial Guaranty") has issued a policy containing the following provisions with respect to the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 which are scheduled to mature on June 15 in each of the years 1996 through 2000 and 2002 (the "Insured Bonds"), such policy being on file at the principal office of the Trustee, as paying agent (the "Paying Agent"):

Financial Guaranty hereby unconditionally and irrevocably agrees to pay for disbursement to the Bondholders of the Insured Bonds that portion of the principal of and interest on the Insured Bonds which is then due for payment and which the issuer of the Insured Bonds (the "Issuer") shall have failed to provide. Due for payment means, with respect to the principal, 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 the payment of principal of the Insured Bonds is due by reason of call for redemption (other than mandatory sinking fund redemption), acceleration or other advancement of maturity, and with respect to interest, the stated date for payment of such interest.

Upon receipt of telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or the Paying Agent to Financial Guaranty that the required payment of principal or interest has not been made by the Issuer to the Paying Agent, Financial Guaranty on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with Citibank, N.A., or its successor as its agent (the "Fiscal Agent"), sufficient to make the portion of such payment not paid by the Issuer. Upon presentation to the Fiscal Agent of evidence satisfactory to it of the Bondholder's right to receive such payment and any appropriate instruments of assignment required to vest all of such Bondholder's right to such payment in Financial Guaranty, the Fiscal Agent will disburse such amount to the Bondholder.

As used herein, the term "Bondholder" means the person other than the Issuer or the City, as such term is defined in the bond documents, who at the time of nonpayment of an Insured Bond is entitled under the terms of such Bond to payment thereof.

The policy is non-cancellable for any reason.

FINANCIAL GUARANTY INSURANCE COMPANY

* To be printed only on 1992 Insured Bonds

(FORM OF ASSIGNMENT)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ whose taxpayer identification number is _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer said Bond on the books of the Registrar, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT B

(Form of Fully Registered 1993 Bond)

No. R

\$

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

**Special Tax Revenue Bonds
(City of Philadelphia Funding Program)**

Series of 1993

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
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REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania, United States of America, duly existing under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6) (the "Act"), for value received, hereby promises to pay (but only out of Pledged Revenues (as hereinafter defined)) to the Registered Owner identified above or registered assigns (the "Holder"), on the Maturity Date identified above, upon the presentation and surrender hereof, the Principal Amount identified above and to pay (but only out of the Pledged Revenues) interest on said Principal Amount at the annual rate specified above, from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid, from August 1, 1993, on June 15 and December 15 in each year (each, an "Interest Payment Date"), commencing December 15, 1993, until payment of the principal sum or provision therefor shall have been made or provided for.

The principal of this Bond, upon maturity or redemption, is payable at the Principal Office of Meridian Bank, or its successor, as Trustee (the "Trustee"). Interest on this Bond will be paid by the Trustee on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered on the registration books of the Authority (the "Bond

Register") maintained by Meridian Bank or its successor as Registrar and at the address appearing thereon on the last day of the month preceding such Interest Payment Date (the "Record Date") or in lieu thereof, if so requested in a written notice provided to the Trustee not less than ten (10) days prior to the relevant Interest Payment Date by a Bondholder of \$1,000,000 or more in aggregate principal amount of Series 1993 Bonds (as hereinafter defined), by wire transfer to an account in a bank located in the United States designated by such Bondholder. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof as of the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on the fifteenth (15th) day prior to the date set for the payment of such defaulted interest (the "Special Payment Date"). Such Special Payment Date shall be fixed by the Trustee in accordance with Section 2.03 of the Indenture (as hereinafter defined). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Interest on the Series 1993 Bonds shall be paid on each Interest Payment Date and shall be computed on the basis of a year of 360 days consisting of twelve 30-day months.

THIS BOND IS A LIMITED OBLIGATION OF THE AUTHORITY AND IS PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND. THIS BOND IS NOT AND SHALL NOT BE DEEMED AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, AND NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS OR SHALL BE LIABLE FOR THE PAYMENT OF SUCH PRINCIPAL OR INTEREST. THE AUTHORITY HAS NO TAXING POWER.

NOTWITHSTANDING ANY PROVISION OF THE ACT OR ANY OTHER LAW TO THE CONTRARY, OR OF ANY IMPLICATION THAT MAY BE DRAWN THEREFROM, THE COMMONWEALTH OF PENNSYLVANIA AND ALL OTHER GOVERNMENT AGENCIES, EXCEPT THE AUTHORITY, BUT INCLUDING THE CITY, SHALL HAVE NO LEGAL OR MORAL OBLIGATION FOR THE PAYMENT OF ANY EXPENSES OR OBLIGATIONS OF THE AUTHORITY, INCLUDING, BUT NOT LIMITED TO, PRINCIPAL AND INTEREST ON THE SERIES 1993 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEEES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 1993 BONDS, SHALL HAVE NO RECOURSE, EITHER LEGAL OR MORAL, TO THE COMMONWEALTH OF PENNSYLVANIA OR TO ANY GOVERNMENT AGENCY, INCLUDING THE CITY, FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 1993 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office of the Registrar. No transfer shall be valid as against the

Authority or the Trustee unless made by the registered owner in person or by his duly authorized attorney or legal representative and similarly noted upon the Bond Register and hereon. Upon any such transfer or exchange, the Authority shall issue and, after due authentication by the Trustee, shall deliver to or upon the order of the registered owner, a new registered Bond or Bonds, in authorized denominations aggregating the principal amount hereof, maturing on the same date, bearing interest at the same rate, bearing the same series designation as this Bond and registered in such names as shall be requested.

The Authority, the Trustee and the Registrar may treat the person in whose name this Bond is registered as the absolute owner of this Bond for all purposes whether or not this Bond shall be overdue, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All payments of the principal, interest or redemption price made to the registered owner hereof in the manner set forth herein and in the Indenture shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, whether or not notation of the same be made hereon, and any consent, waiver or action taken by such registered owner pursuant to the provisions of the Indenture shall be conclusive and binding upon such registered owner, his heirs, successors and assigns, and upon all transferees hereof, whether or not notation thereof be made hereon or on any Bond issued in exchange therefor.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER PROVISIONS SHALL, FOR ALL PURPOSES, HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the Commonwealth of Pennsylvania to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this Bond, exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the Authority in his individual capacity, and neither the members of the Board of the Authority nor any official executing this Bond nor any such officer, agent or employee shall be liable personally on this Bond or under the Indenture or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond, all such liability of such members, officers, agents and employees being released as a condition of and as consideration for the execution of the Indenture and the issuance of this Bond.

This Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this Bond to be executed with the facsimile signature of its Chairperson and a facsimile of its official seal to be imprinted hereon and attested with the facsimile signature of its Secretary or Assistant Secretary.

[SEAL]

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

Attest:

By: _____
Chairperson

Secretary

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 1993 Bonds described in the within mentioned Indenture. The text of the opinion of Bond Counsel printed on this Bond is the complete text of the opinion of Dilworth, Paxon, Kalish & Kauffman and Wolf, Block, Schorr and Solis-Cohen, both of Philadelphia, Pennsylvania, a signed original of which is on file with the undersigned, which was dated and delivered on the date of the original delivery of and payment for the Series 1993 Bonds.

Meridian Bank, Trustee

By: _____
Authorized Signature

Date of Authentication:

[FORM OF REVERSE OF BOND]

This Bond is one of a duly authorized issue of \$643,430,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "Series 1993 Bonds"). [This Bond is one of the Series 1993 Bonds issued as serial bonds, all of like date and tenor, except as to maturity date and interest rate. This Bond is one of the Series 1993 Bonds term bonds maturing on June 15, ____, all of like date and tenor. This Bond is [not] one of the term bonds insured by a financial guaranty insurance policy.] The Series 1993 Bonds are issued to make grants to the City of Philadelphia, Pennsylvania (the "City") to finance certain capital projects of the City and to provide funds to enable the City to refund certain of its general obligation bonds and for other purposes permitted by the Act and thereby to accomplish the public purposes set forth in the Act.

The Series 1993 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on July 23, 1993 (the "Resolution") and under an Indenture of Trust dated as of June 1, 1992, as amended and supplemented by a First Supplemental Indenture of Trust dated as of June 22, 1992 and by a Second Supplemental Indenture of Trust dated as of July 15, 1993 (collectively, the "Indenture"), between the Authority and the Trustee, and, together with other Outstanding Bonds, are equally and ratably secured under the Indenture, except as otherwise provided therein, by an assignment and pledge of, and grant of a security interest in, (i) all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes, and (ii) all moneys and securities held by the Trustee under the Indenture (except funds held in trust for the United States) (collectively, the "Pledged Revenues").

Capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture.

Optional Redemption

The Series 1993 maturing on and after June 15, 2004 are redeemable by the Authority, on or after June 15, 2003, in whole at any time or in part at any time, and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount, plus accrued interest to the redemption date.

Insert provisions regarding serial bonds as insured and uninsured term bonds, as appropriate.

Mandatory Sinking Fund Redemption

The Series 1993 Bonds maturing on June 15, 2015, consisting of \$_____ which are insured and \$_____ which are uninsured, and June 15, 2023, consisting of \$_____ which are insured and \$_____ which are uninsured, are subject to mandatory sinking fund redemption prior to maturity on June 15 of the years and in the amounts set forth below in direct order of maturity and within a maturity as chosen by the Trustee by lot at 100% of the principal amount thereof plus accrued interest, or to redemption through purchase as hereinafter provided:

<u>Maturity</u>		<u>Maturity</u>	
<u>Year</u> <u>(June 15)</u>	<u>Amount</u>	<u>Year</u> <u>(June 15)</u>	<u>Amount</u>

Prior to May 1 of each year in which Series 1993 Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1993 Bonds Sinking Fund Account of as many Series 1993 Bonds then subject to mandatory sinking fund redemption on the next June 15 as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund).

Notice of Redemption

When the Authority shall determine to redeem Series 1993 Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Series 1993 Bonds to be redeemed, or whenever the Trustee shall be required to redeem Series 1993 Bonds from moneys in the Bond Redemption Fund, without action on the part of the Authority, the Trustee, at the Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall, among other things, state the redemption price and the date fixed for redemption, that on such date the Series 1993 Bonds called for redemption will be due and become payable at the Principal Office of the Trustee, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of all Series 1993 Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Series 1993 Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such

redemption, without the requirement of written notice. If a notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

The notice to Bondholders shall be deposited by the Trustee in the United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days prior to the redemption date, addressed to the Holders of Series 1993 Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any Series 1993 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Series 1993 Bonds.

Reference is made to the Act, the Resolution, the Indenture and the PICA Tax Ordinance, executed or certified counterparts of which are on file at the principal corporate trust office of the Trustee, for statements of the purposes for which the Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Bonds (including the Income Tax) and the nature, extent and manner of enforcement of such security, certain covenants of the Authority and the City made for the benefit of Bondholders, the terms and conditions under which the Indenture may be amended or modified, the rights and duties of the Authority and the Trustee, and the extent of the rights of the registered owners of the Bonds issued under the Indenture.

STATEMENT OF INSURANCE

[To come]

(FORM OF ASSIGNMENT)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ whose taxpayer identification number is _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer said Bond on the books of the Registrar, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT C

(Form of Fully Registered 1993A Bond)

No. R-

\$

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

**Special Tax Revenue Refunding Bonds
(City of Philadelphia Funding Program)**

Series of 1993A

<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Dated</u> <u>Date</u>	<u>CUSIP</u>
--------------------------------	--------------------------------	-----------------------------	--------------

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania, United States of America, duly existing under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6) (the "Act"), for value received, hereby promises to pay (but only out of Pledged Revenues (as hereinafter defined)) to the Registered Owner identified above or registered assigns (the "Holder"), on the Maturity Date identified above, upon the presentation and surrender hereof, the Principal Amount identified above and to pay (but only out of the Pledged Revenues) interest on said Principal Amount at the annual rate specified above, from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid, from August 15, 1993, on June 15 and December 15 in each year (each, an "Interest Payment Date"), commencing December 15, 1993, until payment of the principal sum or provision therefor shall have been made or provided for.

The principal of this Bond, upon maturity or redemption, is payable at the Principal Office of Meridian Bank, or its successor, as Trustee (the "Trustee"). Interest on this Bond will be paid by the Trustee on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered on the registration books of the Authority (the "Bond

Register") maintained by Meridian Bank or its successor as Registrar and at the address appearing thereon on the last day of the month preceding such Interest Payment Date (the "Record Date") or in lieu thereof, if so requested in a written notice provided to the Trustee not less than ten (10) days prior to the relevant Interest Payment Date by a Bondholder of \$1,000,000 or more in aggregate principal amount of Series 1993A Bonds (as hereinafter defined), by wire transfer to an account in a bank located in the United States designated by such Bondholder. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof as of the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on the fifteenth (15th) day prior to the date set for the payment of such defaulted interest (the "Special Payment Date"). Such Special Payment Date shall be fixed by the Trustee in accordance with Section 2.03 of the Indenture (as hereinafter defined). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Interest on the Series 1993A Bonds shall be paid on each Interest Payment Date and shall be computed on the basis of a year of 360 days consisting of twelve 30-day months.

THIS BOND IS A LIMITED OBLIGATION OF THE AUTHORITY AND IS PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND. THIS BOND IS NOT AND SHALL NOT BE DEEMED AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, AND NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS OR SHALL BE LIABLE FOR THE PAYMENT OF SUCH PRINCIPAL OR INTEREST. THE AUTHORITY HAS NO TAXING POWER.

NOTWITHSTANDING ANY PROVISION OF THE ACT OR ANY OTHER LAW TO THE CONTRARY, OR OF ANY IMPLICATION THAT MAY BE DRAWN THEREFROM, THE COMMONWEALTH OF PENNSYLVANIA AND ALL OTHER GOVERNMENT AGENCIES, EXCEPT THE AUTHORITY, BUT INCLUDING THE CITY, SHALL HAVE NO LEGAL OR MORAL OBLIGATION FOR THE PAYMENT OF ANY EXPENSES OR OBLIGATIONS OF THE AUTHORITY, INCLUDING, BUT NOT LIMITED TO, PRINCIPAL AND INTEREST ON THE SERIES 1993A BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEEs OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 1993A BONDS, SHALL HAVE NO RECOURSE, EITHER LEGAL OR MORAL, TO THE COMMONWEALTH OF PENNSYLVANIA OR TO ANY GOVERNMENT AGENCY, INCLUDING THE CITY, FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 1993A BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office of the Registrar. No transfer shall be valid as against the

Authority or the Trustee unless made by the registered owner in person or by his duly authorized attorney or legal representative and similarly noted upon the Bond Register and hereon. Upon any such transfer or exchange, the Authority shall issue and, after due authentication by the Trustee, shall deliver to or upon the order of the registered owner, a new registered Bond or Bonds, in authorized denominations aggregating the principal amount hereof, maturing on the same date, bearing interest at the same rate, bearing the same series designation as this Bond and registered in such names as shall be requested.

The Authority, the Trustee and the Registrar may treat the person in whose name this Bond is registered as the absolute owner of this Bond for all purposes whether or not this Bond shall be overdue, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All payments of the principal, interest or redemption price made to the registered owner hereof in the manner set forth herein and in the Indenture shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, whether or not notation of the same be made hereon, and any consent, waiver or action taken by such registered owner pursuant to the provisions of the Indenture shall be conclusive and binding upon such registered owner, his heirs, successors and assigns, and upon all transferees hereof, whether or not notation thereof be made hereon or on any Bond issued in exchange therefor.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER PROVISIONS SHALL, FOR ALL PURPOSES, HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the Commonwealth of Pennsylvania to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this Bond, exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the Authority in his individual capacity, and neither the members of the Board of the Authority nor any official executing this Bond nor any such officer, agent or employee shall be liable personally on this Bond or under the Indenture or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond, all such liability of such members, officers, agents and employees being released as a condition of and as consideration for the execution of the Indenture and the issuance of this Bond.

This Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this Bond to be executed with the facsimile signature of its Chairperson or Vice Chairperson and a facsimile of its official seal to be imprinted hereon and attested with the facsimile signature of its Secretary or Assistant Secretary.

[SEAL]

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

Attest:

By: _____
(Vice) Chairperson

(Assistant) Secretary

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 1993A Bonds described in the within mentioned Indenture. The text of the opinion of Bond Counsel printed on this Bond is the complete text of the opinion of Dilworth, Paxson, Kalish & Kauffman and Wolf, Block, Schorr and Solis-Cohen, both of Philadelphia, Pennsylvania, a signed original of which is on file with the undersigned, which was dated and delivered on the date of the original delivery of and payment for the Series 1993A Bonds.

Meridian Bank, Trustee

By: _____
Authorized Signature

Date of Authentication:

[FORM OF REVERSE OF BOND]

This Bond is one of a duly authorized issue of \$178,675,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "Series 1993A Bonds"). [This Bond is one of the Series 1993A Bonds issued as serial bonds, all of like date and tenor, except as to maturity date and interest rate.] [This Bond is one of the Series 1993A Bonds issued as term bonds maturing on June 15, _____, all of like date and tenor.] This Bond is [not] one of the Series 1993A Bonds insured by a financial guaranty insurance policy. The Series 1993A Bonds are issued to refund certain of the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992.

The Series 1993A Bonds are issued under and pursuant to the Act and resolutions of the Authority duly adopted on August 19, 1993 and September 8, 1993 (the "Resolutions") and under an Indenture of Trust dated as of June 1, 1992, as amended and supplemented by a First Supplemental Indenture of Trust dated as of June 22, 1992, a Second Supplemental Indenture of Trust dated as of July 15, 1993 and a Third Supplemental Indenture of Trust dated as of August 15, 1993 (collectively, the "Indenture"), between the Authority and the Trustee, and, together with other Outstanding Bonds, are equally and ratably secured under the Indenture, except as otherwise provided therein, by an assignment and pledge of, and grant of a security interest in, (i) all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes, and (ii) all moneys and securities held by the Trustee under the Indenture (except funds held in trust for the United States) (collectively, the "Pledged Revenues").

Capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture.

Optional Redemption

The Series 1993A Bonds maturing on and after June 15, 2004 are redeemable by the Authority, on or after June 15, 2003, in whole or in part at any time, and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series 1993A Bonds maturing on June 15, 2013 and June 15, 2022 are subject to mandatory sinking fund redemption prior to maturity on June 15 of the years and in the amounts set forth

below in direct order of maturity and within a maturity (treating the 1993A Insured Term Bonds and the 1993A Uninsured Term Bonds maturing June 15, 2013 as separate maturities for this purpose) as chosen by the Trustee by lot at 100% of the principal amount thereof plus accrued interest, or to redemption through purchase as hereinafter provided:

1993A Insured Term Bonds
Maturing June 15, 2013

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2009	\$2,160,000
2010	2,280,000
2011	2,400,000
2012	2,520,000
2013*	2,640,000

1993A Uninsured Term Bonds
Maturing June 15, 2013

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2009	\$4,665,000
2010	4,885,000
2011	5,125,000
2012	5,380,000
2013*	5,655,000

1993A Insured Term Bonds
Maturing June 15, 2022

<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2014	\$ 8,710,000
2015	9,145,000
2016	9,600,000
2017	10,080,000
2018	10,585,000
2019	11,120,000
2020	11,670,000
2021	12,255,000
2022*	12,865,000

* Maturity

Prior to May 1 of each year in which Series 1993A Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1993A Bonds Sinking Fund Account of as many Series 1993A Bonds then subject to mandatory sinking fund redemption on the next June 15 as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund).

Notice of Redemption

When the Authority shall determine to redeem Series 1993A Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Series 1993A Bonds to be redeemed, or whenever the Trustee shall be required to redeem Series 1993A Bonds from moneys in the Bond Redemption Fund, without action on the part of the Authority, the Trustee, at the Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall, among other things, state the redemption price and the date fixed for redemption, that on such date the Series 1993A Bonds called for redemption will be due and become payable at the Principal Office of the Trustee, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of all Series 1993A Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Series 1993A Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such redemption, without the requirement of written notice. If a notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

The notice to Bondholders shall be deposited by the Trustee in the United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days prior to the redemption date, addressed to the Holders of Series 1993A Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any Series 1993A Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Series 1993A Bonds.

Reference is made to the Act, the Resolutions, the Indenture and the PICA Tax Ordinance, executed or certified counterparts of which are on file at the principal corporate trust office of the Trustee, for statements of the purposes for which the Series 1993A Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Series 1993A Bonds (including the Income Tax) and the nature, extent and manner of enforcement of such security, certain covenants of the Authority and the City made for the benefit of Bondholders, the terms and conditions under which the Indenture may be amended or modified, the rights and duties of the Authority and the Trustee, and the extent of the rights of the registered owners of the Bonds issued under the Indenture.

STATEMENT OF INSURANCE

[To come]

(FORM OF ASSIGNMENT)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____, whose taxpayer identification number is _____, the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer said Bond on the books of the Registrar, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT D

(Form of Fully Registered 1994 Bond)

No. R

\$

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Bonds
(City of Philadelphia Funding Program)

Series of 1994

<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Dated</u> <u>Date</u>	<u>CUSIP</u>
--------------------------------	--------------------------------	-----------------------------	--------------

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania, United States of America, duly existing under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended, (the "Act"), for value received, hereby promises to pay (but only out of Pledged Revenues (as hereinafter defined)) to the Registered Owner identified above or registered assigns (the "Holder"), on the Maturity Date identified above, upon the presentation and surrender hereof, the Principal Amount identified above and to pay (but only out of the Pledged Revenues) interest on said Principal Amount at the annual rate specified above, from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid, from December 1, 1994, on June 15 and December 15 in each year (each, an "Interest Payment Date"), commencing June 15, 1995, until payment of the principal sum or provision therefor shall have been made or provided for.

The principal of this Bond, upon maturity or redemption, is payable at the Principal Office of Meridian Bank, or its successor, as Trustee (the "Trustee"). Interest on this Bond will be paid by the Trustee on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered on the registration books of the Authority (the "Bond Register") maintained by Meridian Bank or its successor as

Registrar and at the address appearing thereon on the last day of the month preceding such Interest Payment Date (the "Record Date") or in lieu thereof, if so requested in a written notice provided to the Trustee not less than ten (10) days prior to the relevant Interest Payment Date by a Bondholder of \$1,000,000 or more in aggregate principal amount of Series 1994 Bonds (as hereinafter defined), by wire transfer to an account in a bank located in the United States designated by such Bondholder. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof as of the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on the fifteenth (15th) day prior to the date set for the payment of such defaulted interest (the "Special Payment Date"). Such Special Payment Date shall be fixed by the Trustee in accordance with Section 2.03 of the Indenture (as hereinafter defined). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Interest on the Series 1994 Bonds shall be paid on each Interest Payment Date and shall be computed on the basis of a year of 360 days consisting of twelve 30-day months.

THIS BOND IS A LIMITED OBLIGATION OF THE AUTHORITY AND IS PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND. THIS BOND IS NOT AND SHALL NOT BE DEEMED AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, AND NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS OR SHALL BE LIABLE FOR THE PAYMENT OF SUCH PRINCIPAL OR INTEREST. THE AUTHORITY HAS NO TAXING POWER.

NOTWITHSTANDING ANY PROVISION OF THE ACT OR ANY OTHER LAW TO THE CONTRARY, OR OF ANY IMPLICATION THAT MAY BE DRAWN THEREFROM, THE COMMONWEALTH OF PENNSYLVANIA AND ALL OTHER GOVERNMENT AGENCIES, EXCEPT THE AUTHORITY, BUT INCLUDING THE CITY, SHALL HAVE NO LEGAL OR MORAL OBLIGATION FOR THE PAYMENT OF ANY EXPENSES OR OBLIGATIONS OF THE AUTHORITY, INCLUDING, BUT NOT LIMITED TO, PRINCIPAL AND INTEREST ON THE SERIES 1994 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEEES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 1994 BONDS, SHALL HAVE NO RECOURSE, EITHER LEGAL OR MORAL, TO THE COMMONWEALTH OF PENNSYLVANIA OR TO ANY GOVERNMENT AGENCY, INCLUDING THE CITY, FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 1994 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office of the Registrar. No transfer shall be valid as against the Authority or the Trustee unless made by the registered owner in

person or by his duly authorized attorney or legal representative and similarly noted upon the Bond Register and hereon. Upon any such transfer or exchange, the Authority shall issue and, after due authentication by the Trustee, shall deliver to or upon the order of the registered owner, a new registered Bond or Bonds, in authorized denominations aggregating the principal amount hereof, maturing on the same date, bearing interest at the same rate, bearing the same series designation as this Bond and registered in such names as shall be requested.

The Authority, the Trustee and the Registrar may treat the person in whose name this Bond is registered as the absolute owner of this Bond for all purposes whether or not this Bond shall be overdue, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All payments of the principal, interest or redemption price made to the registered owner hereof in the manner set forth herein and in the Indenture shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, whether or not notation of the same be made hereon, and any consent, waiver or action taken by such registered owner pursuant to the provisions of the Indenture shall be conclusive and binding upon such registered owner, his heirs, successors and assigns, and upon all transferees hereof, whether or not notation thereof be made hereon or on any Bond issued in exchange therefor.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER PROVISIONS SHALL, FOR ALL PURPOSES, HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the Commonwealth of Pennsylvania to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this Bond, exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the Authority in his individual capacity, and neither the members of the Board of the Authority nor any official executing this Bond nor any such officer, agent or employee shall be liable personally on this Bond or under the Indenture or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond, all such liability of such members, officers, agents and employees being released as a condition of and as consideration for the execution of the Indenture and the issuance of this Bond.

This Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this Bond to be executed with the manual or facsimile signature of its Chairperson and its official seal to be affixed hereto or a facsimile of said seal to be imprinted hereon and attested with the manual or facsimile signature of its Secretary or Assistant Secretary.

[SEAL]

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

Attest:

By: _____

Chairperson

Secretary

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 1994 Bonds described in the within mentioned Indenture. The text of the opinion of Bond Counsel printed on this Bond is the complete text of the opinion of Ronald A. White, P.C. and Wolf, Block, Schorr and Solis-Cohen, both of Philadelphia, Pennsylvania, a signed original of which is on file with the undersigned, which was dated and delivered on the date of the original delivery of and payment for the Series 1994 Bonds.

Meridian Bank, Trustee

By: _____
Authorized Signature

Date of Authentication:

[FORM OF REVERSE OF BOND]

This Bond is one of a duly authorized issue of \$122,020,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "Series 1994 Bonds"). [This Bond is one of the Series 1994 Bonds issued as serial bonds, all of like date and tenor, except as to maturity date and interest rate.] [This Bond is one of the Series 1994 Bonds issued as term bonds maturing on June 15, ____, all of like date and tenor.]** The Series 1994 Bonds are issued to make grants to the City of Philadelphia, Pennsylvania (the "City") to finance certain capital projects of the City and for other purposes permitted by the Act and thereby to accomplish the public purposes set forth in the Act.

The Series 1994 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on December 1, 1994 (the "Resolution") and under an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Indenture"), between the Authority and the Trustee, and, together with other Outstanding Bonds, are equally and ratably secured under the Indenture, except as otherwise provided therein, by an assignment and pledge of, and grant of a security interest in, (i) all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes, and (ii) all moneys and securities held by the Trustee under the Indenture (except funds held in trust for the United States) (collectively, the "Pledged Revenues").

Capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture.

Optional Redemption

The Series 1994 Bonds maturing on and after June 15, 2006 are redeemable by the Authority, on or after June 15, 2005, in whole at any time or in part at any time and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series 1994 Bonds maturing on June 15, 2014 and June 15, 2021 are subject to mandatory sinking fund redemption prior to maturity on June 15 of the years and in the amounts set forth

** Insert provision regarding serial bonds or provision regarding term bonds, as appropriate.

below in direct order of maturity and within a maturity as chosen by the Trustee by lot at 100% of the principal amount thereof plus accrued interest, or to redemption through purchase as hereinafter provided:

<u>2014 Maturity</u>		<u>2021 Maturity</u>	
<u>Year</u> <u>(June 15)</u>	<u>Amount</u>	<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2010	\$4,485,000	2015	\$6,290,000
2011	4,795,000	2016	6,710,000
2012	5,135,000	2017	7,165,000
2013	5,490,000	2018	7,650,000
2014*	5,875,000	2019	8,165,000
		2020	8,715,000
		2021*	9,305,000

* Maturity

Prior to May 1 of each year in which Series 1994 Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1994 Bonds Sinking Fund Account of as many Series 1994 Bonds then subject to mandatory sinking fund redemption on the next June 15 as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund).

Notice of Redemption

When the Authority shall determine to redeem Series 1994 Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Series 1994 Bonds to be redeemed, or whenever the Trustee shall be required to redeem Series 1994 Bonds from moneys in the Bond Redemption Fund, without action on the part of the Authority, the Trustee, at the Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall, among other things, state the redemption price and the date fixed for redemption, that on such date the Series 1994 Bonds called for redemption will be due and become payable at the Principal Office of the Trustee, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of all Series 1994 Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Series 1994 Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such

redemption, without the requirement of written notice. If a notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

The notice to Bondholders shall be deposited by the Trustee in the United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days, prior to the redemption date, addressed to the Holders of Series 1994 Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any Series 1994 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Series 1994 Bonds.

Reference is made to the Act, the Resolution, the Indenture and the PICA Tax Ordinance, executed or certified counterparts of which are on file at the principal corporate trust office of the Trustee, for statements of the purposes for which the Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Bonds (including the Income Tax) and the nature, extent and manner of enforcement of such security, certain covenants of the Authority and the City made for the benefit of Bondholders, the terms and conditions under which the Indenture may be amended or modified, the rights and duties of the Authority and the Trustee, and the extent of the rights of the registered owners of the Bonds issued under the Indenture.

STATEMENT OF INSURANCE

Financial Guaranty Insurance Company ("Financial Guaranty") has issued a policy containing the following provisions with respect to the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "Series 1994 Bonds"), such policy being on file at the principal office of the Trustee, as paying agent (the "Paying Agent"):

Financial Guaranty hereby unconditionally and irrevocably agrees to pay for disbursement to the Bondholders of the Series 1994 Bonds that portion of the principal of and interest on the Series 1994 Bonds which is then due for payment and which the issuer of the Series 1994 Bonds (the "Issuer") shall have failed to provide. Due for payment means, with respect to the principal, 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 the payment of principal of the Series 1994 Bonds is due by reason of call for redemption (other than mandatory sinking fund redemption), acceleration or other advancement of maturity, and with respect to interest, the stated date for payment of such interest.

Upon receipt of telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or the Paying Agent to Financial Guaranty that the required payment of principal or interest has not been made by the Issuer to the Paying Agent, Financial Guaranty on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), sufficient to make the portion of such payment not paid by the Issuer. Upon presentation to the Fiscal Agent of evidence satisfactory to it of the Bondholder's right to receive such payment and any appropriate instruments of assignment required to vest all of such Bondholder's right to such payment in Financial Guaranty, the Fiscal Agent will disburse such amount to the Bondholder.

As used herein, the term "Bondholder" means the person other than the Issuer or the City, as such term is defined in the bond documents, who at the time of nonpayment of a Series 1994 Bond is entitled under the terms of such Series 1994 Bond to payment thereof.

The policy is non-cancellable for any reason.

FINANCIAL GUARANTY INSURANCE COMPANY

(FORM OF ASSIGNMENT)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____, whose taxpayer identification number is _____, the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer said Bond on the books of the Registrar, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: The signature on this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT E

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

DEFICIT FUND

REQUISITION

[Name of Trustee]
Trustee under [Insert
designation of Indenture]
Philadelphia, Pennsylvania

Requisition No. _____

Ladies and Gentlemen:

You are hereby directed to make disbursement of moneys from the Deficit Fund of the Pennsylvania Intergovernmental Cooperation Authority ("Authority") created under the Indenture above referred to as follows:

Amount: \$ _____

Payee: City of Philadelphia
Name of Bank:
Account No.:

Purpose: Payment of _____ % [final balance] of the City of Philadelphia's General Fund deficit for the Fiscal Year ended June 30, 199_ pursuant to Section 5.03(b)(i) [5.03(b)(ii)] of the Indenture, as shown on the City's certified [audited] financial statements for such Fiscal Year.

Date of Requisition:

The above date is no later than _____ days following receipt by the Authority of the City's certified [audited] financial statements for the Fiscal Year ended June 30, 199_.

AUTHORITY CERTIFICATION

The undersigned officer of the Pennsylvania Intergovernmental Cooperation Authority hereby certifies that, based upon the financial statements of the City of Philadelphia described above, the amount to be paid pursuant to this Requisition does not exceed the amount permitted to be paid pursuant to Section 5.03(b)(i) [5.03(b)(ii)] of the Indenture.

**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY**

By: _____
Name/Title

EXHIBIT F

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

CAPITAL PROJECTS FUND

REQUISITION

Meridian Bank
Trustee under Amended and Restated
Indenture of Trust dated as of
December 1, 1994
Philadelphia, Pennsylvania

Requisition No. _____

Ladies and Gentlemen:

You are hereby directed to make disbursement of moneys from the Capital Projects Fund of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") created under the above-referenced Amended and Restated Indenture of Trust (the "Indenture") as follows:

Amount: \$ _____

Payee: ENCUMBERED FUNDS ACCOUNT, established pursuant to agreement dated as of June 1, 1992, as amended by agreement dated as of July 15, 1993 and as amended and restated by agreement dated as of December 1, 1994 between the Authority and CoreStates Bank, N.A.
Account No.:

Purpose: To enable the City of Philadelphia (the "City") to encumber funds for the Capital Project described in the Notice of the City dated _____, attached hereto and made a part hereof.

Date of Requisition:

AUTHORITY CERTIFICATION

The undersigned officer of the Pennsylvania Intergovernmental Cooperation Authority hereby certifies that, based upon the Notice of the City attached hereto and made a part hereof, (i) the Capital Project for which the City is encumbering funds is listed on Schedule ___ to the Indenture and (ii) the disbursement directed by this requisition is permitted pursuant to Section 5.04(b) of the Indenture.

**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY**

By: _____
Name/Title

CITY OF PHILADELPHIA
NOTICE REQUESTING TRANSFER FROM
CAPITAL PROJECTS FUNDS TO
ENCUMBERED FUNDS ACCOUNT

Pennsylvania Intergovernmental
Cooperation Authority
1429 Walnut Street
Philadelphia, PA 19102

Ladies and Gentlemen:

The City of Philadelphia hereby gives notice, pursuant to Section 5.04(b) of the Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Indenture") between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and Meridian Bank, as trustee (the "Trustee"), that the City is ready to encumber funds for the Capital Project of the City set forth below, and therefore requests that the Authority requisition the amount set forth below from the Capital Projects Fund established under the Indenture for deposit in the [insert name of account within the Encumbered Funds Account] of the Encumbered Funds Account established pursuant to an agreement dated as of June 1, 1992, as amended by agreement dated as of July 15, 1993, as amended and restated by an agreement dated as of December 1, 1994, between the Authority and CoreStates Bank, N.A.

1. Capital Project: [describe project here or on Schedule to be attached]
2. Amount to be Requisitioned: [cost of contract or cost of work]
3. Nature of contract to be awarded or work to be performed: [describe here or on Schedule to be attached]
4. Proposed date of contract award or date of commencement of work:

CITY CERTIFICATION

It is hereby certified (i) that the Capital Project of the City is a capital project listed on Schedule ___ to the Indenture and (ii) that the information set forth in items 1 through 4 above is true, correct and complete as of the date of this notice.

CITY OF PHILADELPHIA

By:

Director of Finance
or Authorized Designee

Approved:

Mayor

President of City Council

City Controller

SCHEDULE 1

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

\$474,555,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION
AUTHORITY

SPECIAL TAX REVENUE BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)
SERIES OF 1992

\$238,490,000 Serial Bonds

<u>Due</u> <u>(June 15)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>
1995	\$33,725,000	9.000%	5.25%
1996	36,765,000	5.200	5.25
1997	38,670,000	5.400	5.50
1998	40,765,000	5.600	5.70
1999	43,045,000	5.750	5.85
2000	45,520,000	6.000	100

\$99,395,000 6% Term Bonds Due June 15, 2002 at 6-1/8%
\$15,140,000 6-5/8% Term Bonds Due June 15, 2006 at 6.68% *
\$31,535,000 6.80% Term Bonds Due June 15, 2012 at 99.70% *
\$89,995,000 6.80% Term Bonds Due June 15, 2022 at 99% *

* No longer Outstanding by virtue of refunding

SCHEDULE 2

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

\$643,430,000

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION
AUTHORITY**

**SPECIAL TAX REVENUE BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)
SERIES OF 1993**

\$327,570,000 Serial Bonds

<u>Due (June 15)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
1995	\$ 4,225,000	3.300%	3.400%
1996	8,605,000	3.750	3.850
1997	9,785,000	4.000	4.100
1998	10,085,000	4.200	4.300
1999	10,530,000	4.400	4.500
2000	11,005,000	4.550	4.650
2001	11,455,000	4.700	4.800
2002	12,095,000	4.800	4.900
2003	25,440,000	4.900	5.000
2004	23,860,000	5.050	5.150
2005	36,615,000	5.150	5.250
2006	47,920,000	5.250	5.350
2007	50,460,000	5.350	5.450
2008	36,075,000	5.450	5.550
2009	29,415,000	5.500	5.600

\$92,365,000 5.60% Term Bonds Due June 15, 2015 at 97.895%
\$54,380,000 5.75% Term Bonds Due June 15, 2015 at 5.95%
\$10,000,000 5.60% Term Bonds Due June 15, 2016 at 97.848%
\$119,115,000 5-5/8% Term Bonds Due June 15, 2023 at 97.245%
\$40,000,000 5-7/8% Term Bonds Due June 15, 2023 at 6.00%

SCHEDULE 3

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

\$178,675,000

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION
AUTHORITY**

**SPECIAL TAX REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)
SERIES OF 1993A**

\$44,935,000 Serial Bonds

<u>Due (June 15)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
1994	\$3,325,000	2.80%	100%
1995	1,380,000	3.40	100
1996	1,425,000	3.80	100
1997	645,000	4.00	100
1998	665,000	4.05	4.15
1999	695,000	4.20	4.30
2000	735,000	4.35	4.45
2001	750,000	4.50	4.60
2002	775,000	4.60	4.70
2003	5,095,000	4.75	4.85
2004	5,335,000	4.85	4.95
2005	5,595,000	4.95	5.05
2006	5,870,000	5.05	5.13
2007	6,165,000	5.15	5.23
2008	6,480,000	5.25	5.33

\$12,000,000 5.00% Term Bond Due June 15, 2013 at 5.47%

\$25,710,000 5.00% Term Bond Due June 15, 2013 at 5.62%*

\$96,030,000 5.00% Term Bond Due June 15, 2022 at 5.55%

* Payment of principal of and interest on these 1993A Bonds is not insured. Payment of principal of and interest on all other Bonds is insured by a financial guaranty insurance policy issued by Municipal Bond Investors Assurance Corporation.

SCHEDULE 4

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

\$122,020,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL TAX REVENUE BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 1994

\$42,240,000 Serial Bonds

<u>Due (June 15)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
1995	\$1,840,000	5.00%	4.20%
1996	1,935,000	5.20	5.20
1997	2,035,000	5.40	5.40
1998	2,145,000	5.60	5.65
1999	2,265,000	5.70	5.80
2000	2,395,000	5.90	5.95
2001	2,535,000	6.00	6.05
2002	2,685,000	6.10	6.15
2003	2,850,000	6.20	6.25
2004	3,025,000	7.00	6.35
2005	3,240,000	7.00	6.45
2006	3,465,000	6.50	6.55
2007	3,690,000	6.60	6.65
2008	3,935,000	6.70	6.75
2009	4,200,000	6.80	6.85

\$25,780,000 7.00% Term Bonds Due June 15, 2014 at 99.474%
\$54,000,000 6.75% Term Bonds Due June 15, 2021 at 95.500%

Schedule 5

Capital Financing Approved Section 301(e) (1) Projects

Qualified	Amount (\$ Millions)
58a Penn's Landing Sea Wall	0.250
72a Computer Aided Dispatch-Fire Department	0.400
72b Fire Station Rehabilitation-Overhead Doors	0.280
72c Fire Administration Building-3rd Spring Garden	0.050
72d Fire Station Rehab. Engine 50	0.256
72e Fire Station Rehab.-engine 69	0.446
72f Fire Station Rehab.-Engine 37	0.279
72g Fire Station Rehab.-Engine 44	0.289
73 Library Facility-Structural Renovations	0.200
75a Rehab. Branch Libraries-Variou	0.307
75b Cecil B. Moore Library-Renovations	0.175
75c Katharine Drexel Library	0.040
75d Lehigh Ave. Branch Library	0.138
75e Northeast Regional Library	0.190
75g Richmond Branch Library	0.025
75h Roxborough Branch Library	0.100
75i Walnut West Branch Library	0.200
76a Health Center Rehabilitation-HVAC Renovations	0.910
76b Health Center 1 Laboratory	0.205
76c Viewing & Autopsy Areas	0.185
76d Laboratory & Body Storage Improvements	0.200
76e Philadelphia Nursing Home	1.100
80a Riverview Home-7979 State Rd.	0.400
80b Riverview Home Bathroom Renovations	0.200
81a Youth Study Center-Fire Alarm	0.175
83 Critical Roof Renovations	0.088
88a Police Station Rehabilitation-Cell Toilets	0.180
88b Police Stations Rehab. Female Locker Rooms	0.978
88c Police Station -6th District	0.055
88d Police Station-9th District	0.040
88e Police Academy-Propane Tank	0.033
88f Police Support Buildings	0.010
88g Police Assist Alarm System	0.075
88h Police Administration Bldg.	0.205
89a House of Correction	0.750
89b Prisons-Asbestos Removal	0.500
90 Capital Program Administration	1.967
91 City Hall-Structural Renovations	7.500
92 Underground Fuel Storage	3.000
93 Asbestos Abatement Program	2.177
94 PCB Filled Transformers	0.200

Capital Financing
Approved Section 301(e) (1) Projects

Qualified	Amount (\$ Millions)
97 Citywide Radio System	1.500
99c Police/Fire Station 24 & Wolf	7.500
99e Radio Alarm System	0.020
130 Concourse Improvements	1.000
148 Veterans Stadium	11.040
149 Betsy Ross House	0.150
150 Atwater Kent Museum	0.300
151 Robin Hood Dell East	0.200
153 Capital Program Administration	1.736
154 Improvements to Existing Buildings	3.328
155a 12th and Cambia St. Roof Renovations	0.150
155c 39th and Olive St.-Pool Improvements	0.100
155g Barrett Playground	0.150
155h Belfield Recreation Center	0.453
155j Chalfont & Deerpath Playground .	0.150
155k Clemente Playground	0.200
155l Cruz Recreation Center	0.130
155m Finley Playground	0.150
155n Fishtown Recreation Center	0.080
155q Francis Myers Recreation Center	0.200
155r Francisville Playground	0.125
155s Frank Glavin Playground	0.150
155t Franklin Playground	0.184
155u Guerin Recreation Center	0.125
155v Happy Hollow Recreation Center	0.125
155w Heitzman Recreation Center	0.100
155x Herron Playground	0.207
155y Jacobs Playground	0.150
155z Jardel Recreation Center	0.123
156a Junod Playground	0.250
156b Kendrick Recreation Center	0.095
156d King Recreation Center	0.175
156e Lanier Playground	0.100
156f Lee Recreation	0.095
156g Lonnie Young Playground	0.762
156h Mantua Recreation Center	0.120
156i Marian Recreation Center	0.150
156j Max Myers Playground	0.100
156k Mcalpin Playground	0.064
156l Mc Veigh Recreation	0.250
156m Mitchell Playground	0.218

**Capital Financing
Approved Section 301(e) (1) Projects**

Qualified	Amount
156n Morris Estate Recreation Center	0.279
156o Murphy Recreational Center	0.200
156p Olney Recreation Center	0.060
156q Palmer Recreation Center	0.411
156r Penrose Playground	0.150
156s Picariello Playground	0.575
156t Piccoll Playground	0.130
156u Rambler Playground	0.137
156v Rizzo Ice Rink	0.200
156w Roosevelt Playground	0.250
156x Samuel Recreation Center	0.175
156y Sherwood Recreation Center	0.075
156z Stokely Playground	0.075
157b Vare Recreation Center	0.100
157c Vogt Recreation Center	0.080
157d Watertower Recreation Center	0.234
157e Whittier Playground	0.060
165 Capital Program Administration	1.020
166 Parkland Facilities	0.250
166a Park Facilities	2.000
167 Recreation Path Improvements	0.688
171 Belmont Mansion	0.400
172 Bridge Improvements	0.063
173 Tree Removal	0.200
174 River Drives Improvements	0.500
175 Public Restrooms	0.280
176 Electrical Improvements	0.200
177 Flood, Drainage Improvements	0.200
177a Flood Improvements-Schuylkill	0.300
177b Flood Drainage-Wissahickon	0.160
180 Historic Park Buildings	0.500
181 Historic Park Squares	0.099
182 Athletic & Play Improvements	0.200
183 Maintenance Buildings Improvements	0.157
184 Security Improvements	0.300
184a Plaisted Hall	0.851
184b Memorial Hall	0.198
184c Picnic Areas	0.100
184d Hunting Park Pool Improvements	0.150
184e JFK Plaza-Paver Replacement	0.100
184f Pennypack Park	0.150
184g Andorra Nature Center	0.075
184h Kemble Park	0.100
184i Hunting Park	0.700

Capital Financing
Approved Section 301(e) (1) Projects

Qualified	Amount (\$ Millions)
184k Pennypack Park	0.100
185a Philadelphia Zoo	0.600
185b Philadelphia Zoo	0.398
186 Art Museum	0.850
187 Brige Reconstruction-Design	0.140
188 Bridge Reconstruction Program	0.959
189 Federal Highway Program	0.211
190 Federal Highway Program	4.320
191 Reconstruction of Streets	7.000
192 Streets Department	1.000
194 Ramps for the Handicap	0.200
195 Transit First Policy Projects	0.200
197a Street Lighting	3.000
197b North Philadelphia Station	0.100
197d Street Openings	0.100
199a Underground Tank Replacement	0.200
199b Northwest Sanitation Facility	0.150
199c Northeast Transfer Station	0.250
199d Automotive Shop Equipment	0.150
199e Heavy Duty Vehicle Lifts	0.250
Sub-Total-Qualified	90.273

**Capital Financing
Approved Section 301(e)(2)**

<u>Qualified</u>	<u>Amount</u> (\$ Millions)
58 - Penn's Landing Walnut Street Plaza, etc.	3.400
58B-Penn's Landing Dredging	0.150
58C- Penn's Landing Utility Relocation	0.200
65B-Ridgeway Library	3.000
98 - Energy Cost Reduction Program	1.000
100 - 9th Street - Bridge/Systems	11.411
101 - 9th Street Engineering	0.146
102 - Temple University Rail Station	1.370
103 - Bridge Improvement - FRA funded	0.350
104 - FRA Bridges 1991	0.156
105 - Bridge Improvement Program - FFY1988	0.390
106- Overbrook Rail Maintenance Facility	0.567
107 - RR Facilities Improv. - FFY1988 - Discretionary	0.389
108 - RR Facilities Improv. - FFY1988 - Formula	0.157
109 - FRA Mandated Speed Control Installation	0.431
110 - University City Rail Station	0.693
111 - 30th Street Station - Signs	0.019
112 - 30th Street Station - Upper Platforms	0.001
113 - Broad Street Subway - Susquehanna/Dauphin	0.374
114 - Frankford El Relocation - 2nd St. Elevators	0.142
115 - Columbia Station - Handicapped Accessibility	0.002
116-North Philadelphia Amtrak Station	0.060
118 - FRA/EPA mandated car modifications	0.170
119-Amtrak - Septa centralized traffic controls	0.167
120 - Wayne Junction Substation Modernization	0.021
122 - Regional Railroad Signal Modern. - Engineering	0.017
123 - RRD Engineering and Development Program	0.012
124 - Commuter Operating Facilities Modernization	0.022
129 - Regional RR - Cresheim Valley Bridge	0.100
131 - Chestnut Street Transitway	0.029
133 - Erie Avenue Subway Station	0.012
147B - Tourist Shuttle	1.000
193-Convention Center Area Street Improvements	2.375
196- Stadium Complex Roadway	2.355
197C - Delaware Avenue Access Road - Packer	0.400
 Sub-Total-Qualified	 <u><u>31.088</u></u>

Schedule 6

**Capital Financing
Approved Section 301(e) (1) Projects**

Qualified	Amount (\$ millions)
59 Convention Hall - Fire Alarm System	0.156
79 Engineering Assessment of Fire Department	0.050
80 Fire Station Rehabilitation - Critical Renovations - Various	0.500
81 Fire Station Rehabilitation - Overhead Door and Window Replacement	0.420
84 Fire Administration Building - 240 Spring Garden Street	0.280
86 Replacement of Computer Systems	0.500
87 Rehabilitation of Branch Libraries - Various	1.350
88 Central Library Improvements - Logan Square	0.200
95 Health Center Rehabilitation - HVAC Renovations - Various	0.395
96 Medical Examiner's Building - Renovations - 321 University Ave.	0.300
97 Philadelphia Nursing Home - Girard and Corinthian Aves.	0.400
98 Critical Renovations - Stenton Family and Woodstock Shelters	0.190
104 Riverview Renovations - 7979 State Rd.	0.600
107 Youth Study Center - 2020 Pennsylvania Ave.	0.871
109 Facility Improvements - ADA Compliance - Citywide	3.000
112 Police Facilities - Rehabilitation - Various	2.000
113 Police Station Renovations to Accommodate Female Officers	0.750
114 Police Station Rehab. - Suicide Prevention Cells and Emergency Generators	0.440
116 Prisons - Critical Renovations and Asbestos Abatement	2.550
116a Prison Expansion Phase II - Additional 1,000 Beds/Youth Study Center	53.578
120 Capital Program Administration, Design and Engineering	2.914
121 City Hall - Electrical, Mechanical and Structural Renovations	8.690
121a Municipal Services Building - Rehabilitation	11.828
122 Underground Fuel Storage Tanks - EPA Compliance Program	4.400
123 Underground Non-Fuel Storage Tanks - EPA Compliance Program	1.000
124 Citywide Radio System - 800 mhz	0.268
127 City Hall - Elevator Telephones	0.060
131 Conservation of Art	0.100
149 Broad Street Subway - Emergency Renovations	0.500
172 Veterans Stadium - Critical Renovations	7.500
173 Fort Mifflin - Renovations - Old Fort Mifflin Rd.	0.150
175 Betsy Ross House - Renovations - 239 Arch St.	0.250
177 Capital Program Administration, Design and Engineering	2.388
178 Improvements to Existing Facilities - Site Renovations	5.875
179 Improvements to Existing Facilities - Building Renovations	6.000
180 Improvements to Existing Facilities - HVAC - Renovations	0.350
181 Improvements to Existing Facilities - Fire/Safety/Security Systems	0.500
182 Improvements to Existing Facilities - Swimming Pools - Renovations	0.650
183 Improvements to Existing Facilities - Court Reconstruction	0.363
184 Improvements to Existing Facilities - Outdoor Lighting and Electrical Renovations	2.330
185 Improvements to Existing Facilities - Play Area Renovations	2.400
186 Improvements to Existing Facilities - Roof Replacements	0.870
187 RIRA State Grant - Various	0.170

**Capital Financing
Approved Section 301(e) (1) Projects**

Qualified	Amount (\$ millions)
188 Francis Myers Recreation Center - 58th St. and Kingsessing Ave.	0.135
189 Lee Recreation Center - 4400 Haverford Ave.	0.135
190 Lonnie Young Recreation Center - Cheltenham Ave. and Ardleigh St.	0.135
192 Replacement Maintenance Facility - 25th and Sedgley Sts.	0.175
193 Capital Program Administration, Design and Engineering - Fairmount Park Comm.	0.799
194 Park Facilities - Structural Renovations	2.400
195 Parkland and Park Facilities - Critical Renovations	1.500
196 Tree Planting and Removal - Various	0.500
197 Public Restroom, Plumbing and Drinking Fountain Rehabilitation - Various	0.478
198 Flood, Drainage and Trail Improvements - Various	0.133
199 Flood, Drainage and Trail Improvements - Wissahickon	0.200
200 Flood, Drainage and Trail Improvements - Pennypack	0.200
201 Paving - Various	0.200
202 Electrical Improvements - Various	0.250
203 RIRA Grant Funding for Park Projects	0.150
204 ISTEAGrant Funding - Manayunk Canal Recreational Path Improvements	0.200
205 Plaisted Hall - Facility Replacement - Kelly Drive	1.517
206 Belmont Mansion	0.200
207 Benjamin Franklin Parkway - Improvements	0.400
208 Memorial Hall - Renovations	0.200
210 Bluebell Park - Roadway and Picnic Area Renovations	0.150
211 Washington Square - Walkway Renovations	0.500
215 Philadelphia Zoo - Utility Replacement	0.100
216 Philadelphia Zoo - Trunk Line Replacement	0.070
217 Philadelphia Zoo - Heating System Replacement - Giraffe House	0.080
218 Philadelphia Zoo - Boiler Replacement	0.070
219 Philadelphia Zoo - Underground Tank Removal	0.100
220 Philadelphia Zoo - Handicapped Access	0.097
225 Art Museum - Critical Renovations	0.500
226 Federal Aid Highway Program and Transportation Projects - Design and Engineering	0.170
227 Bridge Reconstruction Program - Design and Engineering	0.073
227a Facilities Improvements - Design and Engineering	0.150
228 Federal Aid Highway Program - Improvements to Existing Streets	0.870
229 Bridge Reconstruction Program	1.833
230 Reconstruction and Resurfacing of Streets	15.000
231 Traffic Signals, Controls and Directional Devices	0.700
232 Ramps for the Disabled	0.400
232a Street Reconstruction and Resurfacing - Handicapped Access	8.750
233 Street Lighting Replacement	3.278
234 Street Name Signs	0.200
236 Island Construction, Rehabilitation and Removal	0.075
237 Transit First Policy Projects	0.200
238 Reconstruction of Track Streets	0.250

**Capital Financing
Approved Section 301(e) (1) Projects**

Qualified	Amount (\$ millions)
239 Delaware Avenue - Reconstruction - Reed St. to Richmond St.	0.008
242 Logan Circle Pedestrian Access Improvements	0.114
246 Traffic Engineering Shop - Renovation	0.069
258 Sanitation Facilities - Critical Structural, Mechanical, and Electrical Renovations	0.500
259 Underground Tank Replacement Project	0.300
260 Automotive Equipment - Various	0.150
261 Fairmount Park - Leaf Recycling Center - Ford Rd. and Chamounix Dr.	0.050
Subtotal Qualified 301(e)(1)	172.800

Capital Financing
Approved Section 301(e) (2) Projects

Qualified	Amount (\$ millions)
57 Penn's Landing - South Street Bridge	0.750
58 Penn's Landing - Lighting and Walkway Renovations	0.100
62 Industrial Sites - Acquisition and Development - Enterprise Zones	0.475
65 GSA Project Site Development - Extension of Townsend Road	0.750
66 Food Distribution Center - Improvements	0.200
69 Avenue of the Arts - Recital Hall - Acquisition and Construction	7.000
70 Avenue of the Arts - Ridgeway Library Rec Center Replacement	0.500
71 Convention Center Area Renewal	4.000
132 Tourist Shuttle - Entertainment Loop	0.053
133 Riverfront Shuttle Transit	0.042
135 City Hall Station - Renovation	1.000
136 Regional Rail Division - Lease-Purchases	0.696
137 City Transit Division - Lease-Purchases	1.406
138 Lease Purchase of Transit Vehicles and Facilities - Act 26	0.846
140 North Philadelphia Amtrak Station - Platform Renovations	0.045
141 Commuter Rail Facilities - Catenary Replacement - Chestnut Hill West Line	0.012
142 Regional Railroad Bridge Improvement Program	0.300
143 Railroad Facilities Improvement Program - Discretionary Grant	0.510
144 Overbrook Rail Maintenance Facility	0.600
145 Amtrak - SEPTA Centralized Traffic Control	0.287
146 FRA Mandated Speed Control Installation	0.086
147 30th Street Station - Handicapped Accessibility and Other Circulation Improv.	0.536
148 Overbrook Station - Restoration	0.020
150 Manayunk Viaduct and Bridge - Rehabilitation	0.100
151 Chestnut Street Transitway - Reconstruction and Extension	0.075
152 Wayne Junction Substation Modernization - Phase III	0.021
153 Transit Vehicle and Equipment Procurement - Act 26	0.338
154 Transit Facilities Modernization - Act 26	0.550
155 Regional Rail Station Accessibility	0.058
156 Light Rail Vehicle Purchase	0.017
157 Light Rail Vehicle Infrastructure	0.100
174 Afro-American Museum - Interior Renovations	0.250
176 Atwater Kent Museum - Renovations - 15 S. 7th St.	0.075
240 Convention Center Area - Street Widening and Reconstruction	0.600
241 Avenue of the Arts - Streetscaping Improvements - South Broad Street	1.200
243 26th Street Gateway Improvements	0.100
Subtotal Qualified 301(e)(2)	23.698
Total Qualified	196.499

SCHEDULE 7**Capital Financing
Approved Section 301(e)(1)
Emergency Projects**

Qualified		Amount
Line No.		(\$ Millions)
1	Fire and Life Safety Improvements	1.500
2	Perimeter Heating System	0.150
3	Asbestos Abatement	0.250
4	Handicapped Access	0.230
5	Rodin Museum	0.250
68	Penn's Landing Sea Wall	0.200
70	Penn's Landing Riverwalk Improvements	0.075
106	Capital Program Administration	0.736
107	Park Facilities Structural Renovations	0.790
108	Flood Drainage and Trail Improvements	1.350
109	Fairmount Waterworks Rehabilitation	0.200
110	West Park Improvements	0.150
111	Tree Planting and Removal	0.500
115	Recreation Path Improvements Kelly and West Drives	0.100
118	Loudon Mansion	0.235
120	Hunting Park - Improvements	0.100
121	Flood, Drainage, and Trail Improvements	0.150
123	Memorial Hall - Renovations	0.100
124	Athletic and Play Area Improvements	0.150
125	Paving - Various Sites	0.100
136	Fire Station Rehabilitation Critical Renovations	1.455
138	Underground Automotive Fuel and Non-Fuel Tanks	1.400
139	Fuel Control Systems	2.000
142	Rehabilitation Branch Libraries	0.750
143	Central Library Improvements - Logan Square	0.450
144	Replacement of Computer System	0.300
148	Health Centers - Rehabilitation - Various Locations	0.775
149	Medical Examiner's Building - Renovations	0.050
151	Health Support Facilities Renovations	0.400
152	Health Facilities - ADA Compliance	0.075
153	Critical Renovations Stenton and Woodstock Shelters	0.250
156	Riverview Renovations	0.180
157	Youth Study Center	0.160
158	Facility Improvements ADA Compliance	1.500
160	Local Match for Transportation Enhancement Grants	0.800
164	Police Facilities Rehabilitation	4.000
165	Police Station - Emergency Generators	0.200
167	Industrial Correctional Facilities	1.440
168	Detention Center Renovations	0.790
169	New House of Corrections	5.000
171	Training Academy Building Renovations	0.120
177	Capital Program Administration and Design	2.494
178	City Hall Renovations	10.000

179	Asbestos Abatement - City-Wide	0.750
180	Germantown Hall	0.175
196	Market Street East	0.850
200	Amtrak - SEPTA Centralized Control	0.300
201	FRA Mandated Speed Control	0.040
206	Manayunk Viaduct and Bridge Rehabilitation	0.200
207	SEPTA Consolidated Control Center	0.047
208	Reading Trunk Line-Systems Improvements	0.047
209	Station Accessibility Program	0.057
210	Regional Rail Division Bridge Improvement Program	0.117
211	Light Rail Vehicle Purchase	0.100
212	Light Rail Vehicle Infrastructure	0.266
213	Broad St. Subway Emergency Renovations	0.500
214	Regional Rail Division	0.283
215	City Transit Division	0.641
216	Lease - Purchase of Vehicle and Facilities	1.157
217	Vehicle and Equipment Procurement	0.334
218	Lease - Purchase of Vehicles and Facilities	0.550
219	Vehicle and Equipment Procurement	1.261
220	Rail and Transit Facilities	0.110
221	Lease - Purchase of Vehicle and Facilities	0.550
222	Rail and Transit Facilities Modernization	0.110
245	Veterans Stadium	6.422
246	Capital Program Administration	2.396
247	Improvements to Existing Facilities-HVAC	1.000
248	Improvements to Existing Facilities-Site Improvements	2.625
249	Improvements to Existing Facilities-Bldg. Improvements	1.060
250	Improvements to Existing Facilities-Outdoor Lights	0.950
251	Improvements to Existing Facilities-Play Areas	1.500
252	Improvements to Existing Facilities-Roof Replacement	0.750
253	Improvements to Existing Facilities-Court Reconstruction	0.500
254	Improvements to Existing Facilities-Pool Renovations	0.500
255	Improvements to Existing Facilities-Safety/Security	0.200
261	Bridge Reconstruction Program	0.084
262	Bridge Reconstruction Program Design and Engineering	0.079
263	Federal Aid Highway Program	1.762
264	Federal Aid Highway - Design and Engineering	0.229
266	Reconstruction and Resurfacing of Streets	16.000
267	Ramps for the Disabled	0.400
268	Street Lighting Replacement	0.750
269	Traffic Signals, Control Devices	0.500
270	Street Name Signs	0.075
272	Traffic Engineering Shop	0.050
281	Sanitation Facilities	0.275
292	Philadelphia Zoo - Critical Renovations	0.610
293	Philadelphia Zoo - Handicapped Access	0.100
294	Philadelphia Zoo - Utility Replacement	0.250
295	Philadelphia Zoo - HVAC	0.250
	Sub - Total Qualified - Section 301(e)(1)	<hr/> 89.667

Capital Financing
Approved Section 301(e)(2)
Productivity/Deficit Reduction

Qualified Line No.	Amount (\$ Millions)
92 Convention Center Area Renewal	6.000
93 Avenue of the Arts-Economic Revitalization	9.000
194 Tourist Shuttle	0.567
197 FRA Bridges 1991	0.233
198 Overbrook Rail Maintenance Facility	0.606
199 Railroad Facility Improvement Program FY88	0.588
203 Overbrook Station Renovations	0.080
204 Regional Rail Division Grade	<u>0.032</u>
Sub - Total Qualified - Section 301(e)(2)	<u>17.106</u>
Total FY95 PICA Funded Capital Projects	<u><u>106.773</u></u>

SCHEDULE 8

SUMMARY OF BONDS REFUNDED

City of Philadelphia: General Obligation Bonds
Final City G.O. Refunding

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Series of 1977 Dated 8/15/77:					
SERIALS	8/15/1985	7.400%	2,440,000.00	8/15/1993	100.500
SERIALS	8/15/1986	7.400%	2,440,000.00	8/15/1993	100.750
SERIALS	8/15/1987	7.500%	2,440,000.00	8/15/1993	101.000
SERIALS	8/15/1988	7.500%	2,440,000.00	8/15/1993	101.250
SERIALS	8/15/1989	7.500%	2,440,000.00	8/15/1993	101.500
SERIALS	8/15/2000	7.500%	2,440,000.00	8/15/1993	101.750
SERIALS	8/15/2001	7.500%	2,440,000.00	8/15/1993	102.000
SERIALS	8/15/2002	7.500%	2,440,000.00	8/15/1993	102.250
			18,520,000.00		
Series of 1978 (#82, #83) Dated 2/1/78:					
SERIALS	8/01/1986	7.100%	3,145,000.00	2/01/1994	100.750
SERIALS	8/01/1987	7.200%	3,145,000.00	2/01/1994	101.000
SERIALS	8/01/1988	7.200%	3,145,000.00	2/01/1994	101.250
SERIALS	8/01/1989	7.250%	3,145,000.00	2/01/1994	101.500
SERIALS	8/01/2000	7.250%	3,145,000.00	2/01/1994	101.750
SERIALS	8/01/2001	7.250%	3,145,000.00	2/01/1994	102.000
SERIALS	8/01/2002	7.250%	3,150,000.00	2/01/1994	102.250
SERIALS	8/01/2003	7.250%	3,150,000.00	2/01/1994	102.500
			25,170,000.00		
Series of 1978A (#81) Dated 2/1/78:					
SERIALS	8/01/1986	7.500%	1,370,000.00	8/01/1994	100.500
SERIALS	8/01/1987	7.500%	1,470,000.00	8/01/1994	100.750
SERIALS	8/01/1988	7.500%	1,580,000.00	8/01/1994	101.000
SERIALS	8/01/1989	7.500%	1,700,000.00	8/01/1994	101.250
SERIALS	8/01/2000	7.500%	1,830,000.00	8/01/1994	101.500
SERIALS	8/01/2001	7.500%	1,865,000.00	8/01/1994	101.750
SERIALS	8/01/2002	7.500%	2,115,000.00	8/01/1994	102.000
SERIALS	8/01/2003	7.500%	2,270,000.00	8/01/1994	102.250
SERIALS	8/01/2004	7.500%	2,440,000.00	8/01/1994	102.500
SERIALS	8/01/2005	7.500%	2,825,000.00	8/01/1994	102.500
SERIALS	8/01/2006	7.500%	2,820,000.00	8/01/1994	102.500
SERIALS	8/01/2007	7.500%	3,035,000.00	8/01/1994	102.500
SERIALS	8/01/2008	7.500%	3,260,000.00	8/01/1994	102.500
SERIALS	8/01/2009	7.500%	3,505,000.00	8/01/1994	102.500
			31,985,000.00		
Series of 1978B (#86-88) Dated 1/1/78:					
SERIALS	1/01/1986	7.500%	885,000.00	1/01/1994	100.500
SERIALS	1/01/1987	7.500%	885,000.00	1/01/1994	100.750
SERIALS	1/01/1988	7.500%	885,000.00	1/01/1994	101.000
SERIALS	1/01/1989	7.500%	885,000.00	1/01/1994	101.250
SERIALS	1/01/2000	7.500%	885,000.00	1/01/1994	101.500
SERIALS	1/01/2001	7.500%	885,000.00	1/01/1994	101.750
SERIALS	1/01/2002	7.500%	885,000.00	1/01/1994	102.000
SERIALS	1/01/2003	7.500%	885,000.00	1/01/1994	102.250
SERIALS	1/01/2004	7.500%	885,000.00	1/01/1994	102.500
			5,985,000.00		
Series of 1986 Dated 5/1/86:					
OSTERM	2/15/2005	8.250%	15,540,000.00	2/15/1996	102.000
OSTERM	2/15/2006	8.250%	26,280,000.00	2/15/1996	102.000

Capital Financing
Approved Section 301(e)(2)
Productivity/Deficit Reduction

Qualified

Line No.

92	Convention Center Area Renewal
93	Avenue of the Arts-Economic Revitalization
194	Tourist Shuttle
197	FRA Bridges 1991
198	Overbrook Rail Maintenance Facility
199	Railroad Facility Improvement Program FY88
203	Overbrook Station Renovations
204	Regional Rail Division Grade

Sub - Total Qualified - Section 301(e)(2)

Total FY95 PICA Funded Capital Projects

SCHEDULE 8

SUMMARY OF BONDS REFUNDED

City of Philadelphia: General Obligation Bonds
Final City G.O. Refunding

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Series of 1977 Dated 8/15/77:					
SERIALS	8/15/1985	7.400%	2,440,000.00	8/15/1993	100.500
SERIALS	8/15/1986	7.400%	2,440,000.00	8/15/1993	100.750
SERIALS	8/15/1987	7.500%	2,440,000.00	8/15/1993	101.000
SERIALS	8/15/1988	7.500%	2,440,000.00	8/15/1993	101.250
SERIALS	8/15/1989	7.500%	2,440,000.00	8/15/1993	101.500
SERIALS	8/15/2000	7.500%	2,440,000.00	8/15/1993	101.750
SERIALS	8/15/2001	7.500%	2,440,000.00	8/15/1993	102.000
SERIALS	8/15/2002	7.500%	2,440,000.00	8/15/1993	102.250
			18,520,000.00		
Series of 1978 (#82,983) Dated 2/1/78:					
SERIALS	8/01/1986	7.100%	3,145,000.00	2/01/1994	100.750
SERIALS	8/01/1987	7.200%	3,145,000.00	2/01/1994	101.000
SERIALS	8/01/1988	7.200%	3,145,000.00	2/01/1994	101.250
SERIALS	8/01/1989	7.250%	3,145,000.00	2/01/1994	101.500
SERIALS	8/01/2000	7.250%	3,145,000.00	2/01/1994	101.750
SERIALS	8/01/2001	7.250%	3,145,000.00	2/01/1994	102.000
SERIALS	8/01/2002	7.250%	3,150,000.00	2/01/1994	102.250
SERIALS	8/01/2003	7.250%	3,150,000.00	2/01/1994	102.500
			25,170,000.00		
Series of 1979A (#91) Dated 2/1/79:					
SERIALS	8/01/1986	7.500%	1,370,000.00	8/01/1994	100.500
SERIALS	8/01/1987	7.500%	1,470,000.00	8/01/1994	100.750
SERIALS	8/01/1988	7.500%	1,580,000.00	8/01/1994	101.000
SERIALS	8/01/1989	7.500%	1,700,000.00	8/01/1994	101.250
SERIALS	8/01/2000	7.500%	1,830,000.00	8/01/1994	101.500
SERIALS	8/01/2001	7.500%	1,985,000.00	8/01/1994	101.750
SERIALS	8/01/2002	7.500%	2,115,000.00	8/01/1994	102.000
SERIALS	8/01/2003	7.500%	2,270,000.00	8/01/1994	102.250
SERIALS	8/01/2004	7.500%	2,440,000.00	8/01/1994	102.500
SERIALS	8/01/2005	7.500%	2,625,000.00	8/01/1994	102.500
SERIALS	8/01/2006	7.500%	2,820,000.00	8/01/1994	102.500
SERIALS	8/01/2007	7.500%	3,035,000.00	8/01/1994	102.500
SERIALS	8/01/2008	7.500%	3,260,000.00	8/01/1994	102.500
SERIALS	8/01/2009	7.500%	3,505,000.00	8/01/1994	102.500
			31,985,000.00		
Series of 1979B (#86-88) Dated 1/1/79:					
SERIALS	1/01/1986	7.500%	885,000.00	1/01/1994	100.500
SERIALS	1/01/1987	7.500%	885,000.00	1/01/1994	100.750
SERIALS	1/01/1988	7.500%	885,000.00	1/01/1994	101.000
SERIALS	1/01/1989	7.500%	885,000.00	1/01/1994	101.250
SERIALS	1/01/2000	7.500%	885,000.00	1/01/1994	101.500
SERIALS	1/01/2001	7.500%	885,000.00	1/01/1994	101.750
SERIALS	1/01/2002	7.500%	885,000.00	1/01/1994	102.000
SERIALS	1/01/2003	7.500%	885,000.00	1/01/1994	102.250
SERIALS	1/01/2004	7.500%	885,000.00	1/01/1994	102.500
			5,885,000.00		
Series of 1986 Dated 5/1/86:					
OSTERM	2/15/2005	8.250%	15,540,000.00	2/15/1996	102.000
OSTERM	2/15/2006	8.250%	26,260,000.00	2/15/1996	102.000

SUMMARY OF BONDS REFUNDED

City of Philadelphia: General Obligation Bonds
Final City G.O. Refunding

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
08TERM	2/15/2007	8.250%	28,470,000.00	2/15/1996	102.000
08TERM	2/15/2008	8.250%	13,755,000.00	2/15/1996	102.000
08TERM	2/15/2009	8.250%	8,290,000.00	2/15/1996	102.000
			80,315,000.00		
Series of 1988A (#96) Dated 8/1/88:					
08TERM	8/01/2002	7.800%	3,145,000.00	8/01/1996	102.000
08TERM	8/01/2003	7.800%	3,385,000.00	8/01/1996	102.000
08TERM	8/01/2004	7.800%	3,640,000.00	8/01/1996	102.000
08TERM	8/01/2005	7.800%	3,820,000.00	8/01/1996	102.000
08TERM	8/01/2006	7.800%	4,215,000.00	8/01/1996	102.000
18TERM	8/01/2007	7.825%	4,535,000.00	8/01/1996	102.000
18TERM	8/01/2008	7.825%	4,880,000.00	8/01/1996	102.000
18TERM	8/01/2009	7.825%	5,255,000.00	8/01/1996	102.000
18TERM	8/01/2010	7.825%	5,855,000.00	8/01/1996	102.000
18TERM	8/01/2011	7.825%	6,085,000.00	8/01/1996	102.000
18TERM	8/01/2012	7.825%	6,550,000.00	8/01/1996	102.000
18TERM	8/01/2013	7.825%	7,050,000.00	8/01/1996	102.000
18TERM	8/01/2014	7.825%	7,585,000.00	8/01/1996	102.000
18TERM	8/01/2015	7.825%	8,165,000.00	8/01/1996	102.000
18TERM	8/01/2016	7.825%	8,790,000.00	8/01/1996	102.000
			82,855,000.00		
Series of 1987B (#97) Dated 7/1/87:					
07TERM	8/01/2001	8.100%	2,290,000.00	8/01/1997	102.000
07TERM	8/01/2002	8.100%	2,480,000.00	8/01/1997	102.000
07TERM	8/01/2003	8.100%	2,690,000.00	8/01/1997	102.000
07TERM	8/01/2004	8.100%	2,820,000.00	8/01/1997	102.000
07TERM	8/01/2005	8.100%	3,165,000.00	8/01/1997	102.000
07TERM	8/01/2006	8.100%	3,435,000.00	8/01/1997	102.000
07TERM	8/01/2007	8.100%	3,720,000.00	8/01/1997	102.000
17TERM	8/01/2008	8.125%	4,035,000.00	8/01/1997	102.000
17TERM	8/01/2009	8.125%	4,380,000.00	8/01/1997	102.000
17TERM	8/01/2010	8.125%	4,750,000.00	8/01/1997	102.000
17TERM	8/01/2011	8.125%	5,150,000.00	8/01/1997	102.000
17TERM	8/01/2012	8.125%	5,590,000.00	8/01/1997	102.000
17TERM	8/01/2013	8.125%	6,060,000.00	8/01/1997	102.000
17TERM	8/01/2014	8.125%	6,575,000.00	8/01/1997	102.000
17TERM	8/01/2015	8.125%	7,130,000.00	8/01/1997	102.000
17TERM	8/01/2016	8.125%	7,735,000.00	8/01/1997	102.000
17TERM	8/01/2017	8.125%	8,390,000.00	8/01/1997	102.000
			80,485,000.00		
			338,325,000.00		

SUMMARY OF REFUNDING RESULTS

**City of Philadelphia: General Obligation Bonds
Final City G.O. Refunding**

Dated Date	7/15/1993
Delivery Date	7/29/1993
Arbitrage yield	5.802802%
Escrow yield	-
Bond Par Amount	385,800,000.00
True Interest Cost	5.885190%
Net Interest Cost	5.508706%
Average Coupon	5.384108%
Average Life	14.085
Par amount of refunded bonds	338,325,000.00
Average coupon of refunded bonds	7.908107%
Average life of refunded bonds	14.044
PV of prior debt to 7/29/1993 @ 5.802802%	420,281,713.45
Net PV Savings	34,772,418.88
Percentage savings of refunded bonds	10.338934%
Percentage savings of refunding bonds	8.789782%

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FIRST SUPPLEMENT TO THE AMENDED AND
RESTATED INDENTURE OF TRUST

between

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

and

MERIDIAN BANK, as Trustee

Dated as of May 15, 1996

FIRST SUPPLEMENT TO THE AMENDED AND
RESTATED INDENTURE OF TRUST

THIS FIRST SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST, dated as of May 15, 1996, between the PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania under and by virtue of the Constitution and laws of the Commonwealth of Pennsylvania, and MERIDIAN BANK, a bank and trust company organized and existing under the laws of the Commonwealth of Pennsylvania, as trustee (the "Trustee"),

W I T N E S S E T H:

WHEREAS, the Authority is authorized and empowered under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (as such Act may be further amended from time to time, the "Act"), to issue its bonds in accordance with the Act for various purposes, including, without limitation, providing financial assistance to a city of the first class to finance a deficit other than a cash flow deficit, to finance capital projects and to otherwise assist such a city and to refund outstanding indebtedness of the Authority; and

WHEREAS, the Authority and CoreStates Bank, N.A. as trustee (the "Initial Trustee") entered into an Indenture of Trust, dated as of June 1, 1992 (the "Original Indenture"), to provide for the issuance and securing of Bonds (as defined in the Original Indenture); and

WHEREAS, pursuant to the Original Indenture and at the request of the City of Philadelphia, Pennsylvania (the "City"), the Authority issued and sold \$474,555,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 Bonds") for the purpose of financing certain deficits of the City, financing certain capital projects of the City, providing financial assistance to the City to enhance productivity in the operation of the City government, and for certain other purposes permitted under the Act; and

WHEREAS, the Authority and the Initial Trustee entered into a First Supplemental Indenture of Trust dated as of June 22, 1992 amending certain provisions of the Original Indenture (the Original Indenture as so amended is referred to herein as the "Amended Indenture"); and

WHEREAS, Meridian Bank succeeded the Initial Trustee as trustee under the Amended Indenture; and

WHEREAS, the Authority and the Trustee entered into a Second Supplemental Indenture of Trust dated as of July 15, 1993 (the "Second Supplemental Indenture") amending and supplementing the Amended Indenture (the Amended Indenture as so amended and supplement is referred to herein as the "Second Amended Indenture"); and

WHEREAS, pursuant to the Second Amended Indenture and at the request of the City, the Authority issued \$643,430,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 Bonds") for the purpose of providing grants to the City to pay costs of certain capital projects included in the City's Fiscal Year 1994 Capital Budget, paying the costs of certain capital improvements to the City's criminal justice and correctional facilities and paying the costs of refunding certain of the City's general obligation bonds; and

WHEREAS, the Authority and the Trustee entered into a Third Supplemental Indenture of Trust dated as of August 15, 1993 (the "Third Supplemental Indenture") amending and supplementing the Second Amended Indenture (the Second Amended Indenture as so amended and supplemented is referred to herein as the "Third Amended Indenture"); and

WHEREAS, pursuant to the Third Amended Indenture, the Authority issued \$178,675,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") for the purpose of refunding \$136,670,000 aggregate principal amount of 1992 Bonds maturing on June 15 of the years 2006, 2012 and 2022; and

WHEREAS, the Authority amended and restated the Third Amended Indenture pursuant to an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Amended and Restated Indenture") in order to, inter alia, incorporate in one document all of the provisions thereof (including changes in the schedules of capital projects to be funded with proceeds of the 1992 Bonds and the 1993 Bonds effected through substitution requests); and

WHEREAS, pursuant to the Amended and Restated Indenture, the Authority issued \$122,020,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") in order to pay costs of certain capital projects included in the City's Fiscal Year 1995 Capital Budget; and

WHEREAS, the Authority has undertaken to issue Additional Bonds to (i) pay the costs of advance refunding the outstanding 1992 Bonds and the 1994 Bonds, and (ii) pay the costs of issuing such Additional Bonds (the "1996 Refunding"); and

WHEREAS, by Resolution adopted on April 30, 1996, the Authority determined to issue and sell its Special Tax Revenue

Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 Bonds") for the purpose of financing the 1996 Refunding pursuant to the terms of this First Supplement to the Amended and Restated Indenture (the "First Supplement to the Amended and Restated Indenture", and together with the Amended and Restated Indenture, the "Indenture"); and

WHEREAS, in order to accomplish the advance refunding of the outstanding 1992 Bonds and the 1994 Bonds, the Authority and the Trustee will enter into an Escrow Deposit Agreement (the "Escrow Deposit Agreement"), pursuant to which the Authority shall deposit in escrow with the Trustee, from the proceeds of the 1996 Bonds, an amount of cash which, when added to certain funds held by the Trustee for the benefit of the 1992 Bonds and the 1994 Bonds, and the investment earnings thereon, will be sufficient to (a) pay the maturing principal of and interest on the 1992 Bonds through and including June 15, 2002, and (b) pay the principal of and interest on the 1994 Bonds maturing on or prior to June 15, 2005 and to pay the redemption price of all outstanding 1994 Bonds, all of which will be called for redemption on June 15, 2005; and

WHEREAS, the execution and delivery of this First Supplement to the Amended and Restated Indenture and of the 1996 Bonds have been duly authorized and all things necessary to make the 1996 Bonds, when executed by the Authority and authenticated by the Trustee, valid and binding legal obligations of the Authority and to make this First Supplement to the Amended and Restated Indenture of Trust a valid and binding agreement have been done.

NOW, THEREFORE, THIS FIRST SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE WITNESSETH:

That, in order to secure the principal of and interest and premium, if any, on the 1996 Bonds issued hereunder according to their tenor and effect and to secure the performance and observance by the Authority of all the covenants and conditions contained herein and in the Amended and Restated Indenture and to declare the terms and conditions upon and subject to which the 1996 Bonds are issued and secured, and for and in consideration of the mutual covenants contained herein and in the Amended and Restated Indenture, the Authority and the Trustee are entering into this First Supplement to the Amended and Restated Indenture of Trust, which shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the 1996 Bonds.

ARTICLE I

AUTHORITY AND DEFINITIONS

Section 1.01 Supplemental Indenture of Trust. This First Supplement to the Amended and Restated Indenture is supplemental to the Amended and Restated Indenture.

Section 1.02 Authority for this First Supplement to the Amended and Restated Indenture. This First Supplement to the Amended and Restated Indenture is adopted (i) pursuant to the provisions of the Act and (ii) in accordance with Article X of the Amended and Restated Indenture.

Section 1.03 Definitions.

1. Except as provided in this First Supplement to the Amended and Restated Indenture, all terms which are defined in Article I of the Amended and Restated Indenture shall have the same meanings, respectively, in this First Supplement to the Amended and Restated Indenture as such terms are given in said Article I of the Amended and Restated Indenture.

2. Article I of the Amended and Restated Indenture is hereby amended by adding the following definitions:

The following terms shall have the definitions set forth in the recitals hereof:

Initial Trustee	Amended and Restated Indenture
1996 Bonds	1996 Refunding
First Supplement to the	Escrow Deposit Agreement
Amended and Restated Indenture	

"1996 Term Bonds" means the 1996 Bonds maturing on June 15, 2020.

3. Pursuant to the respective defined terms in the Amended and Restated Indenture, the terms "Bond Insurance Policy", "Bond Insurer", "Credit Facility", "Credit Facility Issuer", "Interest Payment Date", "Letter of Representations" and "Record Date" shall have the following meanings with respect to the 1996 Bonds:

"Bond Insurance Policy" means, with respect to the 1996 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1996 Bonds that guarantees payment of principal of and interest on the 1996 Bonds.

"Bond Insurer" means, with respect to the 1996 Bonds Financial Guaranty Insurance Company, or any successor thereto.

"Credit Facility" means, with respect to the account within the Debt Service Reserve Fund for the 1996 Bonds, the Municipal Bond Debt Service Reserve Fund Policy issued by the Credit Facility Issuer for the 1996 Bonds to fund the Debt Service Reserve Requirement for the 1996 Bonds.

"Credit Facility Issuer" means, with respect to the Credit Facility issued to fund the account within the Debt Service Reserve Fund for the 1996 Bonds, Financial Guaranty Insurance Company, or any successor thereto.

"Interest Payment Date" means, with respect to the 1996 Bonds, December 15, 1996 and each June 15 and December 15 thereafter so long as any 1996 Bonds remain outstanding hereunder.

"Letter of Representations" shall have the meaning specified in Section 2.04(b) of this First Supplement to the Amended and Restated Indenture when referring to the 1996 Bonds.

"Record Date" means, with respect to the 1996 Bonds, the last day (whether or not a Business Day) of the calendar month next preceding any Interest Payment Date or any redemption date.

4. The definition of the term "Investment Securities" is amended as follows:

Subsection (d) is amended and restated in its entirety as follows: "(d)(i) direct obligations of, or (ii) obligations the principal of and interest on which are unconditionally guaranteed by, any state of the United States of America or any political subdivision or agency thereof, other than the City, (or upon the approval of the Bond Insurer for the 1996 Bonds, the District of Columbia or the Commonwealth of Puerto Rico or any political subdivision or agency thereof), whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P;"

In the twelfth to last line of subsection (f), after the words "1993A Insured Bonds", delete the word "or" and replace it with ",", and after the words "1994 Bonds", add the words "or 1996 Bonds". In the third to last line in subsection (f), after the words "1993A Insured Bonds", delete the word "or" and replace it with ",", and after the words "1994 Bonds", add the words "or 1996 Bonds".

ARTICLE II

THE 1996 BONDS

Section 2.01 Authorization of 1996 Bonds. The 1996 Bonds are authorized to be issued in an aggregate principal amount of \$343,030,000.

Section 2.02 Description of 1996 Bonds.

(a) The 1996 Bonds (i) shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996", (ii) shall be issued as fully registered bonds, and (iii) shall be in denominations of \$5,000 principal amount and integral multiples thereof.

(b) The 1996 Bonds shall be substantially in the form of Exhibit A hereto, with appropriate insertions, omissions and variations, including, without limitation, provisions for optional and mandatory redemption, as permitted or required by this First Supplement to the Amended and Restated Indenture, and appropriate statements of insurance.

(c) The 1996 Bonds shall be dated May 15, 1996. The principal of and interest on the 1996 Bonds shall be payable on the dates and the 1996 Bonds shall be subject to redemption in the manner and subject to the conditions stated herein and in the 1996 Bonds.

(d) The 1996 Bonds shall mature on the dates and in the amounts and shall bear interest at the annual rates set forth in Schedule 1 hereto, such interest to be payable on each December 15 and June 15, commencing December 15, 1996, until maturity or such later date as payment of the principal amount thereof shall have been made or provided for.

(e) All provisions of Article II of the Amended and Restated Indenture which are applicable to Bonds shall apply to the 1996 Bonds.

Section 2.03 Delivery of the 1996 Bonds and Disposition of Proceeds Thereof.

(a) Upon the execution and delivery of this First Supplement to the Amended and Restated Indenture, the Authority shall execute and deliver the 1996 Bonds to the Trustee and the Trustee shall authenticate the 1996 Bonds and deliver them to the initial purchaser or purchasers thereof as directed by the Authority in an order delivered by the Authority to the Trustee upon receipt of the proceeds of the 1996 Bonds. Proceeds from the sale of the 1996 Bonds shall be received by the Trustee and deposited in the Settlement Fund and shall then be disbursed and transferred from the Settlement Fund as follows:

(1) To an account in the Debt Service Fund to be established in respect of the 1996 Bonds, the accrued interest on the 1996 Bonds.

(2) To or upon the order of the Authority, the amount specified by the Authority at or after the closing for the issuance of the 1996 Bonds as the costs of issuance of the 1996 Bonds (including, without limitation, fees and expenses of bond counsel, consultants, the Trustee and the Trustee's counsel, the City's counsel and consultants, and the Authority's counsel in connection with the issuance of the 1996 Bonds, fees payable to any Credit Facility Issuer and Bond Insurer, printing costs payable by the Authority and rating agency fees).

(3) To the Trustee, to be deposited in the Escrow Fund, an amount equal to \$345,137,258.71, which will be applied in accordance with the terms of the Escrow Deposit Agreement.

Any amount remaining in the Settlement Fund after the foregoing disbursements and transfers shall be disbursed or transferred by the Trustee to the Debt Service Fund in respect of the 1996 Bonds.

(b) Accrued interest deposited in the account in the Debt Service Fund in respect of the 1996 Bonds shall be applied to pay interest on the 1996 Bonds on December 15, 1996.

(c) Pursuant to Section 5.09 of the Amended and Restated Indenture, there shall be delivered to the Trustee for deposit in a separate account of the Debt Service Reserve Fund in respect of the 1996 Bonds, a Credit Facility meeting the requirements of such Section in the amount of the Debt Service Reserve Requirement for the 1996 Bonds.

Section 2.04 Book Entry System for the 1996 Bonds.

(a) The 1996 Bonds shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of the 1996 Bonds of each maturity, which 1996 Bonds shall be registered in the name of Philadep & Co., as nominee of Philadelphia Depository Trust Company ("PHILADEP"). Except as provided in paragraph (g) below, all of the 1996 Bonds shall be registered in the books kept by the Trustee in the name of Philadep & Co., as nominee of PHILADEP; provided that if PHILADEP shall request that the 1996 Bonds be registered in the name of a different nominee, the Trustee shall exchange all or any portion of the 1996 Bonds for an equal aggregate principal amount of 1996 Bonds registered in the name of such nominee or nominees of PHILADEP. No person other than PHILADEP or its nominee shall be entitled to receive from the Authority or the Trustee either a 1996 Bond or any other evidence of ownership of the 1996 Bonds, or any right to receive any payment in respect thereof unless

PHILADEP or its nominee shall transfer record ownership of all or any portion of the 1996 Bonds on the books kept by the Trustee, in connection with discontinuing the book entry system as provided in paragraph (g) below or otherwise.

(b) So long as the 1996 Bonds or any portion thereof are registered in the name of PHILADEP or any nominee thereof, all payments of the principal of or premium or interest on such 1996 Bonds shall be made to PHILADEP or its nominee in accordance with the Letter of Representations from the Authority to PHILADEP (the "Letter of Representations") on the dates provided for such payments under the Indenture. Each such payment to PHILADEP or its nominee shall be valid and effective to fully discharge all liability of the Authority or the Trustee with respect to the principal of and premium and interest on the 1996 Bonds to the extent of the sum or sums so paid.

(c) The Authority and the Trustee may treat PHILADEP (or its nominee) as the sole and exclusive owner of the 1996 Bonds registered in its name for the purposes of payment of the principal of or premium or interest on the 1996 Bonds, selecting the 1996 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Holders of 1996 Bonds under the Indenture, registering the transfer of 1996 Bonds, obtaining any consent or other action to be taken by Holders of 1996 Bonds and for all other purposes whatsoever; and neither the Authority nor the Trustee shall be affected by any Notice to the contrary. Neither the Authority nor the Trustee shall have any responsibility or obligation to any participant in PHILADEP, any person claiming a beneficial ownership interest in the 1996 Bonds under or through PHILADEP or any such participant, or any other person which is not shown on the Bond Register as being a Bondholder, with respect to (1) the 1996 Bonds; (2) the accuracy of any records maintained by PHILADEP or any such participant; (3) the payment by PHILADEP or any such participant of any amount in respect of the principal of or premium or interest on the 1996 Bonds; (4) any notice which is permitted or required to be given to Holders of 1996 Bonds under the Indenture; (5) the selection by PHILADEP or any such participant of any person to receive payment in the event of a partial redemption of the 1996 Bonds; or (6) any consent given or other action taken by PHILADEP as Holder of 1996 Bonds.

(d) So long as the 1996 Bonds or any portion thereof are registered in the name of PHILADEP or any nominee thereof, all notices required or permitted to be given to the Holders of 1996 Bonds under the Indenture shall be given to PHILADEP as provided in the Letter of Representations.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to the Indenture by the Trustee with respect to any consent or other action to be taken by Holders of 1996 Bonds, PHILADEP shall consider the date of receipt of notice requesting such consent or

other action as the record date for such consent or other action, provided that the Trustee may establish a special record date for such consent or other action. The Trustee shall give PHILADEP notice of such special record date not less than 15 calendar days in advance of such special record date to the extent possible.

(f) At or prior to settlement for the 1996 Bonds, the Authority and the Trustee shall execute or signify their approval of the Letter of Representations. Any successor Trustee shall, in its written acceptance of its duties under the Indenture, agree to take any actions necessary from time to time to comply with the requirements of the Letter of Representations.

(g) The book entry system for registration of the ownership of the 1996 Bonds through PHILADEP shall be discontinued at any time that (1) PHILADEP determines to resign as securities depository for the 1996 Bonds and gives notice of such determination to the Authority and the Trustee or (2) the Authority determines that continuation of the system of book entry transfers through PHILADEP is not in the best interests of the Authority or the Holders of 1996 Bonds and gives notice of such determination to the Trustee and PHILADEP. In either of such events the Authority may appoint a successor securities depository; but if the Authority does not appoint a successor, the 1996 Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by PHILADEP, but without any liability on the part of the Authority or the Trustee for the accuracy of such designation. If a successor securities depository is appointed, this Section 2.04 shall be amended as necessary to reflect such succession and to incorporate provisions required by the successor.

ARTICLE III

REDEMPTION/REVENUES AND FUNDS

Section 3.01 Optional Redemption. The 1996 Bonds maturing on and after June 15, 2007 are redeemable on and after June 15, 2006, in whole at any time, or in part at any time and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount of the 1996 Bonds to be redeemed, plus accrued interest to the redemption date.

Section 3.02 Debt Service Fund.

(a) The Trustee shall establish as a part of the Debt Service Fund in respect of the 1996 Bonds a 1996 Bonds Sinking Fund Account (the "1996 Bonds Sinking Fund Account") for the retirement of certain of the 1996 Term Bonds. Moneys

deposited in the 1996 Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 1996 Term Bonds specified below and shall be applied as hereafter provided.

The Trustee shall transfer moneys from the Debt Service Fund in respect of the 1996 Bonds to the 1996 Bonds Sinking Fund Account on June 15 of the years set forth below in the amount required to retire 1996 Term Bonds specified below in the following amounts through mandatory redemption, in direct order of maturity and within a maturity as chosen by the Trustee by lot, at the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

<u>1996 Term Bonds Maturing June 15, 2016</u>		<u>1996 Term Bonds Maturing June 15, 2020</u>	
<u>Year (June 15)</u>	<u>Amount</u>	<u>Year (June 15)</u>	<u>Amount</u>
2014	\$6,450,000	2017	\$7,575,000
2015	6,810,000	2018	7,990,000
2016*	7,180,000	2019	8,430,000
		2020*	8,895,000

* Final Maturity

Prior to May 1 of each year in which 1996 Term Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1996 Bonds Sinking Fund Account of as many 1996 Term Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the holders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund in respect of the 1996 Bonds). Prior to May 15 of each year or such date as will permit the Trustee to mail the notice of redemption required under Section 3.02 of the Indenture, so long as any 1996 Term Bonds specified above shall remain Outstanding, the Trustee shall draw by lot, for redemption on June 15 of such year, a principal amount of 1996 Term Bonds as shall represent the difference between the principal amount of such 1996 Term Bonds fixed for redemption on such date as described above and the principal amount thereof which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as above provided.

Upon selection by lot of the particular 1996 Term Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the holders of such 1996 Term Bonds so drawn for redemption in the manner provided in Article III of the Indenture, and, upon presentation by the holders thereof, the Trustee shall pay the principal amount thereof out of moneys in the 1996 Bonds Sinking Fund Account and shall pay accrued interest due from moneys available therefor in the Debt Service Fund in respect of the 1996 Bonds.

If at any time all the 1996 Term Bonds eligible for redemption shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 1996 Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund in respect of the 1996 Bonds. Whenever 1996 Term Bonds are to be purchased out of the 1996 Bonds Sinking Fund Account, if the Authority shall notify the Trustee that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to the Indenture.

(b) (i) If, on the third day preceding any Interest Payment Date for the 1996 Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the 1996 Bonds due on such date, the Trustee shall immediately notify the Bond Insurer and State Street Bank and Trust Company, N.A., or its successor as the Fiscal Agent for the Bond Insurer of the amount of such deficiency. If, by said Interest Payment Date, the Authority has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the Bond Insurer and to the Fiscal Agent the registration books for the 1996 Bonds maintained by the Trustee. In addition:

(A) The Trustee shall provide the Bond Insurer with a list of the Bondholders entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy and shall make arrangements for the Bond Insurer and the Fiscal Agent (1) to mail checks or drafts to Bondholders entitled to receive full or partial interest payments from the Bond Insurer and (2) to pay principal of the 1996 Bonds surrendered to the Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from the Bond Insurer; and

(B) The Trustee shall, at the time it makes the registration books available to the Bond Insurer pursuant to (A) above, notify Bondholders entitled to receive the payment of principal of or interest on the 1996 Bonds from the Bond Insurer (1) as to the fact of such entitlement, (2) that the Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Bond Insurance Policy, (3) that, except as provided in paragraph (ii) below, in the event that any Bondholder is entitled to receive full payment

of principal from the Bond Insurer, such Bondholder must tender his 1996 Bond with the instrument of transfer in the form provided on the 1996 Bond executed in the name of the Bond Insurer, and (4) that, except as provided in paragraph (ii) below, in the event that such Bondholder is entitled to receive partial payment of principal from the Bond Insurer, such Bondholder must tender his 1996 Bond for payment first to the Trustee, which shall note on such 1996 Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the Bond Insurer, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy.

(ii) In the event that the Trustee has notice that any payment of principal of or interest on a 1996 Bond has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer, notify all Bondholders of such 1996 Bonds that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from the Bond Insurer to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the 1996 Bonds which have been made by the Trustee and subsequently recovered from Bondholders, and the dates on which such payments were made.

(iii) The Bond Insurer shall, to the extent it makes payment of principal of or interest on the 1996 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Bondholders of such 1996 Bonds and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books for the 1996 Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Bondholders of such 1996 Bonds. Notwithstanding anything in the Indenture (including, without limitation, Section 2.04 of this First Supplement to the Amended and Restated Indenture) or the 1996 Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to the Bond Insurer to the extent that the Bond Insurer is a subrogee with respect thereto.

Section 3.03 Credit Facility for the Debt Service Reserve Fund for the 1996 Bonds.

The Credit Facility will be issued by the Credit Facility Issuer in lieu of a deposit in the Debt Service Reserve Fund at the time of the issuance of the 1996 Bonds. The Credit Facility shall be payable (upon the giving of notice by the Trustee to the Credit Facility Issuer in accordance with the terms of the Credit Facility at least two business days prior to each Interest Payment Date) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund for the 1996 Bonds and applied to the payment of principal of or interest on the 1996 Bonds. If a disbursement is made pursuant to the Credit Facility, the Credit Facility Issuer shall furnish to the Authority written instructions as to the manner in which repayment of amounts owed to the Credit Facility Issuer as a result of such disbursement shall be made.

In the event of any such disbursement, the Authority shall either (i) cause the maximum limits of the Credit Facility to be reinstated or (ii) deposit into the account within the Debt Service Reserve Fund for the 1996 Bonds an amount, from transfers from the Revenue Fund pursuant to Section 5.05 of the Indenture, equal to the amount of the draw made under the Credit Facility, or a combination of (i) and (ii), so that the amount of cash (or permitted investments under the Indenture), together with the Credit Facility in the Debt Service Reserve Fund for the 1996 Bonds equals the Debt Service Reserve Requirement for the 1996 Bonds.

Repayment of draws under the Credit Facility, expenses of the Credit Facility Issuer relating thereto and the interest thereon, accruing at a rate equal to the lower of (i) the prime rate per annum of Morgan Guaranty Trust Company of New York in effect from time to time plus two percent (2%) and (ii) the highest rate permitted by law (such draws, expenses and interest are collectively referred to as the "Policy Costs"). Amounts paid to the Credit Facility Issuer shall be credited first to interest due under the Credit Facility, then to the expenses due under the Credit Facility and then to reimbursement of the draws under the Credit Facility. As and to the extent that payments are made to the Credit Facility Issuer on account of reimbursement of any draws under the Credit Facility, the coverage under the Credit Facility will be increased by a like amount.

If the Authority shall fail to repay any Policy Costs as described above, the Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under the Indenture other than (i) acceleration of the maturity of the 1996 Bonds, or (ii) remedies which would adversely affect holders of the 1996 Bonds.

If and to the extent that cash has also been deposited in the Debt Service Reserve Fund for the 1996 Bonds, all such cash shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any draw under the Credit Facility, and repayment of any Policy Costs shall be made prior to replenishment of any such cash amounts. If, in addition to the Credit Facility, any other reserve fund substitute instrument is provided with respect to the 1996 Bonds, drawings under the Credit Facility and any such other reserve fund substitute instruments, shall be made on a pro rata basis (calculated by reference to the maximum amounts available thereunder) after applying all available cash in the Debt Service Reserve Fund for the 1996 Bonds and prior to replenishment of any such cash draws, respectively.

For so long as the Credit Facility is in effect (a) the Indenture shall not be modified or amended without the prior written consent of the Credit Facility Issuer, (b) the Credit Facility Issuer shall be provided with written notice of the resignation or removal of the Trustee and the appointment of a successor thereto and of the issuance of additional indebtedness of the Authority, and (c) the Indenture shall not be discharged if any Policy Costs are owed by the Authority to the Credit Facility Issuer.

For so long as the Credit Facility for the 1996 Bonds on account of the Debt Service Reserve Fund is in effect, the amount available to be drawn thereunder shall be taken into account when computing the value of the assets in such account for purposes of determining whether the Debt Service Reserve Requirement for the 1996 Bonds is satisfied.

ARTICLE IV

AMENDMENT OF INDENTURE

Section 4.01 Amendment of Section 2.11. Section 2.11 of the Amended and Restated Indenture is amended as follows:

In the eighth line of subsection 2.11(f) after the words "1993A Bonds", delete with word "and" and replace it with ",". In the ninth line of subsection 2.11(f), after the words "1994 Bonds", add the words "and the 1996 Bonds". In the nineteenth line of subsection 2.11(f), after the word "Requirement", add the words "(including the Authority's obligations with respect to repayment of Policy Costs then due and owing with respect to the Credit Facility issued in connection with the Debt Service Reserve Fund for the 1996 Bonds)".

Add a new subsection 2.11(g) which shall read in its entirety as follows:

"(g) In the event that any Policy Costs are past due and owing to a Credit Facility Issuer, the written consent of such Credit Facility Issuer".

Section 4.02 Amendment of Section 4.12. Section 4.12 of the Amended and Restated Indenture is amended as follows:

In the fourth line of subsection 4.12(b), after the words "1993A Bonds", delete the word "or" and replace it with ",", and after the words "1994 Bonds", add the words "or the 1996 Bonds". In the third line of subsection 4.12(d), after the words "1993A Bonds", delete the word "and" and replace it with ",", and after the words "1994 Bonds", add the words "and the 1996 Bonds".

Section 4.03 Amendment of Section 5.04. Section 5.04 of the Amended and Restated Indenture is amended by adding a new subsection (f) which reads in its entirety as follows:

"(f) The fees and costs for any opinion of Bond Counsel required to be given pursuant to paragraphs (a) or (c) of this Section 5.04 or any other costs incurred by the Authority in connection with a revision of Schedule 5, 6 or 7 shall be a proper charge against such account within the Capital Projects Fund as the Authority may designate and shall be paid therefrom."

Section 4.04 Amendment of Section 5.07. Subsection 5.07 of the Amended and Restated Indenture is amended as follows:

In the eighth line of the first paragraph of Section 5.07, after the word "Insurer", add the words "for such Series of Bonds". In the tenth line of the first paragraph of Section 5.07 after the word "Insurer", add the words "for such Series of Bonds".

In the sixth line of subsection 5.07(b), after the words "1993A Bonds", delete the word "and" and replace it with ",", and after the words "1994 Bonds", add the words "and the 1996 Bonds".

Section 4.05 Amendment of Section 5.10. Section 5.10 of the Amended and Restated Indenture is amended as follows:

In the first line of subsection 5.10 (b), delete the word "30" and replace it with the word "45".

Section 4.06 Amendment of Section 6.01. Section 6.01 of the Amended and Restated Indenture is amended as follows:

In the second to last line of the first paragraph of Section 6.01, after the words "1993A Bonds", delete the word "and" and replace it with ",". In the last line of the first paragraph of Section 6.01, after the word "Bonds", add the words "and the 1996 Bonds".

In the third line of the fourth paragraph of Section 6.01, after the words "1993A Bonds", delete the word "and" and replace it with ",", and after the words "1994 Bonds", add the words "and the 1996 Bonds". In the ninth line of the fourth paragraph of Section 6.01, after the words "1993A Bonds", delete the word "or" and replace it with ",", and in the tenth line of the fourth paragraph of Section 6.01, after the words "1994 Bonds", add the words "or the 1996 Bonds".

Section 4.07 Amendment of Section 6.02. Section 6.02 of the Amended and Restated Indenture is amended as follows:

At the end of Section 6.02, add a new sentence which reads as follows: "Any Credit Facility deposited in the Debt Service Reserve Fund pursuant to Section 5.07 herein shall be valued at the stated coverage amount."

Section 4.08 Amendment of Article VII. The fourth paragraph of Article VII of the Amended and Restated Indenture is amended as follows:

In the third line of the fourth paragraph of Article VII, after the words, "1993A Bonds", delete the word "or" and replace it with ",", and after the words "1994 Bonds", add the words "or the 1996 Bonds".

Section 4.09 Amendment of Section 8.01. Section 8.01 of the Amended and Restated Indenture is amended as follows:

In the fifth to last line of the paragraph following subsection 8.01(e), after the words "1993A Bonds", delete the word "or" and replace it with ",", and after the words "1994 Bonds", add the words "or in the 1996 Bonds".

Section 4.10 Amendment of Section 8.09. Section 8.09 of the Amended and Restated Indenture is amended as follows:

In the fifth line of Section 8.09, after the words "1993A Insured Bonds", delete the word "or" and replace it with "," and after the words "1994 Bonds", add the words "or the 1996 Bonds".

Section 4.11. Amendment of Section 10.02. The last paragraph of Section 10.02 of the Amended and Restated Indenture is amended as follows:

In the seventh line of the last paragraph of Section 10.02, after the words "1993A Bonds", delete the word "or" and replace it with ",", and after the words "1994 Bonds" add the words "or the 1996 Bonds".

Section 4.12 Amendment of Section 11.07. Section 11.07 of the Amended and Restated Indenture is amended to add the following addresses as the addresses for the Credit Facility Issuer with respect to the 1996 Bonds:

If to the Credit Facility Issuer:

Financial Guaranty Insurance Corporation
115 Broadway
New York, NY 10006
Attention: Research and Risk Management

Section 4.13 Amendment of Section 11.10. Section 11.10 of the Amended and Restated Indenture is amended as follows:

In the fifth line of Section 11.10, after the words "1993A Insured Bonds", delete the word "or" and replace it with ",". In the sixth line of Section 11.10, after the words "1994 Bonds", add the words "or the 1996 Bonds".

ARTICLE V

INDENTURE TO REMAIN IN EFFECT; MISCELLANEOUS

Section 5.01 Indenture to Remain in Effect. Except as amended and supplemented by this First Supplement to the Amended and Restated Indenture, the Amended and Restated Indenture shall remain in full force and effect and is in all respects ratified, approved and confirmed, and the Amended and Restated Indenture and this First Supplement to the Amended and Restated Indenture shall be read, taken and construed as one and the same instrument so that all of the rights, remedies, terms, conditions, covenants and agreements of the Amended and Restated Indenture shall apply and remain in full force and effect with respect to this First Supplement to the Amended and Restated Indenture, the 1992 Bonds, the 1993 Bonds, the 1993A Bonds, the 1994 Bonds and the 1996 Bonds, as appropriate. In case of any conflict between the provisions of the Amended and Restated Indenture and this First Supplement to the Amended and Restated Indenture of Trust, the provisions of this First Supplement to the Amended and Restated Indenture shall apply. Without limiting the foregoing, the Authority hereby assigns, pledges and grants to the Trustee and confirms its prior grant to the Trustee a lien on and security interest in all right, title and interest of the Authority in and to the Pledged Revenues in order to secure (i) the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect, and (ii) the performance and observance by the Authority expressed herein and in the Bonds.

Section 5.02 Counterparts. This First Supplement to the Amended and Restated Indenture may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.03 Governing Law. This First Supplement to the Amended and Restated Indenture shall be governed by and construed in accordance with the laws of the Commonwealth.

Section 5.04 Captions. The captions and headings in this First Supplement to the Amended and Restated Indenture are for reference purposes only and shall not control or affect the meaning or interpretation of any provisions of this First Supplement to the Amended and Restated Indenture.

IN WITNESS WHEREOF, the Authority has caused this First Supplement to the Amended and Restated Indenture of Trust to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials and the Trustee has caused this First Supplement to the Amended and Restated Indenture of Trust to be executed in its name and with its corporate seal hereunto affixed and attested by its respective duly authorized signers, as of the date first above written.

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

[SEAL]

By: Charisse R. Gillie
Title: (Vice) Chairperson

Attest:

By: [Signature]
Title: Secretary

[SEAL]

MERIDIAN BANK, as Trustee

By: [Signature]
Title: Vice President

EXHIBIT A

(Form of Fully Registered 1996 Bond)

No. R

\$

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Refunding Bonds
(City of Philadelphia Funding Program)

Series of 1996

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
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REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania, United States of America, duly existing under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"), for value received, hereby promises to pay (but only out of Pledged Revenues (as hereinafter defined)) to the Registered Owner identified above or registered assigns (the "Holder"), on the Maturity Date identified above, upon the presentation and surrender hereof, the Principal Amount identified above and to pay (but only out of the Pledged Revenues) interest on said Principal Amount at the annual rate specified above, from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid, from May 15, 1996, on June 15 and December 15 in each year (each, an "Interest Payment Date"), commencing December 15, 1996, until payment of the principal sum shall have been made or provided for.

The principal of this Bond, upon maturity or redemption, is payable at the Principal Office of Meridian Bank, or its successor, as Trustee (the "Trustee"). Interest on this Bond will be paid by the Trustee on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered on the registration books of the Authority (the "Bond Register") maintained by Meridian Bank or its successor as Registrar and at the address appearing thereon on the last day of the month preceding such Interest Payment Date (the "Record Date") or in lieu thereof, if so requested in a written notice provided to the Trustee not less than ten (10) days prior to the relevant Interest Payment Date by a holder of \$1,000,000 or more in aggregate principal amount of Series 1996 Bonds (as

hereinafter defined), by wire transfer to an account in a bank located in the United States designated by such Bondholder. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof as of the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on the fifteenth (15th) day prior to the date set for the payment of such defaulted interest (the "Special Payment Date"). Such Special Payment Date shall be fixed by the Trustee in accordance with Section 2.03 of the Amended and Restated Indenture (as hereinafter defined). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Interest on the Series 1996 Bonds shall be paid on each Interest Payment Date and shall be computed on the basis of a year of 360 days consisting of twelve 30-day months.

THIS BOND IS A LIMITED OBLIGATION OF THE AUTHORITY AND IS PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND. THIS BOND IS NOT AND SHALL NOT BE DEEMED AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, EXCEPT FOR THE AUTHORITY, AND NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, EXCEPT FOR THE AUTHORITY, IS OR SHALL BE LIABLE FOR THE PAYMENT OF SUCH PRINCIPAL OR INTEREST. THE AUTHORITY HAS NO TAXING POWER.

NOTWITHSTANDING ANY PROVISION OF THE ACT OR ANY OTHER LAW TO THE CONTRARY, OR OF ANY IMPLICATION THAT MAY BE DRAWN THEREFROM, THE COMMONWEALTH OF PENNSYLVANIA AND ALL OTHER GOVERNMENT AGENCIES, INCLUDING THE CITY, EXCEPT THE AUTHORITY, SHALL HAVE NO LEGAL OR MORAL OBLIGATION FOR THE PAYMENT OF EXPENSES OR OBLIGATIONS OF THE AUTHORITY, INCLUDING, BUT NOT LIMITED TO, PRINCIPAL AND INTEREST ON THE SERIES 1996 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEEES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 1996 BONDS, SHALL HAVE NO RECOURSE, LEGAL OR MORAL, TO THE COMMONWEALTH OF PENNSYLVANIA OR TO ANY GOVERNMENT AGENCY, EXCEPT THE AUTHORITY, BUT INCLUDING THE CITY, FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 1996 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal Office of the Registrar. No transfer shall be valid as against the Authority or the Trustee unless made by the registered owner in person or by his duly authorized attorney or legal representative and similarly noted upon the Bond Register and hereon. Upon any such transfer or exchange, the Authority shall issue and, after due authentication by the Trustee, shall deliver to or upon the

order of the registered owner, a new registered Bond or Bonds, in authorized denominations aggregating the principal amount hereof, maturing on the same date, bearing interest at the same rate, bearing the same series designation as if this Bond and registered in such names as shall be requested.

The Authority, the Trustee and the Registrar may treat the person in whose name this Bond is registered as the absolute owner of this Bond for all purposes whether or not this Bond shall be overdue, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All payments of the principal, interest or redemption price made to the registered owner hereof in the manner set forth herein and in the Indenture shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, whether or not notation of the same be made hereon, and any consent, waiver or action taken by such registered owner pursuant to the provisions of the Indenture shall be conclusive and binding upon such registered owner, his heirs, successors and assigns, and upon all transferees hereof, whether or not notation thereof be made hereon or on any Bond issued in exchange therefor.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the Commonwealth of Pennsylvania to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this Bond, exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the Authority in his individual capacity, and neither the members of the Board of the Authority nor any official executing this Bond nor any such officer, agent or employee shall be liable personally on this Bond or under the Indenture or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond, all such liability of such members, officers, agents and employees being released as a condition of and as consideration for the execution of the First Supplement to the Amended and Restated Indenture (hereinafter defined) and the issuance of this Bond.

This Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

This Bond is one of a duly authorized issue of \$343,030,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program),

Series of 1996 (the "Series 1996 Bonds"). The Series 1996 Bonds are issued to enable the Authority to refund certain of its outstanding bonds and for other purposes permitted by the Act and thereby to accomplish the public purposes set forth in the Act.

The Series 1996 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on April 30, 1996 (the "Resolution") and under an Amended and Restated Indenture dated as of December 1, 1994, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (collectively, the "Indenture"), between the Authority and the Trustee, and, together with other Outstanding Bonds, are equally and ratably secured under the Indenture, except as otherwise provided therein, by an assignment and pledge of, and grant of a security interest in, (i) all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes, and (ii) all moneys and securities held by the Trustee under the Indenture (except funds held in trust for the United States) (collectively, the "Pledged Revenues").

Capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture.

Optional Redemption

The Series 1996 Bonds maturing on and after June 15, 2007 are redeemable by the Authority, on or after June 15, 2006, in whole at any time, or in part at any time, and from time to time, in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount of Series 1996 Bonds to be redeemed, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series 1996 Bonds maturing on June 15, 2016 and June 15, 2026 are subject to mandatory sinking fund redemption prior to maturity on June 15 of the years and in the amounts set forth below in direct order of maturity and within a maturity as chosen by the Trustee by lot at 100% of the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

Maturity <u>June 15, 2016</u>		Maturity <u>June 15, 2020</u>	
<u>Year</u> <u>(June 15)</u>	<u>Amount</u>	<u>Year</u> <u>(June 15)</u>	<u>Amount</u>
2014	\$ 6,450,000	2017	\$7,575,000
2015	6,810,000	2018	7,990,000
2016*	7,180,000	2019	8,430,000
		2020*	8,895,000

* Final Maturity

Prior to May 1 of each year in which Series 1996 Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1996 Bonds Sinking Fund Account of as many Series 1996 Bonds then subject to mandatory sinking fund redemption on the next June 15 as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund in respect of).

Notice of Redemption

When the Authority shall determine to redeem Series 1996 Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Series 1996 Bonds to be redeemed, or whenever the Trustee shall be required to redeem Series 1996 Bonds from moneys in the Bond Redemption Fund, without action on the part of the Authority, the Trustee, at the Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall, among other things, state the redemption price and the date fixed for redemption, that on such date the Series 1996 Bonds called for redemption will be due and become payable at the Principal Office of the Trustee, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of all Series 1996 Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Series 1996 Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such redemption, without the requirement of written notice. If a notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

The notice to Bondholders shall be deposited by the Trustee in the United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days prior to the redemption date, addressed to the Holders of Series 1996 Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any Series 1996 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Series 1996 Bonds.

Reference is made to the Act, the Resolution, the Indenture and the PICA Tax Ordinance, executed or certified counterparts of which are on file at the principal corporate trust office of the Trustee, for statements of the purposes for which the Series 1996 Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Series of 1996 Bonds (including the PICA Tax) and the nature, extent and manner of enforcement of such security, certain covenants of the Authority and the City made for the benefit of Bondholders, the terms and conditions under which the Indenture may be amended or modified, the rights and duties of the Authority and the Trustee, and the extent of the rights of the registered owners of the Series 1996 Bonds issued under the Indenture.

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this Bond to be executed with the manual or facsimile signature of its Chairperson and its official seal or a facsimile thereof to be imprinted hereon and attested with the manual or facsimile signature of its Secretary or Assistant Secretary.

[SEAL]

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

By: _____
(Vice) Chairperson

Attest:

(Assistant) Secretary

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 1996 Bonds described in the within mentioned Indenture. The text of the opinion of Co-Bond Counsel printed on or attached to this Bond is the complete text of the opinion of Fox, Rothschild, O'Brien & Frankel and Ronald A. White, P.C., both of Philadelphia, Pennsylvania, a signed original of which is on file with the undersigned, which was dated and delivered on the date of the original delivery of and payment for the Series 1996 Bonds.

Meridian Bank, Trustee

By: _____
Authorized Signature

Date of Authentication:

STATEMENT OF INSURANCE

Financial Guaranty Insurance Company ("Financial Guaranty") has issued a policy containing the following provisions with respect to the Pennsylvania Intergovernmental Cooperation Authority, Pennsylvania, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "Bonds"), such policy being on file at the principal office of Meridian Bank (the "Trustee"):

Financial Guaranty hereby unconditionally and irrevocably agrees to pay for disbursement to the Bondholder that portion of principal of and interest on the Bonds which is then due for payment and which the Issuer of the Bonds (the "Issuer") shall have failed to provide. Due for payment means, with respect to the principal, 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 the payment of principal of the Bonds is due by reason of call for redemption (other than mandatory sinking fund redemption), acceleration or other advancement of maturity, and with respect to interest, the stated date for payment of such interest.

Upon receipt of telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or the Trustee to Financial Guaranty that the required payment of principal or interest has not been made by the Issuer to the Trustee, Financial Guaranty on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), sufficient to make the portion of such payment not paid by the Issuer. Upon presentation to the Fiscal Agent of evidence satisfactory to it of the Bondholder's right to receive such payment and any appropriate instruments of assignment required to vest all of such Bondholder's right to such payment in Financial Guaranty, the Fiscal Agent will disburse such amount to the Bondholder.

As used herein the term "Bondholder" means the person other than the Issuer who at the time of nonpayment of a Bond is entitled under the terms of such Bond to payment thereof.

The policy is non-cancellable for any reason.

FINANCIAL GUARANTY INSURANCE COMPANY

TEXT OF OPINION OF CO-BOND COUNSEL

May 30, 1996

Pennsylvania Intergovernmental
Cooperation Authority
1429 Walnut Street, 14th Floor
Philadelphia, PA 19102

Re: \$343,030,000 Pennsylvania Intergovernmental
Cooperation Authority Special Tax Revenue
Refunding Bonds (City of Philadelphia Funding
Program), Series of 1996

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$343,030,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 Bonds") pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the "Act"), and an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Amended and Restated Indenture"), between the Authority and Meridian Bank, as Trustee (the "Trustee"), as amended pursuant to the First Supplement to the Amended and Restated Indenture dated as of May 15, 1996 (the "First Supplement to the Amended and Restated Indenture" and, together with the Amended and Restated Indenture, the "Indenture").

The proceeds of the Bonds will be used, together with certain monies held by the Trustee on account of the 1992 Bonds and the 1994 Bonds (defined below) to (i) advance refund the aggregate outstanding balance of the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 Bonds"), (ii) advance refund the aggregate outstanding balance of the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Project), Series of 1994 (the "1994 Bonds"); (iii) pay the premium for a debt service reserve fund insurance policy to satisfy the Debt Service Reserve Fund Requirement in respect of the 1996 Bonds and (iv) pay the costs of issuing the 1996 Bonds (collectively, the "Refunding Project").

As Co-Bond Counsel, we have examined the Act, the relevant provisions of the Constitution and such statutes of the

Commonwealth of Pennsylvania and such resolutions of the Authority and ordinances of the City of Philadelphia (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 1996 Bonds and certain certifications and 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 which we have considered relevant. We have also examined a specimen of the 1996 Bonds and have relied on the certification of the Trustee as to its authentication of the 1996 Bonds.

In rendering our opinion set forth below, we have assumed (i) that all documents, records and other instruments examined by us are genuine, accurate and complete and we have not undertaken to verify all of the factual matters set forth in any certificates or other documents by independent investigation, (ii) that the signatures on documents and instruments examined by us are original or genuine, (iii) that all documents submitted to us as copies conform to the originals thereof, and (iv) that all documents referred to herein have been duly authorized, executed, and delivered by all parties thereto other than the Authority.

On the basis of the foregoing and subject to the qualifications stated herein, we are of the opinion that, under existing law, as presently enacted and construed:

1. The Authority is a body corporate and politic validly existing under the laws of the Commonwealth of Pennsylvania, and has the full power and authority under the Act to undertake the Refunding Project, to execute and deliver the First Supplement to the Amended and Restated Indenture and to issue the 1996 Bonds.

2. The First Supplement to the Amended and Restated Indenture has been duly authorized, executed and delivered by the Authority and the obligations of the Authority under the First Supplement to the Amended and Restated Indenture constitute legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms.

3. The 1996 Bonds have been duly authorized, executed, issued and delivered by the Authority and are the legal, valid and binding limited obligations of the Authority, entitled to the benefit and security of the Indenture, and are enforceable against the Authority in accordance with their terms.

-30-

4. The Indenture creates a valid lien on, and a valid and binding security interest in, the Pledged Revenues (as defined in the Indenture) for the security of the Bonds.

5. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the interest on the 1996 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax and the 1996 Bonds are exempt from personal property taxes in Pennsylvania.

6. Under existing statutes, regulations, rulings and court decisions, interest on the 1996 Bonds (including any original issue discount properly allocable to a holder of the 1996 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 Authority and the City shall comply with all requirements of the Code and applicable Treasury Regulations that must be satisfied subsequent to the issuance of the 1996 Bonds in order that interest on the 1996 Bonds be (and 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 1996 Bonds to be included in gross income retroactive to the date of issuance of the 1996 Bonds. The Authority and the City have covenanted to comply with such requirements.

7. Interest on the 1996 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; notwithstanding that, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in computing the alternative minimum taxable income of such corporations. It should be noted that ownership of the 1996 Bonds also may give rise to certain additional federal tax consequences. We express no opinion with respect to any of such additional tax consequences.

With respect to the foregoing opinion, we advise you that the rights of the holders of the 1996 Bonds and the enforceability of the 1996 Bonds and the Indenture will be subject to and may be limited by (i) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws of general application or equitable principles relating to or affecting creditors' rights and remedies or debtors' obligations generally, (ii) by general principles of equity, whether considered and applied in a court of law or equity, and (iii) the exercise of judicial discretion in appropriate cases.

We call your attention to the fact that the 1996 Bonds are limited obligations of the Authority, payable only out of certain revenues of the Authority and certain other monies pledged therefor as provided in the Indenture, and that neither the credit nor the taxing power of the City, the Commonwealth of Pennsylvania or any political subdivision, agency or instrumentality thereof is pledged for the payment of the principal of, or interest on, the 1996 Bonds. Furthermore, the Authority has no taxing power.

We express no opinion as to any matter not expressly set forth herein, including federal, state, local or foreign tax consequences arising with respect to the 1996 Bonds, other than those opinions expressed in paragraphs 5, 6 and 7 above, or as to the accuracy, adequacy or completeness of, the Preliminary Official Statement or the final Official Statement prepared with respect to the 1996 Bonds, and we make no representation that we have independently verified the contents of such Official Statement.

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,

(FORM OF ASSIGNMENT)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ whose taxpayer identification number is _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints attorney to transfer said Bond on the books of the Registrar, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

SCHEDULE 1

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

\$343,030,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 1996

\$289,700,000 Serial Bonds

<u>Due</u> <u>(June 15)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>
1997	\$33,365,000	5.000%	3.700%
1998	36,635,000	5.000	4.250
1999	38,465,000	5.750	4.500
2000	40,680,000	5.750	4.650
2001	43,015,000	6.000	4.750
2002	45,800,000	6.000	4.850
2003	3,430,000	4.850	4.950
2004	3,590,000	6.000	5.050
2005	3,890,000	6.000	5.125
2006	4,200,000	6.000	5.200
2007	4,450,000	5.200	5.320
2008	4,680,000	5.300	5.420
2009	4,930,000	5.400	5.520
2010	5,200,000	5.500	5.600
2011	5,480,000	5.500	5.650
2012	5,785,000	5.600	5.700
2013	6,105,000	5.625	5.750
\$20,440,000	5.500% Term Bonds Due June 15, 2016 at 5.820%		
\$32,890,000	5.500% Term Bonds Due June 15, 2020 at 5.870%		

SECOND SUPPLEMENT TO THE AMENDED AND
RESTATED INDENTURE OF TRUST

between

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

and

FIRST UNION NATIONAL BANK, as Trustee

Dated as of April 1, 1999

TABLE OF CONTENTS

ARTICLE I	AUTHORITY AND DEFINITIONS	4
SECTION 1.01	SUPPLEMENTAL INDENTURE OF TRUST.....	4
SECTION 1.02	AUTHORITY FOR THIS SECOND SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE	4
SECTION 1.03	DEFINITIONS.....	4
ARTICLE II	THE 1999 BONDS	6
SECTION 2.01	AUTHORIZATION OF 1999 BONDS	6
SECTION 2.02	DESCRIPTION OF 1999 BONDS	6
SECTION 2.03	DELIVERY OF THE 1999 BONDS AND DISPOSITION OF PROCEEDS THEREOF.	6
SECTION 2.04	BOOK ENTRY SYSTEM FOR THE 1999 BONDS.....	7
ARTICLE III	REDEMPTION/REVENUES AND FUNDS	10
SECTION 3.01	OPTIONAL REDEMPTION.....	10
SECTION 3.02	DEBT SERVICE FUND.	10
SECTION 3.03	1999 CREDIT FACILITY.	12
ARTICLE IV	AMENDMENT OF INDENTURE	15
SECTION 4.01	AMENDMENT OF SECTION 2.11.	15
SECTION 4.02	AMENDMENT OF SECTION 4.12.	15
SECTION 4.03	AMENDMENT OF SECTION 5.07.	16
SECTION 4.04	AMENDMENT OF SECTION 6.01.	17
SECTION 4.06	AMENDMENT OF ARTICLE VII.	18
SECTION 4.07	AMENDMENT OF SECTION 8.01.	18
SECTION 4.08	AMENDMENT OF SECTION 8.09.	18
SECTION 4.09.	AMENDMENT OF SECTION 10.02.	18
SECTION 4.12	AMENDMENT OF SECTION 11.07.	19
SECTION 4.13	AMENDMENT OF SECTION 11.10.	19
ARTICLE V	INDENTURE TO REMAIN IN EFFECT; MISCELLANEOUS	20
SECTION 5.01	INDENTURE TO REMAIN IN EFFECT.....	20
SECTION 5.02	COUNTERPARTS.	20
SECTION 5.03	GOVERNING LAW.	20
SECTION 5.04	CAPTIONS.....	20

SECOND SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST

THIS SECOND SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST, dated as of April 1, 1999, between the PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania under and by virtue of the Constitution and laws of the Commonwealth of Pennsylvania, and FIRST UNION NATIONAL BANK, a bank and trust company organized and existing under the laws of the Commonwealth of Pennsylvania, as Trustee under the Indenture,

WITNESSETH:

WHEREAS, the Authority is authorized and empowered under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (as such Act may be further amended from time to time, the "Act"), to issue its bonds in accordance with the Act for various purposes, including, without limitation, providing financial assistance to a city of the first class to finance a deficit other than a cash flow deficit, to finance capital projects and to otherwise assist such a city and to refund outstanding indebtedness of the Authority; and

WHEREAS, the Authority and CoreStates Bank, N.A. as trustee (the "Initial Trustee") entered into an Indenture of Trust, dated as of June 1, 1992 (the "Original Indenture"), to provide for the issuance and securing of Bonds (as defined in the Original Indenture); and

WHEREAS, pursuant to the Original Indenture and at the request of the City of Philadelphia, Pennsylvania (the "City"), the Authority issued and sold \$474,555,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 Bonds") for the purpose of financing certain deficits of the City, financing certain capital projects of the City, providing financial assistance to the City to enhance productivity in the operation of the City government, and for certain other purposes permitted under the Act; and

WHEREAS, the Authority and the Initial Trustee entered into a First Supplemental Indenture of Trust dated as of June 22, 1992 amending certain provisions of the Original Indenture (the Original Indenture as so amended is referred to herein as the "Amended Indenture"); and

WHEREAS, Meridian Bank succeeded the Initial Trustee as trustee under the Amended Indenture; and

WHEREAS, the Authority and Meridian Bank, as trustee, entered into a Second Supplemental Indenture of Trust dated as of July 15, 1993 (the "Second Supplemental Indenture") amending and supplementing the Amended Indenture (the Amended Indenture as so amended and supplemented is referred to herein as the "Second Amended Indenture"); and

WHEREAS, pursuant to the Second Amended Indenture and at the request of the City, the Authority issued \$643,430,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 Bonds") for the purpose of providing grants to the City for use by the City to pay costs of certain capital projects included in the City's Fiscal Year 1994 Capital Budget, costs of certain capital improvements to the City's criminal justice and correctional facilities and costs of defeasing certain of the City's general obligation bonds; and

WHEREAS, the Authority and Meridian Bank, as trustee, entered into a Third Supplemental Indenture of Trust dated as of August 15, 1993 (the "Third Supplemental Indenture") amending and supplementing the Second Amended Indenture (the Second Amended Indenture as so amended and supplemented is referred to herein as the "Third Amended Indenture"); and

WHEREAS, pursuant to the Third Amended Indenture, the Authority issued \$178,675,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") for the purpose of refunding \$136,670,000 aggregate principal amount of 1992 Bonds maturing on June 15 of the years 2006, 2012 and 2022; and

WHEREAS, the Authority amended and restated the Third Amended Indenture pursuant to an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Amended and Restated Indenture") between the Authority and Meridian Bank, as Trustee, in order to, inter alia, incorporate in one document all of the provisions thereof (including changes in the schedules of capital projects to be funded with proceeds of the 1992 Bonds and the 1993 Bonds effected through substitution requests); and

WHEREAS, pursuant to the Amended and Restated Indenture, the Authority issued \$122,020,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") in order to pay costs of certain capital projects included in the City's Fiscal Year 1995 Capital Budget; and

WHEREAS, pursuant to the First Supplement to the Amended and Restated Indenture dated as of May 15, 1996 (the "First Supplement to the Amended and Restated Indenture," and together with the Amended and Restated Indenture, the "Existing Indenture") between the Authority and Meridian Bank, as Trustee, the Authority issued \$343,030,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 Bonds") in order to (i) pay the costs of advance refunding the outstanding 1992 Bonds and the 1994 Bonds, and (ii) pay the costs of issuing such Additional Bonds; and

WHEREAS, First Union National Bank succeeded Meridian Bank as Trustee under the Existing Indenture; and

WHEREAS, the Authority has undertaken to issue Additional Bonds to (i) pay the costs of advance refunding the outstanding 1993 Bonds, (ii) to provide a Credit Facility to satisfy the Debt

Service Reserve Requirement, and (iii) pay the costs of issuing such Additional Bonds and of obtaining credit enhancement for the Bonds (the "1999 Refunding"); and

WHEREAS, by Resolutions adopted on March 2, 1999 and March 16, 1999, the Authority determined to issue and sell its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 (the "1999 Bonds") for the purpose of financing, together with other available funds, the 1999 Refunding pursuant to the terms of this Second Supplement to the Amended and Restated Indenture (the "Second Supplement to the Amended and Restated Indenture", and together with the Existing Indenture, the "Indenture"); and

WHEREAS, in order to accomplish the advance refunding of the outstanding 1993 Bonds, the Authority and the Trustee, as escrow agent (in such capacity, the "Escrow Agent") will enter into an Escrow Deposit Agreement (the "1993 Bonds Escrow Deposit Agreement") dated as of the date hereof, pursuant to which the Authority shall deposit in escrow with the Escrow Agent, from the proceeds of the 1999 Bonds, an amount of cash which, when added to certain funds held by the Trustee for the benefit of the 1993 Bonds, and the investment earnings thereon, will be sufficient to (a) pay the maturing principal of and interest on the 1993 Bonds through and including June 15, 2003, and to pay the redemption price of all outstanding 1993 Bonds, all of which will be called for redemption on June 15, 2003; and

WHEREAS, the execution and delivery of this Second Supplement to the Amended and Restated Indenture and of the 1999 Bonds have been duly authorized and all things necessary to make the 1999 Bonds, when executed by the Authority and authenticated by the Trustee, valid and binding legal obligations of the Authority and to make this Second Supplement to the Amended and Restated Indenture of Trust a valid and binding agreement have been done.

NOW, THEREFORE, THIS SECOND SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE WITNESSETH:

That, in order to secure the principal of and interest and premium, if any, on the 1999 Bonds issued hereunder according to their tenor and effect and to secure the performance and observance by the Authority of all the covenants and conditions contained herein and in the Existing Indenture and to declare the terms and conditions upon and subject to which the 1999 Bonds are issued and secured, and for and in consideration of the mutual covenants contained herein and in the Existing Indenture, the Authority and the Trustee are entering into this Second Supplement to the Amended and Restated Indenture of Trust, which shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the 1999 Bonds.

ARTICLE I AUTHORITY AND DEFINITIONS

SECTION 1.01 SUPPLEMENTAL INDENTURE OF TRUST

This Second Supplement to the Amended and Restated Indenture is supplemental to the Existing Indenture.

SECTION 1.02 AUTHORITY FOR THIS SECOND SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE

This Second Supplement to the Amended and Restated Indenture is adopted (i) pursuant to the provisions of the Act and (ii) in accordance with Article X of the Amended and Restated Indenture.

SECTION 1.03 DEFINITIONS

1. Except as provided in this Second Supplement to the Amended and Restated Indenture, all terms which are defined in Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, shall have the same meanings, respectively, in this Second Supplement to the Amended and Restated Indenture as are given to such terms in said Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture.

2. Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is hereby amended by adding the following definitions:

The following terms shall have the definitions set forth in the recitals hereof:

1999 Bonds	Escrow Agent
1993 Bonds Escrow Deposit Agreement	Second Supplement to the
1999 Refunding	Amended and Restated Indenture

"1999 Credit Facility" means the Credit Facility, a municipal bond debt service reserve fund policy, issued by the 1999 Credit Facility Issuer.

"1999 Credit Facility Issuer" means Financial Guaranty Insurance Company, the Credit Facility Issuer issuing the 1999 Credit Facility

"1999 Term Bonds" means the 1999 Bonds maturing on June 15, 2021 and June 15, 2023.

3. Pursuant to the respective defined terms in the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, the terms "Bond Insurance Policy", "Bond Insurer", "Interest Payment Date", "Letter of Representations" and "Record Date" shall have the following meanings with respect to the 1999 Bonds:

"Bond Insurance Policy" means, with respect to the 1999 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1999 Bonds that guarantees payment of principal of and interest on the 1999 Bonds.

"Bond Insurer" means, with respect to the 1999 Bonds, Financial Guaranty Insurance Company, or any successor thereto.

"Interest Payment Date" means, with respect to the 1999 Bonds, June 15, 1999 and each June 15 and December 15 thereafter so long as any 1999 Bonds remain outstanding hereunder.

"Letter of Representations" shall have the meaning specified in Section 2.04(b) of this Second Supplement to the Amended and Restated Indenture when referring to the 1999 Bonds.

"Record Date" means, with respect to the 1999 Bonds, the last day (whether or not a Business Day) of the calendar month next preceding any Interest Payment Date for the 1999 Bonds.

4. The definition of the term "Investment Securities" contained in the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended as follows:

In the twelfth to last line of subsection (f), after the words "1994 Bonds", delete the word "or" and replace it with ",", and after the words "1996 Bonds", add the words "or 1999 Bonds". In the third to last line in subsection (f), after the words "1994 Bonds", delete the word "or" and replace it with ",", and after the words "1996 Bonds", add the words "or 1999 Bonds".

5. The definition of the term "Debt Service Reserve Requirement" contained in the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"Debt Service Reserve Requirement" means with respect to the Bonds, an amount equal to the lesser of (i) the Maximum Annual Debt Service Requirement with respect to all Bonds outstanding under the Indenture, and (ii) the maximum amount permitted by the Code.

ARTICLE II THE 1999 BONDS

SECTION 2.01 AUTHORIZATION OF 1999 BONDS

The 1999 Bonds are authorized to be issued in an aggregate principal amount of \$610,005,000.

SECTION 2.02 DESCRIPTION OF 1999 BONDS

(a) The 1999 Bonds (i) shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999", (ii) shall be issued as fully registered bonds, and (iii) shall be in denominations of \$5,000 principal amount and integral multiples thereof.

(b) The 1999 Bonds shall be substantially in the form of Exhibit A hereto, with appropriate insertions, omissions and variations, including, without limitation, provisions for optional and mandatory redemption, as permitted or required by this Second Supplement to the Amended and Restated Indenture, and appropriate statements of insurance.

(c) The 1999 Bonds shall be dated April 1, 1999. The principal of and interest on the 1999 Bonds shall be payable on the dates and the 1999 Bonds shall be subject to redemption in the manner and subject to the conditions stated herein and in the 1999 Bonds.

(d) The 1999 Bonds shall mature on the dates and in the amounts and shall bear interest at the annual rates set forth in Schedule 1 hereto, such interest to be payable on each December 15 and June 15, commencing June 15, 1999, until maturity or such later date as payment of the principal amount thereof shall have been made or provided for.

(e) All provisions of Article II of the Amended and Restated Indenture which are applicable to Bonds shall apply to the 1999 Bonds.

SECTION 2.03 DELIVERY OF THE 1999 BONDS AND DISPOSITION OF PROCEEDS THEREOF.

(a) Upon the execution and delivery of this Second Supplement to the Amended and Restated Indenture, the Authority shall execute and deliver the 1999 Bonds to the Trustee and the Trustee shall authenticate the 1999 Bonds and deliver them to the initial purchaser or purchasers thereof as directed by the Authority in an order delivered by the Authority to the Trustee upon receipt of the proceeds of the 1999 Bonds. Proceeds from the sale of the 1999 Bonds shall be received by the Trustee and deposited in the Settlement Fund and shall then be disbursed and transferred from the Settlement Fund as follows:

(1) To an account in the Debt Service Fund to be established in respect of the 1999 Bonds, the accrued interest on the 1999 Bonds.

(2) To or upon the order of the Authority, the amount specified by the Authority at or after the closing for the issuance of the 1999 Bonds as the costs of issuance of the 1999 Bonds (including, without limitation, fees and expenses of bond counsel and special tax counsel, consultants, the Trustee and the Trustee's counsel, the City's counsel and

consultants, and the Authority's counsel in connection with the issuance of the 1999 Bonds, fees payable to any 1999 Credit Facility Issuer and Bond Insurer with respect to the 1999 Bonds, printing costs payable by the Authority and rating agency fees).

(3) To the Escrow Agent, to be deposited in the Escrow Fund, an amount equal to \$616,677,049.95, which will be applied in accordance with the terms of the 1993 Bonds Escrow Deposit Agreement.

Any amount remaining in the Settlement Fund after the foregoing disbursements and transfers shall be disbursed or transferred by the Trustee to the Debt Service Fund in respect of the 1999 Bonds.

(b) Accrued interest deposited in the account in the Debt Service Fund in respect of the 1999 Bonds shall be applied to pay interest on the 1999 Bonds on June 15, 1999.

(c) Pursuant to Section 5.07 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and Section 4.03 of this Second Supplement to the Amended and Restated Indenture, there shall be delivered to the Trustee for deposit in the Debt Service Reserve Fund in respect of the Bonds, the 1999 Credit Facility in an amount sufficient to cause the aggregate amount of cash, Investment Securities and amounts available under the 1999 Credit Facility to equal the Debt Service Reserve Requirement.

(d) Concurrently with the deposit of the 1999 Credit Facility, the Trustee is hereby instructed to release the Credit Facility presently held in the Debt Service Reserve Fund with respect to the 1996 Bonds and to return it to Financial Guaranty Insurance Corporation, the issuer of such Credit Facility. The Trustee is further instructed to release the following moneys held in the following funds established under the Indenture and deposit such moneys in the Escrow Fund:

(i) all amounts held in the Debt Service Reserve Fund on the date of execution of this Second Supplement to the Amended and Restated Indenture in excess of the Debt Service Reserve Requirement; and

(ii) all moneys held in the 1993 Bonds account of the Debt Service Fund.

SECTION 2.04 BOOK ENTRY SYSTEM FOR THE 1999 BONDS.

(a) The 1999 Bonds shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of the 1999 Bonds of each maturity, which 1999 Bonds shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Except as provided in paragraph (g) below, all of the 1999 Bonds shall be registered in the books kept by the Trustee in the name of Cede & Co., as nominee of DTC; provided that if DTC shall request that the 1999 Bonds be registered in the name of a different nominee, the Trustee shall exchange all or any portion of the 1999 Bonds for an equal aggregate principal amount of 1999 Bonds registered in the name of such nominee or nominees of DTC. No person other than DTC or its nominee shall be entitled to receive from the Authority or the Trustee either a 1999 Bond or any other evidence of ownership of the 1999 Bonds, or any right to receive any payment in respect

thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the 1999 Bonds on the books kept by the Trustee, in connection with discontinuing the book entry system as provided in paragraph (g) below or otherwise.

(b) So long as the 1999 Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal of or premium or interest on such 1999 Bonds shall be made to DTC or its nominee in accordance with the Letter of Representations from the Authority to DTC (the "Letter of Representations") on the dates provided for such payments under the Indenture. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Authority or the Trustee with respect to the principal of and premium and interest on the 1999 Bonds to the extent of the sum or sums so paid.

(c) The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive owner of the 1999 Bonds registered in its name for the purposes of payment of the principal of or premium or interest on the 1999 Bonds, selecting the 1999 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Holders of 1999 Bonds under the Indenture, registering the transfer of 1999 Bonds, obtaining any consent or other action to be taken by Holders of 1999 Bonds and for all other purposes whatsoever; and neither the Authority nor the Trustee shall be affected by any notice to the contrary. Neither the Authority nor the Trustee shall have any responsibility or obligation to any participant in DTC, any person claiming a beneficial ownership interest in the 1999 Bonds under or through DTC or any such participant, or any other person which is not shown on the Bond Register as being a Bondholder, with respect to (1) the 1999 Bonds; (2) the accuracy of any records maintained by DTC or any such participant; (3) the payment by DTC or any such participant of any amount in respect of the principal of or premium or interest on the 1999 Bonds; (4) any notice which is permitted or required to be given to Holders of 1999 Bonds under the Indenture; (5) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the 1999 Bonds; or (6) any consent given or other action taken by DTC as Holder of 1999 Bonds.

(d) So long as the 1999 Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all notices required or permitted to be given to the Holders of 1999 Bonds under the Indenture shall be given to DTC as provided in the Letter of Representations.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to the Indenture by the Trustee with respect to any consent or other action to be taken by Holders of 1999 Bonds, DTC shall consider the date of receipt of notice requesting such consent or other action as the record date for such consent or other action, provided that the Trustee may establish a special record date for such consent or other action. The Trustee shall give DTC notice of such special record date not less than 15 calendar days in advance of such special record date to the extent possible.

(f) At or prior to settlement for the 1999 Bonds, the Authority and the Trustee shall execute or signify their approval of the Letter of Representations. Any successor Trustee shall, in its written acceptance of its duties under the Indenture, agree to take any actions necessary from time to time to comply with the requirements of the Letter of Representations.

(g) The book entry system for registration of the ownership of the 1999 Bonds through DTC shall be discontinued at any time that (1) DTC determines to resign as securities depository for the 1999 Bonds and gives notice of such determination to the Authority and the Trustee or (2) the Authority determines that continuation of the system of book entry transfers through DTC is not in the best interests of the Authority or the Holders of 1999 Bonds and gives notice of such determination to the Trustee and DTC. In either of such events the Authority may appoint a successor securities depository; but if the Authority does not appoint a successor, the 1999 Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Authority or the Trustee for the accuracy of such designation. If a successor securities depository is appointed, this Section 2.04 shall be amended as necessary to reflect such succession and to incorporate provisions required by the successor.

ARTICLE III REDEMPTION/REVENUES AND FUNDS

SECTION 3.01 OPTIONAL REDEMPTION.

The 1999 Bonds maturing on and after June 15, 2010 are redeemable on and after June 15, 2009, in whole at any time, or in part at any time and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount of the 1999 Bonds to be redeemed, plus accrued interest to the redemption date.

SECTION 3.02 DEBT SERVICE FUND.

(a) The Trustee shall establish as a part of the Debt Service Fund in respect of the 1999 Bonds a 1999 Bonds Sinking Fund Account (the "1999 Bonds Sinking Fund Account") for the retirement of certain of the 1999 Term Bonds. Moneys deposited in the 1999 Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 1999 Term Bonds specified below and shall be applied as hereafter provided.

The Trustee shall transfer moneys from the Debt Service Fund in respect of the 1999 Bonds to the 1999 Bonds Sinking Fund Account on June 15 of the years set forth below in the amount required to retire 1999 Term Bonds specified below in the following amounts through mandatory redemption, in direct order of maturity and within a maturity as chosen by the Trustee by lot, at the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

1999 Term Bonds Maturing June 15, 2021		1999 Term Bonds Maturing June 15, 2023	
Year (June 15)	Amount	Year (June 15)	Amount
2020	\$16,940,000	2022	\$18,675,000
2021*	17,785,000	2023*	19,560,000

* Final Maturity

Prior to May 1 of each year in which 1999 Term Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1999 Bonds Sinking Fund Account of as many 1999 Term Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the holders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund in respect of the 1999 Bonds). Prior to May 15 of each year or such date as will permit the Trustee to mail the notice of redemption required under Section 3.02 of the Indenture, so long as any 1999 Term Bonds specified above shall remain Outstanding, the Trustee shall draw by lot, for redemption on June 15 of such year, a principal amount of 1999 Term Bonds as shall represent the difference

between the principal amount of such 1999 Term Bonds fixed for redemption on such date as described above and the principal amount thereof which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as above provided.

Upon selection by lot of the particular 1999 Term Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the holders of such 1999 Term Bonds so drawn for redemption in the manner provided in Article III of the Indenture, and, upon presentation by the holders thereof, the Trustee shall pay the principal amount thereof out of moneys in the 1999 Bonds Sinking Fund Account and shall pay accrued interest due from moneys available therefor in the Debt Service Fund in respect of the 1999 Bonds.

If at any time all the 1999 Term Bonds eligible for redemption shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 1999 Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund in respect of the 1999 Bonds. Whenever 1999 Term Bonds are to be purchased out of the 1999 Bonds Sinking Fund Account, if the Authority shall notify the Trustee that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to the Indenture.

(b) (i) If, on the third day preceding any Interest Payment Date for the 1999 Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the 1999 Bonds due on such date, the Trustee shall immediately notify the Bond Insurer and State Street Bank and Trust Company, N.A., or its successor as the Fiscal Agent for the Bond Insurer of the amount of such deficiency. If, by said Interest Payment Date, the Authority has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the Bond Insurer and to the Fiscal Agent the registration books for the 1999 Bonds maintained by the Trustee. In addition:

(A) The Trustee shall provide the Bond Insurer with a list of the Bondholders entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy and shall make arrangements for the Bond Insurer and the Fiscal Agent (1) to mail checks or drafts to Bondholders entitled to receive full or partial interest payments from the Bond Insurer and (2) to pay principal of the 1999 Bonds surrendered to the Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from the Bond Insurer; and

(B) The Trustee shall, at the time it makes the registration books available to the Bond Insurer pursuant to (A) above, notify Bondholders entitled to receive the payment of principal of or interest on the 1999 Bonds from the Bond Insurer (1) as to the fact of such entitlement, (2) that the Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Bond Insurance Policy, (3) that, except as provided in paragraph (ii) below, in the event that any Bondholder is entitled to receive full payment of principal from the Bond Insurer, such Bondholder must tender his 1999 Bond with the instrument of transfer in the form provided on the 1999 Bond executed in the name of the Bond Insurer,

and (4) that, except as provided in paragraph (ii) below, in the event that such Bondholder is entitled to receive partial payment of principal from the Bond Insurer, such Bondholder must tender his 1999 Bond for payment first to the Trustee, which shall note on such 1999 Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the Bond Insurer, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy.

(ii) In the event that the Trustee has notice that any payment of principal of or interest on a 1999 Bond has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer, notify all Bondholders of such 1999 Bonds that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from the Bond Insurer to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the 1999 Bonds which have been made by the Trustee and subsequently recovered from Bondholders, and the dates on which such payments were made.

(iii) The Bond Insurer shall, to the extent it makes payment of principal of or interest on the 1999 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Bondholders of such 1999 Bonds and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books for the 1999 Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Bondholders of such 1999 Bonds. Notwithstanding anything in the Indenture (including, without limitation, Section 2.04 of this Second Supplement to the Amended and Restated Indenture) or the 1999 Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to the Bond Insurer to the extent that the Bond Insurer is a subrogee with respect thereto.

SECTION 3.03 1999 CREDIT FACILITY.

The 1999 Credit Facility will be issued by the 1999 Credit Facility Issuer in lieu of a deposit in the Debt Service Reserve Fund at the time of the issuance of the 1999 Bonds. The 1999 Credit Facility shall be payable (upon the giving of notice by the Trustee to the 1999 Credit Facility Issuer in accordance with the terms of the 1999 Credit Facility at least two business days prior to each Interest Payment Date) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund for the Bonds and applied to the payment of principal of or interest on the Bonds. If a disbursement is made pursuant to the 1999 Credit Facility, the 1999 Credit Facility Issuer shall furnish to the Authority written instructions as to the manner in which repayment of amounts owed to the 1999 Credit Facility Issuer as a result of such disbursement shall be made.

In the event of any such disbursement, the Authority shall either (i) cause the maximum limits of the 1999 Credit Facility to be reinstated, by causing transfers to be made pursuant to Section 5.05(b) of the Indenture to the 1999 Credit Facility Issuer to pay the Policy Costs (as defined hereinafter) in the manner set forth in the next paragraph or otherwise, or (ii) deposit into the Debt Service Reserve Fund an amount, from transfers from the Revenue Fund pursuant to Section 5.05(b) of the Indenture, equal to the amount of the draw made under the 1999 Credit Facility, or a combination thereof, so that the amount of cash (or Investment Securities under the Indenture), together with the Credit Facility in the Debt Service Reserve Fund equals the Debt Service Reserve Requirement.

Repayment of draws under the 1999 Credit Facility, expenses of the 1999 Credit Facility Issuer relating thereto and the interest thereon, accruing at a rate equal to the lower of (i) the prime rate per annum of Morgan Guaranty Trust Company of New York in effect from time to time plus two percent (2%) and (ii) the highest rate permitted by law, shall enjoy the same priority as the obligation to maintain and refill the Debt Service Reserve Fund. Repayment of draws, expenses and accrued interest (such draws, expenses and interest are collectively referred to as the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs relating to such draw. Payment of Policy Costs shall be made in the same priority as transfers to the Debt Service Reserve Fund in accordance with Section 5.05(b) of the Indenture, as set forth above. Amounts paid to the 1999 Credit Facility Issuer shall be credited first to interest due under the 1999 Credit Facility, then to the expenses due under the 1999 Credit Facility and then to reimbursement of the draws under the 1999 Credit Facility. As and to the extent that payments are made to the 1999 Credit Facility Issuer on account of reimbursement of any draws under the 1999 Credit Facility, the coverage under the 1999 Credit Facility will be increased by a like amount.

If the Authority shall fail to repay any Policy Costs as described above, the 1999 Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under the Indenture other than (i) the acceleration of the maturity of the Bonds, or (ii) remedies which would adversely affect holders of the Bonds.

If and to the extent that cash and/or Investment Securities have also been deposited in the Debt Service Reserve Fund, all such cash shall be used (or Investment Securities purchased with such cash shall be liquidated and the proceeds applied as required) prior to any draw under the 1999 Credit Facility, and repayment of any Policy Costs shall be made prior to replenishment of any such cash amounts. If, in addition to the 1999 Credit Facility, any other Credit Facility is provided with respect to the Bonds, drawings under the 1999 Credit Facility and any such other Credit Facility shall be made on a pro rata basis (calculated by reference to the maximum amounts available thereunder) after applying all available cash in the Debt Service Reserve Fund and prior to replenishment of any such cash draws, respectively.

For so long as the 1999 Credit Facility is in effect (a) the Indenture shall not be modified or amended without the prior written consent of the 1999 Credit Facility Issuer, (b) the 1999 Credit Facility Issuer shall be provided with written notice of the resignation or removal of the Trustee and the appointment of a successor thereto and of the issuance of additional indebtedness of the

Authority, and (c) the Indenture shall not be discharged if any Policy Costs are owed by the Authority to the 1999 Credit Facility Issuer.

For so long as the 1999 Credit Facility is in effect, the amount available to be drawn thereunder shall be taken into account when computing the value of the assets in such account for purposes of determining whether the Debt Service Reserve Requirement is satisfied.

ARTICLE IV AMENDMENT OF INDENTURE

SECTION 4.01 AMENDMENT OF SECTION 2.11.

Subsection (f) of Section 2.11 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

“(f) Except for Additional Bonds issued to refund Outstanding Bonds where the Maximum Annual Debt Service Requirement for the Additional Bonds and the total principal and interest payable on the Additional Bonds for the term thereof do not exceed the comparable amounts for the Bonds being refunded or Additional Bonds which have a security interest in the Pledged Revenues which is subordinate to the security interest granted to secure the 1993A Bonds, the 1996 Bonds and the 1999 Bonds, a certificate executed by the Authority, including a verification of the calculations by an independent certified public accountant, showing that (1) the PICA Taxes collected with respect to any 12 consecutive months during the 15 month period preceding the date of issuance of such Additional Bonds, after giving retroactive effect during each month of such 12 month period to any PICA Taxes which were not in effect (including for this purpose any increase in the rate of an existing tax) during each such month but which have been imposed prior to the issuance of the Additional Bonds, equaled at least 175% of the Maximum Annual Debt Service Requirement (including the Authority's obligations with respect to repayment of Policy Costs then due and owing with respect to each Credit Facility issued in connection with the Debt Service Reserve Fund for the Bonds) on Bonds to be Outstanding after the issuance of the Additional Bonds and (2) the PICA Taxes projected to be collected during the 12 months following the issuance of the Additional Bonds, which projections may be based on the PICA Taxes projected for such period in the City's most recent Financial Plan (as defined in the Intergovernmental Cooperation Agreement) approved by the Authority, equal at least 175% of the Debt Service Requirement during such 12 month period on Bonds to be Outstanding after the issuance of the Additional Bonds. In making the foregoing calculations, PICA Taxes other than the Income Tax shall not be included in the calculation unless each Bond Insurer then insuring Outstanding Bonds has consented to the inclusion of such other PICA Taxes in writing.”

SECTION 4.02 AMENDMENT OF SECTION 4.12.

(a) Section 4.12(b) of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

“(b) the official statement or other disclosure, if any, prepared in connection with the issuance of additional debt, whether or not it is on a parity with the 1993A Bonds, the 1996 Bonds or the 1999 Bonds, within 30 days after the sale thereof;”.

(b) Section 4.12(d) of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

“(d) the notice of the redemption, other than mandatory sinking fund redemption, of any of the 1993A Bonds, the 1996 Bonds and the 1999 Bonds, including the principal amount, maturities and CUSIP numbers thereof;”.

SECTION 4.03 AMENDMENT OF SECTION 5.07.

Pursuant to Section 10.02 of the Amended and Restated Indenture, Subsection 5.07 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is hereby amended to delete the necessity of separate accounts for each Series. As amended and restated, such section reads, in its entirety, as follows:

Section 5.07 Debt Service Reserve Fund.

There shall be maintained in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement for the Bonds. In lieu of a cash deposit, at the time of issuance of a Series, subject to approval of the Bond Insurer, if any, there may be provided a Credit Facility in such amount issued by a Credit Facility Issuer whose credit facilities are such that bonds secured by such credit facilities are rated in one of the three highest rating categories by Moody's and S&P. Moneys in the Revenue Fund shall be transferred to the Debt Service Reserve Fund to the extent necessary to eliminate a deficiency therein. To the extent that there is an excess amount in the Debt Service Reserve Fund as of the date any valuation is required to be made as provided herein, unless otherwise provided in the Supplemental Indenture authorizing the issuance of such Series, the excess (other than any Investment Earnings) shall be transferred, at the written direction of the Authority, to the Debt Service Fund or the Bond Redemption Fund for redemption of Bonds at the earliest possible date that Bonds can be redeemed without a premium, or, subject to an approving opinion of Bond Counsel, as directed in writing by the Authority.

All Investment Earnings from investments of amounts in the Debt Service Reserve Fund shall be retained or transferred, as applicable, in the following order and priority:

(a) the Trustee shall retain in the Debt Service Reserve Fund the amount necessary to eliminate any deficiency therein;

(b) the Trustee shall transfer to the Rebate Fund in respect of each Bond Year such amount as is certified by the Authority to the Trustee pursuant to the applicable Tax Compliance Agreement as the Rebate Amount and Yield Reduction Amount, if any, for such Bond Year with respect to the 1993A Bonds, the 1996 Bonds, the 1999 Bonds and such additional amount for each other Series of Bonds as may be specified in the Supplemental Indenture authorizing the Series;

(c) the Trustee shall transfer to the Authority the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made (together with transfers from the Revenue Fund pursuant to Section 5.05 hereof), to equal the total operating expenses of the Authority for such fiscal year as set forth in the certificate of the Authority (which

certificate may be revised from time to time) filed with the Trustee in respect of such fiscal year; and

(d) the Trustee shall transfer any remaining amount to the Revenue Fund.

If there are insufficient moneys to pay the Debt Service Requirement on any Series of Bonds on any Interest Payment Date or maturity date of such Series of Bonds, the Trustee shall transfer from the Debt Service Reserve Fund to the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund.

In the event any application of funds in the Debt Service Reserve Fund in accordance with the preceding paragraph causes the amount in the Debt Service Reserve Fund to be less than the Debt Service Reserve Requirement, the Trustee shall promptly notify the Authority.

The Trustee shall value the Investment Securities, if any, held in the Debt Service Reserve Fund at the end of each Bond Year for such Series and six months after the end of each such Bond Year. If the value of such Investment Securities plus any moneys in the Debt Service Reserve Fund (other than Investment Earnings which have not yet been transferred as provided herein) net of the amount available under the Credit Facility falls below the Debt Service Reserve Requirement, the Trustee shall promptly notify the Authority. Such deficiency shall be eliminated as indicated above and if necessary by the transfer from the Revenue Fund specified in Section 5.05 hereof. If such valuation shows that there is an excess amount in the Debt Service Reserve Fund, the Trustee shall promptly notify the Authority and shall apply such excess as provided in the first paragraph of this Section 5.07.

In connection with a redemption or final maturity of all of the Bonds of a Series, moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement shall be transferred to the Bond Redemption Fund or to the Debt Service Fund, respectively, to be used for purposes of such redemption or final maturity, unless moneys for such redemption or payment are otherwise provided, in which event the moneys remaining in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement for the remaining Bonds Outstanding following such redemption or payment shall be transferred as directed, in writing, by the Authority.

SECTION 4.04 AMENDMENT OF SECTION 6.01.

Section 6.01 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended as follows:

(a) The first paragraph of such section shall be amended and restated in its entirety as follows:

“Moneys in the funds established hereunder shall, to the extent permitted by law and at the written direction of the Authority and subject to any limitations imposed by the agreement pursuant to which the Credit Facility is issued, be invested and reinvested in Investment Securities or City Obligations, except that moneys in the Debt Service Fund,

the Revenue Fund and the Rebate Fund shall only be invested in Government Obligations with maturities which will assure the availability of money at the time needed and moneys in the Debt Service Reserve Fund shall only be invested as set forth below."

(b) The fourth paragraph of such section shall be amended and restated in its entirety as follows:

"Notwithstanding anything herein to the contrary, moneys in the Debt Service Reserve Fund shall only be invested in Investment Securities with a maturity of not more than five years; provided, however, that if moneys are invested in a guaranteed investment contract or a repurchase agreement which allows the full principal of and interest on the investment to be withdrawn at par on any principal or interest payment date for the Bonds, such guaranteed investment contract or repurchase agreement may have a maturity longer than five years but not longer than ten years."

SECTION 4.06 **AMENDMENT OF ARTICLE VII.**

The fourth paragraph of Article VII of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"In the event of a refunding in advance of the payment or mandatory sinking fund redemption date of any Series, the Authority shall cause to be delivered to the applicable Bond Insurer with respect to such Series a verification report of an independent nationally recognized certified public accountant."

SECTION 4.07 **AMENDMENT OF SECTION 8.01.**

Section 8.01 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended as follows:

In the fifth to last line of the paragraph following subsection 8.01(e), after the words "1994 Bonds", delete the word "or" and replace it with ",", and after the words "1996 Bonds", add the words "or in the 1999 Bonds".

SECTION 4.08 **AMENDMENT OF SECTION 8.09.**

Section 8.09 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended as follows:

In the fifth line of Section 8.09, after the words "1994 Bonds", delete the word "or" and replace it with ",", and after the words "1996 Bonds", add the words "or the 1999 Bonds".

SECTION 4.09. **AMENDMENT OF SECTION 10.02.**

The last paragraph of Section 10.02 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended as follows:

In the seventh line of the last paragraph of Section 10.02, after the words "1994 Bonds", delete the word "or" and replace it with ",", and after the words "1996 Bonds" add the words "or 1999 Bonds".

SECTION 4.12 AMENDMENT OF SECTION 11.07.

Section 4.12 of the First Supplement to the Amended and Restated Indenture, amending Section 11.07 of the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"Section 11.07 of the Amended and Restated Indenture is amended to add the following addresses as the addresses for the Credit Facility Issuer with respect to the Bonds:

If to the Credit Facility Issuer:

Financial Guaranty Insurance Corporation
115 Broadway
New York, NY 10006
Attention: Research and Risk Management."

SECTION 4.13 AMENDMENT OF SECTION 11.10.

The second sentence of Section 11.10 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"When the 1993A Insured Bonds, the 1996 Bonds or the 1999 Bonds are no longer Outstanding, no further notice to or consent or approval of the respective Bond Insurer shall be required under the terms of this Indenture and such Bond Insurer shall cease to be a third party beneficiary of this Indenture."

ARTICLE V INDENTURE TO REMAIN IN EFFECT; MISCELLANEOUS

SECTION 5.01 INDENTURE TO REMAIN IN EFFECT.

Except as amended and supplemented by this Second Supplement to the Amended and Restated Indenture, the Existing Indenture shall remain in full force and effect and is in all respects ratified, approved and confirmed, and the Existing Indenture and this Second Supplement to the Amended and Restated Indenture shall be read, taken and construed as one and the same instrument so that all of the rights, remedies, terms, conditions, covenants and agreements of the Existing Indenture shall apply and remain in full force and effect with respect to this Second Supplement to the Amended and Restated Indenture, the 1993A Bonds, the 1996 Bonds and the 1999 Bonds, as appropriate. In case of any conflict between the provisions of the Existing Indenture and this Second Supplement to the Amended and Restated Indenture of Trust, the provisions of this Second Supplement to the Amended and Restated Indenture shall apply. Without limiting the foregoing, the Authority hereby assigns, pledges and grants to the Trustee and confirms its prior grant to the Trustee a lien on and security interest in all right, title and interest of the Authority in and to the Pledged Revenues in order to secure (i) the payment of the principal of, premium, if any, and interest on the Bonds (including without limitation the 1999 Bonds) according to their tenor and effect, and (ii) the performance and observance by the Authority expressed herein and in the Bonds (including without limitation the 1999 Bonds).

SECTION 5.02 COUNTERPARTS.

This Second Supplement to the Amended and Restated Indenture may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 5.03 GOVERNING LAW.

This Second Supplement to the Amended and Restated Indenture shall be governed by and construed in accordance with the laws of the Commonwealth.

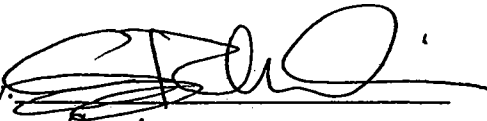
SECTION 5.04 CAPTIONS.

The captions and headings in this Second Supplement to the Amended and Restated Indenture are for reference purposes only and shall not control or affect the meaning or interpretation of any provisions of this Second Supplement to the Amended and Restated Indenture.

IN WITNESS WHEREOF, the Authority has caused this Second Supplement to the Amended and Restated Indenture to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials and the Trustee has caused this Second Supplement to the Amended and Restated Indenture to be executed in its name and with its corporate seal hereunto affixed and attested by its respective duly authorized signers, as of the date first above written.

ATTEST:

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

By: 
Secretary
[SEAL]

By: 
(Vice) Chairperson

FIRST UNION NATIONAL BANK, as Trustee

By: 
Authorized Signatory

[SEAL]

EXHIBIT A

(Form of Fully Registered 1999 Bond)

No. R

\$

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Refunding Bonds
(City of Philadelphia Funding Program)
Series of 1999

Interest

Rate
%

Maturity Date
June 15,

Dated Date
April 1, 1999

CUSIP
708840

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania, United States of America, duly existing under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"), for value received, hereby promises to pay (but only out of Pledged Revenues (as hereinafter defined)) to the Registered Owner identified above or registered assigns (the "Holder"), on the Maturity Date identified above, upon the presentation and surrender hereof, the Principal Amount identified above and to pay (but only out of the Pledged Revenues) interest on said Principal Amount at the annual rate specified above, from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid, from April 1, 1999, on June 15 and December 15 in each year (each, an "Interest Payment Date"), commencing June 15, 1999, until payment of said principal amount shall have been made or provided for.

The principal of this Bond, upon maturity or redemption, is payable at the principal office of First Union National Bank, or its successor, as Trustee (the "Trustee"). Interest on this Bond will be paid by the Trustee on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered on the registration books of the Authority (the "Bond Register") maintained by First Union National Bank or its successor as Registrar and at the address appearing thereon on the last day of the month preceding such Interest Payment Date (the "Record Date") or in lieu thereof, if so requested in a written notice provided to the Trustee not less than ten (10) days prior to the relevant Interest Payment Date by a holder of \$1,000,000 or more in aggregate principal amount of Series 1999 Bonds (as hereinafter defined), by wire transfer to an account in a bank located in the United States designated by such Bondholder. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof as of

the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on the fifteenth (15th) day prior to the date set for the payment of such defaulted interest (the "Special Payment Date"). Such Special Payment Date shall be fixed by the Trustee in accordance with Section 2.03 of the Indenture (as hereinafter defined). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Interest on the Series 1999 Bonds shall be paid on each Interest Payment Date and shall be computed on the basis of a year of 360 days consisting of twelve 30-day months.

THIS BOND IS A LIMITED OBLIGATION OF THE AUTHORITY AND IS PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND. THIS BOND IS NOT AND SHALL NOT BE DEEMED AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, EXCEPT FOR THE AUTHORITY, AND NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, EXCEPT FOR THE AUTHORITY, IS OR SHALL BE LIABLE FOR THE PAYMENT OF SUCH PRINCIPAL OR INTEREST. THE AUTHORITY HAS NO TAXING POWER.

NOTWITHSTANDING ANY PROVISION OF THE ACT OR ANY OTHER LAW TO THE CONTRARY, OR OF ANY IMPLICATION THAT MAY BE DRAWN THEREFROM, THE COMMONWEALTH OF PENNSYLVANIA AND ALL OTHER GOVERNMENT AGENCIES, INCLUDING THE CITY, EXCEPT THE AUTHORITY, SHALL HAVE NO LEGAL OR MORAL OBLIGATION FOR THE PAYMENT OF EXPENSES OR OBLIGATIONS OF THE AUTHORITY, INCLUDING, BUT NOT LIMITED TO, PRINCIPAL AND INTEREST ON THE SERIES 1999 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEEES OF THE AUTHORITY, INCLUDING HOLDERS OF SERIES 1999 BONDS, SHALL HAVE NO RECOURSE, LEGAL OR MORAL, TO THE COMMONWEALTH OF PENNSYLVANIA OR TO ANY GOVERNMENT AGENCY, EXCEPT THE AUTHORITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 1999 BONDS.

This Bond is fully registered in the name of the owner on the Bond Register kept for that purpose at the Principal office of the Registrar. No transfer shall be valid as against the Authority or the Trustee unless made by the registered owner in person or by his duly authorized attorney or legal representative and similarly noted upon the Bond Register and hereon. Upon any such transfer or exchange, the Authority shall issue and, after due authentication by the Trustee, shall deliver to or upon the order of the registered owner, a new registered Bond or Bonds, in authorized denominations aggregating the principal amount hereof, maturing on the same date, bearing interest at the same rate, bearing the same series designation as this Bond and registered in such names as shall be requested.

The Authority, the Trustee and the Registrar may treat the person in whose name this Bond is registered as the absolute owner of this Bond for all purposes whether or not this Bond shall be overdue, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All payments of the principal, interest or redemption price made to the registered owner hereof in the manner set forth herein and in the Indenture shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, whether or not notation of the same be made hereon, and any consent, waiver or action taken by such registered owner pursuant to the provisions of the Indenture shall be conclusive and binding upon such registered owner, his heirs, successors and assigns, and upon all transferees hereof, whether or not notation thereof be made hereon or on any Bond issued in exchange therefor.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the Commonwealth of Pennsylvania to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this Bond, exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the Authority in his individual capacity, and neither the members of the Board of the Authority nor any official executing this Bond nor any such officer, agent or employee shall be liable personally on this Bond or under the Indenture or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond, all such liability of such members, officers, agents and employees being released as a condition of and as consideration for the execution of the Second Supplement to the Amended and Restated Indenture (hereinafter defined) and the issuance of this Bond.

This Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

This Bond is one of a duly authorized issue of Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 issued in the aggregate principal amount of \$610,005,000 (the "Series 1999 Bonds"). The Series 1999 Bonds are issued to enable the Authority to refund certain of its outstanding bonds and for other purposes permitted by the Act and thereby to accomplish the public purposes set forth in the Act.

The Series 1999 Bonds are issued under and pursuant to the Act and resolutions of the Authority duly adopted on March 2, 1999 and March 16, 1999 (collectively, the "Resolution") and under an Amended and Restated Indenture of Trust dated as of December 1, 1994, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 and a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (collectively, the "Indenture"), between the Authority and the Trustee, and, together with other Outstanding Bonds, are equally and ratably secured under the Indenture, except as otherwise provided therein, by an assignment and pledge of, and grant of a security interest in, (i)

all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes, and (ii) all moneys and securities held by the Trustee under the Indenture (except funds held in trust for the United States) (collectively, the "Pledged Revenues").

Capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture.

Optional Redemption

The Series 1999 Bonds maturing on and after June 15, 2010 are redeemable by the Authority, on or after June 15, 2009, in whole at any time, or in part at any time, and from time to time, in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount of Series 1999 Bonds to be redeemed, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series 1999 Bonds maturing on June 15, 2021 and June 15, 2023 are subject to mandatory sinking fund redemption prior to maturity on June 15 of the years and in the amounts set forth below in direct order of maturity and within a maturity as chosen by the Trustee by lot at 100% of the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

1999 Term Bonds Maturing June 15, 2021		1999 Term Bonds Maturing June 15, 2023	
Year (June 15)	Amount	Year (June 15)	Amount
2020	\$16,940,000	2022	\$18,675,000
2021*	17,785,000	2023*	19,560,000

* Final Maturity

Prior to May 1 of each year in which Series 1999 Bonds are subject to mandatory redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 1999 Bonds Sinking Fund Account of as many Series 1999 Bonds then subject to mandatory sinking fund redemption on the next June 15 as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund in respect of the Series 1999 Bonds).

Notice of Redemption

When the Authority shall determine to redeem Series 1999 Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Series 1999 Bonds to be redeemed, or whenever the Trustee shall be required to redeem Series 1999 Bonds from moneys in the Bond Redemption Fund or the 1999 Bonds Sinking Fund Account of the Debt Service Fund, without action on the part of the Authority, the Trustee, at the Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall, among other things, state the redemption price and the date fixed for redemption, that on such date the Series 1999 Bonds called for redemption will be due and become payable at the Principal Office of the Trustee, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of all Series 1999 Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Series 1999 Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such redemption, without the requirement of written notice. If a notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

The notice to Bondholders shall be deposited by the Trustee in the United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days prior to the redemption date, addressed to the Holders of Series 1999 Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any Series 1999 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Series 1999 Bonds.

Reference is made to the Act, the Resolution, the Indenture and the PICA Tax Ordinance, executed or certified counterparts of which are on file at the corporate trust office of the Trustee, for statements of the purposes for which the Series 1999 Bonds are issued, a description of the Pledged Revenues assigned and pledged for the security of the Series 1999 Bonds (including the PICA Tax) and the nature, extent and manner of enforcement of such security, certain covenants of the Authority and the City made for the benefit of Bondholders, the terms and conditions under which the Indenture may be amended or modified, the rights and duties of the Authority and the Trustee, and the extent of the rights of the registered owners of the Series 1999 Bonds issued under the Indenture.

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this Bond to be executed with the manual or facsimile signature of its Chairperson or Vice Chairperson and its official seal or a facsimile thereof to be imprinted hereon and attested with the manual or facsimile signature of its Secretary or Assistant Secretary.

ATTEST:

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

By: _____

Secretary

[SEAL]

By: _____

(Vice) Chairperson

AUTHENTICATION CERTIFICATE

This Bond is one of the Series 1999 Bonds described in the within mentioned Indenture. The text of the opinion of Co-Bond Counsel printed on or attached to this Bond is the complete text of the opinion of Klett Lieber Rooney & Schorling, A Professional Corporation, of Philadelphia, Pennsylvania and Stevens & Lee, A Professional Corporation, of Reading, Pennsylvania, a signed original of which is on file with the undersigned, which was dated and delivered on the date of the original delivery of and payment for the Series 1999 Bonds. The text of the opinion of Special Tax Counsel printed on or attached to this Bond is the complete text of the opinion of Ballard Spahr Andrews & Ingersoll, LLP, of Philadelphia, Pennsylvania, a signed original of which is on file with the undersigned, which was dated and delivered on the date of the original delivery of and payment for the Series 1999 Bonds.

First Union National Bank, Trustee

By: _____
Authorized Signature

Date of Authentication:

STATEMENT OF INSURANCE

Financial Guaranty Insurance Company ("Financial Guaranty") has issued a policy containing the following provisions with respect to the Pennsylvania Intergovernmental Cooperation Authority, Pennsylvania, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 (the "Bonds"), such policy being on file at the principal office of First Union National Bank (the "Trustee"):

Financial Guaranty hereby unconditionally and irrevocably agrees to pay for disbursement to the Bondholder that portion of principal of and interest on the Bonds which is then due for payment and which the Issuer of the Bonds (the "Issuer") shall have failed to provide. Due for payment means, with respect to the principal, 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 the payment of principal of the Bonds is due by reason of call for redemption (other than mandatory sinking fund redemption), acceleration or other advancement of maturity, and with respect to interest, the stated date for payment of such interest.

Upon receipt of telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or the Trustee to Financial Guaranty that the required payment of principal or interest has not been made by the Issuer to the Trustee, Financial Guaranty on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), sufficient to make the portion of such payment not paid by the Issuer. Upon presentation to the Fiscal Agent of evidence satisfactory to it of the Bondholder's right to receive such payment and any appropriate instruments of assignment required to vest all of such Bondholder's right to such payment in Financial Guaranty, the Fiscal Agent will disburse such amount to the Bondholder.

As used herein the term "Bondholder" means the person other than the Issuer who at the time of nonpayment of a Bond is entitled under the terms of such Bond to payment thereof.

The policy is non-cancellable for any reason.

FINANCIAL GUARANTY INSURANCE COMPANY

TEXT OF OPINION OF CO-BOND COUNSEL

(FORM OF ASSIGNMENT)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ whose taxpayer identification number is _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer said Bond on the books of the Registrar, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

SCHEDULE 1

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

\$610,005,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 1999

<u>DUE</u> <u>JUNE 15</u>	<u>AMOUNT</u>	<u>INTEREST</u> <u>RATE</u>
1999	\$ 1,015,000	3.20%
2000	13,260,000	4.50
2001	13,805,000	5.00
2002	14,600,000	5.00
2003	28,095,000	5.00
2004	26,670,000	5.00
2005	37,505,000	4.00
2006	39,075,000	5.00
2007	41,030,000	5.00
2008	37,420,000	5.00
2009	30,665,000	5.00
2010	25,370,000	5.25
2011	23,045,000	5.25
2012	24,235,000	5.25
2013	25,500,000	5.25
2014	26,815,000	5.25
2015	28,205,000	5.25
2016	29,660,000	5.25
2017	31,195,000	5.25
2018	23,710,000	5.00
2019	16,170,000	4.75
2021	34,725,000	5.00
2023	38,235,000	4.75

**THIRD SUPPLEMENT TO THE AMENDED AND
RESTATED INDENTURE OF TRUST**

between

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

and

WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee

Dated as of June 1, 2003

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	
AUTHORITY AND DEFINITIONS.....	4
SECTION 101. SUPPLEMENTAL INDENTURE OF TRUST	4
SECTION 102. AUTHORITY FOR THIS THIRD SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE.....	4
SECTION 103. DEFINITIONS	4
ARTICLE II	
ISSUANCE OF AND INTEREST ON THE 2003 BONDS	12
SECTION 201. ISSUANCE OF BONDS	12
SECTION 202. INITIAL INTEREST RATES; SUBSEQUENT RATES; RATE PERIODS.....	14
SECTION 203. VARIABLE RATES; CONVERSIONS TO VARIABLE RATE PERIODS.....	15
SECTION 204. FLEXIBLE RATES; CONVERSIONS TO FLEXIBLE RATE PERIODS.....	18
SECTION 205. FIXED RATE CONVERSION AT OPTION OF THE AUTHORITY	19
SECTION 206. CERTAIN CHANGES IN TERM RATE PERIOD NOT A CONVERSION	21
SECTION 207. BOOK ENTRY SYSTEM	21
SECTION 208. DELIVERY OF THE 2003 BONDS AND DISPOSITION OF PROCEEDS THEREOF.	23
ARTICLE III	
TENDER AND PURCHASE OF BONDS	25
SECTION 301. OPTIONAL TENDERS DURING VARIABLE RATE PERIODS.....	25
SECTION 302. TENDERS DURING FLEXIBLE RATE PERIODS.....	30
SECTION 303. MANDATORY TENDER UPON CONVERSIONS AMONG VARIABLE RATE PERIODS AND FLEXIBLE RATE PERIODS	32
SECTION 304. MANDATORY TENDER UPON FIXED RATE CONVERSION OR SUBSTITUTION OR TERMINATION OF LIQUIDITY FACILITY.....	33
SECTION 305. FAILED CONVERSION	35
SECTION 306. INADEQUATE FUNDS FOR TENDERS	36
SECTION 307. LIMITS UPON REMARKETING	36
SECTION 308. BOND PURCHASE FUND	36
SECTION 309. NON-PRESENTMENT OF TENDERED BONDS	37
SECTION 310. LIQUIDITY FACILITY	37
ARTICLE IV	
REDEMPTION OF BONDS	42
SECTION 401. REDEMPTION DATES AND PRICES.....	42
SECTION 402. NOTICE OF REDEMPTION	45
SECTION 403. SELECTION OF BONDS TO BE REDEEMED	46
ARTICLE V	
THE TENDER AGENT AND REMARKETING AGENT	47
SECTION 501. TENDER AGENT.....	47
SECTION 502. REMARKETING AGENT	48
SECTION 503. QUALIFICATIONS OF REMARKETING AGENT	49
ARTICLE VI	
REVENUES AND FUNDS.....	50
SECTION 601. DEBT SERVICE FUND.....	50
SECTION 602. PAYMENT UNDER THE 2003 BONDS SWAP	52
ARTICLE VII	
AMENDMENT OF INDENTURE	54
SECTION 701. AMENDMENT OF SECTION 2.11.....	54
SECTION 702. AMENDMENT OF SECTION 4.12.....	54
SECTION 703. AMENDMENT OF SECTION 5.05.....	55

SECTION 704.	AMENDMENT OF ARTICLE VII.....	55
SECTION 705.	AMENDMENT OF SECTION 8.01.....	56
SECTION 706.	AMENDMENT OF SECTION 8.09.....	56
SECTION 707.	AMENDMENT OF SECTION 10.01.....	56
SECTION 708.	AMENDMENT OF SECTION 10.02.....	57
SECTION 709.	AMENDMENT OF SECTION 11.07.....	57
SECTION 710.	AMENDMENT OF SECTION 11.10.....	58
SECTION 711.	AMENDMENT OF ARTICLE I.....	59
SECTION 712.	AMENDMENT OF SECTION 4.02.....	61
SECTION 713.	AMENDMENT OF SECTION 10.05.....	61
ARTICLE VIII	INDENTURE TO REMAIN IN EFFECT; MISCELLANEOUS.....	62
SECTION 801.	INDENTURE TO REMAIN IN EFFECT.	62
SECTION 802	COUNTERPARTS.	62
SECTION 803	GOVERNING LAW.	62
SECTION 804	CAPTIONS.	62

EXHIBIT A – Form of Bond

EXHIBIT B – Interest Rate Swap Transaction documents

THIRD SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST

THIS THIRD SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE OF TRUST, dated as of June 1, 2003, between the **PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY** (the "**Authority**"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania under and by virtue of the Constitution and laws of the Commonwealth of Pennsylvania, and **WACHOVIA BANK, NATIONAL ASSOCIATION**, a national banking association organized under the laws of the United States, as successor Trustee under the Indenture,

WITNESSETH:

WHEREAS, the Authority is authorized and empowered under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (as such Act may be further amended from time to time, the "**Act**"), to issue its bonds in accordance with the Act for various purposes, including, without limitation, providing financial assistance to a city of the first class to finance a deficit other than a cash flow deficit, to finance capital projects and to otherwise assist such a city and to refund outstanding indebtedness of the Authority; and

WHEREAS, the Authority and CoreStates Bank, N.A. as trustee (the "**Initial Trustee**") entered into an Indenture of Trust, dated as of June 1, 1992 (the "**Original Indenture**"), to provide for the issuance and securing of Bonds (as defined in the Original Indenture); and

WHEREAS, the Authority and the Initial Trustee entered into a First Supplemental Indenture of Trust dated as of June 22, 1992 amending certain provisions of the Original Indenture (the Original Indenture as so amended is referred to herein as the "**Amended Indenture**"); and

WHEREAS, Meridian Bank succeeded the Initial Trustee as trustee under the Amended Indenture; and

WHEREAS, the Authority and Meridian Bank, as trustee, entered into a Second Supplemental Indenture of Trust dated as of July 15, 1993 (the "**Second Supplemental Indenture**") amending and supplementing the Amended Indenture; and

WHEREAS, the Authority and Meridian Bank, as trustee, entered into a Third Supplemental Indenture of Trust dated as of August 15, 1993 (the "**Third Supplemental Indenture**") amending and supplementing the Amended Indenture; and

WHEREAS, pursuant to the Third Supplemental Indenture, the Authority issued \$178,675,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "**1993A Bonds**") for the purpose of refunding certain Bonds issued by the Authority in 1992; and

WHEREAS, the Authority amended and restated the Amended Indenture, as amended and supplemented by the Second Supplemental Indenture and the Third Supplemental Indenture, pursuant to an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "**Amended and Restated Indenture**") between the Authority and Meridian Bank, as Trustee, in order to, inter alia, incorporate in one document all of the provisions thereof, and to issue its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "**1994 Bonds**") in order to pay costs of certain capital projects; and

WHEREAS, pursuant to the First Supplement to the Amended and Restated Indenture dated as of May 15, 1996 (the "**First Supplement to the Amended and Restated Indenture**") between the Authority and Meridian Bank, as Trustee, the Authority issued \$343,030,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "**1996 Bonds**") in order to (i) pay the costs of advance refunding certain Bonds issued by the Authority in 1992 and 1994, and (ii) pay the costs of issuing such Additional Bonds; and

WHEREAS, First Union National Bank succeeded Meridian Bank as Trustee under the Amended and Restated Indenture; and

WHEREAS, pursuant to the Second Supplement to the Amended and Restated Indenture dated as of April 1, 1999 (the "**Second Supplement to the Amended and Restated Indenture**," and together with the Amended and Restated Indenture and the First Supplement to the Amended and Restated Indenture, the "**Existing Indenture**") between the Authority and First Union National Bank, as Trustee, the Authority issued \$610,005,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 (the "**1999 Bonds**") for the purpose of financing, together with other available funds, (i) the costs of advance refunding certain Bonds issued by the Authority in 1993, (ii) a Credit Facility to satisfy the Debt Service Reserve Requirement, and (iii) the costs of issuing such Additional Bonds and of obtaining credit enhancement for the Bonds (the "**1999 Refunding**"); and

WHEREAS, Wachovia Bank, National Association succeeded First Union National Bank as Trustee under the Existing Indenture; and

WHEREAS, the Authority has determined to issue Additional Bonds to (i) pay the costs of current refunding the outstanding 1993A Bonds, and (ii) pay the costs of issuing such Additional Bonds and of obtaining credit enhancement for the 2003 Bonds (the "**2003 Refunding**"); and

WHEREAS, by Resolutions adopted on March 24, 2003, the Authority determined to issue and sell its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "**2003 Bonds**") for the purpose of financing, together with other available funds, the 2003 Refunding pursuant to the terms of this Third Supplement to the Amended and Restated Indenture (the "**Third Supplement to the Amended and Restated Indenture**", and together with the Existing Indenture, the "**Indenture**"); and

WHEREAS, the Authority has entered into a Standby Bond Purchase Agreement dated as of June 1, 2003 (the "**Standby Agreement**") with JPMorgan Chase Bank (the "**Initial Bank**") pursuant to which the Bank has agreed to pay to the Trustee the purchase price of Bonds which are tendered for optional or mandatory purchase pursuant to Article III of this Third Supplement to the Amended and Restated Indenture which have not been successfully remarketed. The Liquidity Facility expires on June 14, 2004, subject to termination or extension as provided therein and herein; and

WHEREAS, the 2003 Bonds are to be substantially in the form attached hereto as Exhibit A; and

WHEREAS, in order to accomplish the current refunding of the outstanding 1993A Bonds, the Authority shall direct the Trustee to deposit into the 1993A Bonds account of the Debt Service Fund proceeds of the 2003 Bonds in an amount which, when added to certain funds held by the Trustee for the benefit of the 1993A Bonds, and the investment earnings thereon, will be sufficient to (a) pay the maturing principal of and interest on the 1993A Bonds through and including June 15, 2003, and to pay on June 16, 2003, the redemption price of all outstanding 1993A Bonds, all of which will be called for redemption on June 15, 2003; and

WHEREAS, the execution and delivery of this Third Supplement to the Amended and Restated Indenture and the 2003 Bonds have been duly authorized and all things necessary to make the 2003 Bonds, when executed by the Authority and authenticated by the Trustee, valid and binding legal obligations of the Authority and to make this Third Supplement to the Amended and Restated Indenture of Trust a valid and binding agreement have been done.

NOW, THEREFORE, THIS THIRD SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE WITNESSETH:

That, in order to secure the principal of and interest and premium, if any, on the 2003 Bonds issued hereunder according to their tenor and effect and to secure the performance and observance by the Authority of all the covenants and conditions contained herein and in the Existing Indenture and to declare the terms and conditions upon and subject to which the 2003 Bonds are issued and secured, and for and in consideration of the mutual covenants contained herein and in the Existing Indenture, the Authority and the Trustee are entering into this Third Supplement to the Amended and Restated Indenture of Trust, which shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the 2003 Bonds.

ARTICLE I AUTHORITY AND DEFINITIONS

SECTION 101 SUPPLEMENTAL INDENTURE OF TRUST

This Third Supplement to the Amended and Restated Indenture is supplemental to the Existing Indenture.

SECTION 102 AUTHORITY FOR THIS THIRD SUPPLEMENT TO THE AMENDED AND RESTATED INDENTURE

This Third Supplement to the Amended and Restated Indenture is adopted (i) pursuant to the provisions of the Act and (ii) in accordance with Article X of the Amended and Restated Indenture.

SECTION 103 DEFINITIONS

(a) Except as provided in this Third Supplement to the Amended and Restated Indenture, all terms which are defined in Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, shall have the same meanings, respectively, in this Third Supplement to the Amended and Restated Indenture as are given to such terms in said Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture.

(b) Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is hereby amended by amending certain definitions contained in the Existing Indenture with respect to the 2003 Bonds and by adding the following definitions with respect to the 2003 Bonds:

"Affiliate" means any person or company directly or indirectly controlling, controlled by or under common control with the Authority.

"Alternate Liquidity Facility" means a Liquidity Facility provided in accordance with Section 310 hereof (other than (a) the Initial Liquidity Facility or (b) a Renewal Liquidity Facility), including, without limitation, a letter of credit or line of credit of a commercial bank or a credit facility from a financial institution, a standby bond purchase agreement, surety bond or like collateralization, or a combination thereof, which provides security for payment of the purchase price of 2003 Bonds delivered or deemed delivered in accordance with Article III of this Third Supplement to the Amended and Restated Indenture (referred to in this definition as "liquidity support"); provided that at all times while any of the 2003 Bonds bear interest at a Variable Rate or a Flexible Rate such 2003 Bonds (other than Bank Bonds) shall be entitled to liquidity support. Any amendment of a Liquidity Facility which is not a Renewal Liquidity Facility shall be an Alternate Liquidity Facility.

"Authority Bonds" means any 2003 Bonds of which ownership is registered in the name of the Authority or any Affiliate, other than Bank Bonds.

"Authorized Denomination" means (i) during any Daily Rate Period, Weekly Rate Period or Flexible Rate Period, \$100,000 and \$5,000 multiples in excess thereof, and (ii) during any Term Rate Period or Fixed Rate Period, \$5,000 and integral multiples thereof.

"Bank" means any bank or other financial institution issuing any Liquidity Facility, and initially means JPMorgan Chase Bank.

"Bank Bonds" means Tendered Bonds purchased with moneys drawn under the Liquidity Facility and registered in the name of the Bank in accordance with the Liquidity Facility.

"Bank Rate" means the per annum rate of interest payable on any Bank Bonds as determined pursuant to the Liquidity Facility (or any reimbursement agreement entered into with respect to a letter of credit that is a Liquidity Facility).

"Bond Insurance Policy" means, with respect to the 2003 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 2003 Bonds that guarantees payment of principal of and interest on the 2003 Bonds.

"Bond Insurer" means, with respect to the 2003 Bonds, Ambac Assurance Corporation, or any successor thereto.

"Bond Purchase Fund" means the trust fund so designated which is created and established pursuant to Section 308 hereof.

"Business Day" means, with respect to the 2003 Bonds, any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in Philadelphia, Pennsylvania or in any other city in which the Principal Office of the Trustee or the designated office of the Tender Agent, the Remarketing Agent, the Bond Insurer or the Bank is located are required or authorized by law (including executive order) to close or on which the Principal Office of the Trustee, or the designated office of the Tender Agent, the Remarketing Agent or the Bank is closed for reasons not related to financial condition or (iii) a day on which the New York Stock Exchange is closed.

"Conversion Date" means each Fixed Rate Conversion Date, Flexible Rate Conversion Date and Variable Rate Conversion Date.

"Daily Rate Period" means, with respect to the 2003 Bonds, each period from and commencing on a Business Day and including and ending on the first day preceding the first Business Day thereafter.

"DTC" means The Depository Trust Company (a limited purpose trust company), New York, New York.

"Favorable Opinion" means an opinion of nationally recognized bond counsel addressed to the Authority and the Trustee to the effect that (i) the action proposed to be taken is authorized or permitted by the Act and the Indenture and (ii) such action will not adversely

affect the exclusion from gross income of interest on the 2003 Bonds for purposes of federal income taxation.

"Fixed Rate" means the rate to be borne by the 2003 Bonds from and after the Fixed Rate Conversion Date, which shall be the lowest rate which, in the judgment of the Remarketing Agent, is necessary to enable the 2003 Bonds to be remarketed at the principal amount thereof, plus accrued interest, if any, on the Fixed Rate Conversion Date.

"Fixed Rate Conversion Date" means the date on which the 2003 Bonds begin to bear interest at the Fixed Rate.

"Fixed Rate Period" means the period of time commencing on the Fixed Rate Conversion Date and ending on the Maturity Date.

"Flexible Rate" means the lowest annual rate of interest, expressed as a percentage and rounded to the nearest one thousandth of one percent, determined by the Remarketing Agent on a Flexible Rate Adjustment Date, which would, in the judgment of the Remarketing Agent, enable a particular Bond to be remarketed at the principal amount thereof on such Flexible Rate Adjustment Date given the applicable Interest Period for such 2003 Bond (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in this Third Supplement to the Amended and Restated Indenture).

"Flexible Rate Adjustment Date" means a Business Day on which a Flexible Rate and an Interest Period for a particular Bond commence.

"Flexible Rate Conversion Date" means a date on which the 2003 Bonds begin to bear interest at Flexible Rates.

"Flexible Rate Period" means any period of time commencing on a Flexible Rate Conversion Date and ending on a Variable Rate Conversion Date, a Fixed Rate Conversion Date or on the Maturity Date.

"Immediate Notice" means notice by telephone, telex, telecopier or email to such address as the addressee shall have directed in writing, promptly followed by written notice by first class mail, postage prepaid.

"Initial Bank" means JPMorgan Chase Bank, in its capacity as issuer of the Initial Liquidity Facility.

"Initial Liquidity Facility" means the transferable Standby Bond Purchase Agreement dated as of June 1, 2003, entered into between the Authority and the Initial Bank concurrently with the original issuance of the 2003 Bonds.

"Interest Component" means the maximum amount stated in the Liquidity Facility (as reduced and reinstated from time to time in accordance with the terms thereof) which may be

drawn for the payment of the portion of the purchase price of Tendered Bonds corresponding to interest accrued on the Tendered Bonds.

"Interest Coverage Period" means the number of days for 2003 Bonds bearing interest in a particular interest mode which is used to determine the Interest Component, determined in accordance with the requirements of Section 310(h) hereof in a manner consistent with the periods utilized in calculating interest accrued on 2003 Bonds in such interest mode.

"Interest Coverage Rate" means the rate which is used to determine the Interest Component, initially 12% per annum for 2003 Bonds in the Weekly Rate Period secured by the Initial Liquidity Facility, and shall be specified for 2003 Bonds bearing interest in each subsequent mode by the Remarketing Agent in writing to the Trustee at the time such 2003 Bonds commence bearing interest in accordance with such mode, as such rate may be changed from time to time by the Remarketing Agent subject to compliance with Section 310(h) hereof. Notwithstanding the foregoing, the maximum Interest Coverage Rate that may be established with respect to the 2003 Bonds shall be 12% per annum.

"Interest Payment Date" means:

- (i) during a Flexible Rate Period, each Repurchase Date;
- (ii) during a Variable Rate Period,
 - (A) when used with respect to a Daily or Weekly Rate Period, the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of each calendar month occurring after the Variable Rate Conversion Date with respect thereto, and
 - (B) when used with respect to a Term Rate Period, the June 15 or December 15 next succeeding the Variable Rate Conversion Date and the fifteenth day of each sixth month thereafter,
- (iii) each Mandatory Tender Date;
- (iv) after the Fixed Rate Conversion Date, each June 15 and December 15;
- (v) the Maturity Date; and
- (vi) for 2003 Bonds called for redemption, the applicable redemption date.

"Interest Period" means, for each 2003 Bond bearing interest at a Flexible Rate, that period of time beginning on a Flexible Rate Adjustment Date and to but not including the next Flexible Rate Adjustment Date, determined by the Remarketing Agent on a Flexible Rate Adjustment Date, which would, in the judgment of the Remarketing Agent, taking into account the Flexible Rate for the particular 2003 Bond being determined on such Flexible Rate Adjustment Date and the Flexible Rates and Interest Periods then borne by all other outstanding 2003 Bonds, enable

the 2003 Bonds as a whole to bear the lowest overall rates achievable in the domestic financial market during the Interest Period selected (or, if the Remarketing Agent for any reason fails to determine such date, the date determined in accordance with the provisions set forth in this Third Supplement to the Amended and Restated Indenture).

"Liquidity Facility" means the Initial Liquidity Facility, or any Renewal Liquidity Facility or Alternate Liquidity Facility at the time in effect.

"Mandatory Tender Date" means any date on which a 2003 Bondholder is required to tender any 2003 Bond for purchase in accordance with Sections 302, 303 or 304 of this Third Supplement to the Amended and Restated Indenture.

"Mandatorily Tendered Bonds" means the 2003 Bonds required to be tendered for purchase on a Mandatory Tender Date.

"Maturity Date" means, with respect to the 2003 Bonds, June 15, 2022 or, with respect to each 2003 Bond bearing interest at a Fixed Rate which has been assigned a specific maturity date pursuant to Section 205(d) hereof, "Maturity Date" means the date so assigned.

"No-Call Period" means the period of time (measured from the Conversion Date) during which the 2003 Bonds in the Fixed Rate Period or the Term Rate Period may not be called for optional redemption as set forth in Section 401(a)(ii) hereof.

"Optional Tender Date" means the date specified by a 2003 Bondholder in a Tender Notice for purchase of any 2003 Bond during a Variable Rate Period in accordance with Section 301 of this Third Supplement to the Amended and Restated Indenture.

"Optionally Tendered Bonds" means the 2003 Bonds tendered or deemed tendered for purchase on an Optional Tender Date.

"Outstanding", "Bonds outstanding" or "outstanding Bonds" means, with respect to the 2003 Bonds, as of any given date, all 2003 Bonds which have been duly authenticated and delivered under the Indenture, except:

(a) 2003 Bonds canceled after purchase in the open market or because of payment at or redemption prior to the Maturity Date;

(b) 2003 Bonds for the payment or redemption of which cash or Government Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the Maturity Date or redemption date of any such 2003 Bonds) in accordance with Article VII of the Amended and Restated Indenture, as amended by Section 704 of this Third Supplement to the Amended and Restated Indenture; provided that if such Bonds are to be redeemed prior to the Maturity Date thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(c) 2003 Bonds in lieu of which others have been authenticated under Section 207 or 208 of the Amended and Restated Indenture;

(d) after any Optional Tender Date, any Bond for which a Tender Notice was given in accordance with Section 301 of this Third Supplement to the Amended and Restated Indenture and which was not so tendered;

(e) after any Mandatory Tender Date, any 2003 Bond which was required to be tendered on such a Mandatory Tender Date in accordance with Sections 302, 303 or 304 of this Third Supplement to the Amended and Restated Indenture and which was not so tendered; and

(f) after the Fixed Rate Conversion Date, for the purpose of all consents, approvals, waivers and notices required to be obtained or given under this Third Supplement to the Amended and Restated Indenture, 2003 Bonds held or owned by the Authority or any Affiliate thereof.

"Principal Office" means, with respect to the 2003 Bonds, (i) the corporate trust office of the Trustee responsible for the administration of this Third Supplement to the Amended and Restated Indenture, as designated in Section 11.07 of the Amended and Restated Indenture, as amended by Section 709 hereof, and (ii) the respective offices of the Bank, the Tender Agent and the Remarketing Agent designated to receive notices required by this Third Supplement to the Amended and Restated Indenture, as set forth in Section 709 hereof.

"Proposed Fixed Rate Conversion Date" means the date indicated in the written notice of the Authority given pursuant to Section 205 of this Third Supplement to the Amended and Restated Indenture on which the Authority intends to effect a conversion of the interest rate on the 2003 Bonds to the Fixed Rate.

"Rating Agency" means each nationally recognized securities rating agency then maintaining a rating on the Bonds at the request of the Authority, which at the time of issuance of the 2003 Bonds includes S&P, Moody's and Fitch.

"Record Date" means, with respect to the 2003 Bonds, while the 2003 Bonds bear interest during a Daily Rate Period, a Weekly Rate Period or a Flexible Rate Period, the close of business on the last Business Day preceding an Interest Payment Date, and while the 2003 Bonds bear interest in a Term Rate Period or a Fixed Rate Period, the close of business on the last day of the calendar month next preceding an Interest Payment Date.

"Remarketing Agent" means Raymond James & Associates, St. Petersburg, Florida, and its successor for the time being in such capacity as provided in Section 502 hereof.

"Remarketing Agreement" means the Remarketing Agreement dated as of June 1, 2003 between the Authority and the Remarketing Agent or any subsequent remarketing agreement executed by the Authority and any subsequent Remarketing Agent appointed pursuant hereto.

"Renewal Date" means the Interest Payment Date next preceding the Stated Expiration Date of the Liquidity Facility at the time in effect (or the next preceding Business Day if such day is not a Business Day).

"Renewal Liquidity Facility" means a Liquidity Facility provided in accordance with Section 310 hereof which has been issued with terms and conditions identical to, and by the same provider of, the Liquidity Facility in substitution for which the Renewal Liquidity Facility is to be provided, except for:

- (a) an extension of the Stated Expiration Date;
- (b) an increase or decrease in the Interest Coverage Rate or the Interest Coverage Period;
- (c) an increase or decrease in the Interest Component;
- (d) an increase or decrease in the portion of the Liquidity Facility designated to pay premium upon purchase of 2003 Bonds to the extent required or permitted by Section 310(h) hereof;
- (e) changes in the business covenants contained in, the fees payable pursuant to and the interest rate on advances made under the Liquidity Facility; or
- (f) any combination of (a), (b), (c), (d) and (e).

"Representation Letter" means that blanket letter from the Authority to DTC with respect to the issuance of Bonds in book-entry form.

"Repurchase Date" means, for any 2003 Bond during a Flexible Rate Period, a Business Day determined by the Remarketing Agent on an applicable Flexible Rate Adjustment Date as the date on which such 2003 Bond will be repurchased by the Trustee or the Tender Agent, on behalf of the Authority (or, if the Remarketing Agent for any reason fails to determine such date, the date determined in accordance with the provisions of this Third Supplement to the Amended and Restated Indenture).

"Repurchase Price" means, with respect to each particular 2003 Bond during a Flexible Rate Period, an amount equal to 100% of the principal amount thereof.

"Stated Expiration Date" means the stated date of expiration or termination of the Liquidity Facility, including any extensions thereof.

"Tender Agent" means that Person appointed pursuant to Section 501 hereof to perform those functions with respect to the 2003 Bonds related to the registration of transfers and exchanges, tenders, redemptions, notices and purchases thereof and payments thereon prior to the commencement of a Fixed Rate Period.

"Tendered Bonds" means Optionally Tendered Bonds and Mandatorily Tendered Bonds.

"Tender Notice" means the notice from a 2003 Bondholder to the Tender Agent of an Optional Tender Date in accordance with the provisions set forth in this Third Supplement to the Amended and Restated Indenture.

"Tender Price" means with respect to each Tendered Bond, 100% of the principal amount of any such Tendered Bond plus, if an Optional Tender Date is not an Interest Payment Date, interest accrued and unpaid thereon to, but not including, the Optional Tender Date with respect to such 2003 Bond.

"Term Rate Period" means any Variable Rate Period from and commencing on the fifteenth (15th) day of a calendar month (or the next succeeding Business Day if the fifteenth is not a Business Day) to but not including the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of the twelfth (or any integral multiple of 12) succeeding calendar month.

"Variable Rate" means, with respect to the then effective Variable Rate Period, the lowest interest rate which, in the judgment of the Remarketing Agent, would enable the 2003 Bonds to be remarketed at the principal amount thereof, plus accrued interest thereon, if any, on the Variable Rate Adjustment Date with respect thereto (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in this Third Supplement to the Amended and Restated Indenture).

"Variable Rate Adjustment Date" means the first day of each Variable Rate Period.

"Variable Rate Conversion Date" means a date on which the 2003 Bonds begin to bear interest at a Variable Rate for (i) a particular Variable Rate Period which is of a different type than the preceding Variable Rate Period, (ii) a Term Rate Period which is of a different length than the preceding Term Rate Period except when shorter by reason of the Maturity Date or (iii) any Variable Rate Period which succeeds a Flexible Rate Period.

"Variable Rate Period" means each Daily Rate Period, Weekly Rate Period and Term Rate Period.

"Weekly Rate Period" means any Variable Rate Period from and commencing on Thursday of any calendar week and including and ending on the Wednesday of the next calendar week; provided, however, that any Weekly Rate Period which does not follow another Weekly Rate Period shall commence on the Variable Rate Conversion Date with respect thereto and end on the first or second Wednesday thereafter, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and any Weekly Rate Period which is not followed by another Weekly Rate Period shall commence on the last or second to last Thursday of a calendar month, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and end on the day preceding the final Interest Payment Date for such Weekly Rate Period.

ARTICLE II ISSUANCE OF AND INTEREST ON THE 2003 BONDS

SECTION 201. ISSUANCE OF BONDS

(a) The 2003 Bonds shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003" and shall be issued in the aggregate principal amount of \$165,550,000. The 2003 Bonds shall be issuable as fully registered Bonds in Authorized Denominations. Unless the Authority shall otherwise direct, the 2003 Bonds shall be numbered from R-1 upward. Interest on the 2003 Bonds shall be payable on each Interest Payment Date. Each Bond shall be dated as of the most recent Interest Payment Date to which interest has been duly paid or provided for next preceding its date of issue, unless issued on an Interest Payment Date on which interest has been paid or provided for, in which event it shall be dated as of such Interest Payment Date or, if issued prior to the first Interest Payment Date on which interest is paid, it shall be dated the date of initial issuance of the 2003 Bonds.

(b) The 2003 Bonds shall mature on June 15, 2022.

(c) 2003 Bonds issued prior to the first Interest Payment Date shall bear interest from the date of original issuance and delivery thereof. Thereafter, 2003 Bonds shall bear interest from and including the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication shall be an Interest Payment Date to which interest on the 2003 Bonds has been paid in full or duly provided for, in which case they shall bear interest from and including such date of authentication. Interest during a Flexible Rate Period shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed. Interest during a Variable Rate Period shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed except during a Term Rate Period and during a Fixed Rate Period interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

(d) By acceptance of any 2003 Bond, the registered owner thereof shall be deemed to have agreed, during a Flexible Rate Period, to the Flexible Rate, Interest Period and Repurchase Date then applicable thereto and to have further agreed to sell such Bond to the Tender Agent on the Repurchase Date applicable thereto at the Repurchase Price. Such registered owner by such acceptance shall be deemed to have acknowledged that if funds for such purchase are on deposit with the Trustee or the Tender Agent on such Repurchase Date, such registered owner shall have no rights under the Indenture other than to receive the Repurchase Price and such Bonds shall no longer be considered to be Outstanding Bonds (pursuant to paragraph (e) of the definition of such term in Section 103 hereof) for purposes of this Third Supplement to the Amended and Restated Indenture.

(e) The principal of and premium, if any, on 2003 Bonds bearing interest at a Variable Rate or Flexible Rate shall be payable at the Principal Office of the Trustee, upon presentation and surrender of such 2003 Bonds, which presentation and surrender can be made at the Principal Office of the Tender Agent. The principal of and premium, if any, on the 2003 Bonds bearing interest at a Fixed Rate shall be payable at the Principal Office of the Trustee upon presentation and surrender of such Bonds. Payment of principal of any 2003 Bond shall be made to any owner of \$1,000,000 or more in aggregate principal amount of 2003 Bonds by wire transfer

to such owner on the principal payment date for said 2003 Bonds upon written notice from such owner containing the wire transfer address within the continental United States to which such owner wishes to have such wire directed, which written notice is received not later than the tenth (10th) day next preceding the principal payment or maturity date applicable to such 2003 Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2003 Bonds at the Principal Office of the Trustee or Tender Agent, as applicable, on the principal payment date. Any payment of the purchase price of a Tendered Bond shall be payable at the Principal Office of the Tender Agent, upon presentation and surrender of such Bond, as provided in Article V hereof.

(f) Interest payments on a 2003 Bond (other than with respect to defaulted interest) shall be made to the registered owner thereof appearing on the Bond Register as of the close of business of the Bond Registrar on the Record Date; provided, however, that during a Flexible Rate Period such payments shall be payable only upon presentation and surrender of such Bond to the Tender Agent. Interest on the 2003 Bonds shall, except as hereinafter provided, be paid: (i) during a Flexible or Variable Rate Period, by check or draft of the Tender Agent mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the Bond Register or at such other address furnished in writing by such registered owner to the Tender Agent, (ii) during a Flexible or Variable Rate Period, by wire transfer sent on the Interest Payment Date to the registered owner upon written notice to the Tender Agent from the registered owner containing the wire transfer address (which shall be in the continental United States) to which the registered owner wishes to have such wire directed which written notice is received not later than the Business Day prior to the first Interest Payment Date to which it relates, it being understood that such notice may refer to multiple interest payments; (iii) on or prior to the Fixed Rate Conversion Date, in such other fashion as is agreed upon between the registered owner and the Tender Agent, including, without limitation, by wire transfer upon such prior notice as may be satisfactory to the Tender Agent or (iv) after the Fixed Rate Conversion Date, by check or draft of the Trustee mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the Bond Register in accordance with the provisions of Section 2.03 of the Amended and Restated Indenture.

(g) During any Variable Rate Period other than a Term Rate Period, the Trustee agrees to provide through the Tender Agent upon request to the Tender Agent by any Bondholder an oral statement as to the Variable Rates in effect since the most recent preceding Interest Payment Date and to mail on each Interest Payment Date occurring during a Variable Rate Period to each Bondholder written notice of the Variable Rates in effect since the last preceding Interest Payment Date.

(h) The 2003 Bonds shall be substantially in the form hereinafter set forth with such appropriate variations, omissions and insertions as are permitted or required by the Indenture or deemed necessary by the Trustee and the Authority. On each date on which the Trustee or the Tender Agent authenticates and delivers 2003 Bonds during a Flexible Rate Period applicable to such 2003 Bonds as provided in Section 204 hereof, the Trustee or the Tender Agent shall complete the information required in the form of 2003 Bond attached as Exhibit A hereto for the purpose of maintaining an accurate record of the terms and provisions of the Interest Period then applicable to such 2003 Bond. During the period the 2003 Bonds are

maintained in book-entry form pursuant to Section 207 hereof, the Trustee may instead maintain such information on its books and records and make the same available electronically to DTC.

SECTION 202. INITIAL INTEREST RATES; SUBSEQUENT RATES; RATE PERIODS

The 2003 Bonds shall bear interest initially at a Variable Rate with a Weekly Rate Period from and including the date of initial issuance until a Conversion Date. The initial Variable Rate and initial Weekly Rate Period shall be set forth in the purchase contract entered into between the Authority and the initial purchaser of the 2003 Bonds. During each Variable Rate Period, the 2003 Bonds shall bear interest at the lesser of (i) the Interest Coverage Rate or (ii) the Variable Rate. During the Fixed Rate Period, the 2003 Bonds shall bear interest at a Fixed Rate.

Limits on Interest Periods and Rates. No Interest Period shall be established during a Flexible Rate Period and no Variable Rate Period shall be established which would cause the Interest Coverage Period of the Liquidity Facility to be less than the requirements of Section 310(h) hereof. No interest rate on a 2003 Bond shall be established during a Variable Rate Period which exceeds the Interest Coverage Rate. No Interest Period or Flexible Rate shall be established during a Flexible Rate Period which would cause the aggregate amount of all interest which could accrue on the 2003 Bonds bearing interest at the Flexible Rate during such Flexible Rate Period to exceed the Interest Component allocable to such Bonds. In addition, no Flexible Rate shall be established which exceeds the applicable Interest Coverage Rate and no Interest Period shall be established during a Flexible Rate Period which exceeds 270 days.

Bank Bonds. Notwithstanding anything herein to the contrary, Bank Bonds shall bear interest at the Bank Rate determined in accordance with the provisions of the Liquidity Facility and not the Variable Rate or Flexible Rate that would otherwise be applicable to such 2003 Bonds were they not Bank Bonds.

Conversions. In connection with any conversion to or from a Variable Rate Period or a Flexible Rate Period or a conversion to a Fixed Rate Period, in addition to the other conditions to conversion set forth in this Third Supplement to the Amended and Restated Indenture, the Trustee must have received written evidence from each Rating Agency then maintaining a rating on the 2003 Bonds that such rating will not be reduced or withdrawn due to such conversion (other than a withdrawal of a short term rating upon a remarketing into a Fixed Rate Period) and the Remarketing Agent shall have received firm commitments for the purchase of all 2003 Bonds being converted to bear interest in such new rate period on or before such Conversion Date.

In connection with any conversion to a Term Rate Period or to a Fixed Rate Period, in addition to the other conditions to conversion set forth in this Third Supplement to the Amended and Restated Indenture, the Authority must either provide the Trustee, the Bank, the Bond Insurer and the Remarketing Agent with an opinion of Bond Counsel stating that Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission provides an exemption with respect to the 2003 Bonds or enter into a written undertaking at the time of such conversion covenanting to provide continuing information with respect to the 2003 Bonds required by the Rule.

SECTION 203. VARIABLE RATES; CONVERSIONS TO VARIABLE RATE PERIODS

(a) Determination by Remarketing Agent; Notice of Rates Determined. Except as hereinafter provided, the Variable Rate to be applicable to the 2003 Bonds during any Variable Rate Period shall be determined by the Remarketing Agent and notice thereof shall be given as follows:

(i) Notice of each Variable Rate shall be: (A) given by Immediate Notice by the Remarketing Agent to the Tender Agent not later than 12:00 noon, New York City time, on the date of determination for each Daily and Weekly Rate Period and not later than 12:00 noon New York City time, on the Business Day immediately succeeding the date of determination for each Term Rate Period; (B) given by Immediate Notice not later than 5:00 p.m., New York City time for each Daily and Weekly Rate Period, in each case on the date of determination, and by 12:00 noon, New York City time, on the Business Day immediately succeeding the date of determination for each Term Rate Period, by the Tender Agent to the Trustee and the Authority, and, during Term Rate Periods, by first class mail postage prepaid on the third Business Day immediately succeeding the date of determination by the Tender Agent to the holders of the 2003 Bonds; and (C) available commencing on the Business Day immediately succeeding the date of determination during Daily and Weekly Rate Periods by telephone from the Tender Agent upon request of any owner of a 2003 Bond.

(ii) If the Remarketing Agent fails for any reason to determine or notify the Tender Agent of the Variable Rate for any Variable Rate Period when required hereunder:

(A) for 2003 Bonds in a Daily Rate Period or Weekly Rate Period, the Variable Rate for such Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System, Inc. (or a replacement publisher of the BMA Municipal Swap Index designated in writing by the Authority to the Trustee and the Remarketing Agent; provided that if Munifacts Wire System, Inc. or such replacement publisher does not publish the BMA Municipal Swap Index on a day on which a Variable Rate is to be set, the Variable Rate shall be 135% of a comparable index selected by the Authority published by Munifacts Wire System, Inc. or such replacement publisher at such time (such alternate index being referred to herein as a "Alternate Index")) until the Remarketing Agent next determines the Variable Rate as required hereunder;

(B) for 2003 Bonds in a Term Rate Period with a duration of one year or less, such 2003 Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System, Inc (or an Alternate Index) until the Remarketing Agent next determines the Variable Rate as required hereunder; and

(C) for 2003 Bonds in a Term Rate Period with a duration in excess of one year, such 2003 Bonds shall automatically convert to a Term Rate

Period of two years and the Variable Rate for such Rate Period shall be equal to the sum of (i) the yield on 2 year "A" rated general obligation bonds as published by Municipal Market Data (or any successor entity) on the first Business Day preceding the Variable Rate Adjustment Date plus (ii) 5 basis points unless the Authority has filed with the Trustee and the Tender Agent a Favorable Opinion acceptable to the Trustee (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) with respect to the conversion of the 2003 Bonds to Variable Rates for Weekly Rate Periods, in which case the 2003 Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System (or an Alternate Index) until the Remarketing Agent next determines the Variable Rate as required hereunder.

(iii) All determinations of Variable Rates pursuant to this Section shall be conclusive and binding upon the Authority, the Trustee, the Tender Agent, the Bank and the holders of the 2003 Bonds to which such rates are applicable. Failure by the Trustee or the Tender Agent to give any notice as herein provided, any defect therein, and any failure by any 2003 Bondholder to receive any such notice (including without limitation any Immediate Notice) shall not extend the period for making elections, in any way change the rights of the owners of 2003 Bonds to elect to have such 2003 Bonds purchased, in any way change the conditions which must be satisfied in order for such election to be effective or for payment of the purchase price to be made after an effective election or in any way change such owner's obligation to tender the 2003 Bonds for purchase.

(b) Daily Rates and Weekly Rates. A Variable Rate shall be determined by the Remarketing Agent (i) for each Daily Rate Period not later than 10:30 a.m., New York City time, on the commencement date of the Daily Rate Period to which it relates and (ii) for each Weekly Rate Period not later than 10:00 a.m., New York City time, on the commencement date of the Weekly Rate Period to which it relates (or the preceding Business Day if such day is not a Business Day).

(c) Term Rates. A Variable Rate shall be determined by the Remarketing Agent for each Term Rate Period not later than 12:00 noon, New York City time, on the Business Day immediately preceding the commencement date of such period.

(d) Conversions between Variable Rate Periods. At the option of the Authority, the 2003 Bonds may be converted from one Variable Rate Period to another and from a Term Rate Period of one length to a Term Rate Period of a different length as follows:

(i) In any such case, the Variable Rate Conversion Date shall be a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that if the conversion is from a Term Rate Period to a different Variable Rate Period or a Term Rate Period of a different length, the Variable Rate Conversion Date shall be limited to a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced.

(ii) The Authority shall give written notice of any such conversion to the Remarketing Agent, the Trustee, the Tender Agent and the Bank not less than seven (7) Business Days prior to the date on which the Tender Agent is required to notify the Bondholders of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the Variable Rate Conversion Date and the Variable Rate Period (and the length of any Term Rate Period) to which the conversion will be made.

As a precondition to effecting a change to a different Variable Rate Period or to a Term Rate Period of a different length, on or before the Variable Rate Conversion Date, a Favorable Opinion shall be delivered to the Authority, the Trustee and the Tender Agent. Notwithstanding the foregoing, such Favorable Opinion shall not be required to be delivered in either case with respect to (i) a conversion to a Daily Rate Period or Weekly Rate Period or to a Term Rate Period with a duration of one year if the immediately preceding Period was a Daily Rate Period or Weekly Rate Period or a Term Rate Period with a duration of one year or (ii) a conversion to a Term Rate Period with a duration of more than one year if the immediately preceding Variable Rate Period was a Term Rate Period with a duration of more than one year.

(iii) Not less than fourteen (14) days prior to the Variable Rate Conversion Date if converting to a Daily or Weekly Rate Period and not less than thirty (30) days prior to the Variable Rate Conversion Date if converting to any other Variable Rate Period, the Tender Agent shall mail a written notice of the conversion to the holders of all 2003 Bonds to be converted. Such notice shall specify the Variable Rate Conversion Date and set forth the matters required to be stated pursuant to Section 303 hereof with respect to purchases of 2003 Bonds governed by such Section.

(iv) The Variable Rate for the Variable Rate Period commencing on the Variable Rate Conversion Date shall be determined by the Remarketing Agent in the manner provided above on the date set forth above applicable to the Variable Rate Period to which the conversion shall be made. Notice of such Variable Rates shall be given or made available on the dates and to the parties specified above in the manner provided above applicable to the Variable Rate Period to which the conversion shall be made.

(e) Conversions from Flexible Rate Periods. At the option of the Authority, the 2003 Bonds may be converted from a Flexible Rate Period to a Variable Rate Period as follows:

(i) The Variable Rate Conversion Date shall be the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Periods theretofore established for the 2003 Bonds to be converted.

(ii) The Authority shall give written notice of any such conversion to the Remarketing Agent, the Trustee, the Tender Agent and the Bank not less than seven (7) Business Days prior to the date on which the Tender Agent is required to notify the Bondholders of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the Variable Rate Conversion Date and the Variable Rate Period (and the length of any Term Rate Period) to which the conversion will be made. In addition, on or before the

Variable Rate Conversion Date, the Authority shall cause to be filed with the Authority, the Trustee and the Tender Agent a Favorable Opinion. Notwithstanding the provisions of the preceding sentence, such Favorable Opinion shall not be required to be delivered with respect to a conversion to a Daily Rate Period, a Weekly Rate Period or to a Term Rate Period with a duration of one year.

(iii) Not less than fourteen (14) days prior to the Variable Rate Conversion Date if converting to a Daily or Weekly Rate Period and not less than thirty (30) days prior to the Variable Rate Conversion Date if converting to any other Variable Rate Period, the Tender Agent shall mail a written notice of the conversion to all holders of the 2003 Bonds to be converted; provided, however, that the Tender Agent shall not mail such written notice until it has received a written confirmation from the Remarketing Agent that no Interest Period for the 2003 Bonds extends beyond the Variable Rate Conversion Date. Such notice shall specify the Variable Rate Conversion Date and set forth the matters required to be stated pursuant to Section 303 hereof with respect to purchases of Bonds governed by such Section.

(iv) The Variable Rate for the Variable Rate Period commencing on the Variable Rate Conversion Date shall be determined by the Remarketing Agent in the manner provided above on the date set forth above applicable to the Variable Rate Period to which the conversion shall be made. Notice of such Variable Rates shall be given or made available on the dates and to the parties specified above in the manner provided above applicable to the Variable Rate Period to which the conversion shall be made.

SECTION 204. FLEXIBLE RATES; CONVERSIONS TO FLEXIBLE RATE PERIODS

(a) Flexible Rates. A Flexible Rate for each Interest Period shall be determined as follows:

(i) The Interest Periods for each 2003 Bond shall be of such duration, not exceeding 270 days, as may be offered by the Remarketing Agent and specified by the purchaser pursuant to Section 302 or 303 hereof.

(ii) The Flexible Rate for each Interest Period shall be effective from and including the commencement date of such period through and including the last day thereof. Each such Flexible Rate shall be determined by the Remarketing Agent in connection with the sale of the 2003 Bond or 2003 Bonds to which it relates pursuant to Section 302 or 303 hereof.

(iii) If the Remarketing Agent fails for any reason to determine or notify the Tender Agent of the Interest Period or Flexible Rate when required hereunder, the Interest Period shall be of the shortest permitted duration and the Flexible Rate shall be equal to the 135% of the BMA Municipal Swap Index in effect on the first day of such Interest Period.

(iv) All determinations of Flexible Rates and Interest Periods pursuant to this Section shall be conclusive and binding upon the Authority, the Trustee, the Tender

Agent, the Bank and the holders of the 2003 Bonds to which such rates and periods are applicable.

(b) Conversions to Flexible Rate Periods. At the option of Authority, the 2003 Bonds may be converted from a Variable Rate Period to a Flexible Rate Period as follows:

(i) In any such case, the Flexible Rate Conversion Date shall be a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that in the case of a conversion from a Term Rate Period, the Flexible Rate Conversion Date shall be a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced.

(ii) The Authority shall give written notice of any such conversion to the Trustee, the Tender Agent, the Remarketing Agent and the Bank not less than seven (7) Business Days prior to the date on which the Tender Agent is required to notify the Bondholders of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the Flexible Rate Conversion Date. In addition, on or before the Flexible Rate Conversion Date, the Authority shall cause to be filed with the Authority, the Trustee and the Tender Agent a Favorable Opinion. Notwithstanding the provisions of the preceding sentence, such opinion shall not be required to be delivered with respect to a conversion from a Daily Rate Period or Weekly Rate Period or from a Term Rate Period with a duration of one year or less.

(iii) Not less than fourteen (14) days prior to the Flexible Rate Conversion Date, in the case of conversions from Daily or Weekly Rate Periods, and not less than thirty (30) days prior to the Flexible Rate Conversion Date in all other cases, the Tender Agent shall mail a written notice of the conversion to all holders of the 2003 Bonds to be converted, specifying the Flexible Rate Conversion Date and setting forth the matters required to be stated pursuant to Section 303 hereof with respect to purchases of 2003 Bonds governed by such Section.

SECTION 205. FIXED RATE CONVERSION AT OPTION OF THE AUTHORITY

At the option of the Authority, the 2003 Bonds bearing interest at a Variable Rate, or Flexible Rates may be converted to bear interest at the Fixed Rate as hereinafter provided. Any such conversion shall be made as follows:

(a) The Fixed Rate Conversion Date shall be: (i) in the case of a conversion from a Variable Rate Period other than a Term Rate Period, a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; (ii) in the case of a conversion from a Term Rate Period, a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced; or (iii) in the case of a conversion from a Flexible Rate Period, a day which is the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period theretofore established for the 2003 Bonds to be converted.

(b) Not less than seven (7) Business Days prior to the date on which the Tender Agent or the Trustee is required to notify the Bondholders of the conversion pursuant to paragraph (c) below, the Authority shall give written notice of the conversion to the Trustee, the Tender Agent, if any, the Remarketing Agent, if any, and the Bank, if any, setting forth the Proposed Fixed Rate Conversion Date. In addition, on or before the Fixed Rate Conversion Date, the Authority shall cause to be filed with the Authority, the Trustee and the Tender Agent, if any, a Favorable Opinion with respect to the conversion of the 2003 Bonds to the Fixed Rate.

(c) In the event of a conversion from a Variable Rate Period or a Flexible Rate Period, the Tender Agent shall mail a notice of the proposed conversion to the holders of all 2003 Bonds to be converted not less than thirty (30) days prior to the Proposed Fixed Rate Conversion Date and shall inform the Bondholders of: (i) the Proposed Fixed Rate Conversion Date; and (ii) the matters required to be stated pursuant to Section 304 hereof with respect to purchases of 2003 Bonds governed by such Section.

(d) Not later than 12:00 noon, New York City time, on the Business Day prior to the Fixed Rate Conversion Date, the Remarketing Agent shall deliver to the Trustee and the Authority a certificate, approved by the Authority, which includes (i) a schedule specifying the principal amount of Bonds to mature on the first June 15 occurring after the Fixed Rate Conversion Date and on each June 15 thereafter to and including the June 15th occurring on or after the fifth anniversary of the Fixed Rate Conversion Date, (ii) a schedule specifying the principal amount of Bonds to be called for mandatory redemption on each June 15 occurring after the last June 15 specified pursuant to (i), but prior to June 15, 2022, (iii) the principal amount of 2003 Bonds to mature on June 15, 2022, (iv) the Fixed Rate to be applicable to each maturity of the 2003 Bonds and (v) a schedule specifying the interest to be paid on each Interest Payment Date of each year, commencing with the first Interest Payment Date to occur after the Fixed Rate Conversion Date, to and including June 15, 2022. In determining the amount of interest and principal that shall be payable on such dates, the Remarketing Agent shall use the following guidelines:

(i) The Fixed Rate(s) established for the 2003 Bonds to be effective on the Fixed Rate Conversion Date shall be set forth in an underwriting or purchase contract and shall equal the minimum interest rate(s) necessary to remarket such 2003 Bonds on the Fixed Rate Conversion Date at an aggregate purchase price of 100% of the principal amount thereof taking into account the fact that such 2003 Bond shall mature or be subject to mandatory sinking fund redemption on a particular June 15 up to and including June 15, 2022 in accordance with (d) above, that all 2003 Bonds shall pay interest semiannually on each Interest Payment Date of each year, that all 2003 Bonds maturing on a particular June 15 shall bear interest at the same rate;

(ii) The schedule of principal payments shall be set to achieve annual level debt service (including both principal and interest) for all remaining Bond Years or portions thereof and to the extent such annual level debt service cannot be exactly achieved with principal maturing in \$5,000 denominations or integral multiples thereof, such annual level debt service shall be achieved by rounding down all maturing principal

amounts to the next \$5,000 denomination or integral multiple thereof and rounding up the last principal payment.

The determination of the Fixed Rate(s) shall be conclusive and binding upon the Authority, the Trustee, the Tender Agent, if any, the Bank, if any, the Bond Insurer and the holders of the 2003 Bonds to which such rate(s) will be applicable. Not later than 5:00 p.m., New York City time, on the date of determination of the Fixed Rate(s), the Remarketing Agent shall notify the Trustee and the Authority of such rate(s) by telephone. Not later than 5:00 p.m., New York City time, on the next succeeding Business Day, the Trustee shall give Immediate Notice of such rate(s) to the Tender Agent, if any, and the Bank, if any, and the Bond Insurer.

(e) The Authority may revoke its election to effect a conversion of the interest rate on the 2003 Bonds to the Fixed Rate by giving written notice of such revocation to the Trustee, the Tender Agent, if any, the Remarketing Agent, if any, the Bank, if any, and the Bond Insurer at any time prior to the setting of the Fixed Rate by the Remarketing Agent.

(f) It shall be a condition to effecting a conversion to the Fixed Rate that all of the Bonds shall be successfully remarketed.

SECTION 206. CERTAIN CHANGES IN TERM RATE PERIOD NOT A CONVERSION

In the event that a Term Rate Period is shorter than the immediately preceding Term Rate Period due to the occurrence of the Maturity Date of the 2003 Bonds, such difference in length of the last Term Rate Period shall not be considered to cause a Variable Rate Conversion Date to occur and the conditions required by Section 203 to convert from a Term Rate Period of one length to a Term Rate Period of a different length shall not be required to be satisfied.

SECTION 207. BOOK ENTRY SYSTEM

(a) It is intended that the Bonds be registered so as to participate in a securities depository system with DTC (the "DTC System"), as set forth herein. Except as provided in subparagraph (c) of this Section, the registered owner of all of the 2003 Bonds shall be DTC and the 2003 Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of interest on any Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of immediately available funds to the account of Cede & Co. on the Interest Payment Date for the 2003 Bonds at the address indicated on the Record Date or Special Record Date for Cede & Co. in the Bond Register kept by the Trustee.

(b) The 2003 Bonds shall be initially issued in the form of separate single fully registered 2003 Bonds, authenticated by the Trustee in the amount of each separately stated maturity of the 2003 Bonds. Upon initial issuance, the ownership of such 2003 Bonds shall be registered in the registry books of the Authority kept by the Trustee in the name of Cede & Co., as nominee of DTC. The Trustee and the Authority shall treat DTC (or its nominee) as the sole and exclusive owner of the 2003 Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the 2003 Bonds, selecting the 2003 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Third Supplement to the Amended and Restated Indenture, registering the transfer of 2003 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Tender Agent nor the

Authority shall be affected by any notice to the contrary. Neither the Trustee, the Tender Agent nor the Authority shall have any responsibility or obligation to any DTC participant, any person claiming a beneficial ownership interest in the 2003 Bonds under or through DTC or any DTC participant, or any other Person which is not shown on the registration books of the Trustee as being a Bondholder, with respect to: (i) the accuracy of any records maintained by DTC or any DTC participant; (ii) the payment of DTC or any DTC participant of any amount in respect of the principal, purchase price or redemption price of or interest on the 2003 Bonds; (iii) any notice which is permitted or required to be given to Bondholders under the Indenture; (iv) the selection by DTC or any DTC participant of any Person to receive payment in the event of a partial redemption of the 2003 Bonds; or (v) any consent given or other action taken by DTC as Bondholder. The Trustee shall pay all principal or purchase price of and premium, if any, and interest on the 2003 Bonds only to or "upon the order of" (as that term is used in the Uniform Commercial Code as adopted in the Commonwealth of Pennsylvania) DTC and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the principal of or purchase price and premium, if any, and interest on the 2003 Bonds to the extent of the sum or sums so paid. No Person other than DTC shall receive an authenticated Bond for each separately stated maturity of the respective series evidencing the obligation of the Authority to make payments of principal of and premium, if any, and interest pursuant to this Third Supplement to the Amended and Restated Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word "Cede & Co." in this Third Supplement to the Amended and Restated Indenture shall be deemed to be changed to reflect such new nominee of DTC.

(c) In the event the Authority determines that it is in its best interest to discontinue the use of book entry system for the 2003 Bonds, the Authority may notify in writing DTC and the Trustee, whereupon DTC will notify the DTC participants of the availability through DTC of Bond certificates. In such event, the Trustee shall deliver, transfer and exchange Bond certificates as directed in writing by DTC as the Bondholder in appropriate amounts. DTC may determine to discontinue providing its services with respect to the 2003 Bonds at any time by giving written notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Authority and the Trustee, at the sole cost of the Authority, shall be obligated to deliver Bond certificates as directed in writing by DTC. In the event Bond certificates are issued, the provisions of the Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the 2003 Bonds to any DTC participant having 2003 Bonds credited to its DTC account, or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the 2003 Bonds.

(d) Notwithstanding any other provision of this Third Supplement to the Amended and Restated Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or purchase price

of and premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to the Indenture by the Authority or the Trustee with respect to any consent or other action to be taken by Bondholders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC as sole Bondholder notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Bondholder.

(f) Anything herein to the contrary notwithstanding, so long as any 2003 Bonds are registered in the name of DTC or any nominee thereof, in connection with any optional tender of such 2003 Bonds, the beneficial owners of such 2003 Bonds are responsible for submitting the bondholder tender notice provided for in Section 301 to the Remarketing Agent.

(g) Upon remarketing of 2003 Bonds in accordance with Article III, payment of the purchase price thereof shall be made to DTC and no surrender of certificates is expected to be required. Such sale shall be made through DTC participants (which may include the Remarketing Agent) and the new beneficial owners of such 2003 Bonds shall not receive delivery of Bond certificates. DTC shall transmit payment to DTC participants, and DTC participants shall transmit payment to beneficial owners whose 2003 Bonds were purchased pursuant to remarketing. Neither the Authority, the Trustee, the Trustee nor the Remarketing Agent shall be responsible for transfers of payment to DTC participants or beneficial owners.

(h) The provisions of this Section are subject to the provisions of this Third Supplement to the Amended and Restated Indenture relating to Bank Bonds.

SECTION 208. DELIVERY OF THE 2003 BONDS AND DISPOSITION OF PROCEEDS THEREOF.

(a) Upon the execution and delivery of this Third Supplement to the Amended and Restated Indenture, the Authority shall execute and deliver the 2003 Bonds to the Trustee and the Trustee shall authenticate the 2003 Bonds and deliver them to the initial purchaser or purchasers thereof as directed by the Authority in an order delivered by the Authority to the Trustee upon receipt of the proceeds of the 2003 Bonds. Proceeds from the sale of the 2003 Bonds shall be received by the Trustee and deposited in the Settlement Fund and shall then be disbursed and transferred from the Settlement Fund as follows:

(1) To or upon the order of the Authority, the amount specified by the Authority at or after the closing for the issuance of the 2003 Bonds as the costs of issuance of the 2003 Bonds (including, without limitation, fees and expenses of bond counsel and special tax counsel, consultants, the Trustee and the Trustee's counsel, the City's counsel and consultants, and the Authority's counsel in connection with the issuance of the 2003 Bonds, fees payable to the Initial Bank and the Bond Insurer with respect to the 2003 Bonds, printing costs payable by the Authority and rating agency fees).

(2) To the Trustee, to be deposited in the 1993A Bonds account of the Bond Redemption Fund, an amount equal to \$163,185, which will be applied to the redemption of all Outstanding 1993A Bonds called for redemption on June 15, 2003.

Any amount remaining in the Settlement Fund after the foregoing disbursements and transfers shall be disbursed or transferred by the Trustee to the Debt Service Fund in respect of the 2003 Bonds.

(b) Pursuant to Section 5.07 of the Amended and Restated Indenture, as supplemented and amended by, among others, Section 4.03 of the Second Supplement to the Amended and Restated Indenture, the Trustee is hereby instructed to transfer funds in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement for all Outstanding Bonds, taking into account the redemption of the 1993A Bonds and the issuance and delivery of the 2003A Bonds, to the Redemption Fund for application to the redemption price of the 1993A Bonds.

ARTICLE III TENDER AND PURCHASE OF BONDS

SECTION 301. OPTIONAL TENDERS DURING VARIABLE RATE PERIODS

(a) Optional Tender Dates. The holders of 2003 Bonds bearing interest at Variable Rates may elect to have their 2003 Bonds or portions thereof in whole multiples of Authorized Denominations purchased at the Tender Price of such 2003 Bonds (or portions), on the following Optional Tender Dates and upon the giving of the following oral (which may be by telephone) or written (which may be by telecopy or facsimile communication) notices meeting the further requirements of subsection (b) below:

(i) Daily Rate Period. During a Daily Rate Period, 2003 Bonds may be tendered for purchase on any Business Day upon oral or written notice of tender given to the Tender Agent not later than 10:00 a.m., New York City time, on the Optional Tender Date;

(ii) Weekly Rate Period. During a Weekly Rate Period, 2003 Bonds may be tendered for purchase on any Business Day upon oral or written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day not less than seven (7) days prior to the Optional Tender Date; and

(iii) Term Rate Period. During a Term Rate Period, 2003 Bonds may be tendered for purchase on the first Business Day following such Term Rate Period upon delivery of a written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day not less than seven (7) days prior to the Optional Tender Date.

(b) Notice by Owner of Tender. Each notice of tender:

(i) shall, in the case of a written notice, be delivered to the Tender Agent at its Principal Office and be in form satisfactory to the Tender Agent;

(ii) shall, whether delivered orally or in writing, state (A) the name and address of such Bondholder and the principal amount of the Bond to which the notice relates, (B) that the Bondholder irrevocably demands purchase of such 2003 Bond or a specified portion thereof in a whole multiple of an Authorized Denomination, (C) the Optional Tender Date on which such 2003 Bond or portion is to be purchased and (D) the payment instructions with respect to the Tender Price; and

(iii) shall automatically constitute, whether delivered orally or in writing (A) an irrevocable offer to sell the 2003 Bond (or portion thereof) to which the notice relates on the Optional Tender Date to any purchaser selected by the Remarketing Agent, at a price equal to the Tender Price of such 2003 Bond (or portion thereof), (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such 2003 Bond (or portion thereof) upon payment of the Tender Price to the Tender Agent on the Optional Tender Date, (C) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the 2003 Bond to be purchased in whole or in part for

other 2003 Bonds in an equal aggregate principal amount so as to facilitate the sale of such 2003 Bond (or portion thereof to be purchased), and (D) an acknowledgment that such Bondholder will have no further rights with respect to such 2003 Bond (or portion thereof) upon payment of the Tender Price thereof to the Tender Agent on the Optional Tender Date, except for the right of such Bondholder to receive such Tender Price upon surrender of such 2003 Bond to the Tender Agent.

The determination of the Tender Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the owner of such 2003 Bond.

(c) Notice by Tender Agent of Bonds to be Remarketed. Not later than 11:00 a.m., New York City time, on the Business Day immediately following the date of receipt of any notice of tender (or promptly upon such receipt on the Optional Tender Date in the case of 2003 Bonds during a Daily Rate Period but in no event later than 11:00 a.m., New York City time), the Tender Agent shall give Immediate Notice (or telephonic notice in the case of Bonds during a Daily Rate Period) to the Trustee, the Authority, the Remarketing Agent and the Bank of the principal amount of 2003 Bonds (or portions thereof) to be purchased and the Optional Tender Date.

(d) Remarketing of Tendered Bonds. Pursuant to the Remarketing Agreement, the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all 2003 Bonds or portions thereof properly tendered. The Remarketing Agent shall cause the Tender Price specified in subsection (a) above for the 2003 Bonds which the Remarketing Agent notified the Tender Agent had been remarketed pursuant to subsection (e)(i) below to be paid to the Tender Agent (i) in immediately available funds at or before 2:00 p.m., New York City time, on the Optional Tender Date, during Daily or Weekly Rate Periods and (ii) in immediately available funds at or before 12:00 noon, New York City time, on the Optional Tender Date, in the case of 2003 Bonds during Term Rate Periods. Notwithstanding the foregoing, the Remarketing Agent shall not offer for sale any 2003 Bond as to which a notice of conversion to a Variable Rate Period, from a Term Rate Period of one length to another, to a Flexible Rate Period or to a Fixed Rate Period has been given by the Tender Agent unless the Remarketing Agent has advised the Person to whom the offer is made of the conversion and the effect of the conversion on the rights of Bondholders to tender their 2003 Bonds as described in the conversion notice from the Tender Agent to the Bondholders.

(e) Purchase of Tendered Bonds.

(i) Notice of Remarketing; Purchases Under Liquidity Facility. The following Immediate Notices shall be given with respect to the remarketing of Tendered Bonds and the amount of 2003 Bonds to be purchased pursuant to the Liquidity Facility:

(A) In the case of Tendered Bonds during other than a Daily Rate Period:

(I) the Remarketing Agent shall notify the Tender Agent of the amount of Tendered Bonds which were remarketed not later than

2:30 p.m., New York City time, on the Business Day immediately preceding the Optional Tender Date and the Tender Agent shall notify the Bank of the amount of Tendered Bonds which were remarketed by 3:00 p.m. on the Business Day immediately preceding the Optional Tender Date; and

(2) if any such notice indicates that any Tendered Bonds were not remarketed, if no such notice is received by the required time or if all of remarketing proceeds have not been received, the Tender Agent shall notify the Trustee, the Bank and the Authority, not later than 9:00 a.m., New York City time, on the Optional Tender Date, of the amount of Tendered Bonds

(x) which were not remarketed,

(y) for which no notice of remarketing was received and

(z) for which no remarketing proceeds have been received,

and the Trustee shall submit a draw certificate to the Bank not later than 11:00 a.m., New York City time, on the Optional Tender Date for payment of an amount equal to the principal portion of the Tender Price for the portion of the Tendered Bonds (x) which were not remarketed, (y) for which no notice of remarketing was received and (z) for which no remarketing proceeds have been received by the required time, and a demand for payment by the Bank of the accrued interest on the portion of the Tendered Bonds which were not remarketed or for which no notice of remarketing was received by the required time, or for which no remarketing proceeds have been received.

(B) In the case of Tendered Bonds during a Daily Rate Period:

(1) the Remarketing Agent shall notify the Tender Agent of the amount of Tendered Bonds which were remarketed not later than 10:00 a.m., New York City time, on the Optional Tender Date; and

(2) if any such notice indicates that any Tendered Bonds were not remarketed or if no such notice is received by the required time, or if remarketing proceeds are not received by the required time, the Tender Agent shall promptly notify the Trustee, the Bank and the Authority, not later than 10:30 a.m., New York City time, on the Optional Tender Date, of the amount of Tendered Bonds

(x) not remarketed,

(y) for which no notice of remarketing was received, or

(z) for which no remarketing proceeds have been received,

and not later than 11:00 a.m., New York City time, on the Optional Tender Date, the Trustee shall submit a draw certificate for payment of the principal portion of the Tender Price by the Bank for the portion of the 2003 Bonds (x) which were not remarketed, (y) for which no notice of remarketing was received by the required time or (z) for which no remarketing proceeds have been received, and a demand for payment by the Bank of the accrued interest on the portion of the Tendered Bonds which were not remarketed or for which no notice of remarketing was received by the required time, or for which no remarketing proceeds have been received.

(ii) Information Concerning Purchasers. A notice by telephone, telex or telecopier, to be confirmed in writing if given by telephone, specifying the names, addresses and taxpayer identification numbers of the purchasers, the denominations of 2003 Bonds to be registered in the name of each purchaser and, if available, payment instructions for regularly scheduled interest payments or of any changes in such information previously communicated shall be furnished to the Tender Agent by (i) 3:00 p.m., New York City time, on the Business Day preceding the day on which such 2003 Bonds are to be purchased to the extent available and such notice may be supplemented or amended at any time prior to 12:40 p.m., New York City time, on the day on which such 2003 Bonds are to be purchased with respect to Bonds during a Weekly Rate Period, (ii) 1:00 p.m., New York City time, on the day on which such 2003 Bonds are to be purchased with respect to Bonds during a Daily Rate Period or Flexible Rate Period, and (iii) 3:00 p.m., New York City time, on the second Business Day prior to the day on which such 2003 Bonds are to be purchased to the extent available and such notice may be supplemented or amended at any time prior to 12:40 p.m., New York City time, on the day on which such 2003 Bonds are to be purchased with respect to Bonds during a Term Rate Period.

(iii) Payments by the Tender Agent. By 3:00 p.m., New York City time, on the Optional Tender Date set for purchase of Tendered Bonds and upon receipt by the Tender Agent of 100% of the aggregate Tender Price of the Tendered Bonds, the Tender Agent shall pay the Tender Price of such 2003 Bonds to the holders thereof at its Principal Office or by bank wire transfer. Such payments shall be made in immediately available funds. With respect to the payment of the Tender Price, the Tender Agent shall apply in order (A) moneys paid to it by the Remarketing Agent or by the new purchaser of the Tendered Bonds as proceeds of the remarketing of such 2003 Bonds by the Remarketing Agent, (B) moneys paid to it by the Bank for the purchase of 2003 Bonds pursuant to the Liquidity Facility, and (C) any other moneys provided by the Authority. If sufficient funds are not available for the purchase of all Tendered Bonds, no purchase shall be consummated as provided in Section 306.

(iv) Registration and Delivery of Tendered or Purchased Bonds. On the date of purchase, the Tender Agent shall register and make available for pick-up or cancel all 2003 Bonds purchased on any Optional Tender Date as follows: (A) 2003 Bonds purchased or remarketed by the Remarketing Agent shall be registered and made available to the Remarketing Agent by 2:15 p.m., New York City time, in accordance with the instructions of the Remarketing Agent; (B) 2003 Bonds purchased pursuant to the Liquidity Facility shall be registered in the name of the Authority unless otherwise required by the Liquidity Facility and shall be held in trust by the Tender Agent on behalf of the registered owner; and (C) 2003 Bonds purchased with other moneys provided by the Authority shall be canceled or registered and delivered in accordance with the instructions of the Authority; provided that so long as a Liquidity Facility is in effect, such 2003 Bonds shall not be remarketed or delivered to the Authority unless the Liquidity Facility supports the payment of such 2003 Bonds in accordance with the terms of this Third Supplement to the Amended and Restated Indenture and the Liquidity Facility.

(v) Resale of Bonds Purchased Pursuant to the Liquidity Facility. In the event that any 2003 Bonds are purchased pursuant to the Liquidity Facility pursuant to subparagraph (iv) above, the Remarketing Agent shall continue to offer for sale and use its best efforts to sell such 2003 Bonds at a purchase price equal to the principal amount thereof plus accrued interest thereon. 2003 Bonds purchased pursuant to the Liquidity Facility shall not be delivered upon remarketing by the Remarketing Agent or any other sale unless the Liquidity Facility is automatically reinstated for the principal amount thereof and the Interest Component applicable thereto in accordance with its terms or the Remarketing Agent has been advised by the Bank by Immediate Notice that it has elected to reinstate the Liquidity Facility for the required amount and the Bank notifies the Tender Agent by Immediate Notice of such reinstatement and directs the Tender Agent to deliver the 2003 Bonds to the purchaser.

(vi) Delivery of Bonds; Effect of Failure to Surrender Bonds. All 2003 Bonds to be purchased on any Optional Tender Date shall be required to be delivered to the Principal Office of the Tender Agent by (i) 12:00 noon, New York City time, on the Optional Tender Date with respect to Bonds during a Daily or Weekly Rate Period; or (ii) 5:00 p.m., New York City time, on the second Business Day prior to the Optional Tender Date with respect to Bonds during Term Rate Periods. If the owner of any 2003 Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such 2003 Bond to the Tender Agent for purchase on the Optional Tender Date and if the Tender Agent is in receipt of the Tender Price therefor, such 2003 Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such 2003 Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in subsection (e)(iv) above. Any Bondholder who fails to deliver a 2003 Bond for purchase as required above shall have no further rights thereunder except the right to receive the Tender Price thereof upon presentation and surrender of said 2003 Bond to the Tender Agent and shall thereafter hold such 2003 Bond as agent for the Tender Agent. Such delivery shall be a condition to payment of the Tender Price by the Tender Agent on the Optional Tender Date.

SECTION 302. TENDERS DURING FLEXIBLE RATE PERIODS

(a) Repurchase Dates. Each 2003 Bond bearing interest at a Flexible Rate shall be subject to mandatory tender for purchase on each Repurchase Date at the Repurchase Price.

(b) Bonds to be Remarketed. Not later than 11:00 a.m., New York City time, on the Business Day immediately preceding each Repurchase Date, the Tender Agent shall give Immediate Notice to the Remarketing Agent and the Bank of the amount of 2003 Bonds which will be tendered on such Repurchase Date.

(c) Remarketing of Tendered Bonds. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all 2003 Bonds required to be purchased on the Repurchase Date. In remarketing the 2003 Bonds, the Remarketing Agent shall offer and accept purchase commitments for the 2003 Bonds for such Interest Periods and at such Flexible Rates as it deems to be advisable in order to minimize the net interest cost on the 2003 Bonds under prevailing market conditions. The foregoing notwithstanding, no Interest Period may be established which exceeds the shortest of (A) 270 days, (B) the remaining number of days prior to any Mandatory Tender Date occurring pursuant to either Section 303 or 304 hereof, or (C) the remaining number of days prior to each date on which 2003 Bonds are subject to redemption pursuant to Sections 401(a)(i) or (c) hereof (but, in the case of Section 401(a)(i) hereof, only if the Remarketing Agent has received Immediate Notice from the Trustee of a pending redemption of 2003 Bonds pursuant to Section 402(a) hereof) if and to the extent necessary to enable the Tender Agent to make such purchases on or before such date. The Remarketing Agent shall cause the Repurchase Price specified in subsection (a) above for the 2003 Bonds which the Remarketing Agent notified the Tender Agent had been remarketed pursuant to subsection (d)(i) below to be paid to the Tender Agent in immediately available funds at or before 2:00 p.m., New York City time, on the Repurchase Date. At the request of the Trustee, the Remarketing Agent shall also determine and notify the Trustee of Flexible Rates and Interest Periods for 2003 Bonds to be purchased pursuant to the Liquidity Facility or by the Authority as hereinafter provided, such determination to be made in substantially the same manner as is provided above and with a view toward enabling the Remarketing Agent to remarket such 2003 Bonds at a later date.

(d) Purchase of Tendered Bonds; Notice of Remarketing; Purchases Under Liquidity Facility. The following Immediate Notices shall be given with respect to the remarketing of Tendered Bonds and the amount of 2003 Bonds to be purchased pursuant to the Liquidity Facility:

(i) The Remarketing Agent shall notify the Tender Agent of the amount of Tendered Bonds which were remarketed not later than 9:30 a.m., New York City time, on the Repurchase Date; and if any such notice indicates that any Tendered Bonds were not remarketed, or if no such notice is received by the required time, or if not all of the remarketing proceeds have been received, the Tender Agent shall notify the Trustee, the Bank and the Authority by 10:00 a.m., New York City time, on the Repurchase Date of the amount of Tendered Bonds not remarketed, or for which no notice of remarketing was received, or for which no remarketing proceeds have been received, and the Trustee shall submit to the Bank by 11:00 a.m., New York City time, on the Repurchase Date, a draw certificate for payment of an amount equal to the Repurchase Price by the Bank for (A) the portion of the 2003 Bonds which were not remarketed, (B) those for which no notice of

remarketing was received by the required time and (C) those for which no remarketing proceeds have been received and a draw certificate for payment of the accrued interest on the portion of the Tendered Bonds by the Bank for the portion of the 2003 Bonds (A) which were not remarketed, (B) for which no notice of remarketing was received by the required time, or (C) for which no remarketing proceeds have been received, pursuant to the Liquidity Facility.

(ii) Information Concerning Purchasers. A notice by telephone, telex or telecopier, to be confirmed in writing if given by telephone, specifying the names, addresses and taxpayer identification numbers of the purchasers, the denominations of 2003 Bonds to be registered in the name of each purchaser, the Flexible Rate and Repurchase Date to be applicable to each 2003 Bond and, if available, payment instructions for regularly scheduled interest payments or of any changes in such information previously communicated shall be furnished to the Tender Agent by 1:00 p.m., New York City time, on the Repurchase Date.

(iii) Payments by the Tender Agent. By 3:00 p.m., New York City time, on the Repurchase Date and upon receipt by the Tender Agent of 100% of the aggregate Repurchase Price of the Tendered Bonds, the Tender Agent shall pay the Repurchase Price of such 2003 Bonds to the holders thereof at its Principal Office or by bank wire transfer. Such payments shall be made in immediately available funds. With respect to the payment of the Repurchase Price, the Tender Agent shall apply in order (A) moneys paid to it by the Remarketing Agent or by the new purchaser of the Tendered Bonds as proceeds of the remarketing of such 2003 Bonds by the Remarketing Agent, (B) moneys paid to it by the Bank for the purchase of 2003 Bonds pursuant to the Liquidity Facility, and (C) any other moneys provided by the Authority. If sufficient funds are not available for the purchase of all Tendered Bonds, no purchase shall be consummated as provided in Section 306.

(iv) Registration and Delivery of Tendered or Purchased Bonds. On the Repurchase Date, the Tender Agent shall register and deliver, hold or cancel all 2003 Bonds purchased on such Repurchase Date as follows: (A) 2003 Bonds purchased or remarketed by the Remarketing Agent shall be registered and delivered to the Remarketing Agent by 2:15 p.m., New York City time, in accordance with the instructions of the Remarketing Agent; (B) 2003 Bonds purchased pursuant to a draw on the Liquidity Facility shall be registered in the name of the Authority unless otherwise required by the Liquidity Facility and shall be held in trust by the Tender Agent on behalf of the registered owner; and (C) 2003 Bonds purchased with other moneys provided by the Authority shall be canceled or registered and delivered in accordance with the instructions of the Authority; provided that so long as a Liquidity Facility is in effect, such 2003 Bonds shall not be remarketed or delivered to the Authority unless the Liquidity Facility supports the payment of such 2003 Bonds in accordance with the terms of this Third Supplement to the Amended and Restated Indenture and the Liquidity Facility.

(v) Resale of Bonds Purchased Pursuant to the Liquidity Facility. In the event that any 2003 Bonds are purchased pursuant to a draw on the Liquidity Facility pursuant to subparagraph (iv) above, the Remarketing Agent shall continue to offer for sale and use its best efforts to sell such 2003 Bonds at a purchase price equal to the principal

amount thereof plus accrued interest thereon. 2003 Bonds purchased pursuant to the Liquidity Facility shall not be delivered upon remarketing by the Remarketing Agent or any other sale unless the Liquidity Facility is automatically reinstated for the principal amount thereof and the Interest Component applicable thereto in accordance with its terms or the Remarketing Agent has been advised by the Bank by Immediate Notice that it has elected to reinstate the Liquidity Facility for the required amount and the Bank notifies the Tender Agent by Immediate Notice of such reinstatement and directs the Tender Agent to deliver the 2003 Bonds to the purchaser.

(vi) Delivery of Bonds; Effect of Failure to Surrender Bonds. All 2003 Bonds to be purchased on any Repurchase Date shall be required to be delivered to the Principal Office of the Tender Agent by 1:00 p.m., New York City time, on the Repurchase Date. If the owner of any 2003 Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such 2003 Bond to the Tender Agent for purchase on the Repurchase Date and if the Tender Agent is in receipt of the Tender Price therefor, such 2003 Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such 2003 Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in subsection (e)(iv) above. Any 2003 Bondholder who fails to deliver a 2003 Bond for purchase as required above shall have no further rights thereunder except the right to receive the Repurchase Price thereof upon presentation and surrender of said 2003 Bond to the Tender Agent. Such delivery shall be a condition to the payment of the Repurchase Price by the Tender Agent on the Repurchase Date.

SECTION 303. MANDATORY TENDER UPON CONVERSIONS AMONG VARIABLE RATE PERIODS AND FLEXIBLE RATE PERIODS

(a) Variable Rate Conversions. 2003 Bonds which are subject to conversion on any Variable Rate Conversion Date pursuant to Section 203(d) or (e) hereof shall be subject to mandatory tender for purchase on the Variable Rate Conversion Date at the Tender Price or Repurchase Price, as the case may be.

(b) Flexible Rate Conversions. 2003 Bonds which are subject to conversion on any Flexible Rate Conversion Date pursuant to Section 204(b) hereof are subject to mandatory tender for purchase on the applicable Flexible Rate Conversion Date at the Tender Price.

(c) Notice to Bondholders. Any notice of a conversion given to Bondholders pursuant to Section 203(d)(iii), 203(e)(iii) or 204(b)(iii) hereof shall, in addition to the requirements of such Section, state that the 2003 Bonds to be converted will be subject to mandatory tender for purchase on the Variable Rate Conversion Date or Flexible Rate Conversion Date at the Tender Price or Repurchase Price, as the case may be, and will specify the time at which 2003 Bonds are to be tendered for purchase.

Whenever the 2003 Bonds are held in the DTC System, any failure by DTC or any DTC Participant to provide the notice described above to any beneficial owner of the 2003 Bonds shall not affect the validity of any interest rate on any 2003 Bonds or extend the period for tendering any of the 2003 Bonds for purchase and the Trustee shall not be liable to any 2003 Bondholder by reason of any such failure or defect.

(d) Remarketing. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all 2003 Bonds to be tendered for purchase on the Flexible Rate Conversion Date or Variable Rate Conversion Date. In the event of a conversion to a Variable Rate Period, the terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price specified in subsection (a) above to the Tender Agent in immediately available funds at or before 3:00 p.m., New York City time, on the Variable Rate Conversion Date. In the case of a conversion to a Flexible Rate Period, the terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price specified in subsection (b) above to the Tender Agent in immediately available funds at or before 3:00 p.m., New York City time, on the Flexible Rate Conversion Date and the Flexible Rates and Interest Periods to be established shall be determined in the manner and subject to the limitations set forth in Section 302(c) hereof.

(e) Purchase of Tendered Bonds. The provisions of Section 301(e) regarding purchases of 2003 Bonds shall apply to tenders pursuant to this Section 303 in the case of a conversion during a Variable Rate Period; provided that, for the purpose of so applying such provisions:

(i) the notices required pursuant to Section 301(e)(i) shall be given as therein described, except that the provisions relating specifically to 2003 Bonds during Daily Rate Periods shall be applicable only to 2003 Bonds to be converted from a Daily Rate Period or to a Flexible Rate Period;

(ii) the notice required pursuant to Section 301(e)(ii) shall be given as therein described, except that, in the case of a conversion to a Flexible Rate Period, the notice from the Remarketing Agent concerning the purchasers of the 2003 Bonds shall specify the Flexible Rates and Interest Periods for such 2003 Bonds; and

(iii) the deliveries of 2003 Bonds under Section 301(e)(vi) shall be required to be made at or before 1:00 p.m., New York City time, on the Variable Rate Conversion Date (or 5:00 p.m., New York City time, on the second Business Day prior to the Conversion Date with respect to 2003 Bonds during a Term Rate Period).

The provisions of Section 302(d) regarding purchases of 2003 Bonds shall apply to tenders pursuant to this Section 303 with respect to 2003 Bonds in the case of conversions during a Flexible Rate Period.

SECTION 304. MANDATORY TENDER UPON FIXED RATE CONVERSION OR SUBSTITUTION OR TERMINATION OF LIQUIDITY FACILITY

(a) Mandatory Tenders.

(i) Proposed Fixed Rate Conversion Date. The 2003 Bonds to be converted to bear interest at the Fixed Rate pursuant to Section 205 hereof shall be subject to mandatory tender for purchase on a Proposed Fixed Rate Conversion Date at a price equal to the Tender Price or the Repurchase Price, as the case may be.

(ii) Substitution of the Liquidity Facility with an Alternate Liquidity Facility.

The 2003 Bonds (other than Bank Bonds and 2003 Bonds bearing interest at the Fixed Rate) are subject to mandatory tender for purchase at a purchase price equal to the Tender Price or the Repurchase Price, as the case may be, on the regularly scheduled Interest Payment Date immediately preceding the effective date of any substitution of the Liquidity Facility with an Alternate Liquidity Facility in accordance with the provisions of Section 310 hereof.

(iii) No Renewal Liquidity Facility.

The 2003 Bonds are subject to mandatory tender for purchase at a purchase price equal to the Tender Price or Repurchase Price, as the case may be, on any Renewal Date if by the tenth day preceding such Renewal Date the Trustee has not received a Renewal Liquidity Facility.

(iv) Default under the Liquidity Facility.

The 2003 Bonds are subject to mandatory tender for purchase at a purchase price equal to the Tender Price or Repurchase Price, as the case may be, on the fifteenth day (or the next preceding Business Day if such day is not a Business Day) after receipt by the Trustee of notice from the Bank of the occurrence of a default under the Liquidity Facility and that such Liquidity Facility shall be terminated; provided that (i) the Mandatory Tender Date shall be at least five days prior to the termination of the Bank's obligation to honor draws under the Liquidity Facility and (ii) no purchase shall be required if prior to the Mandatory Tender Date the Trustee receives written notice from the Bank to the effect that the default has been cured in accordance with the provisions of the Liquidity Facility and such Liquidity Facility is, as of the date of such notice to the Trustee, in full force and effect and will not terminate as a result of such termination notice from the Bank.

(b) Notice to Bondholders. The Tender Agent shall mail notice to Bondholders of any mandatory tender as follows:

(i) pursuant to Section 304(a)(i) above (or include in any notice mailed pursuant to Section 205(d) hereof), not less than thirty (30) days prior to the Mandatory Tender Date;

(ii) pursuant to Section 304(a)(ii) or (iii) above, not less than fifteen (15) days prior to the Mandatory Tender Date, and

(iii) pursuant to Section 304(a)(iv), on the Business Day next succeeding receipt by the Trustee of the notice from the Bank described therein.

In the case of a notice pursuant to Section 304(a)(i) above, such notice will state, among other things, the Proposed Fixed Rate Conversion Date, that the 2003 Bonds will be subject to mandatory tender for purchase on the Fixed Rate Conversion Date at the Tender Price or Repurchase Price, as the case may be, and the time at which the 2003 Bonds are to be tendered for purchase.

Whenever the 2003 Bonds are held in the DTC System, any failure by DTC or any DTC Participant to provide the notice described above to any beneficial owner of the 2003 Bonds shall not affect the validity of any interest rate on any 2003 Bonds or extend the period for tendering any of the 2003 Bonds for purchase and the Trustee shall not be liable to any 2003 Bondholder by reason of any such failure or defect.

(c) Remarketing. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such 2003 Bonds following a mandatory tender; provided, however, that 2003 Bonds shall not be remarketed unless and until the Remarketing Agent receives notice from the Trustee that a Liquidity Facility complying with the requirements of Section 310(h) hereof is in place with respect to the 2003 Bonds. The terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price specified in subsection (a) above to the Tender Agent in immediately available funds at or before 10:30 a.m., New York City time.

(d) Purchase of Tendered Bonds. The provisions of Section 301(e) regarding purchases of 2003 Bonds shall apply to mandatory tenders pursuant to this Section 304 with respect to 2003 Bonds during a Variable Rate Period; provided that, for the purpose of so applying such provisions:

(i) the notices required pursuant to Section 301(e)(i) shall be given as therein described, except that the provisions relating specifically to 2003 Bonds during Daily Rate Periods shall be disregarded;

(ii) the notices required to be given pursuant to Section 301(e)(ii) hereof regarding purchasers of 2003 Bonds shall be given in the manner prescribed for tenders of 2003 Bonds during other than Daily Rate Periods; and

(iii) the deliveries of 2003 Bonds under Section 301(e)(iv) shall be required to be made at or before 2:15 p.m., New York City time on the Fixed Rate Conversion Date.

The provisions of Section 302(d) shall apply to tenders pursuant to this Section 304 with respect to 2003 Bonds during a Flexible Rate Period.

SECTION 305. FAILED CONVERSION

If on a Variable Rate Conversion Date, Flexible Rate Conversion Date or Proposed Fixed Rate Conversion Date, any condition precedent to such conversion required hereunder shall not be satisfied, such conversion shall not occur, the mandatory tender shall remain effective and (i) if the Authority has filed with the Trustee and the Tender Agent a Favorable Opinion acceptable to the Trustee with respect to the conversion of the 2003 Bonds to Variable Rates for Weekly Rate Periods, the 2003 Bonds shall bear interest at the Variable Rate determined by the Remarketing Agent on the failed Conversion Date for a Weekly Rate Period, and thereafter shall bear interest at Variable Rates for Weekly Rate Periods until a Variable Rate Conversion Date, Flexible Rate Conversion Date or Fixed Rate Conversion Date or (ii) if the Favorable Opinion referred to in clause (i) above has not been delivered, the 2003 Bonds shall bear interest at the Variable Rate or Flexible Rates determined by the Remarketing Agent on the failed Conversion Date for a Variable

Rate Period or Interest Periods, as the case may be, of the same length as the immediately preceding Variable Rate Period or Interest Periods.

SECTION 306. INADEQUATE FUNDS FOR TENDERS

If the funds available for purchases of 2003 Bonds pursuant to this Article III are inadequate for the purchase of all 2003 Bonds required to be purchased on any purchase date, the Tender Agent shall immediately: (i) return all Tendered Bonds to the holders thereof; (ii) return all moneys received for the purchase of such 2003 Bonds to the Persons providing such moneys; and (iii) notify all Bondholders in writing (A) that an Event of Default has occurred, and (B) of the rate to be effective pursuant to following provisions. If the funds available for purchases of 2003 Bonds pursuant to this Article III are inadequate for the purchase of all 2003 Bonds required to be purchased (i) on a proposed Conversion Date, such conversion shall be deemed to have failed and the provisions of Section 305 above shall apply; (ii) in all other cases, the Remarketing Agent shall determine the applicable interest rate in accordance with the provisions of Article II hereof.

SECTION 307. LIMITS UPON REMARKETING

(a) Tendered Bonds shall not be remarketed to the Authority or any Affiliate unless, prior to such sale, the Authority shall have delivered to the Trustee an unqualified written opinion of counsel experienced in bankruptcy matters and satisfactory to the Trustee and each Rating Agency then maintaining a rating on the 2003 Bonds (which opinion may assume that no Bondholders are "insiders" within the meaning of Title XI of the United States Code) to the effect that payment of such amounts to Bondholders would not be avoidable as preferential payments under Section 547 of the United States Bankruptcy Code recoverable under Section 550 of the United States Bankruptcy Code should the Authority or any Affiliate become a debtor in a proceeding commenced thereunder. Neither the Trustee nor the Tender Agent shall be required to monitor the actions of the Remarketing Agent to ensure that it will not remarket any Bonds to the Authority or any Affiliate, and for the purposes of this Section 307 hereof, the Trustee and the Tender Agent may, in the absence of actual notice to the contrary, assume that no funds furnished to the Tender Agent by the Remarketing Agent constitute proceeds of the remarketing of any Bonds to the Authority or any Affiliate.

(b) 2003 Bonds shall not be remarketed unless and until a Liquidity Facility complying with the requirements of Section 310(h) hereof is in place with respect to the 2003 Bonds.

(c) Despite the absence of a Liquidity Facility complying with the requirements of Section 310(h) hereof, whether resulting from the termination of an existing Liquidity Facility or otherwise, the Authority shall be under no obligation to purchase 2003 Bonds otherwise subject to optional tender pursuant to Section 301 hereof or mandatory tender pursuant to Sections 302, 303 or 304 hereof prior to the Maturity Date of such 2003 Bonds.

SECTION 308. BOND PURCHASE FUND

(a) Establishment of Bond Purchase Fund and Accounts. The Trustee shall establish or cause the Tender Agent to establish and maintain, so long as the 2003 Bonds are outstanding and have not been converted to a Fixed Rate, a separate fund to be known as the "Bond Purchase Fund" (the "Bond Purchase Fund"), within which there shall be established a

Remarketing Proceeds Account and a Liquidity Facility Purchase Account, which shall be held in trust by the Trustee until applied as hereinafter provided.

(i) Remarketing Proceeds Account. The Trustee or the Tender Agent shall deposit to the credit of the Remarketing Proceeds Account (A) the moneys received upon the remarketing of Tendered Bonds pursuant to section 307 hereof and the Remarketing Agreement to any Person (other than Tendered Bonds sold to the Authority, any Affiliate or any Insider in violation of Section 307 hereof), and (B) the moneys received from the underwriter or purchaser (other than the Authority, any Affiliate, or any Insider) of Tendered Bonds upon the conversion of the interest rate thereon to a Fixed Rate. No moneys other than those described in (A) and (B) of this Section 308(a)(i) shall be deposited into such account.

(ii) Liquidity Facility Purchase Account. The Trustee or the Tender Agent shall deposit to the credit of the Liquidity Facility Purchase Account all proceeds of drawings under the Liquidity Facility to pay the purchase price of Tendered Bonds (other than Bank Bonds), and no other moneys shall be deposited in such account.

(b) Application of Bond Purchase Fund. Moneys in the Bond Purchase Fund shall be held in trust for the benefit of and subject to a lien in favor of the owners of Tendered Bonds and shall be used exclusively for the payment of the purchase price of Tendered Bonds; provided, however, that any moneys remaining on deposit in the Liquidity Facility Purchase Account after payment in full of all amounts due on the Tendered Bonds shall be transferred to the Bank.

(c) Moneys on deposit in the Bond Purchase Fund shall be invested only upon the written direction of the Authority and only in Government Obligations with a term not exceeding the earlier of 30 days from the date of investment of such moneys or the date or dates that moneys therefrom are anticipated to be required. Amounts held to pay the purchase price for more than five years shall be applied in the same manner as provided under Section 515 of the Amended and Restated Indenture.

SECTION 309. NON-PRESENTMENT OF TENDERED BONDS

In the event any Tendered Bonds shall not be presented for purchase and moneys sufficient to pay the purchase price of such Tendered Bonds are held in the Bond Purchase Fund, the Tender Agent shall segregate and hold such moneys in trust (but shall not invest such moneys), without liability for interest thereon, for the benefit of and subject to a security interest in favor of the holders of such Tendered Bonds who shall, except as provided in the last paragraph of Section 308 hereof, thereafter be restricted exclusively to such moneys, for the satisfaction of any claim of whatever nature on their part under the Indenture or on, or with respect to, said Tendered Bonds.

SECTION 310. LIQUIDITY FACILITY

(a) Draws on Liquidity Facility. The Trustee shall draw moneys under the Liquidity Facility in accordance with its terms and in accordance with Sections 301(e)(i), 302(d)(i), 303(e) and 304(d) hereof to the extent necessary to pay to the Bondholders the purchase price of Tendered Bonds. Immediately following each drawing under the Liquidity

Facility, and not as a condition to such drawing, the Trustee shall use its best efforts to give telephonic notice to the Authority that such a drawing under the Liquidity Facility was made. The Trustee and the Tender Agent shall return any moneys drawn under the Liquidity Facility to the Bank immediately following the applicable purchase date to the extent such moneys exceed the amount necessary to pay the Repurchase Price or Tender Price of Tendered Bonds.

(b) Maintenance of Liquidity Facility. The Authority covenants that prior to the Fixed Rate Conversion Date it shall at all times cause a Liquidity Facility complying with the requirements of this Section 310 to be in effect with respect to the 2003 Bonds.

(c) Renewal Liquidity Facility. The Authority may, subject to the provisions of the Liquidity Facility, at any time arrange for the deposit with the Trustee of a Renewal Liquidity Facility in substitution for the existing Liquidity Facility. Each Renewal Liquidity Facility shall be satisfactory in form and substance to the Trustee; provided that no such Renewal Liquidity Facility shall be satisfactory to the Trustee unless, in addition to all other requirements to be met therefor, a draft of such Renewal Liquidity Facility, and a draft of the related Renewal Liquidity Facility Agreement, if any, have been submitted to the Trustee at least 20 days prior to the date such Renewal Liquidity Facility is to become effective. In addition, if such Liquidity Facility contains a decrease in the Interest Coverage Rate, the Interest Coverage Period or the Interest Component or a decrease in the portion of the Liquidity Facility designated to pay premium upon purchase of the 2003 Bonds, the Trustee must have received written evidence from each Rating Agency then maintaining a rating on the 2003 Bonds that such rating will not be withdrawn or reduced due to the delivery of such Renewal Liquidity Facility. Upon the delivery of a Renewal Liquidity Facility, the Trustee shall promptly give written notice by first class mail, postage prepaid, to each owner of a 2003 Bond bearing interest at a Variable Rate or a Flexible Rate that a Renewal Liquidity Facility and Renewal Liquidity Facility Agreement will secure such 2003 Bond.

(d) Alternate Liquidity Facility. The Authority may, subject to the provisions of the Liquidity Facility, at any time arrange for the deposit with the Trustee of an Alternate Liquidity Facility in substitution for the existing Liquidity Facility. The Alternate Liquidity Facility shall expire no earlier than 360 days from the date of its deposit with the Trustee and, in the event any of the 2003 Bonds bear interest at a Term Rate for a Term Rate Period extending beyond the Stated Expiration Date of such Alternate Liquidity Facility, no earlier than the Liquidity Facility which it replaces. Each Alternate Liquidity Facility shall be satisfactory in form and substance to the Trustee; provided that any such Alternate Liquidity Facility shall not be satisfactory to the Trustee unless, in addition to all other requirements to be met therefor, a draft of such Alternate Liquidity Facility and a draft of any supplemental bond indenture required to be executed in connection with the delivery of the Alternate Liquidity Facility, and appropriate information concerning the entity which will issue such Alternate Liquidity Facility have been submitted to each Rating Agency then maintaining a rating on the 2003 Bonds entitled to the benefit of the then effective Liquidity Facility, and each such Rating Agency has given notice, promptly confirmed in writing, to the Authority and the Trustee at least 20 days prior to the date such Alternate Liquidity Facility is to become effective as to what rating the 2003 Bonds entitled to the benefit of the Alternate Liquidity Facility will bear after such substitution.

The Liquidity Facility then in effect may be replaced by an Alternate Liquidity Facility only if (i) the provisions for mandatory tender for purchase of the 2003 Bonds described in Section 304 hereof are satisfied, (ii) prior to such replacement the Authority shall have delivered to the Trustee a Favorable Opinion with respect to such replacement, (iii) the Trustee shall receive an opinion of counsel for the Bank issuing the Alternate Liquidity Facility in substantially the form of opinion of counsel for the Initial Bank delivered to the Trustee upon the issuance of the Initial Liquidity Facility and (iv) the Bank issuing the Alternate Liquidity Facility or the Authority shall provide funds on or before the substitution for the purchase of all Bank Bonds from the Bank issuing the Liquidity Facility then in effect.

(e) Surrender of Liquidity Facility. If at any time there shall have been delivered to the Trustee, in substitution for the Liquidity Facility then in effect, either an Alternate Liquidity Facility or a Renewal Liquidity Facility, then the Trustee shall accept such Alternate Liquidity Facility or Renewal Liquidity Facility and shall thereupon surrender the Liquidity Facility then in effect to the Bank which issued the Liquidity Facility in accordance with its terms for cancellation unless such substitution is effected through the attachment of an exhibit or similar attachment to the prior Liquidity Facility as permitted by the terms of such Liquidity Facility. At such time as the 2003 Bonds shall have been converted to a Fixed Rate, the Trustee shall promptly surrender the Liquidity Facility then in effect to the Bank which issued such Liquidity Facility in accordance with the terms thereof and of the Indenture for cancellation. The Trustee shall promptly surrender any Liquidity Facility after it expires in accordance with its terms.

(f) Transfer of Liquidity Facility. The Trustee shall not sell, assign or otherwise transfer the Liquidity Facility except to a successor Trustee hereunder and in accordance with the terms of the Liquidity Facility.

(g) Terms of Initial Liquidity Facility. The Initial Liquidity Facility shall be a standby bond purchase agreement between the Authority and the Initial Bank providing for direct payments to or upon the order of the Trustee of an amount equal to the principal amount of the 2003 Bonds (the "**Principal Portion**") plus an amount that represents 34 days' interest (calculated at a rate of 12% per annum) on the 2003 Bonds during the initial Weekly Rate Period (the "**Interest Portion**"). The Initial Liquidity Facility will permit the Trustee to draw (a) an amount not exceeding the Principal Portion for payment of that portion of the purchase price of Tendered Bonds corresponding to the principal of 2003 Bonds and (b) an amount not exceeding the Interest Portion for payment of the portion of the purchase price of such Tendered Bonds corresponding to accrued interest.

(h) Terms of Liquidity Facility. So long as any 2003 Bonds bear interest at a Variable Rate or a Flexible Rate, the Authority is required to cause to have on deposit with the Trustee a Liquidity Facility. When a Liquidity Facility is in effect, the Authority shall maintain the Interest Component of the Liquidity Facility in an amount which shall not be less than the amount determined by multiplying

(i) the outstanding principal amount of 2003 Bonds bearing interest at a Variable Rate or a Flexible Rate, as applicable, times

(ii) the Interest Coverage Rate for such Variable Rate Period or Flexible Rate, as applicable, required to be used pursuant to this paragraph times

(iii) the quotient determined by dividing

(A) the Interest Coverage Period for such Variable Rate Period or Flexible Rate Period, as applicable, required to be used pursuant to this paragraph by

(B) 365 (or 360, in the case of 2003 Bonds bearing interest at Variable Rates for Term Rate Periods or bearing interest at a Fixed Rate).

The Interest Coverage Rate utilized for each Variable Rate Period or Flexible Rate Period in the above described calculation shall not be less than the rate specified by the Remarketing Agent to the Trustee for the 2003 Bonds in each particular Variable Rate Period or Flexible Rate Period as the maximum interest rate at which the Remarketing Agent will remarket the 2003 Bonds in such Variable Rate Period or Flexible Rate Period, which may not be less than the current interest rate or rates borne by the 2003 Bonds in such Variable Rate Period or Flexible Rate Period. Notwithstanding anything herein to the contrary, the maximum interest rate at which the 2003 Bonds may be remarketed may not be greater than 12% per annum.

The Interest Coverage Period utilized for each Variable Rate Period or Flexible Rate Period in the above described calculation shall not be less than the following:

(i) with respect to 2003 Bonds bearing interest at a Variable Rate for a Daily Rate Period or a Weekly Rate Period, 34 days;

(ii) with respect to 2003 Bonds bearing interest at a Variable Rate for a Term Rate Period, 183 days;

(iii) with respect to 2003 Bonds bearing interest at a Flexible Rate, 270 days; or

(iv) with respect to 2003 Bonds generally, such other number of days then required by any Rating Agency to obtain or maintain an investment grade rating on the 2003 Bonds entitled to the benefit of such Liquidity Facility.

If any Bond is bearing interest at a Variable Rate for a Term Rate Period and if the Stated Expiration Date is scheduled to occur during the current Interest Period therefor, the amount of the Liquidity Facility must include an amount to pay the applicable premium, if any, on the Renewal Date on which such Bond is required to be purchased pursuant to Section 304 hereof.

In addition, each Renewal Liquidity Facility and Alternate Liquidity Facility shall provide for payment of an amount equal to the outstanding principal amount of the 2003 Bonds bearing interest at a Variable Rate or a Flexible Rate. Each Liquidity Facility shall provide that such Liquidity

Facility may not be terminated until five days after any draw thereunder is made on a Renewal Date, Substitution Date or Conversion Date.

(i) Bank Bonds.

(i) Any 2003 Bonds purchased with proceeds of a drawing on the Liquidity Facility pursuant to this Article shall be registered in the name of the Bank and are herein called "Bank Bonds". Pending reinstatement of the Liquidity Facility securing such 2003 Bonds or release of such 2003 Bonds by the Bank, the Bank shall be entitled to receive all payments of principal of and interest on Bank Bonds and such 2003 Bonds shall not be transferable or deliverable to any party (including the Authority) except the Bank. As indicated in Section 202 hereof, all Bank Bonds shall bear interest at the Bank Rate.

(ii) The Remarketing Agent shall continue to use its best efforts to arrange for the sale of any Bank Bonds, subject to the reinstatement of the Liquidity Facility with respect to the drawings with which such 2003 Bonds were purchased, at a price equal to the principal amount thereof plus accrued interest.

(iii) Delivery of Remarketed Bank Bonds and Proceeds Thereof. Upon reinstatement of the Liquidity Facility relating to Bank Bonds and the sale of Bank Bonds arranged by the Remarketing Agent, the Tender Agent shall make available (i) such 2003 Bonds to the Remarketing Agent for redelivery to the purchasers thereof and (ii) the proceeds of such sale to the Bank to the extent of any unpaid obligation under the Liquidity Facility for the prior drawing made by the Tender Agent on the Liquidity Facility in respect of the purchase of such 2003 Bonds.

ARTICLE IV REDEMPTION OF BONDS

SECTION 401. REDEMPTION DATES AND PRICES

The 2003 Bonds shall be subject to redemption prior to maturity in the amounts, at the times and in the manner provided in this Section 401.

(a) Optional Redemption.

(i) Flexible Rate Period or a Variable Rate Period. During a Flexible Rate Period or a Variable Rate Period, the 2003 Bonds shall be subject to redemption prior to maturity at the option of the Authority, in whole or in part (and if in part in an Authorized Denomination) on any Repurchase Date applicable thereto during a Flexible Rate Period or on any Interest Payment Date during a Variable Rate Period (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot), at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

(ii) Term Rate Period. On or prior to the Fixed Rate Conversion Date, 2003 Bonds in a Term Rate Period may be redeemed by the Authority, in whole or in part (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot in such manner as shall be determined by the Trustee), (A) at any time on and after the No-Call Period described below, at a redemption price of 100% of the principal amount of 2003 Bonds called for redemption, plus accrued interest to the date fixed for redemption, and (B) on the day after the end of each Term Rate Period at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption:

<u>Length of Term Rate Period</u>	<u>Commencement of Redemption Period</u>
Greater than or equal to 15 years	10 th Anniversary of the commencement of the Term Rate Period
Less than 15 years and greater than or equal to 10 years	8 th Anniversary of the commencement of the Term Rate Period
Less than 10 years and greater than or equal to 8 years	6 th Anniversary of the commencement of the Term Rate Period
Less than 8 years	Not subject to optional redemption until commencement of next Term Rate Period

Notwithstanding the foregoing, the No-Call Periods specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2003 Bonds to a Term Rate Period is to the effect that such change will not have an adverse effect on the validity of the 2003 Bonds or any exemption from federal income taxation to which interest on the 2003 Bonds would otherwise be entitled.

(iii) Fixed Rate. After the Fixed Rate Conversion Date, the 2003 Bonds may be redeemed by the Authority in whole on any date, or in part on any Interest Payment Date (and, if in part, by lot in such manner as shall be determined by the Trustee), after the No-Call Period described below at a redemption price of 100% of the principal amount of 2003 Bonds called for redemption, plus accrued interest to the date fixed for redemption:

Length of Fixed Rate Period	Commencement of Redemption Period
Greater than or equal to 15 years	10 th Anniversary of the commencement of the Fixed Rate Period
Less than 15 years and greater than or equal to 10 years	8 th Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	6 th Anniversary of the commencement of the Fixed Rate Period
Less than 8 years	Not subject to optional redemption

Notwithstanding the foregoing, the No-Call Periods and redemption prices specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2003 Bonds to a Fixed Rate is to the effect that such change will not have an adverse effect on the validity of the 2003 Bonds or any exemption from federal income taxation to which interest on the 2003 Bonds would otherwise be entitled.

(b) Special Optional Redemption. Any 2003 Bonds which are Bank Bonds shall be subject to redemption in whole or in part prior to the Maturity Date at the option of the Authority out of amounts deposited in the Debt Service Fund, on any Business Day while such 2003 Bonds are Bank Bonds at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

(c) Mandatory Sinking Fund Redemption. The 2003 Bonds are subject to mandatory redemption prior to maturity in part by lot, as selected by the Trustee, on June 15 of each year as set forth below, in the respective principal amounts listed opposite each such year from moneys in the Debt Service Fund, at a redemption price equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date to the redemption date.

Redemption Date (June 15)	Principal Amount	Redemption Date (June 15)	Principal Amount
2004	\$5,460,000	2013	\$ 8,420,000
2005	5,720,000	2104	8,835,000
2006	5,995,000	2015	9,270,000
2007	6,290,000	2016	9,725,000

2008	6,605,000	2017	10,205,000
2009	6,950,000	2018	10,710,000
2010	7,290,000	2019	11,245,000
2011	7,650,000	2020	11,795,000
2012	8,025,000	2021	12,375,000
		2022	12,985,000*

* Final Maturity

Notwithstanding the foregoing, on and after the Fixed Rate Conversion Date, if the Authority shall file a certificate pursuant to Section 205(d) hereof in connection with the conversion of the 2003 Bonds to the Fixed Rate containing an alternate schedule of mandatory redemption dates and amounts to be effective with respect to the 2003 Bonds on and after the Fixed Rate Conversion Date, in lieu of the mandatory sinking fund redemption schedule detailed above, the Authority shall redeem 2003 Bonds maturing on such dates and in the such amounts from moneys in the Debt Service Fund as shall be set forth in such certificate, if any, filed in connection with the conversion of the 2003 Bonds to the Fixed Rate, at a redemption price equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date to the redemption date.

In the event of any partial redemption of the 2003 Bonds pursuant to Section 401(a) or (b), hereof, the mandatory sinking fund redemption payments shall be reduced in such order as the Authority shall elect prior to such redemption or, if no such election is made, in the inverse order thereof. The Trustee shall (in such manner as it in its sole discretion shall choose) adjust the amount of each such reduction in required mandatory redemption payment, so that each such required mandatory sinking fund redemption payment is made in Authorized Denominations.

(d) General Provisions Regarding Redemptions.

(i) No redemption of less than all of the 2003 Bonds outstanding shall be made unless in Authorized Denominations. Any redemption of less than all of the 2003 Bonds Outstanding shall be made first from Bank Bonds. Any redemption of less than all of the 2003 Bonds Outstanding shall be made in such a manner that all 2003 Bonds Outstanding after such redemption are in Authorized Denominations.

(ii) 2003 Bonds may be called for redemption by the Trustee pursuant to Section 401 hereof in accordance with the notice requirements of Section 402 hereof.

(iii) In lieu of redeeming 2003 Bonds pursuant to Section 401, the Trustee may, at the written request of the Authority, use such funds otherwise available hereunder for redemption of 2003 Bonds to purchase 2003 Bonds in the open market at a price not exceeding the redemption price then applicable hereunder. Any 2003 Bonds so purchased in lieu of redemption shall be delivered to the Trustee for cancellation and shall be canceled. It is understood that (i) in the case of any optional redemption or purchase and cancellation of 2003 Bonds with serial maturities, the Authority shall receive credit against its required mandatory redemption deposits, if any, with respect to the 2003 Bonds of such Maturity Date and (ii) in the case of any optional redemption of 2003 Bonds with a

term maturity, the Authority shall receive credit against its required mandatory redemption deposits, if any, in such order as the Authority shall designate in writing prior to the redemption or purchase and cancellation or, if no such election is made prior to such redemption or purchase and cancellation, in the inverse order thereof; provided, however, that following such reduction each such mandatory redemption payment is made in integral multiples of an Authorized Denomination.

SECTION 402. NOTICE OF REDEMPTION

(a) Except as hereinafter provided, a copy of the notice of the call for any redemption identifying the 2003 Bonds to be redeemed shall be given by the Trustee to the Bondholders by first class mail, postage prepaid, with respect to 2003 Bonds during a Daily Rate Period or a Weekly Rate Period, not less than 15 days and not more than 30 days prior to the date fixed for redemption and, with respect to 2003 Bonds bearing interest during a Term Rate Period, a Flexible Rate Period or a Fixed Rate Period, not less than 30 nor more than 60 days prior to the date fixed for redemption, to the registered owners of 2003 Bonds to be redeemed at their addresses as shown on the Bond Register. Such notice shall specify the redemption date, the redemption price, the place and manner of payment and that from the redemption date interest will cease to accrue on the 2003 Bonds which are the subject of such notice and shall include such other information as the Trustee shall deem appropriate or necessary at the time such notice is given to comply with any applicable law, regulation or industry standard. If at the time of mailing of any notice of redemption with respect to any redemption other than a mandatory redemption pursuant to Section 401(c) hereof the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the 2003 Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date and shall be of no effect unless such moneys are so deposited. Prior to the Fixed Rate Conversion Date, Immediate Notice of any such redemption shall also be given to the Remarketing Agent promptly following the giving of notice to the Bondholders as aforesaid.

(b) Notwithstanding Section 402(a) hereof, if the 2003 Bonds are to be redeemed pursuant to Section 401(b) hereof, the Trustee shall give Immediate Notice to the Bank upon receipt of the written request of the Authority.

(c) Failure to give notice in the manner prescribed hereunder with respect to any 2003 Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any 2003 Bond with respect to which notice was properly given. Upon the happening of the above conditions and if sufficient moneys are on deposit with the Trustee on the applicable redemption date to redeem the 2003 Bonds to be redeemed and to pay interest due thereon and premium, if any, the 2003 Bonds thus called shall not after the applicable redemption date bear interest, be protected by the Indenture or be deemed to be Outstanding under the provisions of the Indenture.

(d) If any 2003 Bond is transferred or exchanged on the Bond Register by the Bond Registrar after notice has been given calling such 2003 Bond for redemption, the Trustee will attach a copy of such notice to the 2003 Bond issued in connection with such transfer or exchange.

SECTION 403. SELECTION OF BONDS TO BE REDEEMED

If less than all the 2003 Bonds shall be called for redemption under any provision of the Indenture permitting such partial redemption, the particular 2003 Bonds or portions thereof to be redeemed shall be selected by the Authority, in the principal amount designated in writing to the Trustee by the Authority or otherwise as required by the Indenture; provided, however, that (i) Bank Bonds shall be redeemed first; (ii) in the case of the mandatory redemption of 2003 Bonds which have been assigned to a particular mandatory redemption date pursuant to Section 401(c) hereof, such 2003 Bonds shall be redeemed on the designated dates; and (iii) subject to other applicable provisions of the Indenture, the portion of any 2003 Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination. In selecting 2003 Bonds for redemption, the Trustee shall treat each 2003 Bond as representing that number of 2003 Bonds which is obtained by dividing the principal amount of such 2003 Bond by the minimum Authorized Denomination. If it is determined that one or more, but not all, of the integral multiples of the Authorized Denomination of principal amount represented by any 2003 Bond is to be called for redemption, then, upon notice of intention to redeem such integral multiple of an Authorized Denomination, the owner of such 2003 Bond shall forthwith surrender such 2003 Bond to the Trustee for (a) payment to such owner of the redemption price of the integral multiple of the Authorized Denomination of principal amount called for redemption and (b) delivery to such owner a new 2003 Bond or 2003 Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such 2003 Bond. New 2003 Bonds representing the unredeemed balance of the principal amount of such 2003 Bond shall be issued to the registered owner thereof without charge therefor.

ARTICLE V THE TENDER AGENT AND REMARKETING AGENT

SECTION 501. TENDER AGENT

The Trustee may, at all times on or before the Fixed Rate Conversion Date, appoint a Tender Agent with the power to act, on or prior to the Fixed Rate Conversion Date, on the Trustee's behalf and subject to its direction in the authentication and delivery of the 2003 Bonds and in connection with registration of transfers and exchanges, tenders, redemptions, notices and purchases thereof and payments thereon, as fully to all intents and purposes as though the Tender Agent had been expressly authorized hereunder to authenticate, deliver, pay, transfer and exchange 2003 Bonds, receive notices pursuant to Section 301, purchase tendered Bonds and make payments on the 2003 Bonds. The Trustee and the Tender Agent may enter into an agreement whereby the Tender Agent agrees to calculate the interest to be paid on each Interest Payment Date, and will relay such information to the Trustee for its confirmation. In the absence of such an agreement, the Trustee shall calculate such interest. For all purposes, any such Tender Agent shall be deemed to be acting solely as the agent of the Trustee and the authentication, delivery, transfer or exchange of 2003 Bonds, receipt of notices pursuant to Section 301, purchase of Tendered Bonds and payment of 2003 Bonds by the Tender Agent pursuant to this Section shall be deemed to be the authentication, delivery, transfer or exchange of 2003 Bonds, receipt of such notices, purchase of Tendered Bonds and payment of 2003 Bonds by the Trustee. Such Tender Agent shall at all times be a commercial bank with trust powers or trust company organized under the laws of the United States of America or one of the states thereof, having an office in New York, New York (or having an agent with such an office) and shall at all times be an institution organized and doing business under the laws of the United States or of any state authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authorities (a) with a combined capital and surplus of at least \$500,000,000 or (b) affiliated with the Trustee. If such institution publishes reports of condition at least annually pursuant to law or the requirements of such authorities, then for the purposes of this Section the combined capital and surplus of such institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The appointment of a Tender Agent under this Section shall be effective upon acceptance by the Tender Agent and shall continue until the Trustee making such appointment shall rescind such appointment, the Tender Agent shall resign, or until the effective date of the resignation or removal of such Trustee pursuant to the provisions of this Third Supplement to the Amended and Restated Indenture. The Tender Agent may act through an agent constituting a commercial bank with trust powers or trust company. If at any time on or prior to the Fixed Rate Conversion Date there is no Tender Agent, all references herein to the Tender Agent shall be deemed to refer to the Trustee. The Tender Agent shall be entitled to the same rights and shall be subject to the same obligations hereunder as the Trustee, and shall enjoy the same protective provisions in the performance of its duties hereunder as are specified in the Indenture with respect to the Trustee insofar as such provisions may be applicable.

The Trustee shall make such arrangements with the Tender Agent, in addition to those made as provided herein, as are necessary to be made and to be thereafter continued whereby funds from the sources specified herein will be made available to pay when due the principal and redemption price of, and interest on, 2003 Bonds bearing interest at a Variable Rate or a Flexible Rate.

SECTION 502. REMARKETING AGENT

The Authority shall appoint a Remarketing Agent for the 2003 Bonds, and initially appoints Raymond James & Associates, as Remarketing Agent. The appointment of a different Remarketing Agent may be made by the Authority, approved by the Bank, which approval shall not be unreasonably withheld. The Remarketing Agent shall designate its Principal Office to the Trustee, the Authority, the Tender Agent and the Bank and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Authority, the Trustee, and the Tender Agent under which the Remarketing Agent will agree, particularly:

(a) to hold all moneys delivered to it for the purchase of 2003 Bonds for the account of and for the benefit of the person or entity which shall have so delivered such moneys until the 2003 Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity; and

(b) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Authority, the Trustee, the Tender Agent and the Bank at all reasonable times.

The Authority shall cooperate with the Trustee, the Tender Agent and the Bank to cause the necessary arrangements to be made and to be thereafter continued whereby funds from the sources specified herein will be made available for the purchase of 2003 Bonds presented at the Payment Office of the Tender Agent and whereby 2003 Bonds, executed by the Authority and authenticated by the Trustee or the Tender Agent, shall be made available to the Remarketing Agent to the extent necessary for delivery pursuant to Section 308 hereof.

The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 30 days' notice to the Authority, the Bank, the Trustee and the Tender Agent. The Remarketing Agent may be removed at any time upon 30 days' notice, by an instrument, signed by the Authority and filed with the Remarketing Agent, the Bank, the Trustee and the Tender Agent.

In the event of the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, assign and deliver any moneys and 2003 Bonds held by it in such capacity to its successor or, if there be no successor, to the Trustee.

In the event that the Authority shall fail to appoint a Remarketing Agent hereunder, or in the event that the Remarketing Agent shall resign, be removed or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Authority shall not have appointed its successor as Remarketing Agent, the Trustee, notwithstanding the provisions of the first paragraph of this Section 502, shall ipso facto be deemed to be the Remarketing Agent for all purposes of the Indenture until the appointment by the Authority of the Remarketing Agent or successor Remarketing Agent, as the case may be; provided, however, that the Trustee, in its capacity as Remarketing Agent, shall not be required to remarket Bonds, or to determine the interest rate on the 2003 Bonds.

The Remarketing Agent for its own account or as broker or agent for others may deal in 2003 Bonds and may do anything any other Bondholder may do to the same extent as if the Remarketing Agent were not serving as such.

The Remarketing Agent will not be entitled to any compensation from the Trustee or the Tender Agent or have any claim or rights with respect to any property, rights or interests constituting a part of the trust estate or otherwise held under the Indenture, but must make separate arrangements with the Authority for compensation.

SECTION 503. QUALIFICATIONS OF REMARKETING AGENT

Except in the case of the interim appointment of the Trustee to serve as Remarketing Agent pursuant to Section 502 hereof, the Remarketing Agent shall at all times be registered as a Municipal Securities Dealer under the Securities Exchange Act of 1934, as amended, and be authorized by law to perform all the duties contemplated by the Indenture to be performed by the Remarketing Agent and shall have knowledge and experience in the remarketing of securities such as the 2003 Bonds and shall not be unacceptable to the Bank.

ARTICLE VI REVENUES AND FUNDS

SECTION 601. DEBT SERVICE FUND.

(a) The Trustee shall establish as a part of the Debt Service Fund in respect of the 2003 Bonds a 2003 Bonds Sinking Fund Account (the "2003 Bonds Sinking Fund Account") for the retirement of the 2003 Bonds. Moneys deposited in the 2003 Bonds Sinking Fund Account shall be held by the Trustee for the sole benefit of the registered owners of 2003 Bonds specified below and shall be applied as hereafter provided.

The Trustee shall transfer moneys from the Debt Service Fund in respect of the 2003 Bonds to the 2003 Bonds Sinking Fund Account on June 1 of the years and in the amounts required to retire 2003 Bonds as and to the extent required pursuant to Section 401(c) of this Third Supplement to the Amended and Restated Indenture.

Prior to May 1 of each year in which 2003 Bonds are subject to mandatory redemption as described in Section 401(c) of this Third Supplement to the Amended and Restated Indenture, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase from moneys to be deposited in the 2003 Bonds Sinking Fund Account of as many 2003 Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the holders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund in respect of the 2003 Bonds). Prior to May 15 of each year or such date as will permit the Trustee to mail the notice of redemption required under Section 402 of this Third Supplement to the Amended and Restated Indenture, so long as any 2003 Bonds shall remain Outstanding, the Trustee shall select 2003 Bonds for redemption, selecting any Bank Bonds first and thereafter by lot, on June 15 of such year, a principal amount of 2003 Bonds as shall represent the difference between the principal amount of such 2003 Bonds fixed for redemption on such date as described in Section 401(c) of this Third Supplement to the Amended and Restated Indenture and the principal amount thereof which the Trustee shall have purchased or agreed to purchase during the immediately preceding period, as above provided.

Upon selection of the particular 2003 Bonds to be redeemed, as above provided, the Trustee shall send a notice, in the name of the Authority, to the holders of such 2003 Bonds so drawn for redemption in the manner provided in Article IV of this Third Supplement to the Amended and Restated Indenture, and, upon presentation by the holders thereof, the Trustee shall pay the principal amount thereof out of moneys in the 2003 Bonds Sinking Fund Account and shall pay accrued interest due from moneys available therefor in the Debt Service Fund in respect of the 2003 Bonds.

If at any time all the 2003 Bonds eligible for redemption shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the 2003 Bonds Sinking Fund Account and shall transfer any balance then in such account to the Debt Service Fund in respect of the 2003 Bonds. Whenever 2003 Bonds are to be purchased out of the 2003 Bonds Sinking Fund Account, if the Authority shall notify the Trustee that the Authority wishes to arrange for

such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to the Indenture.

(b) As long as the Bond Insurance Policy shall be in full force and effect, the Authority, the Trustee agrees to comply with the following provisions:

(a) at least one (1) day prior to any Interest Payment Date the Trustee or paying agent, if any, will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the 2003 Bonds on such interest payment date. If the Trustee or paying agent, if any, determines that there will be insufficient funds in such Funds and Accounts, the Trustee or paying agent, if any, shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the 2003 Bonds to which such deficiency is applicable and whether such 2003 Bonds will be deficient as to principal or interest, or both. If the Trustee or paying agent, if any, has not so notified the Bond Insurer at least one (1) day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the 2003 Bonds on or before the first day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee or paying agent, if any.

(b) the Trustee or paying agent, if any, shall, after giving notice to the Bond Insurer as provided in (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to The Bank of New York, as insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Authority maintained by the Trustee or paying agent, if any, and all records relating to the Funds and Accounts maintained under the Indenture.

(c) the Trustee or paying agent, if any, shall provide the Bond Insurer and the Insurance Trustee with a list of registered owners of 2003 Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon 2003 Bonds surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) the Trustee or paying agent, if any, shall, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such 2003 Bonds to be registered in the name of the Bond Insurer) for payment to the

Insurance Trustee, and not the Trustee or paying agent, if any, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their 2003 Bonds for payment thereof first to the Trustee or paying agent, if any, who shall note on such 2003 Bonds the portion of the principal paid by the Trustee or paying agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) in the event that the Trustee or paying agent, if any, has notice that any payment of principal of or interest on a 2003 Bonds which has become Due for Payment and which is made to a Bondholder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of court having competent jurisdiction, the Trustee or paying agent, if any, shall, at the time the Bond Insurer is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or paying agent, if any, shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the 2003 Bonds which have been made by the Trustee or paying agent, if any, and subsequently recovered from registered owners and the dates on which such payments were made.

(f) in addition to those rights granted the Bond Insurer under this Indenture, the Bond Insurer shall, to the extent it makes payment of principal of or interest on 2003 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or paying agent, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee or paying agent, if any, upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered owners of the 2003 Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee or paying agent, if any, upon surrender of the 2003 Bonds by the registered owners thereof together with proof of the payment of principal thereof.

SECTION 602. PAYMENT UNDER THE 2003 BONDS SWAP

(a) In accordance with Section 5.05(c) of the Amended and Restated Indenture, as amended and supplemented, the Trustee shall transfer moneys in the Revenue Fund, as directed by the Authority, to JPMorgan Chase Bank – New York, or its successors and permitted assigns, as counterparty under the Option On Interest Rate Swap Transaction executed December 6, 2001, and the Basis Cap Transaction dated June 9, 2003 (collectively, the “2003 Bonds SWAP”)(a copy of which is attached to this Third Supplement to the Amended and Restated Indenture as Exhibit B); provided, however, that all such payments to JPMorgan Chase Bank – New York, or its successors and permitted assigns, pursuant to the terms of the 2003 Bonds SWAP on any date may only be made if the transfers or payments required by Sections 5.05(a) and (b) of the Amended and Restated Indenture, as amended and supplemented, as of

and prior to such date have been made in full and all payments required to be made by the Authority as of and prior to such date of or in respect of debt service on the Bonds and amounts required to be deposited into the Debt Service Reserve Fund (including any amounts owing to the issuer of any municipal bond debt service reserve fund policy on deposit in the Debt Service Reserve Fund) have been made or paid in full.

At the election of the Authority and upon written notice to the Trustee, one or more new accounts in the Revenue Fund shall be created to be known generally as the "SWAP Account." In the event that the Authority elects to create the SWAP Account, the Trustee shall (i) deposit on a monthly or other periodic basis in the SWAP Account, as directed by the Authority, and reserve in the SWAP Account, such amounts as may be directed by the Authority with respect to amounts owing or to be owed in connection with any interest rate swap or hedge agreements relating to any Bonds, and (ii) transfer from such SWAP Account to the relevant counterparty under such interest rate swap or hedge agreement such amounts as shall be directed by the Authority; provided, however, that all such transfers to the SWAP Account and all such payments made from the SWAP Account pursuant to the terms of any interest rate swap or hedge agreements on any date may only be made if the transfers or payments required by Sections 5.05(a) and (b) of the Amended and Restated Indenture, as amended and supplemented, as of and prior to such date have been made in full and all payments required to be made by the Authority as of and prior to such date of or in respect of debt service on the Bonds and amounts required to be deposited into the Debt Service Reserve Fund (including any amounts owing to the issuer of any municipal bond debt service reserve fund policy on deposit in the Debt Service Reserve Fund) have been made or paid in full.

(b) Payments received from JPMorgan Chase Bank – New York, or its successors and permitted assigns, as counterparty under the 2003 Bonds SWAP shall be deposited to the Debt Service Fund established pursuant to Section 5.06 of the Amended and Restated Indenture.

ARTICLE VII AMENDMENT OF INDENTURE

SECTION 701. AMENDMENT OF SECTION 2.11.

Subsection (f) of Section 2.11 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

“(f) Except for Additional Bonds issued to refund Outstanding Bonds where the Maximum Annual Debt Service Requirement for the Additional Bonds and the total principal and interest payable on the Additional Bonds for the term thereof do not exceed the comparable amounts for the Bonds being refunded or Additional Bonds which have a security interest in the Pledged Revenues which is subordinate to the security interest granted to secure the 1996 Bonds, the 1999 Bonds and the 2003 Bonds, a certificate executed by the Authority, including a verification of the calculations by an independent certified public accountant, showing that (1) the PICA Taxes collected with respect to any 12 consecutive months during the 15 month period preceding the date of issuance of such Additional Bonds, after giving retroactive effect during each month of such 12 month period to any PICA Taxes which were not in effect (including for this purpose any increase in the rate of an existing tax) during each such month but which have been imposed prior to the issuance of the Additional Bonds, equaled at least 175% of the Maximum Annual Debt Service Requirement (including the Authority's obligations with respect to repayment of Policy Costs then due and owing with respect to each Credit Facility issued in connection with the Debt Service Reserve Fund for the Bonds and any amounts due to the provider of a credit or liquidity facility issued with respect to a series of Bonds) on Bonds to be Outstanding after the issuance of the Additional Bonds and (2) the PICA Taxes projected to be collected during the 12 months following the issuance of the Additional Bonds, which projections may be based on the PICA Taxes projected for such period in the City's most recent Financial Plan (as defined in the Intergovernmental Cooperation Agreement) approved by the Authority, equal at least 175% of the Debt Service Requirement during such 12 month period on Bonds to be Outstanding after the issuance of the Additional Bonds. In making the foregoing calculations, PICA Taxes other than the Income Tax shall not be included in the calculation unless each Bond Insurer then insuring Outstanding Bonds has consented to the inclusion of such other PICA Taxes in writing.”

SECTION 702. AMENDMENT OF SECTION 4.12.

(a) Section 4.12(b) of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

“(b) the official statement or other disclosure, if any, prepared in connection with the issuance of additional debt, whether or not it is on a parity with the 1996 Bonds, the 1999 Bonds or the 2003 Bonds, within 30 days after the sale thereof;”.

(b) Section 4.12(d) of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

“(d) the notice of the redemption, other than mandatory sinking fund redemption, of any of the 1996 Bonds, the 1999 Bonds and the 2003 Bonds, including the principal amount, maturities and CUSIP numbers thereof;”.

SECTION 703. AMENDMENT OF SECTION 5.05.

Section 5.05(a) of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended and restated as follows:

(a) to the Debt Service Fund the amount necessary to cause the aggregate amount deposited therein in each month to equal the sum of (i) the aggregate for all Series of Bonds paying interest semiannually of 1/6 (such fraction to be increased or decreased, as appropriate, for a Series to account for any initial or final interest period shorter or longer than six months) of the amount of interest that will be due and payable on each such Series of Bonds on the next succeeding Interest Payment Date for the respective Series, (ii) the aggregate for all Series of Bonds paying interest at an interval other than semiannually of an amount equal to the interest that will be due and payable or otherwise accrue on each such Series of Bonds during such month (assuming that interest due on such Bonds will be payable at the maximum interest rate applicable to such Bonds, and taking into account (A) any amounts received from the counterparty to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the 2003 Bonds Swap, deposited directly into the Debt Service Fund, and (B) any amounts remaining in the Debt Service Fund from prior months' transfers from the Revenue Fund in excess of the amount actually paid or accrued as interest on such Bonds for such prior months), (iii) the aggregate for all Series of Bonds of 1/12 (such fraction to be increased, as appropriate, for a Series to account for any initial or final principal payment period shorter than 12 months) of the amount of principal that will become due and payable on each Series of Bonds (whether upon maturity or mandatory redemption) on the next succeeding principal payment date (whether upon maturity or mandatory redemption) for the respective Series occurring within the next year following the date of such transfer, (iv) any deficiency in deposits required to be made in prior months under the preceding clauses (i), (ii) and (iii) which has not been eliminated and (v) any amount owed to any Credit Facility Issuer in respect of payments made for principal and interest on Bonds;

SECTION 704. AMENDMENT OF ARTICLE VII.

Article VII of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended by adding the following new paragraph at the end of such section:

"If any advance refunding of the 2003 Bonds is accomplished prior to the Fixed Rate Conversion Date, (i) moneys held to defease such 2003 Bonds shall be invested only in Government Obligations with maturity dates on or prior to the next Flexible Rate Adjustment Date or Variable Rate Adjustment Date, as the case may be, for the 2003 Bonds, the 2003 Bonds shall be redeemed on or prior to such Flexible Rate Adjustment Date or Variable Rate Adjustment Date and the 2003 Bonds which have been advance refunded prior to maturity shall no longer be subject to any optional or mandatory tender or (ii) the Trustee shall have received written evidence from each Rating Agency then rating the 2003 Bonds that the rating borne by such 2003 Bonds immediately prior to such refunding will not be withdrawn or reduced by reason of such advance refunding."

SECTION 705. AMENDMENT OF SECTION 8.01.

Section 8.01 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended as follows:

(i) In the fifth to last line of the paragraph following subsection 8.01(e), after the words "1996 Bonds", delete the word "or" and replace it with ",", and after the words "1999 Bonds", add the words "or in the 2003 Bonds".

(ii) A new Event of Default shall be added to Section 8.01 as new subsection (f), which provision shall read as follows:

(f) If payment of the purchase price of any 2003 Bond tendered pursuant to Article III of the Third Supplement to the Amended and Restated Indenture is not made when it becomes due and payable;

SECTION 706. AMENDMENT OF SECTION 8.09.

Section 8.09 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended as follows:

In the fifth line of Section 8.09, after the words "1996 Bonds", delete the word "or" and replace it with ",", and after the words "1999 Bonds", add the words "or the 2003 Bonds".

SECTION 707. AMENDMENT OF SECTION 10.01.

Section 10.01 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended by adding the following new paragraph (m) immediately following paragraph (l).

(m) With respect to the 2003 Bonds, to increase or decrease the maximum interest rate used to compute (i) the Interest Coverage Rate, as defined in Section 103 of the Third Supplement to the Amended and Restated

Indenture, and (ii) the maximum rate at which the 2003 Bonds may be remarketed, as set forth in Section 310(h) of the Third Supplement to the Amended and Restated Indenture; provided, however, that the Trustee shall have first obtained the written consent for such amendment from the Bond Insurer insuring the 2003 Bonds and any Credit Facility Issuer.

SECTION 708. AMENDMENT OF SECTION 10.02.

The last paragraph of Section 10.02 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended as follows:

In the seventh line of the last paragraph of Section 10.02, after the words "1996 Bonds", delete the word "or" and replace it with ";", and after the words "1996 Bonds" add the words "or 2003 Bonds".

SECTION 709. AMENDMENT OF SECTION 11.07.

Section 4.12 of the Second Supplement to the Amended and Restated Indenture, amending Section 11.07 of the Amended and Restated Indenture, is amended and restated in its entirety as follows:

"Section 11.07 of the Amended and Restated Indenture is amended to add the following addresses as the addresses for the Credit Facility Issuer with respect to the Bonds:

To the Authority:

Pennsylvania Intergovernmental Cooperation Authority
1429 Walnut St., 14th Floor
Philadelphia, PA 19102

To the Trustee:

Wachovia Bank, National Association
123 South Broad Street
11th Floor
Philadelphia, PA 19102

If to the Initial Bank:

JPMorgan Chase Bank
270 Park Avenue, 48th Floor
New York, NY 10017

David Weinstein, Vice President

If to the Remarketing Agent:

Raymond James & Associates
880 Carillon Parkway
St. Petersburg, FL 33716

If to the Tender Agent:

Wachovia Bank, National Association
123 South Broad Street
11th Floor
Philadelphia, PA 19102

If to Counterparty on 2003 Bonds SWAP:

JPMORGAN CHASE BANK – NEW YORK

Payments to be made as follows:

Swap Payment	JPMorgan Chase Bank
Instructions:	
Favour:	JPMorgan London
ABA/Bank No.:	ABA #:021000238
Account No.:	670-07-054
Reference:	Further credit to swap group account

SECTION 710. AMENDMENT OF SECTION 11.10.

(a) The second sentence of Section 11.10 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is amended and restated in its entirety as follows:

“When the 1996 Insured Bonds, the 1999 Bonds or the 2003 Bonds are no longer Outstanding, no further notice to or consent or approval of the respective Bond Insurer shall be required under the terms of this Third Supplement to the Amended and Restated Indenture and such Bond Insurer shall cease to be a third party beneficiary of this Third Supplement to the Amended and Restated Indenture.”

(b) Section 11.10 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is further amended by adding the following new sentence at the end of such section.

“Notwithstanding anything herein to the contrary, the Authority shall not be permitted to replace the Bond Insurer with respect to the 2003 Bonds without prior written

confirmation from each Rating Agency that such substitution shall not adversely affect the rating issued by such Rating Agency then applicable to the 2003 Bonds."

SECTION 711. AMENDMENT OF ARTICLE I.

The definition of the term "Investment Securities" contained in Article I of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is hereby amended and restated as follows:

"Investment Securities" means any of the following obligations or securities to the extent legal for investment of Authority funds:

(a) Government Obligations;

(b) federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States (which may include the Trustee and the Registrar) having a combined capital and surplus of not less than \$50,000,000, which at the time of purchase has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by S&P, and, in the case of a branch office of a foreign bank, a legal opinion is received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank;

(c) deposits of any bank or savings and loan association which has combined capital surplus and undivided profits of not less than \$3,000,000, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;

(d) (i) direct obligations of or (ii) obligations the principal of and interest on which are unconditionally guaranteed by any state of the United States of America or the District of Columbia, or any political subdivision or agency thereof, other than the City, or upon the approval of the Bond Insurer for the 1996 Bonds, the Commonwealth of Puerto Rico, or any political subdivision or agency thereof, whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P;

(e) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P;

(f) repurchase agreements collateralized by Government Obligations with a bank, insurance company or other financial institution whose letters of credit, other credit facilities or long-term unsecured obligations are rated in one of the three highest rating categories by Moody's and S&P, provided: (i) a master

repurchase agreement or specific written repurchase agreement governs the transaction; (ii) the securities are held by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (1) a Federal Reserve Bank; (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50,000,000; or (3) a bank approved in writing for such purpose by each Bond Insurer, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. §306.1 et seq. or 31 C.F.R. §350.0 et seq. in such securities is created for the benefit of the Trustee; (iv) the repurchase agreement has a term of ten years or less, or, so long as any 1996 Bonds, 1999 Bonds or 2003 Bonds are Outstanding, such shorter term as the respective Bond Insurer may require, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (v) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, or, so long as any 1996 Bonds, 1999 Bonds or 2003 Bonds are Outstanding, such higher collateral requirement as the respective Bond Insurer may require;

(g) money market mutual fund shares issued by a fund having assets not less than \$100,000,000 (including any such fund from which the Trustee or any of its affiliates may receive compensation) which invests in securities of the types specified in clauses (a) or (e) of this definition and is rated "AAAm" or "AAAm-G" by S&P; and

(h) guaranteed investment contracts with a bank, insurance company or other financial institution whose letters of credit, other credit facilities or unsecured obligations are rated in one of the three highest rating categories by Moody's and S&P and which guaranteed investment contracts are either insured by a municipal bond insurance company rated in the highest rating category by Moody's and S&P or fully collateralized at all times with securities of the type described in clause (a) of this definition which have a fair market value at all times equal to the value of the guaranteed investment contract, provided that: (i) a written agreement governs the transaction; (ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (1) a Federal Reserve Bank or (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50,000,000; (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. §306.1 et seq. or 31 C.F.R. §350.0 et seq. in such securities is created for the benefit of the Trustee; (iv) interest is paid at least semiannually during the entire term of the agreement; (v) moneys invested thereunder may be withdrawn without any penalty, premium, or charge

upon not more than one day's notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date); (vi) the Trustee receives an opinion of counsel for the issuer of such agreement that such agreement is an enforceable obligation of the issuer; and (vii) so long as any 1996 Bonds, 1999 Bonds or 2003 Bonds are Outstanding, the respective Bond Insurer approves such use in writing.

SECTION 712. AMENDMENT OF SECTION 4.02.

Section 4.02 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is hereby amended by adding the following new sentence at the end of such section.

In addition, the Authority shall not enter into any interest rate exchange agreement, interest rate cap and floor agreement or other similar agreement permitted by Section 304(10) of the Act without the prior written consent of the Bond Insurer if such agreement is to be secured by or payable from the Pledged Revenues on a parity basis with payments required to be made under the Indenture with respect to principal of or interest on the Bonds or the amounts necessary to eliminate deficiencies in the Debt Service Reserve Fund.

SECTION 713. AMENDMENT OF SECTION 10.05.

Section 10.05 of the Amended and Restated Indenture, as supplemented and amended by the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, is hereby amended by adding the following new sentence at the end of such section.

In addition to the notices sent to the Rating Agencies referred to above, the Authority will send notice to each Rating Agency of the occurrence of each of the following events:

- (i) any extension, substitution, expiration or early termination of any Liquidity Facility;
- (ii) any redemption in whole of the Bonds;
- (iii) any change in the interest mode applicable to the 2003 Bonds;
- (iv) the defeasance of any Series of Bonds;
- (v) any replacement of the Trustee or Tender Agent; and
- (vi) any mandatory tenders.

ARTICLE VIII INDENTURE TO REMAIN IN EFFECT; MISCELLANEOUS

SECTION 801. INDENTURE TO REMAIN IN EFFECT.

Except as amended and supplemented by this Third Supplement to the Amended and Restated Indenture, the Existing Indenture shall remain in full force and effect and is in all respects ratified, approved and confirmed, and the Existing Indenture and this Third Supplement to the Amended and Restated Indenture shall be read, taken and construed as one and the same instrument so that all of the rights, remedies, terms, conditions, covenants and agreements of the Existing Indenture shall apply and remain in full force and effect with respect to this Third Supplement to the Amended and Restated Indenture, the 1996 Bonds, the 1999 Bonds and the 2003 Bonds, as appropriate. In case of any conflict between the provisions of the Existing Indenture and this Third Supplement to the Amended and Restated Indenture of Trust, the provisions of this Third Supplement to the Amended and Restated Indenture shall apply. Without limiting the foregoing, the Authority hereby assigns, pledges and grants to the Trustee and confirms its prior grant to the Trustee of a lien on and security interest in all right, title and interest of the Authority in and to the Pledged Revenues in order to secure (i) the payment of the principal of, premium, if any, and interest on the Bonds (including without limitation the 2003 Bonds) according to their tenor and effect, and (ii) the performance and observance by the Authority expressed herein and in the Bonds (including without limitation the 2003 Bonds).

SECTION 802 COUNTERPARTS.

This Third Supplement to the Amended and Restated Indenture may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 803 GOVERNING LAW.

This Third Supplement to the Amended and Restated Indenture shall be governed by and construed in accordance with the laws of the Commonwealth.

SECTION 804 CAPTIONS.

The captions and headings in this Third Supplement to the Amended and Restated Indenture are for reference purposes only and shall not control or affect the meaning or interpretation of any provisions of this Third Supplement to the Amended and Restated Indenture.

IN WITNESS WHEREOF, the Authority has caused this Third Supplement to the Amended and Restated Indenture to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials and the Trustee has caused this Third Supplement to the Amended and Restated Indenture to be executed in its name and with its corporate seal hereunto affixed and attested by its respective duly authorized signers, as of the date first above written.

ATTEST:

**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY**

By: Joseph C. Vignola
Assistant Secretary
[SEAL]

By: R. C. Kelle
Chairperson

**WACHOVIA BANK, NATIONAL
ASSOCIATION, as Trustee**

By: Frank D. [Signature]
Authorized Signatory

[SEAL]

EXHIBIT A

Form of 2003 Bond

Municipal Bond Insurance Policy No. 21041BE (the "Policy") with respect to payments due for principal of and interest on this 2003 Bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to the United States Trust Company of New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this 2003 Bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
Special Tax Revenue Refunding Bonds
(City of Philadelphia Funding Program)
Series of 2003

<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>INTEREST MODE</u>	<u>CUSIP</u>	<u>NUMBER</u>
June 15, 2022	June 16, 2003	VARIABLE RATE	708840HA4	R-1

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED SIXTY-FIVE MILLION FIVE HUNDRED FIFTY THOUSAND DOLLARS
(\$165,550,000.00)

AS HEREINAFTER DESCRIBED, UNDER CERTAIN CIRCUMSTANCES ON CERTAIN DATES THIS 2003 BOND IS PERMITTED TO BE OR IS REQUIRED TO BE TENDERED FOR PURCHASE TO THE TENDER AGENT AT A PRICE EQUAL TO 100% OF THE PRINCIPAL AMOUNT HEREOF PLUS, INTEREST ACCRUED AND UNPAID HEREON TO BUT NOT INCLUDING THE DATE OF SUCH TENDER. THE OWNER HEREOF WHO ELECTS TO TENDER THIS 2003 BOND OR IS REQUIRED TO TENDER THIS 2003 BOND FOR PURCHASE SHALL BE ENTITLED SOLELY TO THE PAYMENT OF SUCH PURCHASE PRICE AND SHALL NOT BE ENTITLED TO THE PAYMENT OF ANY PRINCIPAL HEREOF OR ANY INTEREST ACCRUED HEREON ON OR AFTER SUCH DATE.

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth of Pennsylvania, United States of America, duly existing under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"), for value received, hereby promises to pay in lawful money of the United States of America to the registered owner named above, or registered assigns, on the maturity date stated above, unless this 2003 Bond shall have previously been called for redemption and payment of the redemption price made or provided for, but solely from amounts specified herein, upon surrender hereof, the principal amount specified hereon, and to pay interest on the principal amount in like manner, but solely from amounts specified herein, from the Interest Payment Date next preceding the authentication date hereof, unless this 2003 Bond has been authenticated on the date of first authentication and delivery of the 2003 Bonds or on an Interest Payment Date to which interest has been paid, in which event interest shall be computed from such authentication date, at the rates per annum and on the dates determined as described herein and in the Indenture until payment of the principal amount, or provision therefor, shall have been made upon redemption, at Maturity, or otherwise.

The principal of and premium, if any, on 2003 Bonds bearing interest at a Variable Rate or Flexible Rate shall be payable at the Principal Office of the Trustee, Wachovia Bank, National Association, in Philadelphia, Pennsylvania, upon presentation and surrender of such 2003 Bonds, which presentation and surrender can be made at the Principal Office of the Tender Agent. The principal of and premium, if any, on the 2003 Bonds bearing interest at a Fixed Rate shall be payable at the Principal Office of the Trustee upon presentation and surrender of such 2003 Bonds. Payment of principal of any 2003 Bond shall be made to any owner of \$1,000,000 or more in aggregate principal amount of 2003 Bonds by wire transfer to such owner on the principal payment date for said 2003 Bonds upon written notice from such owner containing the wire transfer address within the continental United States to which such owner wishes to have such wire directed, which written notice is received not later than the Business Day next preceding the 10th day prior to the principal payment or maturity date applicable to such 2003 Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2003 Bonds at the Principal Office of the Trustee or Tender Agent, as applicable, on the principal payment date. Any payment of the purchase price of a Tendered Bond shall be payable at the Principal Office of the Tender Agent, upon presentation and surrender of such 2003 Bond, as hereinafter described.

Subject to the provisions of the Indenture applicable to 2003 Bonds issued in Book-Entry form, interest payments on a 2003 Bond (other than with respect to Defaulted Interest) shall be made to the registered owner thereof appearing on the 2003 Bond Register as of the close of business of the 2003 Bond Registrar on the Record Date; provided, however, that during a Flexible Rate Period such payments shall be payable only upon presentation and surrender of such 2003 Bond to the Tender Agent. Interest payments on a 2003 Bond (other than with respect to defaulted interest) shall be made to the registered owner thereof appearing on the 2003 Bond Register as of the close of business of the 2003 Bond Registrar on the Record Date; provided, however, that during a Flexible Rate Period such payments shall be payable only upon presentation and surrender of such 2003 Bond to the Tender Agent. Interest on the 2003 Bonds shall, except as hereinafter provided, be paid: (i) during a Flexible or Variable Rate Period, by check or draft of the Tender Agent mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the 2003 Bond Register or at such other address furnished in writing by such registered owner to the Tender Agent, (ii) during a Flexible or Variable Rate Period, by wire transfer sent on the Interest Payment Date to the registered owner upon written notice to the Tender Agent from the registered owner containing the wire transfer address (which shall be in the continental United States) to which the registered owner wishes to have such wire directed which written notice is received not later than the Business Day prior to the first Interest Payment Date to which it relates, it being understood that such notice may refer to multiple interest payments; (iii) on or prior to the Fixed Rate Conversion Date, in such other fashion as is agreed upon between the registered owner and the Tender Agent, including, without limitation, by wire transfer upon such prior notice as may be satisfactory to the Tender Agent or (iv) after the Fixed Rate Conversion Date, by check or draft of the Trustee mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the 2003 Bond Register.

Interest during a Flexible Rate Period shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed. Interest during a Variable Rate Period shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed except during a Term Rate Period and during a Fixed Rate Period interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

This 2003 Bond is transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the Principal Office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture and upon surrender of this 2003 Bond. Upon such transfer a new Bond or Bonds of like date and tenor in Authorized Denominations of the same Maturity for the aggregate principal amount which the transferee or transferees are entitled to receive will be issued to the transferee or transferees in exchange therefor as provided in the Indenture. The Authority, the Trustee, the Tender Agent, the Remarketing Agent, the Bank and any Paying Agent may treat the person in whose name this 2003 Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal, redemption premium, if any, and interest due hereon and for all other purposes, and neither the Authority, the Trustee nor any paying agent shall be affected by any notice to the contrary. If any 2003 Bond is transferred or exchanged on the 2003 Bond Register by the Trustee after notice of the optional redemption or the optional or mandatory tender of such 2003 Bond has been given, the Trustee shall attach a copy of such notice to the 2003 Bond issued in connection with such transfer or exchange. Subsequent to the Fixed Rate Conversion Date, the Trustee shall not be required to register the transfer of or exchange any 2003 Bond after the mailing of notice calling such 2003 Bond or portion thereof for redemption has occurred as herein provided, or during the period of fifteen days next preceding the giving of notice calling any 2003 Bond or Bonds for redemption.

DEFINITIONS

To the extent not defined herein, the terms used in this 2003 Bond shall have the same meanings as set forth in the Indenture.

"Alternate Liquidity Facility" means a Liquidity Facility provided in accordance with the Third Supplement to the Amended and Restated Indenture (other than (a) the Initial Liquidity Facility or (b) a Renewal Liquidity Facility), including, without limitation, a letter of credit or line of credit of a commercial bank or a credit facility from a financial institution, a standby bond purchase agreement, surety bond or like collateralization, or a combination thereof, which provides security for payment of the purchase price of 2003 Bonds delivered or deemed delivered in accordance with Article III of the Third Supplement to the Amended and Restated Indenture (referred to in this definition as "liquidity support"); provided that at all times while any of the 2003 Bonds bear interest at a Variable Rate or a Flexible Rate such 2003 Bonds (other than Bank Bonds) shall be entitled to liquidity support. Any amendment of a Liquidity Facility which is not a Renewal Liquidity Facility shall be an Alternate Liquidity Facility.

"Authorized Denomination" means (i) during any Daily Rate Period, Weekly Rate Period or Flexible Rate Period, \$100,000 and \$5,000 multiples in excess thereof, and (ii) during any Term Rate Period or Fixed Rate Period, \$5,000 and integral multiples thereof.

"Bank" means any bank or other financial institution issuing any Liquidity Facility, and initially means JPMorgan Chase Bank.

"Bank Bonds" means Tendered Bonds purchased with moneys drawn under the Liquidity Facility and registered in the name of the Bank in accordance with the Liquidity Facility.

"Bank Rate" means the per annum rate of interest payable on any Bank Bonds as determined pursuant to the Liquidity Facility (or any reimbursement agreement entered into with respect to a letter of credit that is a Liquidity Facility).

"Business Day" means, with respect to the 2003 Bonds, any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in Philadelphia, Pennsylvania or in any other city in which the Principal Office of the Trustee or the designated office of the Tender Agent, the Remarketing Agent or the Bank is located are required or authorized by law (including executive order) to close or on which the Principal Office of the Trustee, or the designated office of the Tender Agent, the Remarketing Agent or the Bank is closed for reasons not related to financial condition or (iii) a day on which the New York Stock Exchange is closed.

"Conversion Date" means each Fixed Rate Conversion Date, Flexible Rate Conversion Date and Variable Rate Conversion Date.

"Daily Rate Period" means, with respect to the 2003 Bonds, each period from and commencing on a Business Day and including and ending on the first day preceding the first Business Day thereafter.

"Fixed Rate" means the rate to be borne by the 2003 Bonds from and after the Fixed Rate Conversion Date, which shall be the lowest rate which, in the judgment of the Remarketing Agent, is necessary to enable the 2003 Bonds to be remarketed at the principal amount thereof, plus accrued interest, if any, on the Fixed Rate Conversion Date.

"Fixed Rate Conversion Date" means the date on which the 2003 Bonds begin to bear interest at the Fixed Rate.

"Fixed Rate Period" means the period of time commencing on the Fixed Rate Conversion Date and ending on the Maturity Date.

"Flexible Rate" means the lowest annual rate of interest, expressed as a percentage and rounded to the nearest one thousandth of one percent, determined by the Remarketing Agent on a Flexible Rate Adjustment Date, which would, in the judgment of the Remarketing Agent, enable a particular Bond to be remarketed at the principal amount thereof on such Flexible Rate Adjustment Date given the applicable Interest Period for such 2003 Bond (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in this Third Supplement to the Amended and Restated Indenture).

"Flexible Rate Adjustment Date" means a Business Day on which a Flexible Rate and an Interest Period for a particular Bond commence.

"Flexible Rate Conversion Date" means a date on which the 2003 Bonds begin to bear interest at Flexible Rates.

"Flexible Rate Period" means any period of time commencing on a Flexible Rate Conversion Date and ending on a Variable Rate Conversion Date, a Fixed Rate Conversion Date or on the Maturity Date.

"Immediate Notice" means notice by telephone, telex or telecopier to such address as the addressee shall have directed in writing, promptly followed by written notice by first class mail, postage prepaid.

"Initial Bank" means JPMorgan Chase Bank, in its capacity as issuer of the Initial Liquidity Facility.

"Initial Liquidity Facility" means the transferable Standby Bond Purchase Agreement dated as of June 1, 2003, entered into between the Authority and the Initial Bank concurrently with the original issuance of the 2003 Bonds.

"Interest Component" means the maximum amount stated in the Liquidity Facility (as reduced and reinstated from time to time in accordance with the terms thereof) which may be drawn for the payment of accrued interest on the 2003 Bonds or for the payment of the portion of the purchase price of Tendered Bonds corresponding to interest accrued on the Tendered Bonds.

"Interest Coverage Period" means the number of days for 2003 Bonds bearing interest in a particular interest mode which is used to determine the Interest Component, determined in accordance with the requirements of Section 310(h) of the Third Supplement to the Amended and Restated Indenture in a manner consistent with the periods utilized in calculating interest accrued on 2003 Bonds in such interest mode.

"Interest Coverage Rate" means the rate which is used to determine the Interest Component, initially 12% per annum for 2003 Bonds in the Weekly Rate Period secured by the Initial Liquidity Facility, and shall be specified for 2003 Bonds bearing interest in each subsequent mode by the Remarketing Agent in writing to the Trustee at the time such 2003 Bonds commence bearing interest in accordance with such mode, as such rate may be changed from time to time by the Remarketing Agent subject to compliance with Section 310(h) of the Third Supplement to the Amended and

Restated Indenture. Notwithstanding the foregoing, the maximum Interest Coverage Rate that may be established with respect to the 2003 Bonds shall be 12% per annum.

"Interest Payment Date" means: (i) during a Flexible Rate Period, each Repurchase Date; (ii) during a Variable Rate Period, (A) when used with respect to a Daily or Weekly Rate Period, the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of each calendar month occurring after the Variable Rate Conversion Date with respect thereto, (B) when used with respect to a Term Rate Period, the June 15 or December 15 next succeeding the Variable Rate Conversion Date and the fifteenth day of each sixth month thereafter, and (C) in addition, when used with respect to any Optionally Tendered Bond purchased on an Optional Tender Date, such Optional Tender Date; (iii) each Mandatory Tender Date; (iv) after the Fixed Rate Conversion Date, each June 15 and December 15; (v) the Maturity Date; and (vi) for 2003 Bonds called for redemption, the applicable redemption date.

"Interest Period" means, for each 2003 Bond bearing interest at a Flexible Rate, that period of time beginning on a Flexible Rate Adjustment Date and to but not including the next Flexible Rate Adjustment Date, determined by the Remarketing Agent on a Flexible Rate Adjustment Date, which would, in the judgment of the Remarketing Agent, taking into account the Flexible Rate for the particular 2003 Bond being determined on such Flexible Rate Adjustment Date and the Flexible Rates and Interest Periods then borne by all other outstanding 2003 Bonds, enable the 2003 Bonds as a whole to bear the lowest overall rates achievable in the domestic financial market during the Interest Period selected (or, if the Remarketing Agent for any reason fails to determine such date, the date determined in accordance with the provisions set forth in this Third Supplement to the Amended and Restated Indenture).

"Liquidity Facility" means the Initial Liquidity Facility, or any Renewal Liquidity Facility or Alternate Liquidity Facility at the time in effect.

"Mandatory Tender Date" means any date on which a 2003 Bondholder is required to tender any 2003 Bond for purchase in accordance with Sections 302, 303 or 304 of this Third Supplement to the Amended and Restated Indenture.

"Mandatory Tendered Bonds" means the 2003 Bonds required to be tendered for purchase on a Mandatory Tender Date.

"Maturity Date" means, with respect to the 2003 Bonds, June 15, 2022 or, with respect to each 2003 Bond bearing interest at a Fixed Rate which has been assigned a specific maturity date pursuant to Section 205(d) of the Third Supplement to the Amended and Restated Indenture, "Maturity Date" means the date so assigned.

"No-Call Period" means the period of time (measured from the Conversion Date) during which the 2003 Bonds in the Fixed Rate Period or the Term Rate Period may not be called for optional redemption as set forth in Section 401 (a) (ii) of the Third Supplement to the Amended and Restated Indenture.

"Optional Tender Date" means the date specified by a 2003 Bondholder in a Tender Notice for purchase of any 2003 Bond during a Variable Rate Period in accordance with Section 301 of this Third Supplement to the Amended and Restated Indenture.

"Optionally Tendered Bonds" means the 2003 Bonds tendered or deemed tendered for purchase on an Optional Tender Date.

"Proposed Fixed Rate Conversion Date" means the date indicated in the written notice of the Authority given pursuant to Section 205 of this Third Supplement to the Amended and Restated Indenture on which the Authority intends to effect a conversion of the interest rate on the 2003 Bonds to the Fixed Rate.

"Rating Agency" means each nationally recognized securities rating agency then maintaining a rating on the 2003 Bonds at the request of the Authority, which at the time of issuance of the 2003 Bonds includes S&P, Moody's and Fitch.

"Record Date" means, with respect to the 2003 Bonds, while the 2003 Bonds bear interest during a Daily Rate Period, a Weekly Rate Period or a Flexible Rate Period, the close of business on the last Business Day preceding an Interest Payment Date, and while the 2003 Bonds bear interest in a Term Rate Period or a Fixed Rate Period, the close of business on the last day of the calendar month next preceding an Interest Payment Date.

"Remarketing Agent" means Raymond James & Associates, St. Petersburg, Florida, and its successor for the time being in such capacity.

"Remarketing Agreement" means the Remarketing Agreement dated as of June 1, 2003 between the Authority and the Remarketing Agent or any subsequent remarketing agreement executed by the Authority and any subsequent Remarketing Agent appointed pursuant hereto.

"Renewal Date" means the Interest Payment Date next preceding the Stated Expiration Date of the Liquidity Facility at the time in effect (or the next preceding Business Day if such day is not a Business Day).

"Renewal Liquidity Facility" means a Liquidity Facility provided in accordance with Section 310 hereof which has been issued with terms and conditions identical to, and by the same provider of, the Liquidity Facility in substitution for which the Renewal Liquidity Facility is to be provided, except for: (a) an extension of the Stated Expiration Date; (b) an increase or decrease in the Interest Coverage Rate or the Interest Coverage Period; (c) an increase or decrease in the Interest Component; (d) an increase or decrease in the portion of the Liquidity Facility designated to pay premium upon purchase of 2003 Bonds to the extent required or permitted by Section 310(h) of the Third Supplement to the Amended and Restated Indenture; (e) changes in the business covenants contained in, the fees payable pursuant to and the interest rate on advances made under the Liquidity Facility; or (f) any combination of (a), (b), (c), (d) and (e).

"Representation Letter" means that blanket letter from the Authority to DTC with respect to the issuance of 2003 Bonds in book-entry form.

"Repurchase Date" means, for any 2003 Bond during a Flexible Rate Period, a Business Day determined by the Remarketing Agent on an applicable Flexible Rate Adjustment Date as the date on which such 2003 Bond will be repurchased by the Trustee or the Tender Agent, on behalf of the Authority (or, if the Remarketing Agent for any reason fails to determine such date, the date determined in accordance with the provisions of this Third Supplement to the Amended and Restated Indenture).

"Repurchase Price" means, with respect to each particular 2003 Bond during a Flexible Rate Period, an amount equal to 100% of the principal amount thereof.

"Stated Expiration Date" means the stated date of expiration or termination of the Liquidity Facility, including any extensions thereof.

"Tender Agent" means that Person appointed pursuant to Section 501 of the Third Supplement to the Amended and Restated Indenture to perform those functions with respect to the 2003 Bonds related to the registration of transfers and exchanges, tenders, redemptions, notices and purchases thereof and payments thereon prior to the commencement of a Fixed Rate Period.

"Tendered Bonds" means Optionally Tendered Bonds and Mandatorily Tendered Bonds.

"Tender Notice" means the notice from a 2003 Bondholder to the Tender Agent of an Optional Tender Date in accordance with the provisions set forth in this Third Supplement to the Amended and Restated Indenture.

"Tender Price" means with respect to each Tendered Bond, 100% of the principal amount of any such Tendered Bond plus, if an Optional Tender Date is not an Interest Payment Date, interest accrued and unpaid thereon to, but not including, the Optional Tender Date with respect to such 2003 Bond.

"Term Rate Period" means any Variable Rate Period from and commencing on the fifteenth (15th) day of a calendar month (or the next succeeding Business Day if the fifteenth is not a Business Day) to but not including the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of the twelfth (or any integral multiple of 12) succeeding calendar month.

"Variable Rate" means, with respect to the then effective Variable Rate Period, the lowest interest rate which, in the judgment of the Remarketing Agent, would enable the 2003 Bonds to be remarketed at the principal amount thereof, plus accrued interest thereon, if any, on the Variable Rate Adjustment Date with respect thereto (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in this Third Supplement to the Amended and Restated Indenture).

"Variable Rate Adjustment Date" means the first day of each Variable Rate Period.

"Variable Rate Conversion Date" means a date on which the 2003 Bonds begin to bear interest at a Variable Rate for (i) a particular Variable Rate Period which is of a different type than the preceding Variable Rate Period, (ii) a Term Rate Period which is of a different length than the preceding Term Rate Period except when shorter by reason of the Maturity Date or (iii) any Variable Rate Period which succeeds a Flexible Rate Period.

"Variable Rate Period" means each Daily Rate Period, Weekly Rate Period and Term Rate Period.

"Weekly Rate Period" means any Variable Rate Period from and commencing on Thursday of any calendar week and including and ending on the Wednesday of the next calendar week; provided, however, that any Weekly Rate Period which does not follow another Weekly Rate Period shall commence on the Variable Rate Conversion Date with respect

thereto and end on the first or second Wednesday thereafter, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and any Weekly Rate Period which is not followed by another Weekly Rate Period shall commence on the last or second to last Thursday of a calendar month, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and end on the day preceding the final Interest Payment Date for such Weekly Rate Period.

INTEREST RATES

The 2003 Bonds shall bear interest initially at a Variable Rate with a Weekly Rate Period from and including the date of initial issuance until a Flexible Rate Conversion Date or Fixed Rate Conversion Date. During each Variable Rate Period, the 2003 Bonds shall bear interest at the lesser of (i) the Interest Coverage Rate or (ii) the Variable Rate. During the Fixed Rate Period, the 2003 Bonds shall bear interest at a Fixed Interest Rate.

Limits on Interest Periods and Rates. No Interest Period shall be established during a Flexible Rate Period and no Variable Rate Period shall be established which would cause the Interest Coverage Period of the Liquidity Facility to be less than the requirements of Section 310(h) of Amended and Restated Indenture. No interest rate on a 2003 Bond shall be established during a Variable Rate Period which exceeds the Interest Coverage Rate. No Interest Period or Flexible Rate shall be established during a Flexible Rate Period which would cause the aggregate amount of all interest which could accrue on the 2003 Bonds bearing interest at the Flexible Rate during such Flexible Rate Period to exceed the Interest Component allocable to such 2003 Bonds. In addition, no Flexible Rate shall be established which exceeds the applicable Interest Coverage Rate and no Interest Period shall be established during a Flexible Rate Period which exceeds 270 days.

Bank Bonds. Notwithstanding anything herein to the contrary, Bank Bonds shall bear interest at the Bank Rate determined in accordance with the provisions of the Liquidity Facility and not the Variable Rate or Flexible Rate that would otherwise be applicable to such 2003 Bonds were they not Bank Bonds.

VARIABLE RATES; CONVERSIONS TO VARIABLE RATE PERIODS

Determination by Remarketing Agent; Notice of Rates Determined. Except as hereinafter provided, the Variable Rate to be applicable to the 2003 Bonds during any Variable Rate Period shall be determined by the Remarketing Agent and notice thereof shall be given as follows:

- (i) Notice of each Variable Rate shall be available commencing on the Business Day immediately succeeding the date of determination during Daily and Weekly Rate Periods by telephone from the Tender Agent upon request of any owner of a 2003 Bond.
- (ii) If the Remarketing Agent fails for any reason to determine or notify the Tender Agent of the Variable Rate for any Variable Rate Period when required hereunder: (A) for 2003 Bonds in a Daily Rate Period or Weekly Rate Period, the Variable Rate for such Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System, Inc. until the Remarketing Agent next determines the Variable Rate as required hereunder; (B) for 2003 Bonds in a Term Rate Period with a duration of one year or less, such 2003 Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System, Inc. until the Remarketing Agent next determines the Variable Rate as required hereunder; and (C) for 2003 Bonds in a Term Rate Period with a duration in excess of one year, such 2003 Bonds shall automatically convert to a Term Rate Period of two years and the Variable Rate for such Rate Period shall be equal to the sum of (i) the yield on 2 year "A" rated general obligation 2003 Bonds as published by Municipal Market Data (or any successor entity) on the first Business Day preceding the Variable Rate Adjustment Date plus (ii) 5 basis points unless the Authority has filed with the Trustee and the Tender Agent a Favorable Opinion acceptable to the Trustee (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) with respect to the conversion of the 2003 Bonds to Variable Rates for Weekly Rate Periods, in which case the 2003 Bonds shall automatically convert to a Weekly Rate Period and the Variable Rate for such Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System until the Remarketing Agent next determines the Variable Rate as required hereunder.
- (iii) All determinations of Variable Rates shall be conclusive and binding upon the holders of the 2003 Bonds to which such rates are applicable. Failure by the Trustee or the Tender Agent to give any notice as herein provided, any defect therein, and any failure by any 2003 Bondholder to receive any such notice (including without limitation any Immediate Notice) shall not extend the period for making elections, in any way change the rights of the owners of 2003 Bonds to elect to have such 2003 Bonds purchased, in any way change the conditions which must be satisfied in order for such election to be effective or for payment of the purchase price to be made after an effective election or in any way change such owner's obligation to tender the 2003 Bonds for purchase.

Daily Rates and Weekly Rates. A Variable Rate shall be determined by the Remarketing Agent (i) for each Daily Rate Period not later than 10:30 a.m., New York City time, on the commencement date of the Daily Rate Period to which it

relates and (ii) for each Weekly Rate Period not later than 10:00 a.m., New York City time, on the commencement date of the Weekly Rate Period to which it relates (or the preceding Business Day if such day is not a Business Day).

Term Rates. A Variable Rate shall be determined by the Remarketing Agent for each Term Rate Period not later than 12:00 noon, New York City time, on the Business Day immediately preceding the commencement date of such period.

Conversions between Variable Rate Periods. At the option of the Authority, the 2003 Bonds may be converted from one Variable Rate Period to another and from a Term Rate Period of one length to a Term Rate Period of a different length as follows:

- (i) In any such case, the Variable Rate Conversion Date shall be a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that if the conversion is from a Term Rate Period to a different Variable Rate Period or a Term Rate Period of a different length, the Variable Rate Conversion Date shall be limited to a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced.
- (ii) Not less than fourteen (14) days prior to the Variable Rate Conversion Date in the case of conversions between Daily and Weekly Rate Periods and not less than thirty (30) days prior to the Variable Rate Conversion Date in all other cases, the Tender Agent shall mail a written notice of the conversion to the holders of all Bonds to be converted. The 2003 Bonds will be subject to Mandatory tender for purchase on the Variable Rate Conversion Date.
- (iii) The Variable Rate for the Variable Rate Period commencing on the Variable Rate Conversion Date shall be determined by the Remarketing Agent in the manner provided above on the date set forth above applicable to the Variable Rate Period to which the conversion shall be made. Notice of such Variable Rates shall be given or made available on the dates and to the parties specified above in the manner provided above applicable to the Variable Rate Period to which the conversion shall be made.

Conversions from Flexible Rate Periods. At the option of the Authority, the 2003 Bonds may be converted from a Flexible Rate Period to a Variable Rate Period as follows:

- (i) The Variable Rate Conversion Date shall be the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Periods theretofore established for the 2003 Bonds to be converted.
- (ii) Not less than fourteen (14) days prior to the Variable Rate Conversion Date if converting to a Daily or Weekly Rate Period and not less than thirty (30) days prior to the Variable Rate Conversion Date if converting to any other Variable Rate Period, the Tender Agent shall mail a written notice of the conversion to all holders of the 2003 Bonds to be converted. The 2003 Bonds will be subject to Mandatory tender for purchase on the Variable Rate Conversion Date.
- (iii) The Variable Rate for the Variable Rate Period commencing on the Variable Rate Conversion Date shall be determined by the Remarketing Agent in the manner provided above on the date set forth above applicable to the variable Rate Period to which the conversion shall be made. Notice of such Variable Rates shall be given or made available on the dates and to the parties specified above in the manner provided above applicable to the Variable Rate Period to which the conversion shall be made.

FLEXIBLE RATES; CONVERSIONS TO FLEXIBLE RATE PERIODS

Flexible Rates. A Flexible Rate for each Interest Period shall be determined as follows:

- (i) The Interest Periods for each Bond shall be of such duration, not exceeding 270 days, as may be offered by the Remarketing Agent and specified by the purchaser.
- (ii) The Flexible Rate for each Interest Period shall be effective from and including the commencement date of such period through and including the last day thereof. Each such Flexible Rate shall be determined by the Remarketing Agent in connection with the sale of the 2003 Bond or Bonds to which it relates.
- (iii) If the Remarketing Agent fails for any reason to determine or notify the Tender Agent of the Interest Period or Flexible Rate when required hereunder, the Interest Period shall be of the shortest permitted duration and the Flexible Rate shall be equal to 135% of the BMA Municipal Swap Index in effect on the first day of such Interest Period.
- (iv) All determinations of Flexible Rates and Interest Periods shall be conclusive and binding upon the Authority, the Trustee, the Tender Agent, the Bank and the holders of the 2003 Bonds to which such rates and periods are applicable.

Conversions to Flexible Rate Periods. At the option of Authority, the 2003 Bonds may be converted from a Variable Rate Period to a Flexible Rate Period as follows:

- (i) In any such case, the Flexible Rate Conversion Date shall be a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that in the case of a conversion from a Term Rate Period, the Flexible Rate Conversion Date shall be a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced.
- (ii) Not less than fourteen (14) days prior to the Flexible Rate Conversion Date, in the case of conversions from Daily or Weekly Rate Periods, and not less than thirty (30) days prior to the Flexible Rate Conversion Date in all other cases, the Tender Agent shall mail a written notice of the conversion to the holders of all Bonds to be converted, specifying the Flexible Rate Conversion Date. The 2003 Bonds will be subject to Mandatory tender for purchase on the Variable Rate Conversion Date.

FIXED RATE CONVERSION AT OPTION OF THE AUTHORITY

At the option of the Authority, the 2003 Bonds bearing interest at a Variable Rate, or Flexible Rates may be converted to bear interest at the Fixed Interest Rate as hereinafter provided. Any such conversion shall be made as follows:

- (a) The Fixed Rate Conversion Date shall be: (i) in the case of a conversion from a Variable Rate Period other than a Term Rate Period, a regularly scheduled Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; (ii) in the case of a conversion from a Term Rate Period, a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced; or (iii) in the case of a conversion from a Flexible Rate Period, a day which is the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period theretofore established for the 2003 Bonds to be converted.
- (b) In the event of a conversion from a Variable Rate Period or a Flexible Rate Period, the Tender Agent shall mail a notice of the proposed conversion to the holders of all Bonds to be converted not less than thirty (30) days prior to the Proposed Fixed Rate Conversion Date and shall inform the 2003 Bondholders of: (i) the Proposed Fixed Rate Conversion Date; and (ii) the other matters required in connection with the mandatory tender of the 2003 Bonds. The 2003 Bonds will be subject to Mandatory tender for purchase on the Fixed Rate Conversion Date.
- (c) The Fixed Rate(s) established for the 2003 Bonds to be effective on the Fixed Rate Conversion Date shall be set forth in an underwriting or purchase contract and shall equal the minimum interest rate(s) necessary to remarket such 2003 Bonds on the Fixed Rate Conversion Date at an aggregate purchase price of 100% of the principal amount thereof taking into account the fact that such 2003 Bond shall mature or be subject to mandatory sinking fund redemption on a particular June 15 up to and including June 15, 2022, that all 2003 Bonds shall pay interest semiannually on each Interest Payment Date of each year, that all 2003 Bonds maturing on a particular June 15 shall bear interest at the same rate.

The determination of the Fixed Interest Rate(s) shall be conclusive and binding upon the Authority, the Trustee, the Tender Agent, if any, the Bank, if any, and the holders of the 2003 Bonds to which such rate(s) will be applicable.

PURCHASE OF THE 2003 BONDS

Optional Tenders During Variable Rate Periods

Optional Tender Dates. The holders of 2003 Bonds bearing interest at Variable Rates may elect to have their 2003 Bonds or portions thereof in whole multiples of Authorized Denominations purchased at the Tender Price of such 2003 Bonds (or portions), on the following Optional Tender Dates and upon the giving of the following oral (which may be by telephone) or written (which may be by telecopy or facsimile communication) notices meeting the further requirements below:

- (i) Daily Rate Period. During a Daily Rate Period, 2003 Bonds may be tendered for purchase on any Business Day upon oral or written notice of tender given to the Tender Agent not later than 10:00 a.m., New York City time, on the Optional Tender Date;
- (ii) Weekly Rate Period. During a Weekly Rate Period, 2003 Bonds may be tendered for purchase on any Business Day upon oral or written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day not less than seven (7) days prior to the Optional Tender Date; and
- (iii) Term Rate Period. During a Term Rate Period, 2003 Bonds may be tendered for purchase on the first Business Day following such Term Rate Period upon delivery of a written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day not less than seven (7) days prior to the Optional Tender Date.

Notice of Tender. Each notice of tender: (i) shall, in the case of a written notice, be delivered to the Tender Agent at its Principal Office and be in form satisfactory to the Tender Agent; (ii) shall, whether delivered orally or in writing, state (A) the name and address of such 2003 Bondholder and the principal amount of the 2003 Bond to which the notice relates, (B) that the 2003 Bondholder irrevocably demands purchase of such 2003 Bond or a specified portion thereof in a whole multiple of an Authorized Denomination, (C) the Optional Tender Date on which such 2003 Bond or portion is to be purchased and (D) the payment instructions with respect to the Tender Price; and (iii) shall automatically constitute, whether delivered orally or in writing (A) an irrevocable offer to sell the 2003 Bond (or portion thereof) to which the notice relates on the Optional Tender Date to any purchaser selected by the Remarketing Agent, at a price equal to the Tender Price of such 2003 Bond (or portion thereof), (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such 2003 Bond (or portion thereof) upon payment of the Tender Price to the Tender Agent on the Optional Tender Date, (C) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the 2003 Bond to be purchased in whole or in part for other Bonds in an equal aggregate principal amount so as to facilitate the sale of such 2003 Bond (or portion thereof to be purchased), and (D) an acknowledgment that such 2003 Bondholder will have no further rights with respect to such 2003 Bond (or portion thereof) upon payment of the Tender Price thereof to the Tender Agent on the Optional Tender Date, except for the right of such 2003 Bondholder to receive such Tender Price upon surrender of such 2003 Bond to the Tender Agent.

The determination of the Tender Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the owner of such 2003 Bond.

Delivery of 2003 Bonds. All Bonds to be purchased on any Optional Tender Date shall be required to be delivered to the Principal Office of the Tender Agent by (i) 12:00 noon, New York City time, on the Optional Tender Date with respect to Bonds during a Daily or Weekly Rate Period; or (ii) 5:00 p.m., New York City time, on the second Business Day prior to the Optional Tender Date with respect to Bonds during Term Rate Periods.

Tenders During Flexible Rate Periods

Repurchase Dates. Each Bond bearing interest at a Flexible Rate shall be subject to mandatory tender for purchase on each Repurchase Date at the Repurchase Price.

Remarketing of Tendered Bonds. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Bonds required to be purchased on the Repurchase Date. In remarketing the 2003 Bonds, the Remarketing Agent shall offer and accept purchase commitments for the 2003 Bonds for such Interest Periods and at such Flexible Rates as it deems to be advisable in order to minimize the net interest cost on the 2003 Bonds under prevailing market conditions. The foregoing notwithstanding, no Interest Period may be established which exceeds the shortest of (A) 270 days, (B) the remaining number of days prior to any Mandatory Tender Date occurring as a result of a proposed conversion, or (C) the remaining number of days prior to each date on which Bonds are subject to optional or mandatory sinking fund redemption, if and to the extent necessary to enable the Tender Agent to make such purchases on or before such date.

Payments by the Tender Agent. By 3:00 p.m., New York City time, on the Repurchase Date and upon receipt by the Tender Agent of 100% of the aggregate Repurchase Price of the tendered Bonds, the Tender Agent shall pay the Repurchase Price of such 2003 Bonds to the holders thereof at its Principal Office or by bank wire transfer. Such payments shall be made in immediately available funds. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase shall be consummated.

Delivery of 2003 Bonds. All Bonds to be purchased on any Repurchase Date shall be required to be delivered to the Principal Office of the Tender Agent by 1:00 p.m., New York City time, on the Repurchase Date.

Mandatory Tender Upon Conversions among Variable Rate Periods and Flexible Rate Periods

Variable Rate Conversions. 2003 Bonds which are subject to conversion on any Variable Rate Conversion Date shall be subject to mandatory tender for purchase on the Variable Rate Conversion Date at the Tender Price or Repurchase Price, as the case may be.

Flexible Rate Conversions. 2003 Bonds which are subject to conversion on any Flexible Rate Conversion Date are subject to mandatory tender for purchase on the applicable Flexible Rate Conversion Date at the Tender Price.

Notice to Bondholders. Any notice of a conversion given to Bondholders shall state that the 2003 Bonds to be converted will be subject to mandatory tender for purchase on the Variable Rate Conversion Date or Flexible Rate Conversion Date at the Tender Price or Repurchase Price, as the case may be, and will specify the time at which Bonds are to be tendered for purchase with respect.

Delivery of 2003 Bonds. (A) **During a Variable Rate Period.** All Bonds to be purchased shall be required to be delivered to the principal corporate trust office of the Tender Agent by (i) 1:00 p.m., New York City time, on the Mandatory Tender Date to Bonds during a Daily or Weekly Rate Period; or (ii) 5:00 p.m., New York City time, on the second Business Day prior to the Mandatory Tender Date with respect to Bonds during Term Rate Periods. (B) **During a Flexible Rate Period.**

All Bonds shall be required to be delivered to the principal corporate trust office of the Tender Agent by 1:00 p.m., New York City time, on the Mandatory Tender Date.

Mandatory Tender Upon Fixed Rate Conversion or Substitution or Termination of Liquidity Facility

(i) Proposed Fixed Rate Conversion Date. The 2003 Bonds to be converted to bear interest at the Fixed Rate pursuant to Section 205 of the Third Supplement to the Amended and Restated Indenture shall be subject to mandatory tender for purchase on a Proposed Fixed Rate Conversion Date at a price equal to the Tender Price or the Repurchase Price, as the case may be.

(ii) Substitution of the Liquidity Facility with an Alternate Liquidity Facility. The 2003 Bonds (other than Bank Bonds and 2003 Bonds bearing interest at the Fixed Rate) are subject to mandatory tender for purchase at a purchase price equal to the Tender Price or the Repurchase Price, as the case may be, on the regularly scheduled Interest Payment Date immediately preceding the effective date of any substitution of the Liquidity Facility with an Alternate Liquidity Facility in accordance with the provisions of Section 310 of the Third Supplement to the Amended and Restated Indenture.

(iii) No Renewal Liquidity Facility. The 2003 Bonds are subject to mandatory tender for purchase at a purchase price equal to the Tender Price or Repurchase Price, as the case may be, on any Renewal Date if by the tenth day preceding such Renewal Date the Trustee has not received a Renewal Liquidity Facility.

(iv) Default under the Liquidity Facility. The 2003 Bonds are subject to mandatory tender for purchase at a purchase price equal to the Tender Price or Repurchase Price, as the case may be, on the fifteenth day (or the next preceding Business Day if such day is not a Business Day) after receipt by the Trustee of notice from the Bank of the occurrence of a default under the Liquidity Facility and that such Liquidity Facility shall be terminated; provided that (i) the Mandatory Tender Date shall be at least five days prior to the termination of the Bank's obligation to honor draws under the Liquidity Facility and (ii) no purchase shall be required if prior to the Mandatory Tender Date the Trustee receives written notice from the Bank to the effect that the default has been cured in accordance with the provisions of the Liquidity Facility and such Liquidity Facility is, as of the date of such notice to the Trustee, in full force and effect and will not terminate as a result of such termination notice from the Bank.

Notice to Bondholders. The Tender Agent shall mail notice to Bondholders of any mandatory tender as follows: (i) pursuant to (i) above, not less than thirty (30) days prior to the Mandatory Tender Date; (ii) pursuant to (ii) or (iii) above, not less than fifteen (15) days prior to the Mandatory Tender Date, and (iii) pursuant to (iv) above, on the Business Day next succeeding receipt by the Trustee of the notice from the Bank described therein.

In the case of a notice pursuant to (i) above, such notice will state, among other things, the Proposed Fixed Rate Conversion Date, that the 2003 Bonds will be subject to mandatory tender for purchase on the Fixed Rate Conversion Date at the Tender Price or Repurchase price, as the case may be, and the time at which the 2003 Bonds are to be tendered for purchase.

Delivery of 2003 Bonds. All 2003 Bonds to be purchased on any Mandatory Tender Date shall be required to be delivered to the Principal Office of the Tender Agent by (i) 12:00 noon, New York City time, on the Mandatory Tender Date with respect to Bonds during a Daily or Weekly Rate Period; or (ii) 5:00 p.m., New York City time, on the second Business Day prior to the Mandatory Tender Date with respect to Bonds during Term Rate Periods.

Purchase of Tendered Bonds: Payments by the Tender Agent. By 3:00 p.m., New York City time, on the Optional Tender Date or Mandatory Tender Date set for purchase of tendered Bonds and upon receipt by the Tender Agent of 100% of the aggregate purchase price of the Tendered Bonds, the Tender Agent shall pay the purchase price of such 2003 Bonds to the holders thereof at its Principal Office or by bank wire transfer. Such payments shall be made in immediately available funds. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase shall be consummated.

Effect of Failure to Surrender Bonds. If the owner of any 2003 Bond (or portion thereof) that is subject to purchase fails to deliver such 2003 Bond to the Tender Agent for purchase on the Optional Tender Date or Mandatory Tender Date and if the Tender Agent is in receipt of the purchase price therefor, such 2003 Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such 2003 Bond (or portion thereof) shall be transferred to the purchaser. Any 2003 Bondholder who fails to deliver a 2003 Bond for purchase as required above shall have no further rights thereunder except the right to receive the purchase price thereof upon presentation and surrender of said 2003 Bond to the Tender Agent. Such delivery shall be a condition to payment of the purchase price by the Tender Agent on the Optional Tender Date or Mandatory Tender Date.

Failed Conversion. If on a Variable Rate Conversion Date, Flexible Rate Conversion Date or Proposed Fixed Rate Conversion Date, any condition precedent to such conversion required under the Indenture shall not be satisfied, such conversion shall not occur, the mandatory tender shall remain effective.

Inadequate Funds for Tenders. If the funds available for purchases of 2003 Bonds pursuant to this Article III are inadequate for the purchase of all 2003 Bonds required to be purchased on any purchase date, the Tender Agent shall immediately: (i) return all Tendered Bonds to the holders thereof; (ii) return all moneys received for the purchase of such 2003 Bonds to the Persons providing such moneys; and (iii) notify all Bondholders in writing (A) that an Event of Default has occurred, and (B) of the rate to be effective pursuant to following provisions. If the funds available for purchases of 2003 Bonds pursuant to this Article III are inadequate for the purchase of all 2003 Bonds required to be purchased (i) on a proposed Conversion Date, such conversion shall be deemed to have failed and the provisions above shall apply; (ii) in all other cases, the Remarketing Agent shall determine the applicable interest rate in accordance with the provisions of Article II of the Indenture.

Tender Agent. The Trustee may, at all times on or before the Fixed Rate Conversion Date, appoint a Tender Agent with the power to act, on or prior to such Conversion Date, on the Trustee's behalf and subject to its direction in the authentication and delivery of the 2003 Bonds and in connection with registration of transfers and exchanges, tenders, redemptions, notices and purchase thereof and payments thereon, as fully to all intents and purposes as though the Tender Agent had been expressly authorized under the Indenture to authenticate, deliver, pay, transfer and exchange Bonds, receive tender notices, purchase tendered Bonds and make payments on the 2003 Bonds. As of the original issue date of the 2003 Bonds, the Trustee will not appoint a Tender Agent.

Remarketing Agent. Raymond James & Associates, has been appointed as the initial Remarketing Agent. The Remarketing Agent may be replaced in accordance with the provisions of the Indenture.

Effect of Notices. Failure by the Trustee or the Tender Agent to give any notice, or any defect therein, shall not extend the period for making elections or in any way change the rights of the owners of such 2003 Bonds to elect to have their Bonds purchased on any Optional Tender Date or Mandatory Tender Date. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been given, whether or not the owner of such 2003 Bonds receives the notice.

REDEMPTION

Optional Redemption.

(i) Flexible Rate Period or a Variable Rate Period. During a Flexible Rate Period or a Variable Rate Period, the 2003 Bonds shall be subject to redemption prior to maturity at the option of the Authority, in whole or in part (and if in part in an Authorized Denomination) on any Repurchase Date applicable thereto during a Flexible Rate Period or on any Interest Payment Date during a Variable Rate Period (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot), at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

(ii) Term Rate Period. On or prior to the Fixed Rate Conversion Date, 2003 Bonds in a Term Rate Period may be redeemed by the Authority, in whole or in part (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot in such manner as shall be determined by the Trustee), (A) at any time on and after the No-Call Period described below, at a redemption price of 100% of the principal amount of 2003 Bonds called for redemption, plus accrued interest to the date fixed for redemption, and (B) on the day after the end of each Term Rate Period at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption:

<u>Length of Term Rate Period</u>	<u>Commencement of Redemption Period</u>
Greater than or equal to 15 years	10 th Anniversary of the commencement of the Term Rate Period
Less than 15 years and greater than or equal to 10 years	8 th Anniversary of the commencement of the Term Rate Period
Less than 10 years and greater than or equal to 8 years	6 th Anniversary of the commencement of the Term Rate Period
Less than 8 years	Not subject to optional redemption until commencement of next Term Rate Period

Notwithstanding the foregoing, the No-Call Periods specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2003 Bonds to a Term Rate Period is to the effect that such change will not have an adverse effect on the validity of the 2003 Bonds or any exemption from federal income taxation to which interest on the 2003 Bonds would otherwise be entitled.

(iii) Fixed Rate. After the Fixed Rate Conversion Date, the 2003 Bonds may be redeemed by the Authority in whole on any date, or in part on any Interest Payment Date (and, if in part, by lot in such manner as shall be determined by

the Trustee), after the No-Call Period described below at a redemption price of 100% of the principal amount of 2003 Bonds called for redemption, plus accrued interest to the date fixed for redemption:

Length of Fixed Rate Period	Commencement of Redemption Period
Greater than or equal to 15 years	10 th Anniversary of the commencement of the Fixed Rate Period
Less than 15 years and greater than or equal to 10 years	8 th Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	6 th Anniversary of the commencement of the Fixed Rate Period
Less than 8 years	Not subject to optional redemption

Notwithstanding the foregoing, the No-Call Periods and redemption prices specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2003 Bonds to a Fixed Rate is to the effect that such change will not have an adverse effect on the validity of the 2003 Bonds or any exemption from federal income taxation to which interest on the 2003 Bonds would otherwise be entitled.

Special Optional Redemption. Any 2003 Bonds which are Bank Bonds shall be subject to redemption in whole or in part prior to the Maturity Date at the option of the Authority out of amounts deposited in the Debt Service Fund, on any Business Day while such 2003 Bonds are Bank Bonds at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

Mandatory Sinking Fund Redemption. The 2003 Bonds are subject to mandatory redemption prior to maturity in part by lot, as selected by the Trustee, on June 15 of each year as set forth below, in the respective principal amounts listed opposite each such year from moneys in the Debt Service Fund, at a redemption price equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date to the redemption date.

Redemption Date (June 15)	Principal Amount	Redemption Date (June 15)	Principal Amount
2004	\$5,460,000	2013	\$ 8,420,000
2005	5,720,000	2104	8,835,000
2006	5,995,000	2015	9,270,000
2007	6,290,000	2016	9,725,000
2008	6,605,000	2017	10,205,000
2009	6,950,000	2018	10,710,000
2010	7,290,000	2019	11,245,000
2011	7,650,000	2020	11,795,000
2012	8,025,000	2021	12,375,000
		2022	12,985,000*

* Final Maturity

Notwithstanding the foregoing, on and after the Fixed Rate Conversion Date, if the Authority shall file a certificate pursuant to Section 205(d) of the Amended and Restated Indenture in connection with the conversion of the 2003 Bonds to the Fixed Rate containing an alternate schedule of mandatory redemption dates and amounts to be effective with respect to the 2003 Bonds on and after the Fixed Rate Conversion Date, in lieu of the mandatory sinking fund redemption schedule detailed above, the Authority shall redeem 2003 Bonds maturing on such dates and in the such amounts from moneys in the Debt Service Fund as shall be set forth in such certificate, if any, filed in connection with the conversion of the 2003 Bonds to the Fixed Rate, at a redemption price equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date to the redemption date.

In the event of any partial optional or special optional redemption of the 2003 Bonds, the mandatory sinking fund redemption payments shall be reduced in such order as the Authority shall elect prior to such redemption or, if no such election is made, in the inverse order thereof. The Trustee shall (in such manner as it in its sole discretion shall choose) adjust the amount of each such reduction in required mandatory redemption payment, so that each such required mandatory sinking fund redemption payment is made in Authorized Denominations.

General Provisions Regarding Redemptions. No redemption of less than all of the 2003 Bonds outstanding shall be made unless in Authorized Denominations. Any redemption of less than all of the 2003 Bonds Outstanding shall be

made first from Bank Bonds. Any redemption of less than all of the 2003 Bonds Outstanding shall be made in such a manner that all Bonds Outstanding after such redemption are in Authorized Denominations.

Notice of Redemption. 2003 Bonds may be called for redemption by the Trustee (other than pursuant to the Special Optional Redemption provisions above, which require Immediate Notice to the Bank prior to the redemption date) (A) in the case of 2003 Bonds during a Variable Rate Period other than a Term Rate Period, upon receipt by the Trustee at least 15 days prior to the redemption date of a written request of the Authority requesting such redemption or (B) in all other cases, upon receipt by the Trustee not less than 30 days prior to the redemption date identified in the written request of the Authority requesting such redemption. A copy of the notice of the call for any redemption identifying the 2003 Bonds to be redeemed shall be given by the Trustee to the 2003 Bondholders by first class mail, postage prepaid, which notice shall specify the redemption date, the redemption price, the place and manner of payment and that from the redemption date interest will cease to accrue on the 2003 Bonds which are the subject of such notice and shall include such other information as the Trustee shall deem appropriate or necessary at the time such notice is given to comply with any applicable law, regulation or industry standard. If at the time of mailing of any notice of redemption with respect to any redemption other than a mandatory redemption pursuant to Section 401(c) of the Third Supplement to the Amended and Restated Indenture the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the 2003 Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date and shall be of no effect unless such moneys are so deposited.

Failure to give notice in the manner prescribed hereunder with respect to any 2003 Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any 2003 Bond with respect to which notice was properly given. Upon the happening of the above conditions and if sufficient moneys are on deposit with the Trustee on the applicable redemption date to redeem the 2003 Bonds to be redeemed and to pay interest due thereon and premium, if any, the 2003 Bonds thus called shall not after the applicable redemption date bear interest, be protected by the Indenture or be deemed to be Outstanding under the provisions of the Indenture.

GENERAL

This 2003 Bond is one of a duly authorized issue of Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 issued in the aggregate principal amount of \$165,550,000 (the "2003 Bonds"). The 2003 Bonds are issued to enable the Authority to refund certain of its outstanding bonds and for other purposes permitted by the Act and thereby to accomplish the public purposes set forth in the Act.

The 2003 Bonds are issued under and pursuant to the Act and a resolution of the Authority duly adopted on March 24, 2003 (the "Resolution") and under an Amended and Restated Indenture of Trust dated as of December 1, 1994, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996, a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplement to the Amended and Restated Indenture" and collectively, the "Indenture"), between the Authority and the Trustee, and, together with other Outstanding Bonds, are equally and ratably secured under the Indenture, except as otherwise provided therein, by an assignment and pledge of, and grant of a security interest in, (i) all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes, and (ii) all moneys and securities held by the Trustee under the Indenture (except funds held in trust for the United States) (collectively, the "Pledged Revenues"). Capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture.

Liquidity Facility. From the date of their original issuance, the 2003 Bonds (other than Bank Bonds) will be secured by a Standby Bond Purchase Agreement dated as of June 1, 2003 (the "**Liquidity Facility**") with JPMorgan Chase Bank (the "**Initial Bank**") pursuant to which the Initial Bank has agreed to pay to the Trustee the purchase price of 2003 Bonds which are tendered for optional or mandatory purchase pursuant to the Third Supplement to the Amended and Restated Indenture which have not been successfully remarketed. The Liquidity Facility expires on June 14, 2004, subject to termination or extension as provided therein.

The Authority may, subject to the provisions of the Liquidity Facility Agreement and the Indenture, at any time arrange for the deposit with the Trustee of a Renewal Liquidity Facility or an Alternate Liquidity Facility in substitution for the existing Liquidity Facility. The Indenture also permits the termination of a Liquidity Facility then in effect without replacement in certain cases specified in the Indenture on and after the Conversion Date. The Liquidity Facility then in effect may be replaced only if the requirements specified in the Indenture are satisfied.

The executed counterparts of the Indenture and the Liquidity Facility are on file at the principal corporate trust office of the Trustee.

THIS 2003 BOND IS A LIMITED OBLIGATION OF THE AUTHORITY AND IS PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS 2003 BOND. THIS 2003 BOND IS NOT AND SHALL NOT BE DEEMED AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, EXCEPT FOR THE AUTHORITY, AND NEITHER THE COMMONWEALTH OF PENNSYLVANIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF PHILADELPHIA, EXCEPT FOR THE AUTHORITY, IS OR SHALL BE LIABLE FOR THE PAYMENT OF SUCH PRINCIPAL OR INTEREST. THE AUTHORITY HAS NO TAXING POWER.

NOTWITHSTANDING ANY PROVISION OF THE ACT OR ANY OTHER LAW TO THE CONTRARY, OR OF ANY IMPLICATION THAT MAY BE DRAWN THEREFROM, THE COMMONWEALTH OF PENNSYLVANIA AND ALL OTHER GOVERNMENT AGENCIES, INCLUDING THE CITY, EXCEPT THE AUTHORITY, SHALL HAVE NO LEGAL OR MORAL OBLIGATION FOR THE PAYMENT OF EXPENSES OR OBLIGATIONS OF THE AUTHORITY, INCLUDING, BUT NOT LIMITED TO, PRINCIPAL AND INTEREST ON THE 2003 BONDS, THE FUNDING OR REFUNDING OF ANY RESERVES AND ANY OPERATING OR ADMINISTRATIVE EXPENSES WHATSOEVER. OBLIGEEES OF THE AUTHORITY, INCLUDING HOLDERS OF 2003 BONDS, SHALL HAVE NO RECOURSE, LEGAL OR MORAL, TO THE COMMONWEALTH OF PENNSYLVANIA OR TO ANY GOVERNMENT AGENCY, EXCEPT THE AUTHORITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE 2003 BONDS:

The owner of this 2003 Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all Bonds issued under the Indenture and then outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon. Modifications or alterations of the Indenture or any trust indenture supplemental thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

This 2003 Bond shall not be entitled to any right, security or benefit under the Indenture or be valid or become obligatory for any purpose until this 2003 Bond shall have been authenticated by the Trustee or the Tender Agent, by execution of the certificate of authentication inscribed hereon.

All acts, conditions and things required to happen, exist and be performed precedent to and in the issuance of the 2003 Bonds in order to make them legal, valid and binding obligations of the Authority in accordance with their terms, and the execution of the Indenture have happened, exist and have been performed as so required; the Authority has received payment in full for the 2003 Bonds; and no limitation of indebtedness, either statutory or constitutional, has been exceeded in the issuance of the 2003 Bonds.

This 2003 Bond, notwithstanding the provisions for registration of transfer stated herein and contained in the Indenture, at all times shall be and shall be understood to be an investment security within the meaning of and for all the purposes of the Uniform Commercial Code of Pennsylvania. This 2003 Bond is issued with the intent that the laws of the Commonwealth of Pennsylvania shall govern its construction.

IN WITNESS WHEREOF, the Pennsylvania Intergovernmental Cooperation Authority has caused this 2003 Bond to be executed with the manual or facsimile signature of its Chairperson or Vice Chairperson and its official seal or a facsimile thereof to be imprinted hereon and attested with the manual or facsimile signature of its Secretary or Assistant Secretary.

ATTEST:

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION
AUTHORITY**

By: _____
(Assistant) Secretary
[SEAL]

By: _____
(Vice) Chairperson

CERTIFICATE OF AUTHENTICATION

This 2003 Bond is one of the 2003 Bonds described in the with-mentioned Indenture. The text of the opinion attached hereto is the text of the opinion of 2003 Bond counsel, Klett Rooney Lieber & Schorling, A Professional Corporation, Philadelphia, Pennsylvania, dated and delivered on the date of delivery of and payment for the 2003 Bonds, an executed counterpart of which is on file with the Trustee.

WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee

Dated:

By: _____
Authorized Signatory

ASSIGNMENT

For value received _____ hereby sells, assigns and transfers unto _____ the within Bond issued by the Pennsylvania Intergovernmental Cooperation Authority and all rights thereunder, hereby irrevocably appointing _____ to transfer said 2003 Bond on the 2003 Bond Register, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed*: _____

* Signature(s) must be Guaranteed by a member of an approved Signature Guarantee Medallion Program.

NOTICE* The signature to this assignment must correspond with the name as it appears upon the face of within Bond in every particular, without alteration or any change whatever.

The following abbreviations when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - _____ Custodian _____

(Cust)

(Minor)

under Uniform Gifts to Minors Act _____ (State)

EXHIBIT B

Interest Rate Swap Transaction documents



43684v5

ATTN: Joseph Vignola, Executive Director
PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY
1429 Walnut Street, 14th Floor, Philadelphia, PA 19102

FAX NO: 215 563 2570

FROM: SAMUEL GRUER
On behalf of JP MORGAN SECURITIES INCORPORATED
As Agent for JP MORGAN CHASE BANK – NEW YORK

RE: TRANSACTION CONFIRMATION
TRADE DATE: 16 November 2001
EFFECTIVE DATE: 6 December 2001

YOUR REF:
OUR REF: 507760

DATE SENT:

NO OF PAGES: 0(Excluding Cover)



Option On Interest Rate Swap Transaction

Date: 6 December 2001

The purpose of this document is to confirm the terms and conditions of the Option on an Interest Rate Swap Transaction entered into between:

JPMORGAN CHASE BANK – NEW YORK

and

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ("Counterparty")

on the Trade Date and identified by the JPMorgan Chase Deal Number specified below (the "Swap Transaction"). This agreement constitutes a "Confirmation" as referred to in the agreement specified below. It is our intention to have this confirmation serve as final documentation for this transaction and accordingly, no other confirmation will follow.

The definitions and provisions contained in the 2000 ISDA Definitions, incorporating the June 2000 version of the Annex as amended and supplemented through the date of this Confirmation, and the 1992 ISDA U.S. Municipal Counterparty Definitions (as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation (the "Swap Definitions"). In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

References in this Confirmation to "Transaction" shall be deemed to be references to "Swap Transaction" for the purposes of interpreting the Swap Definitions, and references in the Swap Definitions to "Swap Transaction" shall be deemed to be references to "Transaction" for the purposes of interpreting this Confirmation.

If JPMorgan Chase and the Counterparty are not yet parties to a Swap Agreement, the parties agree that this Transaction will be documented under a master agreement to be entered on the basis of the printed form of Master Agreement (Multicurrency-Cross Border) published by the International Swap Dealers Association, Inc., together with changes as shall be agreed between the parties (the "Master Agreement"). Upon execution and delivery by the parties of a Master Agreement, this Confirmation shall supplement, form a part of, and be subject to such Master Agreement. Until the parties execute and deliver a Master Agreement, this Confirmation shall supplement, form a part of, and be subject to the printed form of Master Agreement published by ISDA, as if the parties had executed that agreement (but without any Schedule thereto) on the Trade Date of this Confirmation.

JPMorgan Chase Deal Number:

507760

Type Of Transaction:

Call – Buyer has the right to receive fixed rate and pay floating rate, as referred to in the underlying swap transaction

Trade Date:

16 November 2001

Buyer:

JPMorgan Chase Bank

Seller:

Counterparty



Premium: 10,720,000.00 USD

Premium Settlement Date: 6 December 2001, subject to adjustment in accordance with the Modified Following Business Day Convention, based on Business Days in London, New York

Procedures For Exercise:

Procedure for Exercise: JPMorgan Chase has the right to exercise this option by notifying Counterparty by phone (immediately followed by written notification) on the date and during the time of day specified below.

Option Style: American

Notification Date: Notice of Exercise must be given between the hours of 9:00 AM and 11:00 AM New York time at least 90 New York Calendar Days prior to each Exercise Date.

Exercise Date On any local Business Day after 15 June 2003 up to and including 15 December, 2021.

Physical Settlement: Applicable

1. The terms of the particular Swap Transaction to which this Option relates are as follows:

Effective Date: Exercise Date.

Termination Date: 15 June 2022

Fixed Amounts:

Fixed Rate Payer: Counterparty

Notional Amount: See Outstanding Principal Balance Schedule

Fixed Rate Payer Payment Dates: Each 15 December, 15 June starting with 15 December, June immediately following the Effective Date up to, and including, the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.

Fixed Rate: See Fixed Rate Schedule

Fixed Rate Day Count Fraction: 30/360

Calculation Period: Each period from, and including, one Payment Date to, but excluding the next following Payment Date and there will be no adjustment to the Calculation Period.

**Floating Amounts:**

Floating Rate Payer:	JPMorgan Chase Bank
Notional Amount:	See Outstanding Principal Balance Schedule
Floating Rate Payer Payment Dates:	Monthly on the 15 th day of each calendar month starting with the calendar month immediately following the Effective Date up to, and including, the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Floating Rate Option :	USD-LIBOR-BBA
Designated Maturity:	1 Month
Floating Rate Amount:	<p>The Floating Rate used to calculate the Floating Amount payable by JPMorgan Chase on each Payment Date will be equal to the rate determined in accordance with the specified Floating Rate Option and Designated Maturity, multiplied by 67 percent. For the avoidance of doubt, the Floating Amount payable by Morgan shall be calculated as follows.</p> $\text{Floating Amount} = \text{Notional Amount} \times (\text{Floating Rate} \times 67 \text{ percent}) \times \text{Day Count Fraction}.$
Spread:	None
Floating Rate Day Count Fraction:	Actual/Actual
Calculation Period:	Each period from, and including, one Payment Date to, but excluding, the next following Payment Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Reset Day:	Each Thursday in the Calculation Period, there will be no adjustments to the Reset Date.
Averaging	Applicable
Method of Averaging:	Weighted.
Compounding:	Inapplicable
Payment Business Day Locations for Counterparty:	London, New York
Payment Business Day Locations for JPMorgan Chase:	London, New York



Calculation Agent:

JPMorgan Chase Bank, or as defined in the Master Agreement.

Payments will be:

Net

Outstanding Principal Balance Schedule:

Accrual Start Date:	JPMorgan Chase pays on Outstanding Notional:			Counterparty pays on Outstanding Notional:
15-Jun-2003	163,185,000.00	USD	163,185,000.00	USD
15-Jun-2004	157,850,000.00	USD	157,850,000.00	USD
15-Jun-2005	152,255,000.00	USD	152,255,000.00	USD
15-Jun-2006	146,385,000.00	USD	146,385,000.00	USD
15-Jun-2007	140,220,000.00	USD	140,220,000.00	USD
15-Jun-2008	133,740,000.00	USD	133,740,000.00	USD
15-Jun-2009	126,915,000.00	USD	126,915,000.00	USD
15-Jun-2010	119,750,000.00	USD	119,750,000.00	USD
15-Jun-2011	112,225,000.00	USD	112,225,000.00	USD
15-Jun-2012	104,325,000.00	USD	104,325,000.00	USD
15-Jun-2013	96,030,000.00	USD	96,030,000.00	USD
15-Jun-2014	87,320,000.00	USD	87,320,000.00	USD
15-Jun-2015	78,175,000.00	USD	78,175,000.00	USD
15-Jun-2016	68,575,000.00	USD	68,575,000.00	USD
15-Jun-2017	58,495,000.00	USD	58,495,000.00	USD
15-Jun-2018	47,910,000.00	USD	47,910,000.00	USD
15-Jun-2019	36,790,000.00	USD	36,790,000.00	USD
15-Jun-2020	25,120,000.00	USD	25,120,000.00	USD
15-Jun-2021	12,865,000.00	USD	12,865,000.00	USD

Fixed Rate Schedule:

Beginning On:	Counterparty Fixed Rate Accrues At:
15-Jun-2003	5.01077 percent
15-Jun-2004	5.01621 percent
15-Jun-2005	5.01864 percent
15-Jun-2006	5.01738 percent
15-Jun-2007	5.01155 percent
15-Jun-2008	5.00000 percent

This transaction may not be assigned by either party without the prior written consent of the other party.

2. Termination Option

As provided in paragraph (h)(i) of Part 1 of the Schedule dated the date hereof between JP Morgan Chase Bank and the Counterparty, it is the intention of the parties that the Counterparty shall have the right to terminate the Transaction described in this Confirmation whether or not JP Morgan Chase Bank has exercised the option described in this Confirmation and whether or not the Effective Date with respect to such Transaction has occurred. In the event the Counterparty terminates the Transaction, the Termination payment shall be determined pursuant to Part 1(g) of the Schedule to Master Agreement.



3. Account Details

Payments to JPMorgan Chase:

Account for payments in USD:	JPMorgan Chase Bank
Favour:	MGT New York
ABA/Bank No.:	021000238
Account No.:	999-97-979
Reference:	Ref: Interest Rate Protection Payment

If in the event this Transaction is physically exercised into a swap, the office of JPMorgan Chase Bank will change from New York to London

Swap Payment Instructions:	JPMorgan Chase Bank
Favour:	JPMorgan London
ABA/Bank No.:	ABA #:021000238
Account No.:	670-07-054
Reference:	Further credit to swap group account

Payments to Counterparty:

Account for payments in USD:	JPMorgan Chase Bank
Favour:	PENNSYLVANIA INTERGOVERNMENTAL COOPERATIVE AUTHORITY C/o First Union National Bank
ABA/Bank No.:	053000219
Account No.:	1556597839
Reference:	Trust Operations DDA 500000006439 Attention: Howard Parker 215-670-4541

4. Offices

- (a) The Office of JPMorgan Chase for the Swap Transaction is NEW YORK; and
- (b) The Office of the Counterparty for the Swap Transaction is PHILADELPHIA.

All inquiries regarding confirmations should be sent to:

JPMorgan Chase Bank
4 Metrotech Center
17th Floor
Brooklyn, New York 11245

JPMORGAN SECURITIES INCORPORATED is acting solely as agent for JPMorgan Chase Bank and will have no obligations under this Transaction.

5. Representations.

Each party hereto represents to the other as follows:

- (a) **Non-Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgement and upon advise from such advisors as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advise or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms



and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.

(b) Assessment and Understanding. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, the conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

(c) Status of Parties. The other party is not acting as a fiduciary for or an advisor to it in respect of that Transaction.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation and returning it to us or by sending to us a letter, telex or facsimile substantially similar to this letter, which letter, telex or facsimile sets forth the material terms of the Transaction to which this Confirmation relates and indicates agreement to those terms. When referring to this Confirmation, please indicate: JPMorgan Chase Deal Number: 507760.

Yours sincerely,

JPMORGAN CHASE BANK

By:
Name:
Title:

Confirmed as of the
date first above written:

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

By: _____
Name:
Title:

Your Ref No.....

Consent of Financial Guaranty Insurance Company to Third Supplement to Amended and Restated Indenture of Trust.

[See Item B-2]

\$165,550,000

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM), SERIES OF 2003**

BOND PURCHASE CONTRACT

June 12, 2003

Pennsylvania Intergovernmental
Cooperation Authority
1429 Walnut Street
14th Floor
Philadelphia, Pennsylvania 19102

Ladies and Gentlemen:

The undersigned (hereinafter sometimes called the "Representative"), acting on behalf of itself and on behalf of the other underwriters named in the list attached as Schedule 1 hereto, as said list may from time to time be changed by the mutual agreement of the undersigned and the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") prior to Closing (hereinafter defined) (the Representative and such other underwriters as finally determined being herein collectively called the "Underwriters"), offers to enter into this Bond Purchase Contract (the "Purchase Contract") with the Authority acting pursuant to resolutions adopted by its governing board as authorized by the Act (hereinafter defined), which, upon the Authority's written acceptance of this offer, will be binding upon the Authority and upon the Underwriters. The Representative shall in any event remain on such list as an Underwriter. This offer is made subject to the Authority's written acceptance of this Purchase Agreement on or before 5:00 P.M., Philadelphia time on the date hereof, and if not so accepted, will be subject to withdrawal by the Underwriters upon written notice delivered to the Authority at any time prior to the acceptance hereof by the Authority. Upon acceptance by the Authority, this Purchase Agreement shall be binding upon the Authority and the Underwriters in accordance with its terms.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein and in the Letter or Representations (hereinafter defined), the Underwriters, jointly and severally, hereby agree to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell and deliver to the Underwriters for such purpose, all (but not less than all) of \$165,550,000 aggregate principal amount of Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue

Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (hereinafter called the "2003 Bonds"). The purchase price of the 2003 Bonds (the "Purchase Price") shall be \$165,550,000 (the par amount of the 2003 Bonds). The payment for and delivery of the 2003 Bonds, and the consummation of the other actions contemplated herein to take place prior to or at the time of such payment and delivery, are herein sometimes called the "Closing."

2. The 2003 Bonds. The 2003 Bonds shall be as described in, and will be issued and secured under and pursuant to: (a) an Amended and Restated Indenture of Trust, dated as of December 1, 1994 (the "1994 Indenture") between the Authority and Wachovia Bank, National Association (successor in interest to Meridian Bank), as trustee (the "Trustee"), as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "First Supplemental Indenture"), a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "Second Supplemental Indenture") and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplemental Indenture" and, together with the 1994 Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the "Indenture"), and (b) resolutions adopted by the Authority on March 25, 2003 (the "Resolutions") authorizing the issuance, sale and delivery of the 2003 Bonds.

The Authority has previously issued six Series of Bonds: Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 Bonds") in the original aggregate principal amount of \$474,555,000, none of which are currently outstanding; Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 Bonds") in the original aggregate principal amount of \$643,430,000, none of which are currently outstanding; Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") in the original aggregate principal amount of \$178,675,000, of which \$163,185,000 are currently outstanding; Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") in the original aggregate principal amount of \$122,020,000, none of which are currently outstanding; Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 1996 in the original aggregate principal amount of \$343,030,000, of which \$273,030,000 are currently outstanding; and Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program, Series of 1999 in the original aggregate principal amount of \$610,005,900, of which \$567,325,900 are currently outstanding.

The 2003 Bonds shall mature on June 15, 2022, shall bear interest from the issuance date at the initial rate and shall be offered at the initial public offering price, each as specified in the Official Statement (hereinafter defined), the Indenture and in Schedule 2 attached hereto. The 2003 Bonds upon issuance shall initially bear interest at a variable rate for a weekly rate period with interest being payable on the fifteenth day (or the next succeeding Business Day, if the fifteenth day is not a Business Day) of each calendar month, commencing July 15, 2003. The 2003 Bonds shall be subject to optional and mandatory sinking fund redemption prior to maturity as described in Schedule 2 attached hereto, in the Official Statement and in the Indenture.

In addition, payment of the principal of and interest on the 2003 Bonds will be insured by a municipal bond new issue insurance policy ("Policy") to be issued by Ambac Assurance Corporation (the "Bond Insurer"). JPMorgan Chase Bank (the "Liquidity Provider") will also enter into a Standby Bond Purchase Agreement dated as of June 1, 2003 (the "Liquidity Facility" or "Standby Agreement") with the Authority.

The proceeds from the sale of the 2003 Bonds will be used, together with other available funds of the Authority, to (i) currently refund all of the Outstanding 1993A Bonds in the aggregate principal amount of \$163,185,000 (the "Refunded 1993A Bonds") and (ii) pay the costs of issuing the 2003 Bonds.

Prior to the execution and delivery of the Indenture, there shall have been enacted or executed, as applicable, and be in full force and effect, without modification: (a) an Ordinance (Bill No. 1437, effective July 1, 1991), adopted by the City Council of the City ("City Council") and approved by the Mayor on June 12, 1991 (the "Tax Ordinance"), levying for the exclusive purposes of the Authority, pursuant to Section 601 of the Act, a 1.5% tax on salaries, wages, commissions and other compensation earned by City residents and on net profits of businesses, professions and other activities conducted by City residents (the "Authority Tax"); (b) an Intergovernmental Cooperation Agreement, dated as of January 8, 1992 (the "Cooperation Agreement"), between the City and the Authority, pursuant to the Act and an Ordinance adopted by the City Council and approved by the Mayor of the City (the "Mayor") on January 3, 1992 (the "Cooperation Ordinance"); (c) a Pennsylvania Intergovernmental Cooperation Authority Income Tax Collection Agency Agreement, dated as of June 1, 1992 (the "Tax Collection Agreement"), between the City and the Commonwealth of Pennsylvania (the "Commonwealth"), including a letter, dated June 28, 1991 (the "Agency Letter"), from the Department of Revenue of the Commonwealth, appointing the Revenue Department of the City and the Law Department of the City agents for the collection and enforcement of the Authority Tax; (d) a City Account Deposit and Disbursement Agreement, dated as of December 6, 1991 (the "City Account Deposit Agreement"), by and between the Authority and Wachovia Bank, National Association, successor to CoreStates Bank, N.A., and acknowledged and agreed to by the City; and (e) a letter (the "Disbursement Letter") from the Authority to the Treasurer of the Commonwealth, issued pursuant to the Act, directing the Treasurer of the Commonwealth to make weekly disbursements to the Trustee of proceeds of the tax imposed pursuant to the Tax Ordinance for deposit in the Revenue Fund established under the Indenture, so long as any bonds issued under the Indenture, including the 2003 Bonds, are outstanding. The Resolutions, the resolution of City Council (the "City Resolution") approving the Plan (hereinafter defined), the Indenture, the Cooperation Agreement, the Tax Collection Agreement, the Tax Compliance Agreement (hereinafter defined), the City Account Deposit Agreement, the Agency Letter, the Standby Agreement, the Remarketing Agreement dated as of June 1, 2003 between the Authority and Raymond James & Associates, Inc., as remarketing agent (the "Remarketing Agreement") and the Disbursement Letter are herein collectively called the "Bond Documents." The Cooperation Ordinance and the Tax Ordinance are herein collectively called the "Ordinances."

A five-year financial plan, covering Fiscal Years 2003 through 2007 was presented by the Mayor to City Council and approved by City Council on May 2, 2002 (the "Current Plan"). The

Current Plan was approved by a Qualified Majority of the Authority on June 18, 2002, and including all amendments, supplements or revisions thereto required to be prepared in accordance with the requirements of the Act and the Cooperation Agreement, hereinafter is referred to as the "Plan".

The Bond Documents, the Ordinances and the Plan shall be substantially in the forms heretofore submitted to the Representative, with only such changes therein as shall be mutually agreed upon between the Authority and the Representative and as shall be required by the Act, the Resolutions and the Ordinances.

3. Authority of Representative. The Underwriters have heretofore designated the undersigned, Raymond James & Associates, Inc., as their Representative and the undersigned represents and warrants that: it has been duly authorized to execute this Purchase Contract and to act hereunder on behalf of the other Underwriters solely for the purpose of carrying out the provisions of this Purchase Contract; any authority, discretion or other power conferred upon the Underwriters under any of the provisions of this Purchase Contract may be exercised by the Representative; and the payment for and acceptance of the 2003 Bonds and delivery and presentation of any receipt for the 2003 Bonds and any other instruments in connection with the Closing solely by the Representative on behalf of the Underwriters shall be valid and sufficient for all purposes and binding upon all of the Underwriters. Each Underwriter hereby severally represents and warrants to the Authority that it is registered under the Securities Exchange Act of 1934, as amended, as a broker or dealer, or is exempt from such registration pursuant to rules promulgated, or an order issued, by the Securities and Exchange Commission and that it is not prohibited from acting in such capacity by the application of Rule G-37 of the Municipal Securities Rulemaking Board.

4. Offering. The Underwriters agree to make a bona fide public offering of all of the 2003 Bonds at prices not in excess of the initial public offering prices, set forth on the front cover of the Official Statement, and in Schedule 2 attached hereto, reserving, however, the right to change such prices or yields without notice as the Underwriters shall deem necessary in connection with the public offering of the 2003 Bonds.

5. Use of Documents. The Authority hereby acknowledges that, in connection with the public offering and sale of the 2003 Bonds, (a) it has authorized and approved the distribution by the Underwriters of the preliminary official statement, dated June 5, 2003, including the appendices thereto, of the Authority prepared in connection with the issuance and sale of the 2003 Bonds (the "Preliminary Official Statement"), and (b) it has authorized and approved the execution and delivery of the final official statement, dated of even date herewith, including the appendices thereto, of the Authority (the "Final Official Statement"), as supplemented or amended in accordance with this Purchase Contract, prepared in connection with the issuance and sale of the 2003 Bonds. The Preliminary Official Statement and Final Official Statement are hereafter collectively referred to as the "Official Statement." The Preliminary Official Statement has been "deemed final" by the Authority as of its date for the purposes of Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), promulgated under the Securities Exchange Act of 1934, as amended, except for the omission of information relating to the

offering prices or yields, interest rates, call features and selling compensation, and other information permitted to be omitted by Rule 15c2-12.

Within seven business days of acceptance hereof, the Authority shall deliver or cause to be delivered to the Underwriters a sufficient number of copies of the Final Official Statement, at least five of which shall be manually executed by the Authority, to enable the Underwriters to provide copies of the Final Official Statement as required by Rule 15c2-12. The Underwriters agree to provide to the Authority in writing the information relating to the offering prices or yields, interest rates, call features and selling compensation in sufficient time for the Authority to comply with its agreement in this paragraph.

The Authority is not required to provide continuing financial or other information for the benefit of the owners of the 2003 Bonds so long as the 2003 Bonds bear interest at a Weekly Rate (such term and the additional terms in the next paragraph not otherwise defined, as defined in the Third Supplemental Indenture).

If the interest rate on the Bonds is converted to a Term Rate or to another interest rate mode for which the interest rate period is longer than nine months, the Authority must either provide the Trustee, Liquidity Provider, Bond Insurer and Remarketing Agent with an opinion of Bond Counsel stating that Rule 15c2-12 provides an exemption with respect to the 2003 Bonds or enter into a written undertaking at the time of such conversion covenanting to provide continuing information with respect to the 2003 Bonds required by Rule 15c2-12 ("Disclosure Agreement").

The Disclosure Agreement will provide that the Authority will provide to each nationally recognized securities information repository ("Repository") and to the appropriate state information depository ("SID"), if any, within 180 days of the end of each fiscal year of each of the Authority, commencing with the fiscal year ending June 30 of the then-current year, annual financial information, consisting of financial and operating data of the type set forth in the Official Statement in Appendix B thereto which will be provided by the Authority (the "Authority Annual Information").

The Disclosure Agreement will also provide that the Authority will file in a timely manner, with the Municipal Securities Rulemaking Board (the "MSRB"), notice of the occurrence of any of the material events as set forth in Rule 15c2-12 and described in the Disclosure Agreement.

6. Representations and Warranties of the Authority. The Authority represents and warrants to each of the Underwriters that:

(a) The Authority is a body politic and corporate organized and existing pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"). The Authority at all relevant times had, and at the date of Closing will have, full legal right, power and authority (i) to enter into this Purchase Contract and each of the Bond Documents to which it is a party, (ii) to issue,

to sell and to deliver the 2003 Bonds to the Underwriters as provided herein for the purposes described in the Official Statement, (iii) to pledge or grant a security interest in all Pledged Revenues, as defined in the Indenture, (iv) to prepare the Official Statement and to authorize the distribution of the Official Statement by the Underwriters, and (v) to carry out and to consummate the transactions contemplated by this Purchase Contract, the 2003 Bonds, and any of the Bond Documents to which it is a party, and as described in the Official Statement.

(b) The Authority has complied, or at the Closing will have complied, with all provisions of the Constitution and the laws of the Commonwealth, including the Act, required of it for the authorization, issuance and sale of the 2003 Bonds, including, without limitation, approval of the Plan, and has, or at the Closing will have, full power and authority to consummate all transactions contemplated by this Purchase Contract, and the 2003 Bonds, any of the Bond Documents to which it is a party and any and all other agreements relating thereto.

(c) The Authority has duly authorized, or prior to the Closing will have duly authorized, all necessary action to be taken by it at or prior to the Closing for: (i) the issuance and sale of the 2003 Bonds upon the terms set forth herein, in the Act, in the Resolutions and in the Indenture; (ii) the execution, issuance and delivery by it of the 2003 Bonds and the execution and delivery by it of each of the Bond Documents to which it is a party, the Official Statement and this Purchase Contract, and (iii) the execution and delivery of any and all such other agreements and documents as may be required to be executed and delivered by the Authority in order to carry out, give effect to and consummate the transactions contemplated by this Purchase Contract, each of the Bond Documents to which it is a party and the 2003 Bonds, and as described in the Official Statement.

(d) Except as disclosed in the Official Statement, the Authority is not in breach of, or in default under, and the authorization, execution and delivery of the 2003 Bonds, each of the Bond Documents to which it is a party and this Purchase Contract, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under (i) any applicable law, ordinance, or administrative regulation of the Commonwealth, including the Act, or of the United States or of any governmental authority having jurisdiction over the Authority or of any department, division, agency or instrumentality thereof or in any way connected therewith (but not including United States or state securities laws or regulations, as to which no representation is made), or (ii) any applicable judgment, order or decree or any instrument relating to the Authority to which the Authority is a party or to which the Authority or any of the revenues or assets thereof is otherwise bound or subject and no event has occurred or is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default thereunder.

(e) Except for the lien created by the Indenture, and a lien in favor of Financial Guaranty Insurance Company created pursuant to the Debt Service Reserve Fund Policy Agreement dated as of April 15, 1999, there is no lien on the Pledged Revenues as of the date of this Purchase Contract and, as of the time of the Closing, there will be no other lien on the Pledged Revenues. The proceeds of the Authority Tax as of the date of this Purchase Contract are, and at all times subsequent to the date hereof and as of and after the Closing will be, the

revenues and property of the Authority, are not property or revenues of the City and are not subject to appropriation by either the Commonwealth or the City.

(f) All approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction, the obtaining of which would constitute a condition precedent to the performance by the Authority of its obligations under the Act, each of the Bond Documents to which it is a party, the 2003 Bonds and this Purchase Contract, have been obtained and are in full force and effect.

(g) The 2003 Bonds, when issued, authenticated and delivered in accordance with this Purchase Contract and the Indenture and sold to the Underwriters and paid for as provided herein and therein, will be duly authorized and validly issued and binding limited obligations of the Authority entitled to the benefits of the provisions for payment thereof, and security therefor, contained in the 2003 Bonds, the Act, the Resolutions and the Indenture, and enforceable in accordance with their terms except as enforceability or remedies provided therein may be limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws and equitable principles affecting the enforcement of creditors' rights generally.

(h) Except for information with respect to the City (including, without limitation, information in Appendix B of the Official Statement) and except for information with respect to DTC (as hereinafter defined) and the Bond Insurer and the Liquidity Provider, as to which no representation is made, the Official Statement as of its date, and at all times subsequent to the date hereof until the date of and as of the Closing, does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(i) Except as disclosed in the Official Statement, no action or proceeding, at law or in equity, or inquiry, hearing or investigation, before or by any court, public or governmental board, agency or body is pending against the Authority or, to the best of the knowledge of the Authority, threatened against the Authority, which in any way contests the corporate existence or powers of the Authority or the titles of its officers signatory hereto to their respective offices, or seeks to restrain or to enjoin the issuance or delivery of the 2003 Bonds or seeks to restrain or enjoin the collection or pledge of revenues of the Authority, including the Pledged Revenues, or the application thereof to the payment of the principal of, redemption premium, if any, or interest on the 2003 Bonds or as otherwise provided in each of the Bond Documents to which it is a party, or which in any way contests the validity of the 2003 Bonds, the Act, this Purchase Contract, any of the Bond Documents to which it is a party or either of the Ordinances or the authority or the power of any party to such documents to execute or perform their obligations thereunder, or any transaction contemplated by the Official Statement, or wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition of the Authority, the transactions contemplated by this Purchase Contract, the Act, each of the Bond Documents to which it is a party and the Official Statement or the tax-exempt status of the Authority or the 2003 Bonds or would have an adverse effect on the validity or enforceability of the 2003 Bonds, the Resolutions, the Indenture, any of the other Bond Documents to which it is a party, either of the Ordinances or any agreement or instrument by

which the Authority is or may be bound. The 2003 Bonds are not subject to acceleration upon the occurrence of an Event of Default (as described in the Indenture).

(j) During the 5-year period preceding the date hereof the Authority has complied in all material respects with all provisions of any continuing disclosure agreement to which it is or was a party.

7. Covenants of the Authority. The Authority agrees and covenants with each of the Underwriters that:

(a) Between the date of this Purchase Contract and the Closing, the Authority will not, without prior written consent of the Representative, offer or issue any bonds, notes or other obligations for borrowed money payable from the revenues of, or otherwise relating to, the Authority, except borrowings in the ordinary course of business which do not materially affect the accuracy of the information contained in the Official Statement.

(b) The Authority will furnish such information, execute such instruments and take such other action, in cooperation with the Representative, as the Representative may reasonably request, to qualify the 2003 Bonds for offer and sale under the securities or "blue sky" laws and regulations of such states and other jurisdictions of the United States as the Representative may designate and will cooperate with the Representative to continue to maintain such qualifications in effect so long as required for the distribution of the 2003 Bonds until the time of Closing; provided that the Authority shall not be obligated to take any action that would subject it to service of process in any such jurisdiction or to pay any fees for such qualification.

(c) If between the date of this Purchase Contract and the date of the Closing an event occurs which is not disclosed in the Official Statement, or an event contemplated by the Official Statement fails to occur, which occurrence or failure would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Authority shall notify the Representative immediately after it becomes aware thereof and, if in the opinion of the Representative such occurrence or failure requires a supplement or amendment to the Official Statement, the Authority will supplement or amend the Official Statement in a manner jointly approved by the Representative and the Authority and furnish the Underwriters with a reasonable number of copies of the Official Statement as so supplemented or amended. The Authority will pay for the printing and distribution of the Official Statement as so amended and supplemented.

(d) The Authority will notify the Representative, to the extent not disclosed in the Official Statement, of any material adverse change in the business, properties, financial condition or results of operation of the Authority and (to the extent known by the Authority) the City occurring before the Closing or within 25 days after the end of the underwriting period for the 2003 Bonds (within the meaning of Rule 15c2-12). The Authority may presume for purposes of this Section 7 (d) that the underwriting period of the 2003 Bonds will end on the date of the Closing unless the Authority is otherwise notified in writing at the Closing by the Representative.

The Representative agrees to file a copy of the Official Statement with a nationally recognized municipal securities information repository (a "Repository") promptly after the Closing and to notify the Authority in writing of the date of such filing and the name of the Repository. The Representative agrees, at the Authority's cost and expense, promptly to file any amendments or supplements to the Official Statement with the same Repository and to notify the Authority in writing of such filings and the dates thereof. If in the opinion of the Representative such change requires a supplement or amendment to the Official Statement, the Authority will cause the Official Statement to be supplemented or amended in a form and in a manner jointly approved by the Authority and the Representative and furnish the Underwriters with a reasonable number of copies of the Official Statement as so supplemented or amended. The Authority will pay for the printing and distribution of the Official Statement as so amended and supplemented.

(e) The Authority covenants that between the date hereof and the Closing, it will take no actions which would cause the representations and warranties made in Section 6 hereof to be untrue as of the Closing.

(f) The Authority will apply the proceeds from the sale of the 2003 Bonds as set forth in the Indenture and as described in the Official Statement.

8. Closing. The Closing shall occur at the offices of Klett Rooney Lieber & Schorling, a Professional Corporation, Philadelphia, Pennsylvania, or such other place as shall have been mutually agreed upon by the Authority and the Representative, at 9:00 A.M., Philadelphia time, June 16, 2003 or at such earlier or later time or on such earlier or later date as the Authority and the Representative may mutually determine. At the Closing, the Authority will deliver, or cause to be delivered, to the Representative the 2003 Bonds, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Representative on behalf of the Underwriters will accept such delivery and pay the Purchase Price plus any accrued interest on the 2003 Bonds, to the date of Closing, in immediately available Federal Funds to the order of the Trustee for the account of the Authority. The unqualified opinion of Klett Rooney Lieber & Schorling, a Professional Corporation, Bond Counsel, substantially in the form appended as Appendix D to the Official Statement, shall be printed on, or attached to, the 2003 Bonds.

Prior to the Closing, the 2003 Bonds, duly executed and authenticated, shall have been delivered as indicated herein. The 2003 Bonds, when issued, will be registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York ("DTC"), which will act as a securities depository for the 2003 Bonds. Purchases of beneficial ownership interests in the 2003 Bonds will be made in book-entry-only form. So long as DTC or its nominee, Cede & Co., is the registered owner, principal of, redemption premium, if any, and interest on, the 2003 Bonds is payable directly to Cede & Co., for redistribution to DTC participants and in turn to the beneficial owners as described in the Official Statement. Purchasers of 2003 Bonds will not receive physical delivery of certificates representing their ownership interests in the 2003 Bonds purchased. The 2003 Bonds will be made available to the Representative in Philadelphia, Pennsylvania, one Business Day prior to the Closing, for checking at a place to be designated mutually by the Representative and the Authority. After

execution by the Authority, authentication by the Trustee and checking, the 2003 Bonds shall be transferred to and held in safe custody by DTC. In lieu of the foregoing, the 2003 Bonds shall be held in safe custody by the Trustee or any authorized agent of the Trustee.

9. Closing Conditions. The Representative has entered into this Purchase Contract on behalf of itself and the other Underwriters in reliance upon the respective representations and warranties of the Authority contained herein and of the City contained in the Letter of Representations, dated the date hereof (the "Letter of Representations"), the form of which is attached hereto as Exhibit A, and upon performance by the Authority and the City of their respective obligations hereunder and thereunder, both as of the date hereof and as of the date of Closing. Accordingly, the Underwriters' obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the 2003 Bonds shall be subject to (i) the performance, at or prior to the Closing, by the Authority and the City of their respective obligations to be performed hereunder, under the Letter of Representations and under such documents and instruments to be delivered at or prior to Closing and (ii) satisfaction of the following conditions:

(a) The representations and warranties of the Authority contained herein and of the City contained in the Letter of Representations shall be true, complete and correct in all material respects at the time of acceptance of this Purchase Contract and at the time of Closing, as if made on the date thereof.

(b) At the time of the Closing (i) the Act, the Resolutions, this Purchase Contract, the 2003 Bonds, each of the Bond Documents and each of the Ordinances shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been approved in writing by the Representative, and the Authority and the City shall have duly adopted and there shall be in full force and effect any and all additional ordinances, resolutions or agreements as shall, in reasonable opinion of Bond Counsel, be necessary in connection with the transactions contemplated hereby, (ii) the Authority and the City shall perform or have performed all of their respective obligations required under or specified in this Purchase Contract, the Letter of Representations, or any of the Bond Documents, and as described in the Official Statement to be performed at or prior to Closing, and (iii) the proceeds of the sale of the 2003 Bonds shall be initially applied as described in and as otherwise permitted by the Indenture and in the Official Statement.

(c) At the date of Closing there shall not be any default by the Authority or the City with respect to any of their respective obligations, which default materially and adversely affects (i) the ability of the Authority to pay the debt service on the 2003 Bonds and/or (ii) the financial condition or operations of the City.

(d) The Representative shall have the right to terminate, without liability therefor, the Underwriters' obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the 2003 Bonds by notifying the Authority of its election to do so if, after the execution hereof and at or prior to Closing: (i) the Constitution of the United States or the Commonwealth shall have been amended, or legislation shall have been introduced in or enacted by the Congress of the United States or introduced in or enacted by the House of

Representatives or the Senate of the Commonwealth, or legislation pending in the Congress of the United States or the House of Representatives or the Senate of the Commonwealth, or a decision shall have been rendered by a court of the United States or of the Commonwealth, including the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or other form of official notice or statement shall have been proposed or made or other form of official notice or statement shall have been issued by the Treasury Department of the United States or the Internal Revenue Service or other Federal or Pennsylvania agency, with respect to Federal or Pennsylvania taxation upon revenues or other income of the general character to be derived by the Authority or by any similar body, or upon interest on obligations of the general character of the 2003 Bonds, which would have the effect of changing directly or indirectly the Federal or Pennsylvania income tax consequences of interest on obligations of the general character of the 2003 Bonds in the hands of the holders thereof, or which affects materially and adversely the ability of the Underwriters to market the 2003 Bonds or the market price of the 2003 Bonds; (ii) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the 2003 Bonds is in violation of any provisions of the Securities Act of 1933, as amended, or any State "blue sky" or securities commission shall have withheld registration, exemption or clearance of the offering and in the judgment of the Representative the market for the 2003 Bonds is materially adversely affected thereby; (iii) legislation shall be enacted or a bill shall be favorably reported out of committee to either House of Congress, or a decision by a court having jurisdiction shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made which, in the opinion of counsel to the Underwriters, is to the effect that securities of the Authority or any similar public body of the general character of the 2003 Bonds are not exempt from the registration requirements of the Securities Act of 1933, as amended, or that the Indenture is required to be qualified under the Trust Indenture Act of 1939, as amended; (iv) there shall have occurred unforeseen hostilities or other unforeseen national or international calamity or crisis, the effect of such hostilities, calamity or crisis on the financial markets of the United States being such in the judgment of the Representative as to materially adversely affect the marketability of the 2003 Bonds at the contemplated offering prices thereof or to enforce contracts for the sale of the Bonds; (v) there shall have occurred and be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange whether by virtue of a determination of that Exchange or by order of any governmental authority having jurisdiction; (vi) a general banking moratorium by the United States, New York or Pennsylvania authorities having jurisdiction shall have been declared or be in force; (vii) any rating of the 2003 Bonds shall have been downgraded or withdrawn or suspended by Moody's Investors Service or Standard & Poor's Rating Group or Fitch IBCA and such action in the judgment of the Representative would affect materially and adversely the ability of the Underwriters to market the 2003 Bonds at the contemplated offering prices or otherwise makes it impracticable or inadvisable to proceed with the offering or delivery of the 2003 Bonds as contemplated by the Official Statement; (viii) a supplement or amendment shall have been made to the Official Statement subsequent to the date hereof which, in the

judgment of the Representative, materially and adversely affects the marketability of the 2003 Bonds or the market price thereof or (ix) there shall exist any event which, in the judgment of the Representative either (A) makes untrue, incorrect or incomplete information contained in the Official Statement or (B) is a material fact omitted from the Official Statement but is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and, if the Official Statement were amended or supplemented to reflect such event, the condition described in clause (viii) of this section would occur.

(e) At or prior to Closing the Representative on behalf of the Underwriters shall have received executed originals or counterparts of each of the following documents:

(i) The Official Statement, executed on behalf of the Authority by its Chairperson or Vice Chairperson, and each supplement or amendment thereto.

(ii) The Bond Documents, each signed by the applicable parties thereto, together with certificate of the Chairperson or Vice Chairperson of the Authority, dated the date of the Closing, to the effect that, with respect to Bond Documents to which the Authority is a party and which have been executed and delivered and are effective prior to the date of Closing, such Bond Documents are currently in full force and effect, that no default on the part of the Authority has occurred thereunder and that no event has occurred which, with notice or upon lapse of time, or both, would constitute such default.

(iii) The Plan, (A) signed by the Mayor of the City and duly approved by resolution of City Council adopted pursuant to due authority and being in full force and effect as of the date of Closing and (B) certified by the Chairperson or Vice Chairperson of the Authority as having been duly approved by the Authority pursuant to due authority and as being in full force and effect as of the date of Closing.

(iv) the City Resolution and the Ordinances, each Ordinance having been signed by the Mayor of the City, certified by the Clerk of City Council as having been duly adopted by City Council pursuant to due authority, as being in full force and effect as of the date of Closing and as not having been amended or supplemented since the respective dates of their enactment or adoption.

(v) an opinion, dated the date of the Closing, of Bond Counsel, substantially in the forms set forth in the Official Statement and appended thereto as Appendix D, and a letter of such Bond Counsel, dated the date of Closing and addressed to the Underwriters, Trustee, Liquidity Provider and Bond Insurer to the effect that such opinions delivered to the Authority may be relied upon by such parties to the same extent as if such opinions were addressed to them.

(vi) a supplemental legal opinion of Bond Counsel, dated the date of Closing and addressed to the Underwriters and the Liquidity Provider, with respect to certain supplemental matters and substantially in the form set forth in Exhibit B attached hereto.

(vii) An opinion, dated the date of Closing and addressed to the Underwriters, of Dilworth Paxson LLP and Obermayer Rebmann Maxwell & Hippel LLP, Co-Counsel for the Underwriters, to the effect that (A) based upon their participation in the preparation of the Official Statement as Co-Counsel to the Underwriters and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to their attention, in connection with their engagement in respect of the issuance of the 2003 Bonds, which would lead them to believe that, as of the date of Closing, the Official Statement (except for the financial and statistical data and projections included therein and except for any other information in the Official Statement concerning the City and DTC and any information concerning the Bond Insurer, the Policy, the Liquidity Provider and the Liquidity Facility, as to which no view is expressed) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and (B) the offer and sale of the 2003 Bonds are exempt from registration under the Securities Act of 1933, as amended and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

(viii) a certificate dated the date of Closing and signed by the Director of Finance of the City, in form and substance satisfactory to Bond Counsel, the Authority and the Representative, to the extent that: (A) to the best of his knowledge the representations and warranties of the City in the Letter of Representations are true and correct in all material respects; (B) the information concerning the City contained in the Official Statement does not include any untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (C) there has been no material adverse change in the financial condition of the City since the date of the Official Statement, which has not been disclosed in the Official Statement.

(ix) The Tax Compliance Agreement, dated the date of Closing (the "Tax Compliance Agreement") and signed on behalf of the Authority by an authorized officer of the Authority, and by the Director of Finance for the City, on behalf of the City, in form and substance satisfactory to the Representative and Bond Counsel, which agreement, among other things, (A) sets forth facts, estimates and circumstances, in existence on the date of Closing, sufficient to support the conclusion that it is not expected that the proceeds of the 2003 Bonds will be used in a manner that would cause the 2003 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations, temporary regulations and proposed regulations promulgated under such Section; and (B) states that, to the best of their knowledge and belief, based on all objective facts and circumstances, the Authority's and the City's expectations are reasonable and there are no other facts, estimates or circumstances that would materially affect such expectations.

(x) A certificate dated the date of the Closing and signed by the Chairperson or Vice Chairperson and Secretary or Assistant Secretary of the Authority in form and substance satisfactory to the Representative in which such officers shall state that, to the best of their knowledge after reasonable investigation: (A) the Resolutions are in full force and effect as of the date of Closing and have not been amended or supplemented since the dates of their

adoption, (B) the representations and warranties of the Authority contained in this Purchase Contract are true and correct as of the Closing, (C) the Official Statement, except for information furnished by or with respect to the City, the Bond Insurer, the Liquidity Provider and DTC as to which no representation need be expressed, does not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, (D) no litigation is pending against the Authority (i) to restrain or enjoin the issuance or delivery of any of the 2003 Bonds or the pledge or collection of revenues pledged under the Indenture, (ii) in any way contesting or affecting any authority for issuance of the 2003 Bonds, the Bond Documents or this Purchase Contract, or the validity of the Resolutions or (iii) in any way contesting the existence or powers of the Authority, (E) except as may have been disclosed to the Representative pursuant to Sections (c) or (d) hereof, no event affecting the Authority has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used, or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which they were made, not misleading and (F) the Authority has complied with all agreements, and satisfied all conditions, on its part to be performed or satisfied at or prior to the issuance and sale of the 2003 Bonds.

(xi) An opinion of Reed Smith, LLP, Counsel to the Authority, dated the date of Closing and addressed to the Representative, and the Liquidity Provider substantially in the form set forth in Exhibit C attached hereto.

(xii) An opinion of the Office of the City Solicitor, dated the date of Closing and addressed to the Representative, substantially in the form set forth in Exhibit D attached hereto.

(xiii) An opinion of Blank Rome LLP, Special Counsel to the City, dated the date of Closing and addressed to the Representative, substantially in the form set forth in Exhibit E attached hereto.

(xiv) A signed copy of the Tax Collection Agreement, together with a certificate of the Revenue Commissioner of the City and the City Solicitor, dated the date of the Closing, to the effect that such copy is a true and complete copy of such agreement, that such agreement is currently in full force and effect, that no default on the part of the City has occurred thereunder and that no event has occurred which, with notice or upon lapse of time, or both, would constitute such default.

(xv) A certified copy of the Policy of the Bond Insurer in standard form and substance, insuring the timely payment of principal of and interest on the 2003 Bonds, such certified copy to be accompanied by:

(1) An opinion of counsel to or a certificate of the Bond Insurer to the effect that the information relating to the Bond Insurer appearing under the caption "BOND INSURANCE" in the Official Statement does not contain any untrue statement of a

material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(2) An opinion of counsel to the Bond Insurer to the effect that:

(a) The Bond Insurer is duly organized and validly existing under the laws of its state of incorporation and is qualified to do business in the Commonwealth of Pennsylvania and (b) the Policy has been duly and validly issued by the Bond Insurer and constitutes the legal, valid and binding obligation of the Bond Insurer enforceable in accordance with its terms except as limited by bankruptcy, insolvency, moratorium and other laws affecting creditors' right generally and by general principles of equity.

(xvi) Copies of letters from each of Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch assigning the 2003 Bonds ratings of "Aaa", "AAA" and "AAA", respectively, with the understanding that, upon delivery of the 2003 Bonds, the Financial Guaranty Insurance Policy will be issued by the Bond Insurer and also assigning the underlying ratings of "A1," "A+," and "A" to the 2003 Bonds based on the unenhanced credit of the Authority, and evidence satisfactory to the Representative that such ratings remain in effect and have not been suspended, withdrawn or downgraded as of the date of Closing.

(xvii) A letter from Deloitte and Touche, LLP addressed to the Authority, consenting to the inclusion of their report on the audited financial statements of the Authority in Appendix B of the Official Statement.

(xviii) A certificate satisfying the requirements of Section 2.11(f) of the Original Indenture, including, if required, the verification of an independent certified public accountant, and bond insurer consent.

(xix) The Liquidity Facility in form and substance satisfactory to the Representative accompanied by:

(1) An opinion of counsel to the Liquidity Provider to the effect that the information relating to the Liquidity Facility appearing under the caption "THE STANDBY AGREEMENT" in the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and a certificate of the Liquidity Provider to the effect that the information relating to the Liquidity Provider appearing under the caption "CERTAIN INFORMATION CONCERNING THE BANK" in Appendix F of the Official Statement is substantially accurate.

(2) An opinion of counsel to the Liquidity Provider to the effect that: (a) the Liquidity Provider is duly organized and validly existing under the laws of its state of incorporation and is qualified to do business in the Commonwealth of Pennsylvania and (b) the Liquidity Facility has been duly and validly issued by the Liquidity Provider and

constitutes the legal, valid and binding obligation of the Liquidity Provider enforceable in accordance with its terms except as limited by bankruptcy, insolvency, moratorium and other laws affecting creditors' right generally and by general principles of equity.

(xx) A copy of Form 8038-G executed and completed for filing with the Internal Revenue Service in respect of the 2003 Bonds and evidence of the timely filing thereof.

(xxi) An opinion of Leonard, Tillery & Sciolla, LLP, counsel to the Trustee, in form and substance satisfactory to the Underwriters and their Co-Counsel.

(xxii) Such additional legal opinions, certificates, instruments and other documents as the Representative may reasonably request.

Except as otherwise expressly provided in this Purchase Contract, all of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Representative.

If the Authority shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the 2003 Bonds contained in this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters nor the Authority shall be under further obligations hereunder, except that the respective obligations of the Authority and the Underwriters set forth in Section 11 hereof shall continue in full force and effect. However, the Representative may, in its discretion, waive one or more of the conditions imposed by this Purchase Contract for the protection of the Underwriters and proceed with the Closing.

10. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties and agreements of the Authority, the Representative and the Underwriters contained herein or delivered or made in connection herewith, and the representations, warranties and agreements of the City contained in the Letter of Representations, shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriters or the Authority, and shall survive delivery of and payment for the 2003 Bonds hereunder.

11. Expenses. As between the Underwriters and the Authority, the Authority shall pay, or, in the case of the Underwriters, reimburse, all expenses and costs to effect the authorization, preparation, issuance, delivery and sale of the 2003 Bonds (including without limitation, the fees and expenses of counsel to the Authority, the fees and expenses of the Authority, the fees and expenses of Bond Counsel, the Trustee's fees, including without limitation the fees and expenses of the Trustee's co-counsel, the fees and expenses of the City's advisors and counsel, the fees and expenses of the Underwriters' counsel, the rating agencies' fees, bond insurance premiums, fees and expenses of the Liquidity Provider, including its counsel fee, financial advisory fees, and the expenses and costs (including reasonable attorneys' fees and expenses) for the preparation, advertising, printing, photocopying, execution and

delivery of the 2003 Bonds, the Official Statement, each of the Bond Documents, this Purchase Contract, any "blue sky" memoranda, and all other agreements and documents contemplated hereby). The Authority will also pay the Underwriters an underwriting fee of \$579,425.

The Underwriters will pay their own costs and expenses (including without limitation state securities filing fees) relating to the purchase and sale of the 2003 Bonds and issuance costs as directed by the Authority.

12. Parties in Interest. This Purchase Contract shall inure to the benefit of the Underwriters and the Authority and their and its respective successors and assigns. Nothing in this Purchase Contract is intended or shall be construed to give any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect to this Purchase Contract or any claim under or in respect to this Purchase Contract or any provisions herein contained. The terms "successors" and "assigns" as used herein shall not include any purchaser, as such purchaser, of any of the 2003 Bonds from the Underwriters.

13. Notices. Any notice or other communication to be given to the Authority under this Purchase Contract may be given by delivering the same in writing personally or by certified mail to the Authority, 1429 Walnut Street, 14th Floor, Philadelphia, Pennsylvania 19102, Attention: Executive Director, and any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing personally or by certified mail to Kevin M. Schuyler, Director, Raymond James & Associates, Inc. 880 Carillon Parkway, T3-FL3, St. Petersburg, Florida 33716. A copy of any such notice or other communication shall be given to the City by sending party by delivering the same, in writing personally or by certified mail to the City Solicitor's Office, 15th and Arch Streets, Philadelphia, Pennsylvania 19103, Attention: City Solicitor.

14. Miscellaneous.

(a) This Purchase Contract may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute one and the same document, and shall become effective upon the execution of the acceptance hereof.

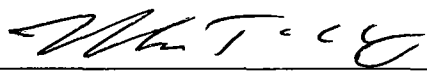
(b) The terms and provisions of this Purchase Contract shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

(c) Time is of the essence in the performance of the provisions of this Purchase Contract.

(d) No member of the governing board of the Authority and no officer or employee of the Authority shall be liable personally under or with respect to this Purchase Contract or any document, instrument, agreement or certificate referred to herein or otherwise delivered in connection with the issuance and sale of the 2003 Bonds.

Very truly yours,

RAYMOND JAMES & ASSOCIATES, INC.
as Representative of the several Underwriters

By: 

Accepted 5 PM local time on

June 12, 2003

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

By: 

Chairperson

SCHEDULE 1
UNDERWRITERS

Representative:

Raymond James & Associates, Inc.

Other Underwriters:

UBS Financial Services
Commerce Capital Markets, Inc.
RBC Dain Rauscher, Inc.
Arthurs Lestrangle & Company, Inc.

SCHEDULE 2

**BOND MATURITY
2003 Bonds**

<u>DUE JUNE 15</u>	<u>AMOUNT</u>	<u>INITIAL INTEREST RATE</u>	<u>PRICE</u>
2022	\$165,550,000	1.07%	100%

REDEMPTION

(a) Optional Redemption.

(i) Flexible Rate Period or a Variable Rate Period. During a Flexible Rate Period or a Variable Rate Period, the 2003 Bonds shall be subject to redemption prior to maturity at the option of the Authority, in whole or in part (and if in part in an Authorized Denomination) on any Repurchase Date applicable thereto during a Flexible Rate Period or on any Interest Payment Date during a Variable Rate Period (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot), at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

(ii) Term Rate Period. On or prior to the Fixed Rate Conversion Date, 2003 Bonds in a Term Rate Period may be redeemed by the Authority, in whole or in part (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot in such manner as shall be determined by the Trustee), (A) at any time on and after the No-Call Period described below, at a redemption price of 100% of the principal amount of 2003 Bonds called for redemption, plus accrued interest to the date fixed for redemption, and (B) on the day after the end of each Term Rate Period at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption:

Length of Term Rate Period

Greater than or equal to 15 years

Less than 15 years and greater than or equal to 10 years

Less than 10 years and greater than or equal to 8 years

Less than 8 years

Commencement of Redemption Period

10th Anniversary of the commencement of the Term Rate Period

8th Anniversary of the commencement of the Term Rate Period

6th Anniversary of the commencement of the Term Rate Period

Not subject to optional redemption until commencement of next Term Rate Period

Notwithstanding the foregoing, the No-Call Periods specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2003 Bonds to a Term Rate Period is to the effect that such change will not have an adverse effect on the validity of the 2003 Bonds or any exemption from federal income taxation to which interest on the 2003 Bonds would otherwise be entitled.

(iii) Fixed Rate. After the Fixed Rate Conversion Date, the 2003 Bonds may be redeemed by the Authority in whole on any date, or in part on any Interest Payment Date (and, if in part, by lot in such manner as shall be determined by the Trustee), after the No-Call Period described below at a redemption price of 100% of the principal amount of 2003 Bonds called for redemption, plus accrued interest to the date fixed for redemption:

Length of Fixed Rate Period

Greater than or equal to 15 years

Less than 15 years and greater than or equal to 10 years

Less than 10 years and greater than or equal to 8 years

Less than 8 years

Commencement of Redemption Period

10th Anniversary of the commencement of the Fixed Rate Period

8th Anniversary of the commencement of the Fixed Rate Period

6th Anniversary of the commencement of the Fixed Rate Period

Not subject to optional redemption

Notwithstanding the foregoing, the No-Call Periods and redemption prices specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2003 Bonds to a Fixed Rate is to the effect that such change will not have an adverse effect on the validity of the 2003 Bonds or any exemption from federal income taxation to which interest on the 2003 Bonds would otherwise be entitled.

(b) Special Optional Redemption. Any 2003 Bonds which are Bank Bonds shall be subject to redemption in whole or in part prior to the Maturity Date at the option of the Authority out of amounts deposited in the Debt Service Fund, on any Business Day while such 2003 Bonds are Bank Bonds at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

(c) Mandatory Sinking Fund Redemption. The 2003 Bonds are subject to mandatory redemption prior to maturity in part by lot, as selected by the Trustee, on June 15 of each year as set forth below, in the respective principal amounts listed

opposite each such year from moneys in the Debt Service Fund, at a redemption price equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date to the redemption date.

<u>Redemption Date</u> <u>(June 15)</u>	<u>Principal Amount</u>	<u>Redemption Date</u> <u>(June 15)</u>	<u>Principal Amount</u>
2004	\$5,460,000	2013	\$ 8,420,000
2005	5,720,000	2104	8,835,000
2006	5,995,000	2015	9,270,000
2007	6,290,000	2016	9,725,000
2008	6,605,000	2017	10,205,000
2009	6,950,000	2018	10,710,000
2010	7,290,000	2019	11,245,000
2011	7,650,000	2020	11,795,000
2012	8,025,000	2021	12,375,000
		2022	12,985,000*

*Stated Maturity

In the event of any partial optional redemption of the 2003 Bonds or any special optional redemption of 2003 Bonds that are Bank Bonds, the mandatory sinking fund redemption payments shall be reduced in such order as the Authority shall elect prior to such redemption or, if no such election is made, in the inverse order thereof. The Trustee shall (in such manner as it in its sole discretion shall choose) adjust the amount of each such reduction in required mandatory redemption payment, so that each such required mandatory sinking fund redemption payment is made in Authorized Denominations.

EXHIBIT A

Form of Letter of Representations

June 12, 2003

Raymond James & Associates, Inc.
as Representative for the Underwriters
880 Carillon Parkway
St. Petersburg, FL 33716

Ladies and Gentlemen:

Pursuant to the Bond Purchase Contract (the "Purchase Contract") between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and Raymond James & Associates, Inc. (the "Representative"), as representative of the Underwriters specified therein, the Authority has agreed, inter alia, to sell to the Underwriters One Hundred Sixty-Five Million Five Hundred Fifty Thousand (\$165,550,000) Dollars aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "2003 Bonds") and the Underwriters have agreed to purchase said 2003 Bonds upon the terms and conditions set forth in the Purchase Contract. Unless otherwise defined herein, the terms defined in the Purchase Contract are used herein with the same meanings. This Letter of Representations is delivered to you pursuant to the Purchase Contract.

As of the date hereof, the undersigned, on behalf of the City, hereby represents and warrants to and agrees with each of you as follows:

1. The terms of the Purchase Contract are hereby approved, without waiving any of the City's rights due to provisions of paragraph 12 thereof;
2. The City has duly and validly authorized and approved the execution and delivery of the Cooperation Agreement, the Tax Collection Agreement and the Tax Compliance Agreement, and the performance by the City of its obligations, covenants and agreements contained therein;
3. The City has duly and validly acknowledged and approved the City Account Deposit Agreement;
4. The City has duly and validly executed and delivered, and has, and at the date of Closing will have, full legal right, power and authority to perform its obligations under the Cooperation Agreement and the Tax Collection Agreement; and the City has, and at the date of Closing will have, full legal right, power and authority to perform its obligations under the Tax Compliance Agreement;

5. The Tax Ordinance and the Cooperation Ordinance and the resolution of City Council approving the Plan (the "City Resolutions") have been duly and validly enacted or adopted, as applicable, by City Council and the Tax Ordinance and the Cooperation Ordinance have been approved by the Mayor, all pursuant to authority granted in the Act and in accordance with the Constitution of the Commonwealth and the Philadelphia Home Rule Charter;

6. All action taken by City Council, the Mayor and other authorized City officials in connection with the enactment of the Tax Ordinance and the Cooperation Ordinance and the adoption of the City Resolutions, including, without limitation, publication, convening and conduct of the public meetings at which public hearings were held and action was taken, were and are in compliance with the Philadelphia Home Rule Charter and Act 1998-93 of the General Assembly of the Commonwealth, approved October 15, 1998 (or, in the case of any action taken prior to the effective date thereof, the Act approved July 3, 1986, No. 84, P.L. 388, as amended). The Tax Ordinance, the Cooperation Ordinance and the City Resolutions are in full force and effect as of the date hereof and have not been amended since the respective dates of their enactment and adoption.

7. As provided in the Act, the proceeds of the Authority Tax as of the date hereof are, and at all times subsequent to the date hereof and as of and after the Closing will be, the revenues and property of the Authority, are not property or revenues of the Commonwealth or the City and are not subject to appropriation by either the Commonwealth or the City;

8. Except as otherwise disclosed in the Official Statement, the City is not, to the best of the City's knowledge in any material respect, in breach of or default under the City's Home Rule Charter or the Code of General Ordinances, or any applicable law or administrative regulation of the Commonwealth or the United States, or any applicable judgment, decree or loan agreement, note, resolution, ordinance, agreement or other instrument to which the City is a party or by which it is otherwise bound, the consequence of which or the correction of which would materially and adversely affect the financial condition or operations of the City as a whole;

9. The execution and delivery of the Cooperation Agreement and the Tax Collection Agreement by the City and compliance with the provisions thereof did not, do not and will not constitute a breach of or default under the City's Home Rule Charter or the Code of General Ordinances, or any existing applicable law or administrative regulation or the Constitution of the Commonwealth or the United States or any applicable judgment or decree and did not and do not, to the best of the City's knowledge, in any material respect constitute a default under any loan agreement, note, resolution, ordinance, agreement or other instrument to which the City is a party or by which it is otherwise bound;

10. The execution and delivery of the Tax Compliance Agreement by the City and compliance with the provisions thereof do not and will not constitute a breach of or default under the City's Home Rule Charter or the Code of General Ordinances, or any applicable law or administrative regulation or the Constitution of the Commonwealth or the United States or any existing applicable judgment or decree and do not to the best of the City's knowledge in any

material respect constitute a default under any loan agreement, note, resolution, ordinance, agreement, or other instrument to which the City is a party or by which it is otherwise bound;

11. The acknowledgment and approval of the City Account Deposit Agreement by the City do not and will not constitute a breach of or default under the City's Home Rule Charter or the Code of General Ordinances, or any applicable law or administrative regulation or the Constitution of the Commonwealth or the United States or any applicable judgment or decree;

12. The information concerning the City contained in the Official Statement, including without limitation, the financial information concerning the City, is correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect, and the City has consented to the use of such information in the Official Statement;

13. The City will notify the Representative, and the Authority, to the extent not disclosed in the Official Statement, of any material adverse change in the business, properties, financial condition or results of operation of the City as a whole occurring before the Closing or within 25 days after the end of the underwriting period for the 2003 Bonds (within the meaning of Rule 15c2-12). The City may presume for purposes of this section that the underwriting period of the 2003 Bonds will end on the date of Closing unless the City is otherwise notified in writing at the Closing by the Representative.

14. The City agrees that between the date hereof and the date of Closing it will take no action which will cause the representations and warranties contained herein to be untrue at any time from the date hereof up to and including the date of Closing; and

15. Based solely on the information provided to me by the Law Department of the City of Philadelphia (the "Department") after inquiry within the Department, except for litigation which in the opinion of the Department is without merit, and except as disclosed in the Official Statement, no litigation or other legal proceeding is pending against the City or, to the best of the Department's knowledge, threatened in writing against the City (i) to restrain or enjoin the issuance or sale of the 2003 Bonds or the City's execution or delivery of, or performance under, the Cooperation Agreement, the Tax Collection Agreement or the Tax Compliance Agreement, or in any way contesting any authority for or the validity or enforceability of the 2003 Bonds, the Act, the City Resolution, the Ordinances, the Cooperation Agreement, the Tax Collection Agreement, the Tax Compliance Agreement, the City Account Deposit Agreement or the Indenture, or (ii) in which a final adverse decision can reasonably be anticipated in a magnitude or scope which would materially and adversely affect the financial condition or operations of the City as a whole, or (iii), contesting in any way the completeness or accuracy of the information concerning the City in the Official Statement or (iv) contesting in any way the validity or enforceability of the City's obligations under the Cooperation Agreement or the Tax Collection Agreement, the powers of the City or the validity, collection or pledge of the Authority Tax or (v) in any way challenging the right of the Director of Finance or any other official of the City

signatory to any of the Bond Documents to which the City is a party or referred to in the Purchase Contract or herein to hold his or her office, or the respective powers of such offices.

This Letter of Representations is made solely for the benefit of the addressees hereof and the signatories hereto (including the successors and assigns of any Underwriter) and no other persons shall acquire or have any right hereunder or by virtue hereof. The terms "successors" and "assigns" as used herein shall not include any purchaser, as such purchaser, of any of the 2003 Bonds from the Underwriters. All representations, warranties and agreements in this Letter of Representations shall remain operative and survive the execution hereof.

Very truly yours,

CITY OF PHILADELPHIA

By: _____
Director of Finance

Acknowledged and accepted on June ____, 2003

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

By: _____
(Vice) Chairperson

RAYMOND JAMES & ASSOCIATES, INC.
on behalf of the Underwriters

By: _____

EXHIBIT B

Form of Supplemental Opinion of Bond Counsel

_____, 2003

Raymond James & Associates, Inc.
as Representative for the Underwriters

Re: \$ _____ Pennsylvania Intergovernmental
Cooperation Authority Special Tax Revenue Refunding
Bonds (City of Philadelphia Funding Program),
Series of 2003

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$ _____ aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "2003 Bonds") pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the "Act"), and an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and Wachovia Bank, National Association (successor to Meridian Bank), as Trustee, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "First Supplemental Indenture"), by a Second Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1999 (the "Second Supplemental Indenture"), and by a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplement", and, together with the 1994 Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the "Indenture"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Third Supplemental Indenture.

This opinion is being delivered pursuant to subparagraph 9(e)(vi) of the Bond Purchase Contract (the "Purchase Contract") dated June __, 2003 between Raymond James & Associates, Inc., as representative of the underwriters specified therein (the "Underwriters"), and the Authority for the purchase of the 2003 Bonds. In giving this opinion, we have examined such federal and Pennsylvania statutes, such resolutions of the Authority and proceedings relating thereto, and such certifications, agreements and other documents, including the Indenture, specimens of the 2003 Bonds and the Official Statement dated June __, 2003 relating to the 2003

Bonds (the "Official Statement"), as we have deemed necessary to enable us to render the opinion set forth below. On the basis of the foregoing, we are of the opinion, under existing law, that:

1. Each of the Purchase Contract, the Remarketing Agreement and the Standby Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, is a legal, valid and binding agreement of the Authority enforceable in accordance with its terms, except as enforceability may be limited by (i) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws or equitable principles relating to or affecting creditors' rights and remedies or debtors' obligations generally, (ii) general principles of equity, whether considered and applied in a court of law or equity, and (iii) the exercise of judicial discretion in appropriate cases, and except that no opinion is given regarding the enforceability of any indemnification provision.

2. The Official Statement has been duly approved, executed and delivered by the Authority.

3. The statements contained in the Official Statement in the sections captioned "Introduction" (but only the subsections captioned "Authorization to Issue the 2003 Bonds", "Description of the 2003 Bonds", "Sources of Payment and Security for the 2003 Bonds" and "Additional Bonds"), "PLAN OF FINANCE - General" (only the third paragraph), "The 2003 Bonds" (excluding the information under the subsections captioned "Book-Entry-Only System") and "SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS" (only the subsections captioned "General", the fourth through seventh paragraphs under the Subsection captioned "Authority Tax", the subsection captioned "Debt Service Reserve Fund", the subsection captioned "Additional Bonds", the subsection captioned "Certain Remedies of Bondholders" and the subsection captioned "Limitation of Remedies") and in Appendix C - "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE", insofar as such statements summarize provisions of the Act, the Indenture and the 2003 Bonds, are fair and accurate summaries of such provisions. The statements contained in the Official Statement in the section captioned "TAX EXEMPTION" are accurate summaries of the opinions of Bond Counsel as to such matters.

4. The 2003 Bonds are not required to be registered under the Securities Act of 1933, as amended, and the Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended.

5. Based upon our participation in the preparation of the Official Statement as Bond Counsel and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to our attention, in connection with our engagement in respect of the issuance of the 2003 Bonds, which would lead us to believe that, as of the date of Closing, the Official Statement (except for the financial and statistical data and projections included therein and except for any other information in the Official Statement concerning the City and DTC and any information

concerning the Bond Insurer, the Policy, the Liquidity Facility and the Liquidity Provider, as to which no view is expressed) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

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.

This opinion is delivered to you solely for the benefit of the Underwriters in connection with their purchase of the 2003 Bonds and may not be relied upon by the Underwriters for any other purpose or by any other person for any purpose without our express written consent.

Very truly yours,

EXHIBIT C

Substantial Form of Opinion of Authority Counsel

June __, 2003

Raymond James & Associates, Inc.
acting for itself and as
representative of the
several underwriters named on
Schedule 1 to the within-mentioned
Bond Purchase Contract
880 Carillon Parkway
St. Petersburg, Florida 33716

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004

JPMorgan Chase Bank
270 Park Avenue, 48th Floor
New York, New York 10017

Ladies and Gentlemen:

We have acted as counsel to the Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic constituting a public authority and instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") created pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"), in connection with the issuance and sale by the Authority on this date of \$165,550,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "2003 Bonds"). Pursuant to the power and authority vested in it by virtue of the Act, and to carry out the public purposes of the Act, the Authority is issuing the 2003 Bonds under an Amended and Restated Indenture of Trust, dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and Wachovia Bank, National Association (successor to Meridian Bank), as trustee (the "Trustee"), as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust, dated as of May 15, 1996 (the "First Supplemental Indenture"), by a Second Supplement to the Amended and Restated Indenture of Trust, dated as of April 1, 1999 (the "Second Supplemental Indenture"), and by the Third Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2003 (together with the 1994 Indenture, the First

Supplemental Indenture and the Second Supplemental Indenture, the "Indenture"), for the purpose of refunding certain outstanding bonds of the Authority, as more particularly described in the Indenture. The 2003 Bonds are secured under the Indenture by the Authority's pledge to the Trustee of, and the Authority's grant to the Trustee of a security interest in, the proceeds of a 1.5% tax (the "Authority Income Tax") on salaries, wages, commissions and other compensation earned by residents of the City of Philadelphia, Pennsylvania (the "City") and on net profits earned in business, professions and other activities conducted by residents of the City, which has been enacted by the City exclusively for the purposes of the Authority pursuant to Section 601(a)(3) of the Act and pursuant to an ordinance (Bill No. 1437) of the City Council of the City, approved by the Mayor of the City on June 12, 1991 (the "Authority Income Tax Ordinance").

Pursuant to a Bond Purchase Contract dated June 12, 2003 (the "Bond Purchase Contract") between the Authority and Raymond James & Associates, Inc., as representative of the several underwriters named therein (collectively, the "Underwriters"), the Authority is selling the 2003 Bonds to the Underwriters for offering by the Underwriters to the public. In connection with such public offering of the 2003 Bonds, the Authority has prepared an Official Statement, dated June 12, 2003 (the "Official Statement"), relating to the 2003 Bonds.

As contemplated by the Act, the Authority and the City have heretofore entered into an Intergovernmental Cooperation Agreement dated as of January 8, 1992 (the "Intergovernmental Cooperation Agreement").

In connection with the issuance of the 2003 Bonds, the Authority has executed and delivered a Tax Compliance Agreement dated as of June 16, 2003 (the "Tax Compliance Agreement"); the Authority, the Trustee and JPMorgan Chase Bank (the "Liquidity Bank") have entered into a Standby Bond Purchase Agreement, dated as of June 1, 2003 (the "Standby Bond Purchase Agreement"); and the Authority and Raymond James & Associates, Inc. have entered into a Remarketing Agreement dated as of June 1, 2003 (the "Remarketing Agreement").

For the purpose of rendering this opinion letter, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the Indenture, the Bond Purchase Contract, the Intergovernmental Cooperation Agreement, the Official Statement, the Authority Income Tax Ordinance, the Tax Compliance Agreement, the Standby Bond Purchase Agreement, the Remarketing Agreement and such other instruments, documents, records and certificates, and have made such investigations as to matters of law, as we have deemed necessary and appropriate. We also have examined a specimen of the 2003 Bonds.

In rendering this opinion letter, we have assumed, with respect to all documents and instruments reviewed by us, the genuineness of all signatures, the capacity of natural persons, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as copies. We have further assumed as follows:

A. We have assumed that each party to the documents specified in paragraph 5 below other than the Authority (each such other party being referred to as an "Other Party") is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization.

and has the lawful power and authority to enter into and perform its obligations under such documents; that such documents have been duly authorized, executed and delivered by each such Other Party; and that such documents constitute the legal, valid and binding obligation of each such Other Party, enforceable against each such Other Party in accordance with their respective terms. We have further assumed that the 2003 Bonds have been duly authenticated by the Trustee in accordance with the requirements of the Indenture.

B. We have assumed that the City has duly and validly enacted the Authority Income Tax pursuant to the Authority Income Tax Ordinance in compliance with all procedural requirements of the City's Home Rule Charter, the Philadelphia Code of Ordinances and other applicable law, rules or regulations. We have further assumed that the Authority Income Tax Ordinance has not been amended, modified or repealed in whole or in part and is in full force and effect on the date hereof. We have further assumed that the City has duly authorized, executed and delivered the Intergovernmental Cooperation Agreement.

C. We have assumed that each Bond Insurer (as defined in the Indenture, and including without limitation Ambac Assurance Corporation) and each Credit Facility Issuer (as defined in the Indenture) is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and is duly licensed and authorized by all applicable regulatory bodies to issue the Bond Insurance Policy (as defined in the Indenture) or the Credit Facility (as defined in the Indenture) issued by such Bond Insurer or Credit Facility Issuer, as appropriate. We have further assumed that each Bond Insurance Policy has been duly authorized, executed and delivered by the relevant Bond Insurer and constitutes the legal, valid and binding obligation of such Bond Insurer, enforceable in accordance with its terms. We have further assumed that each Credit Facility has been duly authorized, executed and delivered by the relevant Credit Facility Issuer and constitutes the legal, valid and binding obligation of such Credit Facility Issuer, enforceable in accordance with its terms.

Based upon and subject to the foregoing, and subject to the further exceptions, qualifications and limitations hereinafter set forth, we are pleased to advise you that we are of the following opinions:

1. The Authority is a body corporate and politic, constituting a public authority and instrumentality of the Commonwealth, created pursuant to the Act.

2. The Authority has the power and the authority under the Act to enter into the Indenture and to issue the 2003 Bonds thereunder, and to enter into the Intergovernmental Cooperation Agreement, the Bond Purchase Contract, the Tax Compliance Agreement, the Remarketing Agreement and the Standby Bond Purchase Agreement.

3. The Indenture, the 2003 Bonds, the Intergovernmental Cooperation Agreement, the Bond Purchase Contract, the Tax Compliance Agreement, the Remarketing Agreement and the Standby Bond Purchase Agreement have each been duly authorized, executed and delivered by the Authority.

4. The Official Statement has been duly authorized and executed by the Authority.

5. The Indenture, the 2003 Bonds, the Bond Purchase Contract, the Tax Compliance Agreement, the Remarketing Agreement and the Standby Bond Purchase Agreement are each legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms. We call to your attention, however, that the 2003 Bonds are not general obligations of the Authority but are limited obligations of the Authority, payable only out of the revenues from the Authority Income Tax and certain funds held by the Trustee under the Indenture, and that neither the credit nor the taxing power of the Commonwealth or any political subdivision (including the City) or agency thereof, other than the credit of the Authority to the limited extent described above, is pledged for the payment of the principal or redemption price of or interest on the 2003 Bonds. According to the Act, the 2003 Bonds do not constitute a debt or obligation of the Commonwealth or any political subdivision (including the City) or agency thereof. The Authority itself has no taxing power.

6. To our knowledge, except as disclosed in the Official Statement, there are no actions or proceedings pending, or overtly threatened in writing, against the Authority before any court, governmental agency or arbitrator, which seek to restrain or enjoin the issuance or delivery of the 2003 Bonds by the Authority or which in any way contest the validity or enforceability of the 2003 Bonds, the Indenture, the Bond Purchase Contract, the Intergovernmental Cooperation Agreement, the Tax Compliance Agreement, the Standby Bond Purchase Agreement, the Remarketing Agreement or the pledge of the revenues from the Authority Income Tax under the Indenture.

7. As provided in the Act, the proceeds of the Authority Income Tax are at all times the revenues and property of the Authority, are not property or revenues of the City and are not subject to appropriation by either the Commonwealth or the City.

8. The Indenture creates a valid lien on, and a valid and binding security interest in, the Pledged Revenues (as defined in the Indenture) for the security of the 2003 Bonds.

Although we have not undertaken to determine independently the accuracy, completeness or fairness of the information contained in the Official Statement, nothing has come to our attention during the course of the performance of our duties as counsel to the Authority that would lead us to believe that the information contained in the Official Statement (except for the information contained in any of the Appendices to the Official Statement, any other information in the Official Statement concerning the City, any information under the headings "THE 2003 BONDS -Book-Entry-Only System", "BOND INSURANCE", "CERTAIN INFORMATION CONCERNING THE BANK", "TAX EXEMPTION" and "UNDERWRITING" and any financial or statistical data or projections contained or required to be contained in any portion of the Official Statement, as to which we express no opinion or belief) contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

We express no opinion concerning the exempt status of interest on the 2003 Bonds under any Federal or state tax laws or regulations or concerning any other Federal or state tax law consequences of owning or disposing of the 2003 Bonds. We express no opinion concerning the status of the Indenture, the 2003 Bonds or the offering or sale of the 2003 Bonds under any registration or qualification requirements of the Federal or state securities laws or regulations. We express no opinion concerning the status of the 2003 Bonds as legal investments for any person or entity under any Federal or state laws or regulations. In addition, our opinions expressed herein are subject to, and limited by, (a) applicable bankruptcy, insolvency, reorganization, moratorium, arrangement, liquidation or other similar laws affecting the rights and remedies of creditors and secured parties generally, and (b) general principles of equity, public policy considerations, judicial discretion and general requirements of good faith, fair dealing and reasonableness (regardless of whether considered in a proceeding at law or in equity).

Without limiting the generality of the preceding paragraph, we express no opinion as to the validity or enforceability of (1) any provision in any document granting or creating rights not available under Pennsylvania law, relating to self-help, imposing penalties, forfeitures, increased rates or late payment charges (to the extent they are found to be penalties or forfeitures or to be unreasonable or to the extent they are applied after the cure of the default or other triggering event), (2) any provision purporting to release persons from liability for acts or omissions resulting from negligence, bad faith or willful misconduct, (3) any provision providing for a right of indemnification or right of contribution (to the extent it is found to be a penalty or forfeiture or to be unreasonable in amount or to the extent that it provides for indemnification for the negligence or willful misconduct of, or a violation of law or public policy by, the person being indemnified), (4) any set-off rights set forth in any documents, (5) any provision with respect to payment of costs and expenses of enforcement, including, without limitation, attorneys' fees, to the extent that the same is determined to be contrary to public policy, (6) any provision relating to consent to jurisdiction for bringing suit or the waiver of jury trial, (7) any provision modifying or waiving any requirement of good faith, fair dealing, diligence, commercial reasonableness or prior notice or the right of redemption arising under any law, waiving any rights afforded to any party thereto under any constitutional provision or waiving the rights afforded to any party under any statute, or by which any party thereto waives any rights afforded to such party by applicable law, except to the extent such waiver is expressly permitted by statute, (8) any provision which waives broadly or vaguely stated rights or future rights, or waives certain rights or defenses to obligations where such waivers are against statutes, laws or public policy, (9) any provision that provides that rights or remedies are not exclusive, that every right or remedy is cumulative and may be exercised in addition to or with any other right or remedy, or that the election of some remedy or remedies does not preclude recourse to one or more other remedies, (9) any provision that purports to prevent oral modification or waivers or purports to preclude the modification of the documents through conduct, custom or the course of performance, action or dealing, (9) any provision the breach of which a court concludes is not material or does not adversely affect any relevant party, (10) any provision purporting to make discretionary determinations of a person conclusive, (11) any provision imposing penalties, forfeitures, legal costs, late payment charges or an increase in interest rate upon delinquency in payment or the occurrence of a default, including any provisions relating to the accrual of interest on unpaid interest or "Deferred

Interest” or the “Deferred Interest Fee Amount” as defined in the Standby Bond Purchase Agreement, (12) any provision purporting to characterize damages which may be claimed in the event of a breach or termination as liquidated damages, (13) any provision relating to amounts payable upon a breach or termination to the extent such amounts are found to be penalties or forfeitures or to be unreasonable in amount or to the extent that such provisions provide for indemnification for the negligence or willful misconduct of, or a violation of law or public policy by, the person to whom such amounts are payable, and (14) any provision relating to subrogation rights, payment of legal fees and other costs of indemnity.

We call your attention to the provisions of Section 911(b) of the Pennsylvania Crimes Code (the “Crimes Code”), 18 Pa.C.S. § 911(b), which makes it unlawful to use or invest income derived from a pattern of “racketeering activity” in the establishment or operation of any enterprise. “Racketeering activity”, as defined in the Crimes Code, includes the collection of money or other property in full or partial satisfaction of a debt which arose as the result of the lending of money or other property at a rate of interest exceeding 25% per annum where not otherwise authorized by law. Accordingly, our opinions in this letter are qualified to the extent, if any, that the statute referenced in this paragraph may be applicable to this transaction.

We are members of the Bar of the Commonwealth, and this opinion letter is limited to the present law of the Commonwealth and the present Federal law of the United States of America. This opinion letter is limited to the matters expressly stated herein, no opinion may be inferred or is implied beyond the matters expressly stated herein to be our opinion, and our opinions and other statements herein must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth in this letter.

The opinions and other statements herein are expressed as of the date hereof only, and not as of some future date. We undertake no responsibility to advise you of any change in law or any new laws, regulations, judicial decisions or other developments which may be promulgated or which may otherwise occur in the future. The phrase “to our knowledge” as used in this opinion letter means the conscious awareness, without independent investigation, of those attorneys in our firm who have devoted substantive attention to matters involving our representation of the Authority.

This opinion letter is being rendered solely for your benefit in connection with the issuance of the 2003 Bonds by the Authority. You may not rely on this opinion letter for any other purpose and no other person or entity may rely on this opinion letter for any purpose. This opinion letter may not be referred to or quoted in whole or in part in any document, report or financial statement of, or filed with or delivered to, any person or entity, without the express written consent of the undersigned, but this opinion letter may be included as part of the transcript of closing documents relating to the 2003 Bonds.

Very truly yours,

EXHIBIT "D"

Form of Opinion of the City Solicitor

June 16, 2003

Raymond James & Associates, Inc. acting for itself and as
Representative of the several underwriters named on
Schedule 1 to the within-mentioned Bond Purchase Contract
880 Carillon Parkway
St. Petersburg, Florida 33716

Re: \$165,550,000 aggregate principal amount, Pennsylvania
Intergovernmental Cooperation Authority, Special Tax Revenue
Refunding Bonds (City of Philadelphia Funding Program), Series of 2003

Ladies and Gentlemen:

The Law Department (the "Department") of the City of Philadelphia, Pennsylvania (the "City") has acted on behalf of the City in matters relating to the issuance by the Pennsylvania Intergovernmental Cooperation Authority ("Authority") of its \$165,550,000 aggregate principal amount, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "Bonds"). This opinion is being delivered to you pursuant to section 9(e)(xii) of the Bond Purchase Agreement dated June 12, 2003, between the Authority and Raymond James & Associates, Inc., acting for itself and as representative of the underwriters named on Schedule 1 thereto (the "Purchase Contract"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Contract.

In rendering the opinions expressed below, the Department has examined such proceedings, documents, statutes, and ordinances as we have deemed necessary as the basis for the opinions hereinafter expressed, including:

- a. certified copies of the Cooperation Ordinance and the Tax Ordinance (together, the "Ordinances");
- b. a certified copy of the Resolution of the City Council of the City approving the Plan (the "Resolution");
- c. a fully executed copy of the Letter of Representations;
- d. a fully executed copy of the Cooperation Agreement;

- e. a fully executed copy of the Tax Collection Agreement;
- f. a fully executed copy of the Tax Compliance Agreement;
- g. the Preliminary Official Statement, dated June 5, 2003, and Final Official Statement, dated June 12, 2003, relating to the Bonds ("Official Statement").

As to certain factual matters material to the opinions hereinafter expressed, we have relied upon the representations and warranties contained in the Letter of Representations (except for those contained in paragraph 15 of such Letter) and in the Certificate of the Director of Finance of even date herewith and on information and advice from officials and representatives of the City, including the Certificate of the Chief Clerk of City Council, as a basis for the opinions hereinafter expressed. We have not undertaken to verify such factual matters set forth therein by independent investigation or inquiry, except as set forth in paragraph 10 herein.

In our examination of the documents referred to above, the Department has assumed the legal capacity (other than as to City officials) and competence of natural persons, the authenticity of all documents submitted to the Department as originals, the genuineness of all signatures (other than those of the officers of the City), the due authority of the parties (other than the City) executing such documents, and the conformity to the originals of all such documents submitted to us as copies. We have also assumed (i) that each of the parties, other than the City, to each of the documents, has duly executed and delivered the same, with all necessary power and authority (corporate and otherwise, including, without limitation, due authorization by all necessary corporate and other action on the part of such party), (ii) that each such party, other than the City, has complied in all material respects with all laws, regulations, court orders, and material agreements applicable to it that affect the transactions contemplated by such, documents, and (iii) that such documents are valid as to, binding upon, and enforceable against all parties thereto other than the City.

Based on and subject to the foregoing, and subject to the assumptions, exceptions, limitations, and qualifications set forth herein and only with regard to the laws of the Commonwealth of Pennsylvania as enacted and construed as of the date hereof, it is the opinion of the Department that:

1. The Ordinances have been duly and validly adopted by City Council and approved by the Mayor pursuant to authority granted in the Act and in accordance with the Philadelphia Home Rule Charter.
2. The Resolution has been duly adopted by City Council pursuant to the Act and in accordance with the Philadelphia Home Rule Charter.
3. All action taken by City Council, the Mayor and other authorized City officials in connection with the enactment of the Ordinances and adoption of the Resolution, including, without limitation, publication, notice, convening and conduct of the public meetings at which

public hearings were held and action taken, were and are in compliance with the Philadelphia Home Rule Charter and Act 1998-93 of the General Assembly of the Commonwealth of Pennsylvania, approved October 15, 1998 (or, in the case of any action taken prior to the effective date thereof, the Act approved July 3, 1986, No. 84, P.L. 388, as amended).

4. The Ordinances and the Resolution have not been modified, amended, repealed or rescinded since the respective dates of enactment and adoption thereof, and are valid and in full force and effect as of the date hereof.

5. The City has the power and authority under the Act and the Philadelphia Home Rule Charter to execute and deliver the Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement, and the Tax Compliance Agreement. The Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement and the Tax Compliance Agreement have been duly and validly executed and delivered by the City.

6. The covenants and agreements of the City in the Tax Ordinance, in Section 5.02(b) of the Cooperation Agreement, and in the Letter of Representations, the Tax Collection Agreement and the Tax Compliance Agreement are valid and binding obligations of the City, enforceable against the City in accordance with the respective terms thereof.

7. Except as to the possible application of state or federal securities laws, as to which no opinion is expressed, there is no authorization, consent, approval, or other action required by any governmental authority or agency in connection with the execution by the City of the Cooperation Agreement, the Letter of Representations, the Tax Compliance Agreement or the Tax Collection Agreement which has not been obtained.

8. Except as disclosed in the Official Statement, and except for litigation which in the opinion of the Department is without merit, there is, to the knowledge of the Department after inquiry within the Department, no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or overtly threatened in writing against the City, (i) to restrain or enjoin the City's execution or delivery, or performance under the Cooperation Agreement, the Tax Compliance Agreement or the Tax Collection Agreement, or in any way contesting the validity or enforceability of the Cooperation Agreement, the Tax Collection Agreement, the Tax Compliance Agreement or the Ordinances, or (ii) contesting in any way the accuracy or completeness of the Official Statement as it relates to the City, or (iii) contesting in any way the validity or enforceability of the City's obligations under the Ordinances, the Cooperation Agreement, the Tax Collection Agreement, the Tax Compliance Agreement or the Letter of Representations.

9. The enactment of the Ordinances and the execution and delivery of the Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement and the Tax Compliance Agreement and fulfillment of and compliance with the pledge and agreement set forth in the Tax Ordinance and Section 5.02(b) of the Cooperation Agreement do not and will not constitute on the part of the City a breach of or default under any existing law, regulation, administrative order or decree to which the City is subject or, to the knowledge of the

Department, in any material respect, any indenture, deed of trust or guaranty or other instrument to which the City is a party or by which it is bound.

10. To the knowledge of the Department after inquiry within the Department, the description contained in Appendix "B" to the Official Statement under the heading "Litigation" does not contain any untrue statement of a material fact or omit to state a material fact with respect thereto necessary to be stated therein in order to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

This opinion is subject to the following exceptions, limitations, and qualifications:

- a. This opinion is subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer, marshaling, or similar laws affecting creditors' rights and remedies generally, general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith, and fair dealing (regardless of whether such enforceability is considered in a proceeding in equity or at law); and limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy.
- b. The Department expresses no opinion as to the application or requirements of state securities, antitrust and unfair competition, environmental, health and safety, or tax laws other than those governing the City Wage Tax and the Authority Tax in respect of the transactions contemplated by or referred to in the Letter of Representations, Cooperation Agreement, Tax Collection Agreement or Tax Compliance Agreement.
- c. The Department expresses no opinion as to the validity or enforceability of any provision of the Letter of Representations, Cooperation Agreement, Tax Collection Agreement or Tax Compliance Agreement which, directly or indirectly: (i) purports to require that waivers must be in writing to the extent that an oral agreement or implied agreement by trade practice or course of conduct modifying provisions thereof has been made; (ii) purports to be a waiver of the right to a jury trial, waiver of any right to object to jurisdiction or venue, a waiver of any right to claim damages, or to service of process, or a waiver of other rights or benefits bestowed by operation of law, or waiver of which is limited by applicable law; (iii) purports to be a waiver of the obligations of good faith, fair dealing, diligence, mitigation of damages, or commercial reasonableness; (iv) purports to exculpate any party from its own negligent acts, or limit any party from certain liabilities; or (v) purports to require payment of consequential damages insofar as a court could conclude that such consequential damages are punitive in nature.

This opinion is given to you as of the date hereof and we express no opinion as to any matter not expressly set forth herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. By rendering this opinion, we do not undertake any obligation to advise you of any changes in fact or circumstances which may come to our attention after the date hereof or any changes in law which may occur after the date hereof.

We have rendered this opinion to you solely in connection with the consummation of the transactions contemplated by the Purchase Contract and this opinion may not be used or relied upon by you or any other person for any other purpose. This opinion may not be distributed or disclosed and may not be relied upon by any person, firm, or entity other than those to whom it is addressed without the prior written consent, in each instance, of the undersigned.

Sincerely,

NELSON A. DIAZ
City Solicitor -

REMARKETING AGREEMENT

REMARKETING AGREEMENT, dated as of June 1, 2003 and effective as of June 16, 2003 between PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY (the "Issuer") and RAYMOND JAMES & ASSOCIATES, INC. (the "Remarketing Agent").

WHEREAS, on June 16, 2003 the Issuer is issuing its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "Bonds") in the principal amount of \$165,550,000 pursuant to that certain Amended and Restated Indenture of Trust dated as of December 1, 1994 as amended to date, including as amended by the Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplement"; collectively, the "Indenture") between the Issuer and Wachovia Bank, National Association, as successor trustee (the "Trustee"); and

WHEREAS, to secure the payment of the purchase price of the Bonds, JPMorgan Chase Bank (the "Liquidity Facility Provider") is entering into a Standby Bond Purchase Agreement dated as of June 1, 2003 with the Issuer (the "Liquidity Facility"); and

WHEREAS, the Bonds are subject to purchase upon notice and delivery to the Trustee as provided in the Indenture; and

WHEREAS, the Issuer has appointed the Remarketing Agent (and the Remarketing Agent by execution hereby accepts the appointment) as Remarketing Agent pursuant to the Indenture; and

WHEREAS, the Issuer and the Remarketing Agent desire to make additional provisions regarding the Remarketing Agent's role as Remarketing Agent for the Bonds.

NOW, THEREFORE, for and in consideration of the covenants herein made, the Issuer and the Remarketing Agent hereby agree as follows:

Section 1. Definitions. All capitalized terms used in this Remarketing Agreement which are not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

Section 2. Duties. In reliance upon the representations and agreements, but subject to the terms and conditions contained in the Indenture and in this Remarketing Agreement, the Issuer hereby appoints the Remarketing Agent, and the Remarketing Agent hereby accepts such appointment, as exclusive remarketing agent in connection with the offering and sale of the Bonds from time to time in the secondary market subsequent to the initial offering, issuance and sale of the Bonds, including Bank Bonds.

The Remarketing Agent will perform the duties specified as Remarketing Agent under the Indenture and this Remarketing Agreement. In acting as Remarketing Agent, the Remarketing Agent will act as agent and not as principal except as expressly provided in this Section.

The Remarketing Agent may, if it determines to do so in its sole discretion, buy as principal any such Bonds but it will not in any event be obligated to do so.

Section 3. Disclosure Statement.

(a) If the Remarketing Agent determines that it is necessary or desirable to use a disclosure statement in connection with its offering of the Bonds, the Remarketing Agent will notify the Issuer and the Issuer will provide the Remarketing Agent with a disclosure statement satisfactory to the Remarketing Agent and its counsel in respect of the Bonds. The Issuer will supply the Remarketing Agent with such number of copies of the disclosure statement and documents related thereto as the Remarketing Agent requests from time to time and will amend the disclosure statement (and/or the documents incorporated by reference in it) so that at all times the disclosure statement and any

documents related thereto will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements in such documents, in the light of the circumstances under which they were made, not misleading. In addition, the Issuer will provide the Remarketing Agent such officers' certificates, counsel opinions, accountants' letters and other documents as may be customary in similar transactions. If the Issuer does not perform its obligations under this Section, the Remarketing Agent may immediately suspend remarketing efforts until such time as disclosure statements satisfactory to the Remarketing Agent and its counsel are supplied.

(b) The Issuer has previously prepared and delivered to the Remarketing Agent a copy of the Official Statement, dated June 12, 2003, including appendices consisting of financial and other information in respect of the Issuer, the City of Philadelphia (the "City") and the Liquidity Facility Provider. The Issuer authorizes the use by the Remarketing Agent of the Official Statement in connection with the remarketing of Bonds. For purposes of this Remarketing Agreement, the Official Statement and any other documents provided to the Remarketing Agent pursuant to paragraph (a) of this Section shall be considered to be the Disclosure Statement (as defined in § 7 hereof).

Section 4. Representations, Warranties, Covenants and Agreements of the Remarketing Agent. The Remarketing Agent, by its acceptance hereof, represents, warrants, covenants and agrees with the Issuer as follows:

(a) It is authorized by law to perform all the duties imposed upon it by the Indenture and this Remarketing Agreement, and the Remarketing Agent is a member of the National Association of Securities Dealers, Inc.

(b) The execution and delivery of this Remarketing Agreement and the consummation of the transactions contemplated herein and in the Indenture will not conflict with or constitute on the part of the Remarketing Agent a breach of or default under its charter documents, its by-laws, or any statute, indenture, mortgage, deed of trust, lease, note agreement or other agreement or instrument to which the Remarketing Agent is a party or by which it or its properties are bound, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Remarketing Agent or any of its activities or properties.

(c) This Remarketing Agreement has been duly authorized, executed and delivered by the Remarketing Agent, and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws, or equitable principles relating to or limiting creditors' rights generally.

(d) The Remarketing Agent will use its best efforts to remarket the Bonds pursuant to the Remarketing Agreement.

Section 5. Representations, Warranties, Covenants and Agreements of the Issuer. The Issuer, by its acceptance hereof, represents, warrants, covenants, and agrees with the Remarketing Agent as follows:

(a) It has full power and authority to take all actions required or permitted to be taken by it or under, and to perform and observe the covenants and agreements on its part contained in, the Bond Documents (as defined in that certain Bond Purchase Agreement dated June 12, 2003 between the Issuer and Raymond James & Associates, Inc.) on behalf of the underwriters and any other instrument or agreement relating thereto to which it is a party (collectively, the "Closing Documents").

(b) It has, on or before the date hereof, duly taken all action necessary to be taken by it prior to such date for: (i) the execution, delivery and performance of the Closing Documents which have been executed in connection with the transactions contemplated by the foregoing documents, and (ii) the carrying out, giving effect to, consummation and performance of the transactions and obligations contemplated hereby and by the Official Statement; *provided* that no representation is made with respect to compliance with the securities or Blue Sky laws of the various states of the United States.

(c) The Closing Documents which have been executed in connection with the consummation of the transactions contemplated hereby and by the Official Statement, will constitute its legal, valid and binding obligations, enforceable against it in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws, or equitable principles relating to or limiting creditors' rights generally.

(d) The execution and delivery of the Closing Documents which have been executed in connection with the consummation of the transactions contemplated hereby and by the Official Statement, the compliance with the terms, conditions or provisions thereof, and the consummation of the transactions therein contemplated do not and will not violate any law, regulation, order, writ, injunction or decree of any court or governmental body or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Issuer pursuant to any mortgage, resolution, agreement or instrument to which the Issuer is a party or by which it or any of its properties is bound other than those provided for in or contemplated by the Indenture.

(e) All authorizations, consents and approvals of, notices to, registrations or filings with, or actions in respect of any governmental body, agency or other instrumentality or court required in connection with the execution, delivery and performance by the Issuer of the Closing Documents and which have been executed in connection with the consummation of the transactions contemplated hereby and by the Official Statement have been obtained, given or taken and are in full force and effect; *provided* that no representation is made with respect to compliance with the securities or Blue Sky laws of the various states of the United States.

(f) To the knowledge of the Issuer, other than as described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or threatened against or affecting it wherein an unfavorable decision, ruling or finding is likely to have a material adverse effect on the financial condition or solvency of the Issuer or the ability of the Issuer to perform its obligations under the Closing Documents or any other agreement or instrument to which it is a party and which is used or contemplated for use in consummation of the transactions contemplated hereby or by the Official Statement.

(g) The Issuer will cooperate with the Remarketing Agent in the qualification of the Bonds for offering and sale and the determination of the eligibility of the Bonds for investment under the laws of such jurisdictions as the Remarketing Agent shall designate and will use its best efforts to continue any such qualifications in effect so long as required for the distribution of all the Bonds by the Remarketing Agent; *provided* that the Issuer shall not be required to incur any expense, consent to service of process in any such jurisdiction or qualify to do business in any jurisdiction where it is not now so subject.

Section 6. Conditions To Remarketing Agent's Obligations. The obligations of the Remarketing Agent under this Remarketing Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the Issuer of its obligations and agreements to be performed hereunder and to the accuracy of and compliance with the representations, warranties, covenants and agreements of the Issuer contained herein, on and as of the date of delivery of this Remarketing Agreement. The obligations of the Remarketing Agent on and as of each date on which Bonds are to be offered and sold pursuant to this Remarketing Agreement are also subject to the following further conditions:

(a) Each of the Closing Documents shall be in full force and effect and shall not have been amended, modified or supplemented in any way which would materially and adversely affect the Bonds, except as may have been agreed to in writing by the Remarketing Agent, and there shall be in full force and effect such additional resolutions, agreements, certificates and opinions, which resolutions, agreements, certificates and opinions shall be satisfactory in form and substance to the Remarketing Agent; and

(b) No Event of Default (as such term is defined in the Closing Documents) shall have occurred and be continuing and no event shall have occurred and be continuing which, with the passage of time or giving of notice or both, would constitute such an Event of Default.

Section 7. Fees and Expenses. In consideration of the Remarketing Agent's services under this Remarketing Agreement, the Issuer will pay the Remarketing Agent as Remarketing Agent an annual amount equal to an aggregate of .08% of the aggregate principal amount of Bonds outstanding under the Indenture, payable semiannually in arrears on July 1 and January 1, commencing on January 1, 2004 for the period from June 16, 2003 through December 15, 2003 with respect to the Bonds and computed on the basis of the aggregate principal amount of the Bonds then outstanding. The Issuer also will pay all expenses in connection with the preparation of any Disclosure Statement and will reimburse the Remarketing Agent for all of its direct out-of-pocket expenses incurred by it as Remarketing Agent under this Remarketing Agreement and the Indenture, including counsel fees and disbursements.

Section 8. Dealing in Bonds by Trustee, Liquidity Facility Provider and Remarketing Agent. The Trustee, the Liquidity Facility Provider or the Remarketing Agent, in their respective individual capacity may in good faith buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any Bond owners may be entitled to take with like effect as if it did not act in any capacity hereunder. The Trustee or the Remarketing Agent, in their respective individual capacities, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer, and may act as depository, trustee, or agent for other obligations of the Issuer as freely as if it did not act in any capacity hereunder.

Section 9. Intention of Parties. It is the intention of the parties hereto that no purchase, sale or transfer of any Bonds, as herein provided and provided in the Indenture, shall constitute or be construed to be extinguishment of any Bonds or the indebtedness represented thereby or the reissuance of any Bonds.

Section 10. Fails. The Remarketing Agent will not be liable to the Issuer, the Trustee, or the Liquidity Facility Provider on account of the failure of any person to whom the Remarketing Agent has sold a Bond to pay for such Bond or to deliver any document in respect of the sale. It is understood and agreed that the Remarketing Agent shall not be obligated to advance its own funds to purchase, or to effect the purchase of, any Bonds.

Section 11. Remarketing Agent's Performance. (a) The duties and obligations of the Remarketing Agent as Remarketing Agent shall be determined solely by the express provisions of this Remarketing Agreement and the Indenture, and the Remarketing Agent shall not be responsible for the performance of any other duties and obligations than as are specifically set forth in this Remarketing Agreement and the Indenture, and no implied covenants or obligations shall be read into this Remarketing Agreement or the Indenture against the Remarketing Agent.

(b) The Remarketing Agent may conclusively rely upon any notice or document given or furnished to the Remarketing Agent and conforming to the requirements of this Remarketing Agreement or the Indenture and shall be protected in acting upon any such notice or document reasonably believed by it to be genuine and to have been given, signed or presented by the proper party or parties.

(c) The Remarketing Agent shall not be liable for any actions taken or omitted to be taken pursuant to this Remarketing Agreement, except for its own gross negligence or willful misconduct.

Section 12. Termination. This Remarketing Agreement will terminate upon the effective resignation or removal of the Remarketing Agent as Remarketing Agent in accordance with the Indenture. The Remarketing Agent will resign as Remarketing Agent under the Remarketing Agreement if requested to do so by the Issuer in writing with 30 days notice and may resign at any time upon 30 days' notice. Following termination each party will pay the other any amounts owing at the time of termination.

Section 13. Contribution. To the extent permitted by law, the Issuer agrees to pay the Remarketing Agent for any loss, liability or expense, including reasonable attorneys' fees incurred by the Remarketing Agent, which arises out of or relates to a breach by the Issuer of its obligations hereunder, where the final determination of liability on the part of the Issuer is established by a court of law or by way of settlement agreed to by the Issuer and Remarketing Agent.

Section 14. Miscellaneous. (a) Except as otherwise provided, any notice or other communication herein required or permitted to be given shall be in writing or by telex or facsimile transmission or by telephone with subsequent written confirmation and may be personally served or sent by United States mail, first class postage prepaid, and shall be deemed to have been given upon receipt by the party notified. For the purposes hereof, the address of the parties (until notice of a change thereof is delivered as provided in this Section 14(a)) shall be as follows:

Remarketing Agent: Raymond James & Associates, Inc.
880 Carillon Parkway, T3-FL3
St. Petersburg, FL 33716
Attention: Kevin M. Schuyler,
Public Finance Department
Fax: (727) 567-8315
Phone: (727) 567-1757

Issuer: Pennsylvania Intergovernmental Cooperation Authority (PICA)
1429 Walnut Street
Philadelphia, PA 19103
Attention: Joseph C. Vignola, Esq.
Fax: (215) 563-2570
Phone: (215) 561-9160

The Remarketing Agent and the Issuer may, by notice given under this Remarketing Agreement, designate other addresses to which notices or other communications shall be directed.

(b) This Remarketing Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. The terms "successors" and "assigns" shall not include any purchaser of any of the Bonds merely because of such purchase.

(c) All of the representations, warranties and applicable covenants made in this Remarketing Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any party hereto, (ii) delivery of and any payment for any Bonds hereunder, or (iii) termination or cancellation of this Remarketing Agreement.

(d) Section headings have been inserted in this Remarketing Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Remarketing Agreement and will not be used in the interpretation of any provisions of this Remarketing Agreement.

(e) If any provision of this Remarketing Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule or public policy, or any other reason, such circumstances shall not have the effect of rendering the provisions in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provisions of this Remarketing Agreement invalid, inoperative or unenforceable to any extent whatsoever.

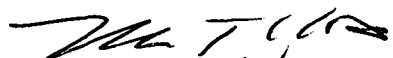
(f) This Remarketing Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(g) The terms of this Remarketing Agreement shall not be waived, altered, modified, amended or supplemented in any manner whatsoever except by written instrument signed by all of the parties hereto.


(h) This Remarketing Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the Remarketing Agent and the Issuer have caused this Remarketing Agreement to be signed in their names by undersigned officers, thereunto duly authorized, all as of the day and year first above written.

RAYMOND JAMES & ASSOCIATES, INC., as Remarketing Agent

By: 
Name: Marie T. Murphy
Title: V.P. Admin
Date: 6/1/03

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

By: 
Name: Joseph C. Figlio
Title: Executive Director/CEO
Date: June __, 2003

STANDBY BOND PURCHASE AGREEMENT

among

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Trustee and Paying Agent

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

and

JPMORGAN CHASE BANK,
as Bank

Dated as of

June 1, 2003

Relating to:

\$165,550,000
PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS,
(CITY OF PHILADELPHIA FUNDING PROGRAM),
SERIES OF 2003

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS

Section 1.01.	Definitions	2
Section 1.02.	Interpretation	10
Section 1.03.	Accounting Matters	11

ARTICLE II COMMITMENT TO PURCHASE; FEES; AMORTIZATION

Section 2.01.	Commitment to Purchase Bonds	11
Section 2.02.	Method of Purchase	11
Section 2.03.	Reduction of Commitment	12
Section 2.04.	Sale of Bank Bonds	13
Section 2.05.	Facility Fee	15
Section 2.06.	Compensation for Increased Costs	15
Section 2.07.	Amortization of Bank Bonds	17

ARTICLE III INTEREST RATES; PAYMENTS

Section 3.01.	Bonds to Bear Interest at Bank Rate; Other Interest Provisions	17
Section 3.02.	Payments	18
Section 3.03.	Maturity; Interest	19
Section 3.04.	Term of Agreement	19

ARTICLE IV REPRESENTATIONS AND WARRANTIES

Section 4.01.	Representations and Warranties of the Authority	20
---------------	---	----

ARTICLE V CERTAIN COVENANTS

Section 5.01.	Covenants of the Authority	23
---------------	----------------------------------	----

ARTICLE VI CONDITIONS PRECEDENT

Section 6.01.	Conditions to Bank's Entering into Agreement	26
Section 6.02.	Conditions Precedent to Each Purchase	28

ARTICLE VII EVENTS OF DEFAULT; REMEDIES²⁸

Section 7.01.	Events of Default	28
Section 7.02.	Events of Default; Remedies	30
Section 7.03.	Certain Other Matters	31

ARTICLE VIII MISCELLANEOUS

Section 8.01.	Changes to Agreement	32
Section 8.02.	Successors and Assigns	32
Section 8.03.	Governing Law	32
Section 8.04.	Submission to Jurisdiction; Waiver of Jury Trial	33
Section 8.05.	Notice	33
Section 8.06.	Obligations Absolute	34
Section 8.07.	Holidays	35
Section 8.08.	Survival	35
Section 8.09.	Liability of the Bank	35
Section 8.10.	Certain Costs	36
Section 8.11.	No Waiver of Rights by the Bank; Cumulative Rights	36
Section 8.12.	Certificates, Etc	36
Section 8.13.	Severability	36
Section 8.14.	Headings	37
Section 8.15.	Counterparts	37
Section 8.16.	Non-Recourse to Certain Persons	37
Section 8.17.	Acknowledgment of Trustee's and Bond Insurer's Rights	37
Section 8.18.	Term Rate; Flexible Rate	37
Section 8.19.	No Right to Set-Off	37

EXHIBIT A - NOTICE OF BANK PURCHASE (Liquidity Purchase)
EXHIBIT B - NOTICE OF BANK PURCHASE (Mandatory Purchase)
EXHIBIT C - REQUEST FOR EXTENSION
EXHIBIT D - NOTICE OF EXTENSION
EXHIBIT E - NOTICE OF TERMINATION
EXHIBIT F - CUSTODY AGREEMENT
EXHIBIT G - NOTICE OF INCREASE OF AVAILABLE COMMITMENT
EXHIBIT H - CONFIRMING AGREEMENT

STANDBY BOND PURCHASE AGREEMENT

This STANDBY BOND PURCHASE AGREEMENT (this "*Agreement*"), dated as of June 1, 2003 among WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee under the Indenture referred to below (together with any successors thereto as such trustee, the "*Trustee*"), PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY, a body corporate and politic organized and existing under and by virtue of the Constitution and laws of the Commonwealth of Pennsylvania (together with any successors thereto, the "*Authority*"), and JPMORGAN CHASE BANK, a banking corporation organized and existing under the laws of the State of New York, as liquidity provider (the "*Bank*").

PREAMBLES

WHEREAS, the Authority has issued \$165,550,000 in aggregate principal amount of its Special Tax Revenue Refunding Bonds(City of Philadelphia Funding Program), Series of 2003 (the "*Bonds*"), pursuant to (i) the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), 53 P.S. 12720.101 et seq., as amended (the "*Act*") of the Commonwealth of Pennsylvania, (ii) an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "*Amended and Restated Indenture*"), between the Authority and the Trustee, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "*First Supplement*"), a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "*Second Supplement*") and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "*Third Supplement*" and as further amended and supplemented from time to time in accordance with the terms thereof and hereof, being referred to herein collectively as the "Indenture"), and (iii) Resolution No. 2003-04 adopted by the Authority on March 24, 2003 (the "*Resolution*"); and

WHEREAS, the payment of the principal of and interest on the Bonds (including Bank Bonds, as hereinafter defined) is insured by a financial guaranty insurance policy (together with any and all riders and endorsements thereto, the "*Bond Insurance Policy*") issued by Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation (the "*Bond Insurer*"), in favor of the owners of the Bonds (including the Bank as owner of Bonds or Bank Bonds);

WHEREAS, the Bonds are subject to purchase, from time to time, from and at the option of their owners or beneficial owners; and in order to help assure the availability of funds for the payment of the purchase price of the Bonds, the Authority has provided for the remarketing of such Bonds in certain cases, and to the extent such remarketing proceeds are not available, for the purchase of such Bonds by the provider of a liquidity facility, in certain cases;

WHEREAS, the Bank is willing to purchase Bonds tendered by the holders thereof, upon the terms and conditions set forth herein, on or prior to the last day of the Bank Purchase Period (as hereinafter defined);

NOW, THEREFORE, in consideration of the respective agreements contained herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Authority, the Trustee and the Bank hereby agree and intend to be legally bound as follows:

ARTICLE I DEFINITIONS

SECTION 1.01. Definitions. The following capitalized items have the meanings indicated below unless the context shall clearly indicate otherwise. Other capitalized terms used in this Agreement and not defined herein shall have the meaning given those terms in the Indenture.

“Agreement” means this Standby Bond Purchase Agreement dated as of June 1, 2003, among the Authority, the Trustee and the Bank, as the same may be supplemented and amended from time to time in accordance with its terms.

“Alternate Base Rate” shall mean a fluctuating rate of interest per annum equal to the higher of (i) the Overnight Effective Federal Funds Rate for such day as quoted in the “Composite Closing Quotations for U.S. Government Securities” published by the Federal Reserve Bank of New York plus 0.50% and (ii) the Base Rate. Each change in the Alternate Base Rate shall take effect simultaneously with the corresponding change or changes in the Base Rate or Overnight Effective Federal Funds Rate, as the case may be.

“Alternate Liquidity Facility” means a replacement standby bond purchase agreement or other liquidity facility which has satisfied all of the conditions set forth in Section 310(d) of the Third Supplement.

“Amortization End Date” means, with respect to any Bank Bond, the date on which such Bank Bonds are redeemed in accordance with Article IV of the Third Supplement or are paid in full.

“Amortization Start Date” means the last day of the Bank Purchase Period.

“Authority” has the meaning assigned to that term in the introductory paragraph to this Agreement.

“Authority Representative” shall have the meaning assigned to such term in the Indenture.

“Automatic Suspension Event” means an Event of Default in Section 7.01(b).

“Automatic Termination Event” means an Event of Default described in Section 7.01(a), Section 7.01(c) or Section 7.01(k) hereof or a Final Suspension Event.

“Available Commitment” means, on any day, the sum of the Available Principal Commitment and the Available Interest Commitment, in each case, as of such day.

“Available Interest Commitment” initially means \$1,850,532 constituting interest for 34 days on the initial amount of the Available Principal Commitment based upon an assumed rate of interest of twelve percent (12%) per annum calculated on the basis of a year of 365 days and the actual number of days elapsed and thereafter means such amount adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to such amount as the amount of any reduction in the Available Principal Commitment pursuant to clause (a) or (b) of the definition of “Available Principal Commitment” bears to the Available Principal Commitment prior to such reduction; and (b) upward by an amount that bears the same proportion to such amount as the amount of any increase in the Available Principal Commitment pursuant to clause (c) of the definition of “Available Principal Commitment” bears to the Available Principal Commitment prior to such increase; provided, however, that if the Bank agrees, in its sole discretion, to deem Bonds bearing interest at the Term Rate or the Flexible Rate “Eligible Bonds” in accordance with Section 8.18 hereof, the Available Interest Commitment shall be increased to an amount equal to such number of days of interest on the Available Principal Commitment as is required by each Rating Agency rating the Bonds at the time of such proposed conversion to the Term Rate or Flexible Rate based on an assumed rate of interest of twelve percent (12%) per annum and a 365-day year and actual days elapsed, and shall continue to increase and decrease as described above. Any adjustments pursuant to clauses (a) or (b) above shall occur simultaneously with the event requiring such adjustment.

“Available Principal Commitment” initially means \$165,550,000 and thereafter means such amount adjusted from time to time as follows: (a) downward by the amount of any mandatory reduction of the Available Principal Commitment pursuant to Section 2.03; (b) downward by the principal amount of any Bonds purchased by the Bank pursuant to Section 2.01; and (c) upward by the principal amount of any Bonds theretofore purchased by the Bank pursuant to Section 2.01, which are remarketed (or deemed to be remarketed pursuant to Section 2.04(c) hereof) by the Remarketing Agent and for which the Bank has received immediately available funds equal to the principal amount thereof and accrued interest thereon; provided, however, that the sum of (i) the Available Principal Commitment plus (ii) the aggregate principal amount of Bank Bonds shall never exceed \$165,550,000. Any adjustments pursuant to clauses (a), (b) or (c) above shall occur simultaneously with the event requiring such adjustment.

“Bank” means the Bank as defined in the introductory paragraph to this Agreement.

“Bank Bond” means each Bond held by a Bank Bondholder.

“Bank Bondholder” means the Bank (but only in its capacity as owner (which as used herein shall mean beneficial owner if at the relevant time Bank Bonds are Book Entry Bonds) of Bank Bonds pursuant to this Agreement) and any other Person to whom the Bank has sold Bank Bonds pursuant to Section 2.04(a).

“Bank Purchase Date” means a Business Day during the Bank Purchase Period on which the Bank is required to purchase Bonds pursuant to Section 2.01.

“Bank Purchase Period” means the period from the Closing Date to and including the earliest of (a) the Stated Expiration Date then in effect, (b) the date on which no Bonds are Outstanding, (c) 5:00 p.m. on the Substitution Date, (d) the Business Day immediately succeeding the date on which all of the Bonds are converted to a rate other than a Covered Rate, (e) the close of business on the Noticed Termination Date, or (f) the close of business on the date the Available Commitment is reduced to zero or terminated pursuant to Section 2.03 or due to the occurrence of an Automatic Termination Event.

“Bank Rate” means, for each day of determination with respect to any Bank Bond, except as otherwise provided in Section 3.01(a) hereof, (i) for the period from and including the Bond Purchase Date of such Bank Bond through and including the last day of the Bank Purchase Period, the Alternate Base Rate; and (ii) for the period from and including the day immediately following the last day of the Bank Purchase Period to and including the Amortization End Date, the Alternate Base Rate plus one percent (1%); provided that from and after the occurrence of an Automatic Termination Event, the Bank Rate shall mean the Default Rate; provided, however, that the Bank Rate shall never exceed the Maximum Interest Rate.

“Base Rate” means the rate of interest per annum equal to the rate of interest per annum from time to time announced by the Bank as its prime rate (which is not intended to be the lowest rate of interest charged by the Bank in connection with the extensions of credit to its customers). Each change in the Base Rate shall take effect at the time of such change in such prime rate.

“Bond Insurance Policy” means the financial guaranty insurance policy issued by the Bond Insurer guaranteeing the regularly scheduled payment of the principal of and interest (including interest at the Bank Rate) on the Bonds when due (including all endorsements attached thereto) and any replacement Bond Insurance Policy with respect to the Bonds obtained by the Authority with the prior written consent of the Bank.

“Bond Insurer” means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, and any issuer of any replacement Bond Insurance Policy obtained by the Authority with respect to the Bonds.

“Bond Insurer Event of Insolvency” means the occurrence and continuance of one or more of the following events: (a) the issuance, under the laws of the state of incorporation or organization of the Bond Insurer, of an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution of the Bond Insurer; (b) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking an order for relief, liquidation, rehabilitation, conservation, reorganization or dissolution with respect to itself or its debts under the laws of the state of incorporation or organization of the Bond Insurer or any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any

substantial part of its property; (c) the consent of the Bond Insurer to any relief referred to in the preceding clause (b) in an involuntary case or other proceeding commenced against it; (d) the making by the Bond Insurer of an assignment for the benefit of creditors; (e) the failure of the Bond Insurer to generally pay its debts or claims as they become due; or (f) the initiation by the Bond Insurer of any actions to authorize any of the foregoing.

“Bonds” has the meaning assigned to that term in the recitals to this Agreement and shall include, unless the context otherwise requires, all Bank Bonds.

“Book Entry Bonds” means the Bonds so long as the book entry system with DTC or any other securities depository is used with respect to the registration and transfer of the Bonds.

“Business Day” means any day other than a Saturday, Sunday or a day on which banks located (a) in the city in which the principal corporate trust office of the Trustee is located, (b) in the city in which the office of the Bond Insurer or the Bond Insurer’s custodian at which claims under the Bond Insurance Policy are to be paid (initially, New York, New York) is located, (c) in the city in which the office of the Bank at which drawings hereunder are to be honored is located, (d) in the city in which the corporate trust office of the Trustee at which the Bonds may be tendered for purchase by the holders thereof is located and (e) in the city in which the principal office of the Remarketing Agent is located, are required or authorized to remain closed or on which The New York Stock Exchange is closed, and further, with respect to payments due from the Authority or notices required to be given by the Authority hereunder or under any other Related Document, shall also exclude any day on which the Authority is required or authorized to remain closed.

“Closing Date” means the date on which Bonds are initially issued and delivered by the Authority.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Confirming Agreement” means the Confirming Agreement dated as of even date herewith between the Bank and the Trustee, substantially in the form of Exhibit H hereto, as amended from time to time.

“Conversion Date” shall mean the date the Bonds, as a result of a written direction by the Authority to convert the interest rate on the Bonds pursuant to the Third Supplement, no longer bear interest at a Covered Rate.

“Covered Rate” means the Daily Rate or the Weekly Rate; provided, however, that following the delivery by the Bank of the notice attached hereto as Exhibit G in accordance with Section 8.18 hereof, Covered Rate shall mean the Daily Rate, the Weekly Rate, the Term Rate or the Flexible Rate.

“Custodian” means Wachovia Bank, National Association, or any successor thereto appointed pursuant to the terms of the Custody Agreement.

“Custody Agreement” means the Custody Agreement dated as of even date herewith between the Bank and the Custodian, substantially in the form of Exhibit F hereto, as amended from time to time.

“Daily Rate” means the rate of interest in effect from time to time with respect to the Bonds during any Daily Rate Period, as such term is defined in the Third Supplement.

“Default” means the occurrence of any event which, with the passage of time, the giving of notice, or both, would become an Event of Default.

“Defaulted Interest” means accrued interest payable on a Bond which was not paid when due under the terms of the Indenture.

“Default Rate” means the Alternate Base Rate from time to time in effect plus two percent (2.00%); provided, however, that the Default Rate shall never exceed the Maximum Interest Rate. The Default Rate shall change as and when the Alternate Base Rate changes.

“Default Tender” means a mandatory tender of the Bonds pursuant to Section 304(a)(iv) of the Third Supplement as a result of the Bank’s delivery of a Notice of Termination to the Trustee pursuant to Section 7.02(c).

“Deferred Interest” has the meaning given in Section 3.01(c).

“Deferred Interest Fee Amount” has the meaning given in Section 3.01(c).

“Differential Interest Amount” means, with respect to any Bank Bond, the excess of (a) interest which has accrued and could actually be paid on such Bank Bond at the Bank Rate, as determined in accordance with Section 3.01, up to but excluding the Business Day on which such Bank Bond is purchased from the Bank Bondholder of such Bank Bond pursuant to Section 2.04(b), less (b) the interest accrued on such Bank Bond received by the Bank Bondholder of such Bank Bond as part of the Sale Price.

“Dollars” and ***“\$”*** shall mean the lawful currency of the United States of America.

“DTC” means The Depository Trust Company.

“Eligible Bonds” means any Bonds bearing interest at a Covered Rate other than Bonds owned by, for the account of, or on behalf of the Authority.

“Event of Default” has the meaning given in Section 7.01.

“Extended Bank Purchase Period” has the meaning given in Section 3.04(b).

“Facility Fee” has the meaning given in Section 2.05.

“Final Suspension Event” has the meaning given in Section 7.02(a).

“Fiscal Year” for any Person means any consecutive 12-month period selected as such Person’s fiscal year.

“Fitch” means Fitch, Inc., its successors and assigns.

“Flexible Rate” means the rate or rates of interest in effect from time to time with respect to the Bonds during any Flexible Rate Period, as such term is defined in the Third Supplement.

“Governmental Authority” means any national, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, tribunal, agency, bureau, court or entity (including the Federal Deposit Insurance Corporation or the Federal Reserve Board, any central bank or any comparable authority), or any arbitrator with authority to bind any of the parties to this Agreement at law.

“Indebtedness” of any Person means at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of such Person as lessee under capital leases, (e) all obligation of such Person to purchase securities (or other assets) that arise out of or in connection with the sale of the same or substantially similar securities or assets, (f) all obligations of such Person to reimburse any bank or any other Person in respect of amounts paid under a letter of credit or any other similar instrument, (g) all Indebtedness of others secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person and (h) all guarantees by such Person of Indebtedness of other Persons.

“Indenture” has the meaning assigned to such term in the recitals to this Agreement.

“Insurer Adverse Change” occurs when the financial strength ratings assigned to the Bond Insurer by Moody’s, S&P and Fitch shall fall below “Aa3”, “AA-” and “AA-”, respectively, and such financial strength ratings shall remain below “Aa3”, “AA-” and “AA-”, respectively, for a period of 90 consecutive days.

“Interest Component” has the meaning given in Section 2.01.

“Interest Payment Date” with respect to Bonds which are not Bank Bonds, shall have the meaning assigned in the Third Supplement and, with respect to Bank Bonds, means each of the days described in Section 3.03.

“Materially Adverse Effect” means (a) with respect to any Person, a materially adverse effect upon such Person’s business, assets, liabilities, financial condition, results of operations or business prospects, and (b) with respect to any agreement or obligation, a materially adverse effect upon the binding nature, validity or enforceability of such agreement or obligation.

“Maximum Interest Rate” means the lesser of (a) twenty-five percent (25%) per annum and (b) the Maximum Lawful Rate.

“Maximum Lawful Rate” means the maximum non-usurious rate of interest on the relevant obligation permitted by applicable law.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Noticed Termination Date” has the meaning given in Section 7.02(c).

“Notice of Bank Purchase” means, in the case of a purchase of Eligible Bonds by the Bank pursuant to Section 301 of the Third Supplement, a notice in the form of Exhibit A hereto, and in the case of a mandatory purchase of Eligible Bonds pursuant to Section 303(a) or 304(a) of the Third Supplement, a notice in the form of Exhibit B hereto; provided, that if the Bank delivers the notice referred to in Section 8.18 hereof, the term “mandatory purchase” as used herein shall include Bonds bearing interest at a Term Rate or a Flexible Rate which are subject to mandatory purchase in accordance with the Third Supplement. Notwithstanding the foregoing, in the event this Agreement terminates as a result of an Automatic Termination Event, the Bonds shall not be purchased by the Bank under this Agreement on the date of such termination.

“Notice of Termination” has the meaning given in Section 7.02(c).

“Official Statement” means, collectively the Preliminary Official Statement, dated June 5, 2003 and the final Official Statement dated June 12, 2003, prepared in connection with the initial sale and delivery of the Bonds, and any amendment and supplement thereto.

“Outstanding” with respect to the Bonds, shall have the same meaning assigned to such term as in the Third Supplement.

“Payment Date” means, with respect to any Bank Bond, the earliest to occur of (i) the Amortization End Date, (ii) the Conversion Date, (iii) the date on which no Bonds are Outstanding, and (iv) the effective date of an Alternate Liquidity Facility.

“Payment Office” has the meaning given in Section 3.04.

“Participant” has the meaning given in Section 8.02.

“Person” means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or a political subdivision or an agency or instrumentality thereof.

“Pledged Revenues” shall have the meaning assigned to such term in the Indenture.

“Property” means any and all rights, title and interest in and in any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired.

“Purchase Contract” means the bond purchase agreement relating to the initial sale and delivery on the Closing Date of the Bonds by the Authority to the underwriters of the Bonds.

“Purchase Price” with respect to any Eligible Bond or portion thereof on a Bank Purchase Date therefor, means the unpaid principal amount thereof plus accrued interest thereon, other than Defaulted Interest, to but excluding such Bank Purchase Date, in each case without premium; provided that if the applicable Bank Purchase Date is an Interest Payment Date, interest payable on such Bond on such Interest Payment Date shall not be taken into account in the computation of the Purchase Price payable by the purchaser of such Bond and; provided further that the aggregate amount of Purchase Price constituting the Interest Component shall not exceed the amount specified in Section 2.01.

“Rating Agency” means Moody’s, S&P or Fitch.

“Rating Category” means one of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category by a numerical or other modifier.

“Reimbursement Obligations” means obligations and liabilities of the Authority to the Bank arising under this Agreement other than the Authority’s obligations to pay the principal of and interest on the Bank Bonds in accordance with the terms thereof.

“Related Documents” means this Agreement, the Confirming Agreement, the Indenture, the Bonds, the Purchase Contract, the Bond Insurance Policy, the Custody Agreement and the Remarketing Agreement, as the same may be amended or modified from time to time in accordance with their respective terms and the terms hereof.

“Remarketing Agent” means Raymond James & Associates, Inc. and its successors and assigns, or any alternate remarketing agent appointed for the Bonds with the prior written consent of the Bank.

“Remarketing Agreement” means the Remarketing Agreement, dated as of June 1, 2003, between the Authority and the Remarketing Agent, as the same may be modified or amended, and if the Remarketing Agent has been replaced by a successor remarketing agent, any similar agreement between the Authority and such successor remarketing agent.

“Resolution” has the meaning assigned to such term in the recitals to this Agreement.

“Sale Price” has the meaning given in Section 2.04(b).

“S&P” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc., its successors and assigns.

“Stated Expiration Date” means the later of (a) 5:00 p.m. on June 14, 2004, or, if such day is not a Business Day, the next preceding Business Day to such day, and (b) 5:00 p.m. on the

last day of any extension of such date pursuant to Section 3.04 or, if such day is not a Business Day, the next preceding Business Day to such day.

“Substitution Date” means the date on which an Alternate Liquidity Facility has satisfied all of the conditions in Section 310(d) of the Third Supplement and becomes effective.

“Tendered Bonds” means, as of any date, Eligible Bonds which are tendered or deemed tendered for purchase pursuant to Section 301(a), Section 303(a) or Section 304(a) of the Third Supplement and which, in any case, the Remarketing Agent has not remarketed; provided, however, that following the delivery by the Bank of the notice attached hereto as Exhibit G in accordance with Section 8.18 hereof, “Tendered Bonds” shall include Eligible Bonds which are tendered or deemed tendered for purchase pursuant to the Third Supplement and which the Remarketing Agent has not remarketed.

“Term Rate” means the rate of interest in effect from time to time with respect to the Bonds during any Term Rate Period, as such term is defined in the Third Supplement.

“Third Supplement” has the meaning assigned to such term in the recitals to this Agreement.

“Trustee” shall have the meaning assigned to such term in the recitals to this Agreement.

“Weekly Rate” means the rate of interest in effect from time to time with respect to the Bonds during any Weekly Rate Period, as such term is defined in the Third Supplement.

“written” or ***“in writing”*** means any form of written communication or a communication by means of telecopier or other telecommunication device capable of creating a writing.

SECTION 1.02. Interpretation. In this Agreement, (i) the singular includes the plural and the plural the singular; (ii) words importing any gender include the other genders; (iii) references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; (iv) the word “including” shall be deemed to be followed by the words “without limitation”; (v) a reference to a Person includes its permitted successors and permitted assigns; (vi) a reference to an agreement, instrument or document shall include such agreement, instrument or document as the same may be amended, modified or supplemented from time to time in accordance with its terms and as permitted hereby; and (vii) all references to time shall mean Eastern time, unless otherwise specified.

All references to Sections shall be deemed references to Sections of this Agreement unless the context shall otherwise require.

SECTION 1.03. Accounting Matters. All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles, and except as otherwise expressly provided herein all accounting determinations required to be made pursuant to this Agreement shall be made in accordance with generally accepted accounting principles.

ARTICLE II

COMMITMENT TO PURCHASE; FEES; AMORTIZATION

SECTION 2.01. Commitment to Purchase Bonds. The Bank agrees, subject to the terms and conditions contained in this Agreement and provided no Automatic Suspension Event or Automatic Termination Event has occurred and is continuing, to extend credit to the Authority through the purchase, solely with its own funds, of Tendered Bonds and any Bonds subject to purchase on a Bank Purchase Date, for the Bank's own account, from time to time during the Bank Purchase Period at the Purchase Price. The aggregate principal amount (or portion thereof) of any Bond purchased by the Bank on any Bank Purchase Date shall be an authorized denomination applicable to Bonds bearing interest at a Covered Rate, and in any case the aggregate principal amount of all Bonds purchased on any Bank Purchase Date shall not exceed the Available Principal Commitment in effect on such purchase date. The aggregate amount of the Purchase Price comprising interest on the Bonds (the "Interest Component") purchased on any Bank Purchase Date shall not exceed the lesser of (i) the Available Interest Commitment on such date and (ii) the actual aggregate amount of interest accrued on each such Bond, other than Defaulted Interest, but to and excluding such Bank Purchase Date; provided that if the applicable Bank Purchase Date is an Interest Payment Date, the amount described in this clause (ii) shall be reduced by the amount of interest payable on each such Bond on such Interest Payment Date. Any Bonds so purchased on a Bank Purchase Date shall thereupon constitute Bank Bonds and shall, from the date of such purchase and while they continue to be Bank Bonds, bear interest at the Bank Rate as from time to time in effect; provided that from and after an Automatic Termination Event, Bank Bonds shall bear interest at the Default Rate, and have such other characteristics of Bank Bonds as set forth in this Agreement and in the Third Supplement. The Bank has no obligation to purchase Bonds other than as expressly provided in this Agreement.

SECTION 2.02. Method of Purchase. The Trustee and Paying Agent shall give telephonic notice to the Bank (a) by 11:00 a.m. on the Business Day following the receipt of each tender notice pursuant to Section 301(c) of the Third Supplement, except for Bonds in the Daily Rate, and (b) by 3:00 p.m. on the Business Day prior to the date on which Bonds are subject to mandatory tender pursuant to Section 303(a) or Section 304(a) of the Third Supplement. The Trustee or the Paying Agent shall give telephonic notice to the Bank by 10:30 a.m. on the applicable Bank Purchase Date if it expects that Eligible Bonds are to be purchased by the Bank. If by 11:00 a.m. on the applicable Bank Purchase Date, the Bank receives a notice substantially in the form of Exhibit A or Exhibit B to this Agreement, as the case may be (any such notice to be referred to as a "Notice of Bank Purchase"), the Bank will, during the Bank Purchase Period, transfer not later than 1:00 p.m. on the Bank Purchase Date to the Trustee, in funds to be available as specified in such Notice of Bank Purchase, an amount equal to the aggregate Purchase Price of such Bonds. The Bank shall not have any responsibility for, or incur

any liability in respect of, any act, or any failure to act, by the Trustee or the Paying Agent which results in the failure of the Trustee or the Paying Agent (y) to credit the appropriate account with funds made available by the Bank pursuant to this Section or (z) to effect the purchase of Bonds for the account of the Bank with such funds pursuant to this Section. The Bank shall purchase any Bonds it is required to purchase with its own funds and purchase payments shall be made in immediately available funds. The Bonds purchased with amounts made available under this Agreement shall be registered in the name of the Bank or its designee and shall be held as Bank Bonds in trust by the Trustee for the benefit of the Bank or such designee as the Bank may elect, but upon the written request of the Bank shall be promptly delivered by the Trustee to the Bank or its designee. As long as Bonds are Book Entry Bonds, the Bank shall be shown as the beneficial owner of Bonds purchased by the Bank pursuant to this Agreement on the books and records of the Trustee and DTC. Amounts made available under this Agreement which are not so used to purchase Bonds will be returned to the Bank by the Paying Agent no later than 4:00 p.m. on the applicable Bank Purchase Date.

SECTION 2.03. Reduction of Commitment.

(a) Mandatory Reduction of Commitment. Upon (i) any redemption, repayment or other payment pursuant to the Indenture of all or any portion of the principal amount of the Bonds (other than Bank Bonds) so that such Bonds shall cease to be Outstanding under the Third Supplement or (ii) the close of business on the Business Day immediately succeeding the Conversion Date, the aggregate Available Principal Commitment of the Bank shall automatically be reduced by the principal amount of such Bonds so redeemed, repaid, defeased or otherwise deemed paid or so converted, as the case may be, and the Available Interest Commitment shall also be simultaneously reduced. The Authority shall provide to the Bank a copy of any direction to redeem Bonds delivered to the Trustee pursuant to Section 401(d)(ii) of the Third Supplement on the same date such direction is provided to the Trustee, and the Trustee shall notify the Bank (with a copy to the Authority) within two (2) Business Days of such redemption, repayment, defeasance or other payment or conversion.

(b) Voluntary Termination of Commitment. The Authority may terminate this Agreement, at any time, by substituting an Alternate Liquidity Facility for this Agreement upon thirty (30) days' prior written notice to the Bank; provided that (A) the provider of an Alternate Liquidity Facility shall agree, in a manner acceptable to the Bank, to purchase on the Substitution Date any Bank Bonds, not otherwise remarketed, held by or on behalf of a Bank Bondholder at a purchase price equal to the principal amount of such Bank Bonds plus accrued interest thereon at the interest rate at which the Bonds are remarketed and (B) any Deferred Interest, Deferred Interest Fee Amounts and any other amounts payable to the Bank or any Bank Bondholder hereunder or in respect to the Bank Bonds shall have been paid in full. The Available Commitment shall automatically terminate on the expiration of the Bank Purchase Period.

(c) No Other Reduction or Termination. Except as specifically provided in this Section 2.03, no Person shall have the right to reduce or terminate the Available Commitment.

SECTION 2.04. Sale of Bank Bonds.

(a) Right to Sell Bank Bonds. The Bank shall have the right to sell Bank Bonds to any Person at any time subject, however, to the express terms of this Agreement. The Bank agrees that such sales (other than sales made pursuant to Section 2.04(b)) will be made only to institutional investors or other entities or individuals which customarily purchase commercial paper or tax-exempt securities in large denominations. The Bank agrees to notify the Authority, the Trustee and the Remarketing Agent promptly of any such sale (other than a sale made pursuant to Section 2.04(b)) and, if such Bank Bond is a Book Entry Bond, specifying the account at DTC to which such Bank Bond is credited; and to notify the transferee in writing that such Bond is no longer an Eligible Bond so long as it remains a Bank Bond and that there may not be a short-term investment rating assigned to such Bond so long as it remains a Bank Bond. Any Bank Bondholder purchasing a Bank Bond from the Bank shall be deemed to have agreed (i) not to sell such Bank Bond to any Person except the Bank or a purchaser identified by the Remarketing Agent pursuant to Section 2.04(b) and (ii) if such Bank Bond is a Book Entry Bond, to give all notices in the manner and by the time required by DTC to exclude such Bank Bond from mandatory tenders of Bonds while it remains a Bank Bond. Prior to selling a Bank Bond to a Bank Bondholder, the Bank shall obtain a written acknowledgment from such Bank Bondholder stating that such Bank Bondholder has no right to tender the Bank Bond.

(b) Sales by Remarketing Agent. The Bank and each other Bank Bondholder, by the acceptance by each of a Bank Bond, hereby authorize the Remarketing Agent to sell Bank Bonds purchased pursuant to Section 2.02 on behalf of the Bank or such Bank Bondholder pursuant to the Indenture and in accordance with applicable securities law at a price equal to the principal amount thereof plus unpaid accrued interest thereon to but excluding the date such Bank Bonds are to be sold pursuant to this Section 2.04(b) at the interest rate to be borne by the Bonds after such sale or, if less, the Bank Rate (the "Sale Price"). If less than all Bank Bonds are remarketed on any date, the Bank Bonds having the highest aggregate amount of Deferred Interest payable shall be deemed to be remarketed first. Any sale of a Bank Bond pursuant to this Section 2.04(b) shall be without recourse to the seller and without representation or warranty of any kind. The Bank agrees to deliver and, by its acceptance of a Bank Bond, each other Bank Bondholder agrees to deliver (but only upon receipt by the Bank or such other Bank Bondholder of dollars (in immediately available funds) in the amount of the Sales Price) to the Trustee each certificate representing a Bank Bond sold by it pursuant to this Section 2.04(b), including without limitation certificates representing Bank Bonds which are deemed to have been delivered in accordance with the provisions of the Indenture. If Bank Bonds are Book Entry Bonds, upon receipt by the Bank or such other Bank Bondholder of the Sales Price, the Trustee shall cause the purchaser of such Bank Bonds to be shown as the beneficial owner of such Bonds on the books and records of the Trustee and DTC.

(c) Right to Retain Bonds. (i) Notwithstanding the foregoing or anything else contained in this Agreement, the Bank and each other Bank Bondholder shall have the right, by not less than two (2) Business Days' prior written notice to the Remarketing Agent, to elect not to sell the Bank Bonds or any portion thereof pursuant to Section 2.04(b); provided that such election may not be exercised if the Bank or such other Bank Bondholder has received written notice from the Remarketing Agent that such Bank Bonds have been remarketed. If the Bank elects not to sell the Bank Bonds, the Bonds will no longer be considered Bank Bonds and the

Bank, or such other Bank Bondholder, as an owner of any Bonds other than as Bank Bonds, shall have the same rights as owners of Bonds under the Indenture, other than the right to require purchase of such Bonds from proceeds of an advance under this Agreement.

(ii) After any sale of Bank Bonds by the Remarketing Agent pursuant to Section 2.04(b) and payment to the applicable Bank Bondholder of the outstanding principal and interest accrued on the Bank Bonds so sold, or any election by a Bank Bondholder not to sell such Bank Bonds or any portion thereof through the Remarketing Agent pursuant to Section 2.04(c), such Bank Bonds so sold or as to which such election is made, shall from such sale date or upon such election cease to be considered Bank Bonds under this Agreement and will cease to bear interest at the Bank Rate and shall bear interest at the applicable interest rate for Bonds other than Bank Bonds and the Available Commitment shall be increased by the same amount as would be the case if such Bank Bonds had been remarketed.

(d) Payment of Differential and Deferred Interest Fee Amounts. Following any sale of Bank Bonds, pursuant to Section 2.04(b) or otherwise, or any election to retain Bank Bonds as Bonds pursuant to Section 2.04(c), the Bank shall retain the right to receive payment from the Authority of any accrued Differential Interest Amount and any Deferred Interest Fee Amounts and interest thereon as provided in this Agreement and in the Third Supplement. Any Differential Interest Amount and any Deferred Interest Fee Amount payable on Bank Bonds sold by the Remarketing Agent shall be payable by the Authority to the Bank on the earlier of (i) the occurrence of an Automatic Suspension Event or Automatic Termination Event and (ii) the Interest Payment Date next succeeding the applicable Purchase Date or if the Purchase Date is an Interest Payment Date, then on such Purchase Date.

(e) Redemption of Bank Bonds. The Authority shall cause the Trustee to first redeem Bank Bonds prior to any redemption of any other Bonds under Section 401 of the Third Supplement.

SECTION 2.05. Facility Fee. In consideration of the Bank's undertakings under this Agreement, the Authority agrees to pay to the Bank an annual earned and nonrefundable liquidity facility fee (the "Facility Fee") equal to the product of (i) the Available Commitment as in effect as of the close of business on each day during such period and (ii) 14 basis points (0.14%) per annum, calculated on the basis of a 360 day year for actual days elapsed. The Facility Fee shall be payable in immediately available funds, quarterly in arrears, on September 30, 2003, for the period from the Closing Date to September 30, 2003, and each June 30, September 30, December 31 and March 31 thereafter with respect to the period ending on such fee payment date, and on the last day of the Bank Purchase Period or, if earlier, the date on which the Available Commitment is terminated or reduced to zero. Facility Fees shall be adjusted quarterly on the average daily outstanding balances during the period then ended. For the purposes of this Section 2.05 only, the Available Commitment shall be deemed not to be reduced during any period the Bank's obligation to purchase Bonds has been suspended pursuant to Section 7.02(a).

SECTION 2.06. Compensation for Increased Costs.

(a) Reserves. In the event any introduction of any law, rule or regulation, or any change in any domestic law, rule or regulation, or the interpretation or application thereof by any court, governmental authority, central bank or comparable authority charged with the enforcement or administration or interpretation thereof, or the compliance with any guidelines or request from any governmental authority, central bank or comparable authority (whether or not having the force of law):

(i) subjects the Bank to any tax, deduction or withholding or changes the basis for taxation with respect to this Agreement or any Bank Bonds held by or on behalf of the Bank (other than any tax based upon the overall net income of the Bank), or

(ii) imposes, modifies or deems applicable any reserve, special deposit, insurance premium (including any assessment or other cost imposed by the Federal Deposit Insurance Corporation or any successor thereto) or similar requirement against credits or commitments to extend credit extended by, or assets (funded or contingent) held by, or deposits with or for the account of, or loans by, or other acquisitions of funds or bonds by, the Bank, or

(iii) imposes upon the Bank any other condition or expense with respect to this Agreement, the commitment or obligations of the Bank under this Agreement, the Bonds or the purchase or holding of Bank Bonds by or on behalf of the Bank,

and the result of any of the foregoing is to increase the cost to the Bank, reduce the income receivable by the Bank, impose any expense upon the Bank or reduce the amount of any payment receivable by the Bank, with respect to this Agreement, any Bank Bond or any purchase of Eligible Bonds or holding by the Bank of Bank Bonds, or with respect to the Available Commitment or any portion thereof as reasonably determined and allocated by the Bank, by an amount which the Bank deems to be material, the Bank shall from time to time notify the Authority thereof by delivery of a certificate of an officer of the Bank of the nature described in the next sentence, and the Authority shall pay to the Bank promptly, and in any event within

thirty (30) days after receipt of such notice, that amount which shall compensate the Bank (on an after tax basis, grossing up to cover any taxes payable by the Bank on such amount) for such increase in cost, reduction in income, additional expense, reduced amount or reduced rate of return. A certificate setting forth in reasonable detail such increase in cost, reduction in income or additional expense or reduced amount or reduced rate of return, and the manner of calculating the same as determined by the Bank, shall be submitted by the Bank to the Authority and the Bond Insurer and, absent manifest error, shall be conclusive as to the amount thereof. Such increased compensation shall be reduced or eliminated if the event causing such increase is modified or ceases to exist. The Bank agrees to give the Authority and the Bond Insurer notice of any event referred to in this Section within 120 days after an appropriate officer of the Bank becomes aware of such event.

(b) Capital Costs. If the Bank shall have determined that the adoption of any law, rule, regulation or guideline (whether or not having the force of law), regarding capital adequacy (including but not limited to any law, rule, regulation or guideline), or any change in any applicable law, rule, regulation or guideline, as the case may be, or any change in the enforcement or interpretation or administration thereof by any court or any administrative or governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of the Bank, if any, as a consequence of its obligations under this Agreement, its Available Commitment or its purchase of Tendered Bonds or holding of Bank Bonds to a level below that which the Bank could have achieved but for such applicability, adoption, change or compliance (taking into consideration the policies of the Bank, if any, with respect to liquidity and capital adequacy) by an amount deemed by the Bank to be material, then within thirty (30) days after demand by the Bank, the Authority shall pay to the Bank from time to time as specified by the Bank for such reduction. Each demand for compensation pursuant to this Section 2.06(b) shall be accompanied by a certificate of an officer of the Bank in reasonable detail setting forth the computation of such compensation (including the reason therefor), which certificate shall be conclusive, absent manifest error. Such increased compensation shall be reduced or eliminated if the event causing such increase is modified or ceases to exist. The Bank agrees to give the Authority and the Bond Insurer notice of any event referred to in this Section which may have the effect of reducing the rate of return on the Bank's capital within 120 days after an appropriate officer of the Bank becomes aware of such an event.

(c) Calculations. The benefits of this Section 2.06 shall be available to each Participant to the extent that the events described herein, creating increased costs, affect the Participant; provided that the amount payable does not exceed the amount that would be payable to the Bank, if any, if the Bank were the holder of any Bank Bonds held by such Participant.

SECTION 2.07. Amortization of Bank Bonds. The Authority agrees that it shall cause to be redeemed any Bank Bonds pursuant to Section 401 of the Third Supplement, such that the unpaid principal balance of Bank Bonds outstanding on the Amortization Start Date shall amortize in accordance with the provisions of the Third Supplement until paid in full.

ARTICLE III INTEREST RATES; PAYMENTS

SECTION 3.01. Bonds to Bear Interest at Bank Rate; Other Interest Provisions.

(a) **Bank Rate.** Any Bond purchased by the Bank pursuant to this Agreement shall upon such purchase by the Bank become a Bank Bond and shall bear interest at the Bank Rate for the period commencing from the date that the Bank shall have purchased such Bond and shall continue bearing interest at the Bank Rate until such Bond is paid in full or remarketed as provided in Section 2.04(b) or 3.03 or shall cease to be a Bank Bond in accordance with Section 2.04(c). The Bank Rate for any Bank Bond owned by the Bank shall be a rate per annum equal to the Bank Rate. The Bank shall give telephonic notice, confirmed in writing, to the Trustee on the Business Day preceding each Interest Payment Date of the interest payment due on Bank Bonds on such date. The failure of the Bank to give any notice shall not limit or otherwise affect the obligation of the Authority to pay interest on the Bank Bonds at the rates specified in this Section 3.01.

(b) **Default Rate.** If the principal amount of any Bank Bond, the interest accrued thereon, or any Reimbursement Obligation to the Bank under this Agreement (including, in each case, to the extent permitted by law, any interest payment required hereunder or thereunder) is not paid when due (whether by acceleration, redemption or otherwise), such overdue principal payment, interest payment or Reimbursement Obligation shall bear interest from the date such principal amount, interest amount or Reimbursement Obligation, as the case may be, was due until paid in full (after as well as before judgment) at a rate per annum (computed on the basis of a year of 365- or 366-days, as applicable, and actual days elapsed) equal to the Default Rate from time to time in effect, such interest to be payable on demand. If at any time an Event of Default described in Section 7.01(a), (b), (c) or (k) has occurred and is continuing, the principal amount of any Bank Bond, or any other obligation of the Authority under this Agreement or the Bank Bonds (including, to the extent permitted by law, any interest payment required thereunder) shall bear interest from the date such principal amount or other obligation, as the case may be, was due until paid in full (after as well as before judgment) at a rate per annum (computed on the basis of a year of 365- or 366-days and actual days elapsed) equal to the Default Rate from time to time in effect, such interest to be payable on demand; provided that in no event shall such rate per annum exceed the Maximum Interest Rate.

(c) **Deferred Interest.** For any period during which Bank Bonds are outstanding and as to each interest period, in the event that the amount of interest which would be payable on the Bank Bonds (calculated at the Bank Rate for an interest period, or in the case of the payment of the applicable Differential Interest Amount, if any, on a Bank Bond for the period from the date of the first day of the current interest period through but not including the date on which such Bank Bond is remarketed or paid) exceeds the Maximum Lawful Rate, the amount of such excess shall not be payable on the Interest Payment Date for such interest period as interest on

such Bank Bonds but shall be deferred (the "Deferred Interest"). The Deferred Interest shall be allocated among the Bank Bonds outstanding on such Interest Payment Date based upon the principal amount of such Bank Bonds and the length of time such Bank Bonds were outstanding during the interest period related to such Interest Payment Date. Any Deferred Interest arising on any Interest Payment Date (i) shall, to the extent permitted by law, bear interest (compounded on each succeeding Interest Payment Date) at a rate per annum equal to the Bank Rate (computed on the basis of a year of 365- or 366-days and actual days elapsed) until paid in full and (ii) arising on any Interest Payment Date shall become payable on the next succeeding Interest Payment Date or Dates to the extent the interest, including Deferred Interest, payable on the Bank Bonds, if any, for the interest period ending on such Interest Payment Date does not exceed the Maximum Lawful Rate for such interest period. All amounts of interest payable on a Bond which is a Bank Bond, including, without limitation, Deferred Interest, for so long as such Bond shall remain a Bank Bond, shall constitute interest on such Bond and shall be insured by the Bond Insurance Policy. To the extent Deferred Interest (including, to the extent permitted by law, any unpaid interest thereon) shall be unpaid with respect to Bank Bonds, and such Bank Bonds shall be redeemed or remarketed or shall otherwise cease to be Bank Bonds, such unpaid Deferred Interest (including, to the extent permitted by law, any unpaid interest thereon) shall be converted into a fee payable to the Bank (herein, the "Deferred Interest Fee Amount") payable on the next succeeding Interest Payment Date, or, if earlier, the date of the occurrence of an Automatic Termination Event. The Bank and any Bank Bondholder, by acceptance of Bank Bonds, acknowledge that payment of any Deferred Interest Fee Amount is not insured under the terms of the Bond Insurance Policy.

SECTION 3.02. Payments.

(a) Place of Payment. Except to the extent otherwise provided in the Third Supplement with respect to payments on Bank Bonds, all payments under this Agreement shall be made to the Bank as the Bank may direct, prior to 12:00 noon on the date such payment is due, in lawful money of the United States of America, to the Bank through the Federal Reserve Wire System to ABA No. 021-000-021 at the Federal Reserve Bank of New York for credit of JPMorgan Chase Bank, Account Name: Municipal Clearing Account, Account No. 323-9-46763 (with reference to Pennsylvania Intergovernmental Cooperation Authority Bonds, Series of 2003). All amounts properly advanced, disbursed or transmitted under this Agreement by the Bank (other than amounts advanced by the Bank to purchase Bonds and which are returned to the Bank in immediately available funds prior to 4:00 p.m. on the same day) shall constitute a loan under this Agreement and to the extent such amounts are not bearing interest at the Bank Rate or as otherwise provided in Section 2.04(c) or 3.01, such amounts shall bear interest, payable by the Authority on demand, at a rate equal to the Default Rate from the date advanced, disbursed or transmitted until the date such amounts are paid to the Bank (but in any event for not less than one day), provided that in no event shall such rate per annum exceed the Maximum Interest Rate.

(b) Withholding. All payments to the Bank under this Agreement and the Bank Bonds shall be made in Dollars and in immediately available and freely transferable funds at the place of payment without counterclaim, set-off, condition or qualification, and free and clear of and without deduction or withholding for or by reason of any present or future taxes, levies, imposts, deductions or charges of any nature whatsoever. In the event that the Authority is

compelled by law to make any such deduction or withholding, the Authority shall nevertheless pay to the Bank such amounts as will result in the receipt by the Bank of the sum the Bank would have received had not such deduction or withholding been required to be made.

(c) Payment on Non-Business Days. Whenever any payment to be made under this Agreement shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day (and if so made, shall be deemed to have been made when due), and such extension of time shall in such case be included in the computation of the payment of interest due under this Agreement.

SECTION 3.03. Maturity; Interest. The Authority agrees that, with respect to each Bank Bond, (i) such Bank Bond shall be paid in full no later than the Payment Date, if not earlier required to be paid under this Agreement; (ii) the interest, if any, included in the Purchase Price for such Bond shall be due and payable on the Interest Payment Date immediately following the date on which such Bond became a Bank Bond; (iii) the interest on the unpaid amount of each such Bond from and including the applicable Bank Purchase Date shall be computed at a rate per annum equal to the Bank Rate as determined pursuant to Section 2.02; and (iv) interest payable pursuant to clause (iii) shall be payable (A) monthly on the first Business Day of each calendar month, (B) upon redemption (to the extent of the interest accrued on the amount being redeemed), (C) on the Payment Date, (D) after the Payment Date on demand, and (E) on the date on which a Bank Bond is sold pursuant to Section 2.04(b).

SECTION 3.04. Term of Agreement.

(a) The term of this Agreement shall be until the later of (x) the Stated Expiration Date (except as provided in (b) below) and (y) the payment in full (or purchase from the Bank) of the principal of and interest on all Bank Bonds and all amounts due under this Agreement.

(b) The Stated Expiration Date may be extended from time to time by agreement in writing between the Bank and the Authority, upon written request by the Authority to the Bank (each such request being irrevocable) to extend the Stated Expiration Date of this Agreement for a period as designated by the Authority in such request (the period from the preceding Stated Expiration Date to such new Stated Expiration Date being herein sometimes referred to as the "Extended Bank Purchase Period"). To the extent that the terms governing any such Extended Bank Purchase Period are materially different from the terms set forth in this Agreement, such Extended Bank Purchase Period shall not become effective without the prior written consent of the Bond Insurer. Such request may be made by the Authority no earlier than 90 days and no later than 60 days prior to the then Stated Expiration Date and each such request shall be substantially in the form of Exhibit C to this Agreement (or in such other form to which the Bank may consent in writing) and, unless the Bank shall otherwise consent, shall include (i) a statement of the outstanding principal amount of the Bonds, (ii) a reasonably detailed description of any and all Defaults that shall have occurred and be continuing, (iii) information that all representations and warranties of the Authority, as set forth in this Agreement, are true and correct as of the date of such request and (iv) any other pertinent information reasonably requested by the Bank. If the Authority makes any such request, the Bank will, not more than 30 days after such request, notify the Authority in writing (substantially in the form of Exhibit D to this Agreement) whether or not the Bank consents to such request, and, if the Bank in its sole

discretion consents to such request, the terms under which the Bank will consent to such request. If the Bank does not so notify the Authority within such period of time, the Bank shall be deemed not to have consented to such request.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Authority. The Authority makes the following representations and warranties to the Bank as of the date this Agreement becomes binding on the Authority and, thereafter, on the effective date of any extension of the Stated Expiration Date:

(a) Existence and Standing. The Authority has full legal right, power and authority to adopt the Resolution and to deliver this Agreement and the Related Documents to which it is a party as provided herein and in the Indenture, to pledge the Pledged Revenues and other moneys, securities and funds pledged by the Indenture and to grant the lien granted by the Indenture thereon in the manner and to the extent provided in the Indenture, and the Authority has the full legal right, power and authority to perform its obligations hereunder and thereunder. The Authority has duly adopted the Resolution, which is in full force and effect.

(b) Authorization and Validity. The Authority has duly authorized and approved the execution and delivery of this Agreement and the Related Documents to which it is a party, and no further approval, authorization or consents are required by law or otherwise. This Agreement, the Bonds and such other Related Documents to which the Authority is a party constitute legal, valid and binding obligations of the Authority when duly executed and delivered by the parties thereto and are enforceable against the Authority in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, reorganization, insolvency, moratorium or other laws relating to or affecting the enforcement of creditors' rights generally, by general principles of equity and by principles of public or governmental policy limiting the enforceability of indemnification provisions; and no further authorization or approval is required with respect to the enforceability of the Authority's obligations hereunder or thereunder.

(c) Payment and Security; Priority. The Bonds (including Bank Bonds) constitute special, limited obligations of the Authority payable solely from and secured solely by the Pledged Revenues and all moneys and securities in all funds established by the Indenture, except the Rebate Fund. Bank Bonds are secured on a parity with the Bonds. The other Reimbursement Obligations are payable from general funds of the Authority (other than Pledged Revenues) on a subordinate basis to the Bonds and the other items payable from Pledged Revenues under the Indenture.

(d) Compliance with Laws and Contracts. The adoption of the Indenture and the performance and compliance with the provisions thereof do not, and the execution and delivery of this Agreement and the Related Documents to which the Authority is a party do not and will not, violate in a material manner any existing law or administrative regulation of the Commonwealth of Pennsylvania or of any department, division, agency or instrumentality thereof or of the United States, or any court or administrative regulation, judgment, decree or order to which the Authority is subject, or conflict with in a material manner or constitute on the

part of the Authority a material breach of, or a material default under, any material provision of any agreement, ordinance or other instrument to which the Authority is a party or is otherwise subject.

(e) Litigation. Except as disclosed prior to the execution of this Agreement or in the Official Statement or in writing to the Bank, no action, suit or proceeding, at law or in equity, or before any court, public board or body is pending (or to the knowledge of the Authority threatened) against the Authority (i) to restrain or enjoin the delivery by the Authority of the Bonds, or (ii) questioning the authority of the Authority to issue, or the issuance or validity of, the Bonds, or the validity or enforceability of the Related Documents to which the Authority is a party or any Reimbursement Obligations of the Authority, or (iii) questioning the validity of any proceedings authorizing the issuance of the Bonds, or (iv) questioning the collection or deposit or proposed collection or deposit of any material portion of the Pledged Revenues pledged to the repayment of the Bonds (including Bank Bonds), or (v) contesting the completeness or accuracy of the Official Statement.

(f) No Event of Default. The Authority is not in default under any material provision of the Indenture. On the date of issuance of the Bonds, the Authority is in compliance with, if applicable, the additional bonds test contained in the Indenture.

(g) Official Statement. The Official Statement did not as of its date, and does not as of the Closing Date, omit to state a material fact with respect to the Authority necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except no representation is made as to information provided by DTC, the Bank, the Bond Insurer or the City of Philadelphia for inclusion therein.

(h) Liens. The Pledged Revenues in the Revenue Fund have not been, and will not be, pledged by the Authority to the payment of any obligation, other than for the Outstanding Bonds (including the Bank Bonds), the other obligations of the Authority permitted under the Indenture or the Act and any Additional Bonds permitted by the terms of the Indenture, and upon payment to the Trustee for deposit in any account of the Revenue Fund, such moneys will not be subject to any prior claim or prior lien except as permitted under the Indenture and the Act or as disclosed in the Official Statement.

(i) Trust Estate. The moneys pledged pursuant to the granting clauses of the Indenture for payment of the Bonds have not been, and will not be, pledged by the Authority to the payment of any other obligation, except as contemplated and permitted by the Indenture and the Act.

(j) Validity of Lien. The lien granted under the Indenture on the Pledged Revenues is a valid and enforceable lien securing the payment of the Bonds (including the Bank Bonds) and all other obligations as contemplated and permitted by the Indenture. Any debt service payments on the Bank Bonds will rank at least equally in right of payment by the Authority with all other Bonds Outstanding and any Additional Bonds (as defined in the Indenture) of the Authority with respect to Pledged Revenues as provided in the Indenture.

(k) Organization. The Authority is a duly established and validly existing body politic and corporate of the Commonwealth of Pennsylvania, under the Act and pursuant to the laws of the Commonwealth of Pennsylvania.

(l) Financial Statements. The audited statements of financial position of the Authority, as of June 30, 2000, 2001 and 2002, all as heretofore delivered to the Bank, correctly and fairly present the financial condition of the Authority, as of said date, and the results of the operations of the Authority, for each of such periods, all in accordance with generally accepted accounting principles as consistently applied to governmental units, except as stated in the notes thereto.

(m) Correct Information. To the Authority's knowledge, all information, reports and other papers and data with respect to the Authority furnished to the Bank were, at the time the same were so furnished, correct in all material respects. No event or condition has occurred and is continuing that could reasonably be expected to result in a Materially Adverse Effect regarding the security for any of the Bonds, or the ability of the Authority to repay when due the obligations of the Authority under this Agreement and the Related Documents that has not been set forth in the Official Statement or in the financial statements and other documents referred to in this Section 4.01 or in such information, reports, papers and data or otherwise disclosed in writing to the Bank.

(n) No Proposed Legal Changes. Except as disclosed in the Official Statement, there is no amendment, or, to the knowledge of the Authority, proposed amendments certified for placement on a statewide ballot, to the Constitution of the Commonwealth of Pennsylvania or any published administrative interpretation of the Constitution of the Commonwealth of Pennsylvania or any law or any legislation that has passed either house of the legislature of the Commonwealth of Pennsylvania, or any published judicial decision interpreting any of the foregoing, the effect of which could reasonably be expected to result in a Materially Adverse Effect regarding the Bonds, the security for any of the Bonds, or the ability to repay when due the obligations of the Authority under this Agreement and the Related Documents to which it is a party.

(o) Amended and Restated Indenture. The Amended and Restated Indenture, as supplemented by the First Indenture, the Second Indenture and the Third Indenture, is a valid and binding obligation of the Authority in accordance with its terms, has not been terminated, canceled or waived in any material respect and remains in full force and effect.

ARTICLE V CERTAIN COVENANTS

SECTION 5.01. Covenants of the Authority. During the term of this Agreement, and until the Reimbursement Obligations are paid in full, the Bank Bonds are paid in full, and the Bank has no further commitment hereunder, unless the Bank shall otherwise consent in writing, the Authority, commencing on the day this Agreement becomes binding on it, covenants and agrees as follows:

(a) Notices. The Authority will promptly furnish, or cause to be furnished, to the Bank (i) notice of the occurrence of any Event of Default or Default as defined herein or in the Indenture, (ii) notice of the failure by the Bond Insurer to perform any of its obligations under the Bond Insurance Policy, (iii) upon receipt by the Authority, notice of each demand for payment made by the Trustee under the Bond Insurance Policy, (iv) notice of the failure by the Remarketing Agent or the Trustee to perform any of its material obligations under the Remarketing Agreement or the Indenture, (v) notice of any proposed substitution of this Agreement, (vi) upon receipt by the Authority, each notice required to be given to the Bank pursuant to the Indenture, (vii) notice of any litigation or administrative proceeding which, if adversely determined, would materially adversely affect the security for the Bonds or the ability of the Authority to pay its obligations under this Agreement or the Bank Bonds or under any of the Related Documents to which it is a party, and (viii) such further financial and other information with respect to the Authority and its affairs as the Bank may reasonably request from time to time.

(b) Compliance With Laws. The Authority shall comply in all material respects with all laws, rules and regulations, and with all final orders, writs, judgments, injunctions, decrees or awards to which it may be subject; except to the extent that the failure to comply, individually or in the aggregate, could not reasonably be expected to materially adversely affect the Authority's power and authority to execute this Agreement, to perform its obligations and pay all amounts payable by it hereunder, or to execute and deliver the Related Documents to which it is a party and to perform its obligations thereunder.

(c) Inspection Rights. At any reasonable time and from time to time during normal business hours of the Authority, and at the expense of the Authority upon and during the continuance of an Event of Default, the Authority shall permit the Bank, or any of its attorneys-in-fact, to examine and make copies of the records and books of account under control of an Authority Representative related to the transactions contemplated by this Agreement.

(d) Offering Documents. Other than in the Official Statement, the Authority shall not refer to the Bank in any offering documents or make any changes in reference to the Bank in any offering documents without the Bank's prior written consent thereto. The Bank during the term of this Agreement, shall, upon the written request of the Authority, update on a timely basis the information relative to the Bank contained in the Official Statement.

(e) Bond Insurance Policy. (i) The Authority shall at all times maintain the Bond Insurance Policy.

(ii) Notwithstanding any provision of the Indenture to the contrary, the Authority shall not replace any Bond Insurance Policy without the prior written consent of the Bank. Notwithstanding the foregoing, if the claims paying ability rating of the Bond Insurer is lowered below “AA-” (or its equivalent) by S&P, below “Aa3” (or its equivalent) by Moody’s, and below “AA-” (or its equivalent) by Fitch, the Authority shall use all reasonable efforts to (w) replace the Bond Insurance Policy with another credit facility acceptable to the Bank, (x) cause a Conversion Date, (y) cause delivery of an Alternate Liquidity Facility, or (z) if requested by the Bank, use reasonable efforts to provide additional insurance or other credit enhancement in respect of the payment of principal and interest on the Bonds (including Bank Bonds) on terms comparable to the Bond Insurance Policy or as the Bank may otherwise consent and in form and substance and from a Bond Insurer or other issuer satisfactory to the Bank.

(f) Liquidity Facility. (i) The Authority agrees to use all reasonable efforts to obtain an Alternate Liquidity Facility to replace this Agreement in the event (w) the Bank shall decide not to extend the Stated Expiration Date (such replacement to occur on or before the then current Stated Expiration Date), (x) the Authority terminates this Agreement pursuant to Section 2.03(b), (y) the Bank shall furnish a Notice of Termination pursuant to Section 7.02(c) to the Trustee or (z) a Default Tender shall have been effected with any funds made available hereunder unless, in each case, the Authority has provided funds (which may be remarketing proceeds) on or prior to the Substitution Date for the purchase of all Bank Bonds at par plus accrued interest through the Substitution Date and notifies the Bank in writing of its decision not to provide an Alternate Liquidity Facility.

(ii) Unless otherwise agreed to by the Bank in writing, the Authority agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of that Alternate Liquidity Facility, that the issuer of the Alternate Liquidity Facility or the Authority provide funds (which may be remarketing proceeds) on or prior to the Substitution Date for the purchase of all Bank Bonds at par plus accrued interest (at the Bank Rate) through the Substitution Date. On the Substitution Date, the Authority shall pay in full all Reimbursement Obligations due hereunder (including, without limitation, any Differential Interest Amount, Deferred Interest and Deferred Interest Fee Amounts and, in each case, unpaid interest thereon).

(iii) The Authority shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Bonds then outstanding without the prior written consent of the Bank.

(g) Information. The Authority agrees to furnish or cause to be furnished to the Bank the following (in such number of copies as the Bank may reasonably request):

(i) as soon as available and in any event within 180 days after the close of each of its Fiscal Years, the financial statements of the Authority certified by independent certified public accountants, governing the operations of the Authority for such fiscal years and containing balance sheets, statements of operations and retained earnings and cash flows of the Authority for such fiscal year, all prepared in accordance with generally accepted accounting principles; and accompanied by a certificate signed by the Authority stating that no Event of Default or Default has occurred, or if such Event of Default or Default has occurred, specifying the nature of such Event of Default or Default, the

period of its existence, the nature and status thereof and any remedial steps taken or proposed to correct such Event of Default or Default;

(ii) the Authority's annual budget;

(iii) any final disclosure documents distributed in connection with any bonds or other junior lien obligations payable from the Pledged Revenues;

(iv) promptly upon delivery to the Trustee a certificate of the Authority with respect to any additional bonds coverage test required under Section 2.11 of the Amended and Restated Indenture;

(v) notice of any amendment, modification or proposed termination of the Indenture which would reasonably be expected to have a Materially Adverse Effect on the security for the Bonds, or the Authority's ability to repay, when due, the Reimbursement Obligations of the Authority under this Agreement or any of the Bonds; and

(vi) from time to time, with reasonable promptness, such additional information regarding the financial condition of the Authority or the security for the Bonds as the Bank may reasonably request.

(h) Interest on Bonds. The Authority shall not take any action, or allow any action to be taken, that is within its power and control, after the Closing Date, which would cause interest on the Bonds to be included in gross income of the recipient thereof for federal income tax purposes.

(i) Further Assurances. The Authority shall execute, acknowledge where appropriate, and deliver, and cause to be executed, acknowledged where appropriate, and delivered, from time to time promptly at the request of the Bank, all such instruments and documents as in the reasonable judgment of the Bank are necessary to carry out this Agreement and the other Related Documents.

(j) Amendments to Related Documents. The Authority shall not amend or modify or permit to be amended or modified this Agreement, the Bond Insurance Policy or any of the other Related Documents to which it is a party in any manner which is materially adverse to the security on the Bonds or to the Authority's ability to pay its obligations hereunder or on the Bank Bonds, without the prior written consent of the Bank, which consent shall not be unreasonably withheld.

(k) Issuance of Obligations. The Authority shall not issue any additional bonds or other obligations payable from the Pledged Revenues except as permitted by the Indenture (as may be amended in accordance with the terms thereof and hereof) or the Act.

(l) Compliance with Indenture Covenants. From and after the date hereof and so long as this Agreement is in effect, except to the extent compliance in any case or cases is waived in writing by the Bank, the Authority agrees that it will, for the benefit of the Bank (and not for the benefit of any other party), comply with in all material respects all material

agreements, covenants, obligations and undertakings contained in the Indenture it being understood that no amendment or waiver with respect to the Indenture shall be effective as to this Agreement unless and until specifically agreed to in writing by the Bank with reference to this Agreement.

(m) Remarketing Agent. If at any time Bank Bonds remain outstanding for more than 30 days, provided that at the time such Bonds became Bank Bonds (i) an Insurer Adverse Change had not occurred and was not continuing, and (ii) the short-term credit rating of the Bank has not been reduced to below “A-1” by S&P , “VMIG-2” by Moody’s and “F1” by Fitch, the Authority shall use all reasonable efforts to replace the Remarketing Agent with another remarketing agent acceptable to the Bank.

ARTICLE VI CONDITIONS PRECEDENT

SECTION 6.01. Conditions to Bank’s Entering into Agreement. It shall be a condition precedent to the Bank’s entering into this Agreement that the conditions enumerated in this Section 6.01 have been fulfilled to the satisfaction of the Bank. Delivery by the Bank of a fully executed signature page to this Agreement shall constitute acknowledgment and acceptance by the Bank that all such conditions have been met or waived.

(a) Representations. The Authority shall represent, as of the Closing Date (and after giving effect to the issuance of the Bonds and the effectiveness hereof), and deliver a certificate as of such date to such effect, that (i) there shall exist no Default or Event of Default hereunder, (ii) all representations and warranties made by the Authority herein shall be true, correct and complete as of the Closing Date, and (iii) to the best knowledge of the Authority, except as disclosed in the Official Statement, there has been no material adverse change which would adversely impact the availability of the Pledged Revenues to secure the Outstanding Bonds.

(b) Supporting Documents. On or prior to the Closing Date, the Bank shall have received, in form and substance satisfactory to the Bank, the following documents, which documents shall be in full force and effect:

(i) true and complete executed originals of this Agreement, the Indenture and the Official Statement, and a copy of each other executed Related Document;

(ii) (A) a certificate of the Authority in form and substance satisfactory to the Bank, executed by the Secretary or Assistant Secretary of the Authority, dated the Closing Date, to the effect that the Resolution has been adopted and approved by the members of the Authority (which Resolution shall be attached to such certificate), and remains in full force and effect and (B) an incumbency certificate with respect to the officers or agents of the Authority who are authorized to execute any documents or instruments on behalf of the Authority under this Agreement and the other Related Documents to which the Authority is a party;

(iii) signature and incumbency certificates, dated the Closing Date, of officers of the Trustee who are authorized to execute this Agreement and the Related Documents to which the Trustee is a party;

(iv) executed legal opinions, dated the Closing Date, addressed to the Bank (or upon which the Bank is permitted to rely) and in form and substance satisfactory to the Bank, (A) of counsel to the Bond Insurer, as to (1) the due organization of the Bond Insurer and the due authorization, execution and delivery of the Bond Insurance Policy, and (2) the legality, validity, binding effect and enforceability of the Bond Insurance Policy; (B) of Bond Counsel (which may be in the form of a reliance letter), and (C) of counsel for the Authority, covering (1) the due authorization, execution and delivery of this Agreement, the Resolution and the Indenture, (2) the legality, validity, binding effect and enforceability of the Agreement, the Resolution and the Indenture against the Authority (subject to customary bankruptcy, general equitable principles, blue sky and enforceability of indemnification exceptions); and

(v) such other documents and opinions which the Bank or its counsel may reasonably request.

(c) Certain Payments. On the Closing Date, the Authority shall have paid all the fees and expenses (including attorneys' fees and expenses) of the Bank payable on the Closing Date pursuant to this Agreement.

(d) Rating. The Authority shall have received written confirmation from S&P, Moody's and Fitch that they have assigned long term credit ratings on the Bonds of "AAA", "Aaa" and "AAA", respectively, and written confirmation from S&P, Moody's and Fitch that they have assigned short term credit ratings of "A-1+", "VMIG-1" and "F1", respectively, on the Bonds.

(e) Bond Insurance Policy. On or prior to the Closing Date, the Bond Insurance Policy, including all related endorsements, in form and substance satisfactory to the Bank, shall have been issued by the Bond Insurer and delivered to the Trustee, insuring the payment of regularly scheduled principal of and interest on the Bonds (including interest at the Bank Rate, the Differential Interest Amount and the Default Rate (but not in excess of the Maximum Interest Rate) and including all principal owed in connection with redemptions of Bank Bonds pursuant to the Third Supplement) through the stated maturity date of the Bonds, and such Bond Insurance Policy shall be in full force and effect on the Closing Date.

(f) Custody Agreement and Confirming Agreement. On the Closing Date, the Custody Agreement and the Confirming Agreement shall have been duly executed and delivered by the Custodian and the Trustee, respectively, and shall be in full force and effect.

(g) Miscellaneous. Such other documents, instruments, approvals (and, if requested by the Bank, certified duplicates of executed copies thereof) or opinions as the Bank may reasonably request.

SECTION 6.02. Conditions Precedent to Each Purchase. (a) The obligation of the Bank to purchase Eligible Bonds hereunder on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Bank:

- (i) No Automatic Termination Event shall have occurred;
- (ii) No Automatic Suspension Event shall have occurred and be continuing; and
- (iii) The Bank shall have timely received the Notice of Bank Purchase(s) as provided in Section 2.02 hereof.

(b) Each notification delivered pursuant to clause (iii) of Section 6.02(a) hereof shall constitute a representation and warranty by the Authority on each Bank Purchase Date that, to its knowledge, each of the conditions described in clauses (i) and (ii) of Section 6.02(a) have been satisfied on such Bank Purchase Date.

ARTICLE VII EVENTS OF DEFAULT; REMEDIES

SECTION 7.01. Events of Default. The occurrence and continuance of each of the following events shall constitute an “Event of Default” hereunder:

(a) any principal or interest due on any Bond is not paid by the Authority when due and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Bond Insurance Policy, or

(b) an officer of the Bond Insurer shall in writing claim that the Bond Insurance Policy, with respect to the payment of principal or interest on the Bonds, is not valid and binding on the Bond Insurer, and repudiate the obligations of the Bond Insurer under the Bond Insurance Policy with respect to payment of principal of and interest on the Bonds, or the Bond Insurer shall initiate any legal proceeding to seek an adjudication that the Bond Insurer Policy, with respect to the payment of principal of or interest on the Bonds, is not valid and binding on the Bond Insurer; or

(c) a Bond Insurer Event of Insolvency; or

(d) any representation or warranty made by the Authority under or in connection with this Agreement or any of the Related Documents shall prove to be untrue in any material respect on the date as of which it was made; or

(e) nonpayment of any amounts payable under Section 2.05 (together with interest thereon at a rate equal to the Default Rate) within fifteen (15) Business Days after the Authority and the Bond Insurer shall receive written notice from the Bank that the same were not paid when due; or

(f) nonpayment of any other fees, or any other amount when due hereunder (together with interest thereon at a rate equal to the Default Rate), including non-payment of Deferred

Interest and any Differential Interest Amount, if such failure to pay when due shall continue for fifteen (15) Business Days after written notice thereof from the Bank to the Authority; or

(g) the breach by the Authority of any of the other terms or provisions of this Agreement which are not remedied within thirty (30) days after written notice thereof shall have been received by the Authority from the Bank; provided, however, that there shall be no 30-day cure period for a failure to observe or perform any covenant or agreement set forth in or contemplated by Section 5.01(e), (f), (j), (k) or (l); or

(h) any material provision of this Agreement or any Related Document (other than the Bond Insurance Policy) shall at any time for any reason (except in accordance with the terms of any such agreement) cease to be valid and binding on the Authority or the then current Remarketing Agent, as applicable, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Authority or the then current Remarketing Agent, as applicable, or by any Governmental Authority having jurisdiction, or the Authority or the then current Remarketing Agent, as applicable, shall deny that it has any or further liability or obligation under any such document and the occurrence of such event would have a material adverse effect on the security for the Bonds or the Authority's ability to pay its obligations under this Agreement or the Bank Bonds; or

(i) the occurrence of any "event of default" as defined in the Indenture or any "event of default" which is not cured within any applicable cure period under any of the Related Documents and which, if not cured, would give rise to remedies available thereunder (regardless of any waiver thereof by any Person other than the Bank); or

(j) (i) there shall have been commenced against the Authority any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Authority shall make a general assignment for the benefit of its creditors; which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (ii) there shall be commenced against the Authority, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iii) the Authority shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i) or (ii) above; or (iv) the Authority shall generally not, or shall be unable to, or so admit in writing its inability to, pay its debts; or

(k) the Bond Insurer shall default in any payment or payments of amounts payable by it under any bond insurance policy or policies (other than the Bond Insurance Policy) when due and such default shall continue for a period of 10 days (it being understood by the Bank that

default, for the purposes of this clause (k), shall not mean a situation whereby the Bond Insurer contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder); or

(l) (i) the Authority shall default in any payment of principal of or premium, if any, or interest on any Indebtedness which is on a parity with, or senior to, the Authority's obligation to make payments on the Bonds (the "Parity Debt") in excess of \$5,000,000 and such default shall continue beyond the expiration of the applicable grace period, if any, or (ii) the Authority shall fail to perform any other agreement, term or condition contained in any agreement, mortgage or other instrument under which any such obligation is created or secured, which results in Parity Debt in excess of \$5,000,000 becoming due and payable or which enables (or, with the giving of notice or lapse of time, or both would enable) the holder of Parity Debt in excess of \$5,000,000 or any Person acting on such holder's behalf to accelerate the maturity thereof; provided, however, that in either case, the Bank shall not be entitled to pursue any of the remedies detailed in Section 7.02(d) if, within the time allowed for service of a responsive pleading in any proceeding to enforce payment of such Parity Debt under the laws governing such proceeding, (A) the Authority in good faith commences proceedings to contest the existence or payment of such Indebtedness and the opposing party in such proceedings shall be stayed from exercising remedies, or (B) a surety bond in the amount of such Indebtedness is obtained or sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness, but only so long as, in the case of either (A) or (B), such default shall not result in the occurrence of an event of default under the Indenture or with respect to other Parity Debt; or

(m) a final judgment or order for the payment of money in an amount in excess of \$5,000,000 shall have been rendered against the Authority and such judgment or order shall not (i) have been satisfied, stayed or bonded pending appeal or (ii) be subject to a written agreement by the judgment holder thereof pursuant to which such judgment holder has agreed that such judgment or order will not in any manner be executed upon pending appeal, in each case within a period of thirty (30) days from the date on which such judgment or order was first so rendered.

SECTION 7.02. Events of Default; Remedies. If any Event of Default shall have occurred and be continuing, the following remedies shall be available to the Bank:

(a) In the case of an Automatic Suspension Event, the Bank's obligation to purchase Bonds under this Agreement shall immediately be suspended without notice or demand to any person and thereafter the Bank shall be under no obligation to purchase Bonds until its obligation to purchase Bonds is reinstated as described below. Promptly upon an Event of Default specified in Section 7.01(b) the Bank shall notify the Authority, the Trustee and the Remarketing Agent of such suspension in writing. With respect to an Event of Default specified in Section 7.01(b), if (i) a court with jurisdiction to rule on the validity of the Bond Insurance Policy shall thereafter enter a final, nonappealable judgment that the Bond Insurance Policy is not valid and binding on the Bond Insurer or (b) a period of two years elapses since the commencement of the suspension hereunder, then the obligation of the Bank hereunder will immediately terminate and the Bank shall be under no further obligation to purchase Bonds (a "Final Suspension Event"). If with respect to a Section 7.01(b) Event of Default a court with jurisdiction to rule on the validity on the Bond Insurance Policy shall find or rule that the Bond Insurance Policy is valid and binding on the Bond Insurer, then upon such ruling or termination, as applicable, the Bank's obligation

hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless this Agreement shall otherwise have terminated by its terms) as if there had been no such suspension.

(b) In the case of an Automatic Termination Event, the Available Commitment and the obligation of the Bank to advance funds for the purchase of Eligible Bonds shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to advance funds for the purchase of Bonds. Promptly after the occurrence of an Automatic Termination Event, the Bank shall give written notice of same to the Trustee, the Bond Insurer, the Authority, and the Remarketing Agent; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Bank's Available Commitment and of its obligation to advance funds for the purchase of Bonds pursuant to this Agreement.

(c) In the case of an Event of Default specified in Section 7.01(e) or an Insurer Adverse Change, the Bank may terminate the Available Commitment and the obligation of the Bank to advance funds for the purchase of Eligible Bonds by giving written notice substantially in the form of Exhibit E to this Agreement (a "Notice of Termination") to the Authority, the Trustee, the Remarketing Agent and the Bond Insurer, specifying the date on which the Available Commitment and the obligation of the Bank to advance funds for the purchase of Eligible Bonds shall terminate (the "Noticed Termination Date"), which shall be not less than twenty-five (25) days from the date of receipt of such notice by the Trustee and, on and after the Noticed Termination Date the Bank shall be under no further obligation to purchase Bonds hereunder other than Bonds which are the subject of the mandatory tender pursuant to Section 304(a)(iv) of the Indenture, which the Bank shall be required to purchase on or prior to the Noticed Termination Date.

(d) In addition to the rights and remedies set forth in Section 7.02(a), (b) and (c), upon the occurrence of any Event of Default specified in Section 7.01, the Bank shall have all the rights and remedies available to it under this Agreement, the Related Documents or otherwise pursuant to law or equity, provided, however, that the Bank shall not have the right to terminate its obligation to purchase Bonds or to declare any amount due hereunder due and payable, except as expressly provided herein and in the Indenture. Without limiting the generality of the foregoing, the Bank agrees, so long as no Automatic Suspension Event or Automatic Termination Event has occurred, to purchase Bonds on the terms and conditions of this Agreement notwithstanding the institution or pendency of any bankruptcy, insolvency or similar proceeding with respect to the Authority. The Bank will not assert as a defense to its obligation to purchase Bonds hereunder (i) the institution or pendency of a bankruptcy, insolvency or similar proceeding with respect to the Authority or (ii) a determination by a court of competent jurisdiction in a bankruptcy, insolvency or similar proceeding with respect to the Authority that this Agreement is not enforceable against the Authority under applicable bankruptcy, insolvency or similar laws.

SECTION 7.03. Certain Other Matters. No failure or delay on the part of the Bank in exercising any right, power or privilege under this Agreement and no course of dealing shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of

any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Bank would otherwise have. No notice to or demand on the Authority or any other Person hereto in any case shall entitle the Authority or such other Person to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Bank to any other or further action in any circumstances without notice or demand.

ARTICLE VIII MISCELLANEOUS

SECTION 8.01. *Changes to Agreement.* No provision of this Agreement may be changed, withheld, waived, discharged or terminated orally, but only by an instrument in writing signed by the parties hereto and with the prior written consent of the Bond Insurer, whose consent shall not be unreasonably withheld; provided that the provisions of Sections 2.05 and 2.06, Articles III, V, and VI may be changed, waived, discharged or terminated and the Stated Expiration Date may be extended in accordance with Section 3.04(b) by instruments in writing signed solely by the Bank and the Authority with the consent of the Bond Insurer and notice to the Trustee. Notwithstanding the foregoing, the Bond Insurer shall have no such consent rights following the occurrence of an Automatic Termination Event. The Trustee shall give notice to each Rating Agency then maintaining a rating on the Bonds of any amendments to this Agreement of which the Trustee has actual knowledge as provided in the Indenture.

SECTION 8.02. *Successors and Assigns.* This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, that the Authority may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Bank. The Bank shall have the right at any time to grant participations in all or part of its obligations under this Agreement and the obligations of the Authority under this Agreement to any other purchaser (the "Participants") without the consent of or notice to the Authority or any other Person; provided, however, that notwithstanding anything herein to the contrary, the Bank shall not grant participations in all or part of its obligations under this Agreement unless such participation is subject in all cases to the provisions of this Agreement (including, but not limited to, the obligation to put the Bank Bonds back to the Remarketing Agent if the Remarketing Agent can remarket such Bonds); and provided further that any such participation shall not relieve the Bank from any of its obligations under this Agreement and the Authority, the Trustee, the Paying Agent and the Remarketing Agent may deal exclusively with the Bank for all purposes of this Agreement (including the making of all payments on Bank Bonds). The Bank may disclose to any Participant or prospective Participant any information or other data or material in the Bank's possession relating to this Agreement, any Related Document, the Bond Insurer and the Authority, without the prior written consent of the Authority. No Participant shall be entitled to receive any greater payment under Section 2.06 than the Bank would have been entitled to receive.

SECTION 8.03. *Governing Law.* THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND FOR ALL PURPOSES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA.

SECTION 8.04. Submission to Jurisdiction; Waiver of Jury Trial. THE AUTHORITY HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY FEDERAL OR STATE COURT LOCATED IN PHILADELPHIA, PENNSYLVANIA FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER RELATED DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. THE AUTHORITY AND THE BANK IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. THE BANK AND THE AUTHORITY EACH HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY.

SECTION 8.05. Notice. Any notice, demand, direction, request or other instrument authorized or required by this Agreement to be given to or filed with the Authority, the Tender Agent, the Trustee, the Remarketing Agent, the Bank or the Bond Insurer, shall be deemed to have been sufficiently given or filed for all purposes hereof and of the other Related Documents when delivered by hand or when sent by registered mail, return receipt requested, postage prepaid, and if given by telecopy shall be deemed given when transmitted (receipt confirmed):

If to the Authority:

Pennsylvania Intergovernmental Cooperation Authority
1429 Walnut Street
Philadelphia, Pennsylvania 19102
Attention: Executive Director
Telephone: (215) 561-9160
Telecopy: (215) 563-2570

If to the Trustee, Tender Agent or Paying Agent:

Wachovia Bank, National Association
123 S. Broad Street, 11th Floor
Philadelphia, Pennsylvania 19109
Attention: Corporate Trust Administration
Telephone: (215) 670-6303
Telecopy: (215) 670-6337

If to the Bank:

JPMorgan Chase Bank
270 Park Avenue, 48th Floor
New York, New York 10017
Attention: VP, Municipal Credit Group
Telephone: (212) 270-4948

Facsimile: (212) 270-4251

with a copy to:

JPMorgan Chase Bank
Loan and Agency Services
1111 Fannin, 10th Floor
Houston, Texas 77002
Attention: Account Manager
Telephone: (713) 750-2218
Facsimile: (713) 750-2228

If to the Remarketing Agent:

Raymond James & Associates, Inc.
880 Carillon Parkway
St. Petersburg, Florida 33716
Attention: Public Finance Department
Telephone: (727) 567-1757
Facsimile: (727) 567-8315

If to the Bond Insurer:

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004
Attention: General Counsel
Telephone: (212) 208-3511
Telecopy: (212) 208-3558

The foregoing addresses and telephone numbers may be changed by the respective addressees by giving notice in the manner provided above.

SECTION 8.06. *Obligations Absolute.* The obligations of the Authority under this Agreement shall be absolute, unconditional and irrevocable, and shall be paid and performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

- (a) any lack of validity or enforceability of the Related Documents;
- (b) any amendment or waiver of or any consent to or departure from all or any of the Related Documents;
- (c) any exchange, release or non-perfection of any collateral or any release or amendment or waiver of or consent to departure from any guaranty and insurance documents;

(d) the existence of any claim, set-off, defense, or other right which the Authority may have at any time against the Trustee, the Tender Agent, the Paying Agent, the Remarketing Agent, the Bond Insurer, the Bank (other than the defense of payment to the Bank in accordance with the terms of this Agreement) or any other person or entity, whether in connection with this Agreement, the Related Documents or any unrelated transactions;

(e) any certificate, notice or any other document presented under this Agreement proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(f) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

SECTION 8.07. Holidays. Except as otherwise provided herein, whenever any payment or action to be made or taken hereunder shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

SECTION 8.08. Survival. All representations, warranties, covenants and agreements of the Authority contained in this Agreement as amended or supplemented from time to time or made in writing in connection with this Agreement shall survive the execution and delivery of this Agreement and the purchase of Bonds by the Bank under this Agreement and shall continue in full force and effect until payment in full of all payment obligations of the Authority under this Agreement, it being understood that the agreements of the Authority found in Sections 2.06, 3.02(b), and 8.10 shall survive the termination of this Agreement until payment in full of such obligations.

SECTION 8.09. Liability of the Bank. The Authority, the Trustee and the Paying Agent agree that the Bank shall have no liability or responsibility for the acts or omissions of each of the Trustee, the Paying Agent, the Remarketing Agent and the Tender Agent in respect of its use of this Agreement or any amounts made available by the Bank under this Agreement. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee, the Paying Agent or the Tender Agent which results in the failure of the Trustee, the Paying Agent or the Tender Agent to effect the purchase of Tendered Bonds for the account of the Bank with funds provided by the Bank pursuant to Section 2.02 or to comply with the applicable provisions of the Indenture. Neither the Bank nor any of its directors, officers or employees shall be liable or responsible for (i) the use which may be made of this Agreement or any amounts made available by the Bank under this Agreement or for any acts or omissions of the Trustee, the Paying Agent, the Tender Agent or the Remarketing Agent in connection therewith; (ii) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (iii) any other circumstance whatsoever in making or failing to make payment under this Agreement, other than, in the case of the Bank, the Bank's gross negligence or willful failure to purchase Tendered Bonds when required under the terms and conditions of this Agreement. The Bank shall have no responsibility for the use or absence of use of an official statement by any Person. In no event shall the Bank be liable to any Person

for consequential damages, including, without limitation, such damages suffered by reason of the Bank's failure to purchase Tendered Bonds when required under the terms and conditions of this Agreement.

SECTION 8.10. *Certain Costs.* The Authority agrees to indemnify and hold the Bank harmless, and shall reimburse the Bank for, any and all claims, damages, losses, liabilities, costs or expenses whatsoever which the Bank (and its agents employees, officers, directors and controlling persons) (the Bank and its agents, employees, officers, directors, and controlling persons being hereinafter collectively referred to in this Section as the "Indemnitees") may incur (or which may be claimed against the Bank or any Indemnatee by any Person) by reason of or in connection with the execution and delivery of, and consummation of the transactions contemplated under, this Agreement and its reasonable costs and disbursements thereafter, including reasonable costs and disbursements of its counsel in connection with the execution of amendments to or waivers of the terms of this Agreement; and provided, that the Bank shall not be so reimbursed for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (x) the gross negligence or willful misconduct of the Bank in connection with the Bank's execution, delivery or performance of this Agreement as determined by a court of competent jurisdiction or (y) the material inaccuracy of any information included or incorporated by reference in the Official Statement concerning the Bank which was furnished in writing by the Bank expressly for inclusion or incorporation by reference therein. The Bank agrees to notify in writing the Trustee and the Authority promptly of all claims against the Bank for which it may seek reimbursement from the Authority pursuant to this Section; but the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the indemnification otherwise due to the Bank pursuant to this Agreement. No provision of this Section shall be construed to benefit any third party other than successors or assigns of the Bank and, to the extent the Bank would be entitled to the indemnities provided for in this Section, any Participant of the Bank. The reimbursement rights of the Bank under this Agreement shall survive the termination of this Agreement and/or the payment of any obligations hereunder by the Authority.

SECTION 8.11. *No Waiver of Rights by the Bank; Cumulative Rights.* No course of dealing or failure or delay on the part of the Bank in exercising any right, power or privilege under this Agreement shall preclude any other or further exercise of any right, power or privilege. The rights of the Bank under this Agreement and the Related Documents are cumulative and not exclusive of any rights or remedies which the Bank would otherwise have.

SECTION 8.12. *Certificates, Etc.* In connection with the execution and delivery of this Agreement, the parties hereto may rely on any certificates delivered by or on behalf of each other respective party hereto as representations and warranties as to the matters therein certified.

SECTION 8.13. *Severability.* In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall negotiate in good faith to replace any invalid, illegal or unenforceable provision with a valid provision, which, to the extent possible, will preserve the economic effect of the invalid, illegal or unenforceable provisions.

SECTION 8.14. Headings The captions in this Agreement are for convenience of reference only and shall not define or limit the provisions of this Agreement.

SECTION 8.15. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but both, or all of which, when taken together, shall constitute one and the same instrument.

SECTION 8.16. Non-Recourse to Certain Persons. No covenant, stipulation, obligation or agreement of the Authority in this Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, director, officer, employee or agent of the Authority in his or her individual capacity, and no member, director, officer, employee or agent of the Authority shall be liable personally or be subject to any personal liability or accountability by reason of the covenants, stipulations, obligations or agreements contained in this Agreement.

SECTION 8.17. Acknowledgment of Trustee's and Bond Insurer's Rights. The Authority, the Trustee and the Bank each acknowledge that the Trustee has entered into this Agreement, at the direction of the Authority, on behalf of and for the benefit of the Owners of tendered but unremarketed Bonds in accordance with the provisions of the Third Supplement. The Authority, the Trustee and the Bank each acknowledge that the Bond Insurer is a third party beneficiary of this Agreement so long as the Bond Insurance Policy is in full force and effect and the Bond Insurer is in compliance with its payment obligations under the provisions of the Bond Insurance Policy.

SECTION 8.18. Term Rate; Flexible Rate. The Authority may request that the Bank increase the Interest Component and include Bonds bearing interest at the Term Rate or the Flexible Rate as "Eligible Bonds" for the purposes of this Agreement. The Authority's request for such an amendment shall be deemed to be a representation by the Authority that, at the time of such request (i) no Event of Default or Default has occurred, and (ii) all representations and warranties made by the Authority herein are true and correct in all material respects as of such date. If the Bank, in its sole discretion, elects to consent to such request, the Bank shall deliver to the Authority, the Bond Insurer, the Trustee and the Remarketing Agent, at their addresses specified in Section 8.05 hereof, notice in the form attached hereto as Exhibit G. The parties hereto agree that the delivery of such notice by the Bank shall be sufficient to amend this Agreement with respect to the matters set forth therein.

SECTION 8.19. No Right to Set-Off. The Bank hereby waives any right that the Bank may at any time have, either pursuant to this Agreement or by operation of law, to off-set, (1) any obligations of the Authority to the Bank in respect of payments of principal of and interest on the Bonds or other obligations of the Authority under this Agreement, against (2) any deposit liabilities or other obligations owing by the Bank to the Authority.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

IN WITNESS WHEREOF, the Authority, the Trustee and the Bank, by their duly authorized officers, have executed and delivered this Standby Bond Purchase Agreement, effective as of the day and year first above written.

**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY**

By _____

Name: *Louiz A. Kavulich*

Title: *CHAIR*

**WACHOVIA BANK, NATIONAL
ASSOCIATION, as Trustee and Paying Agent**

By _____

Name:

Title:

JPMORGAN CHASE BANK

By _____

David Weinstein
Vice President

IN WITNESS WHEREOF, the Authority, the Trustee and the Bank, by their duly authorized officers, have executed and delivered this Standby Bond Purchase Agreement, effective as of the day and year first above written.

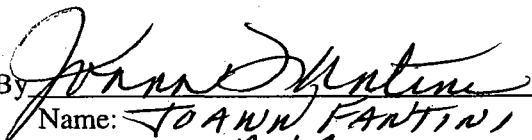
**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY**

By _____

Name:

Title:

**WACHOVIA BANK, NATIONAL
ASSOCIATION, as Trustee and Paying Agent**

By 
Name: JOANN FANTINI
Title: AVP

JPMORGAN CHASE BANK

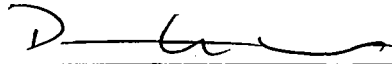
By 
David Weinstein
Vice President

EXHIBIT A

NOTICE OF BANK PURCHASE (Liquidity Purchase)

The undersigned, a duly authorized officer of the WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee and Paying Agent (the "*Trustee*"), hereby certifies to JPMORGAN CHASE BANK (the "*Bank*"), in accordance with the Standby Bond Purchase Agreement, dated as of June 1, 2003 (the "*Standby Purchase Agreement*"), among the Trustee, Pennsylvania Intergovernmental Cooperation Authority (the "*Authority*"), and the Bank (all capitalized terms herein having the meanings given them in the Standby Purchase Agreement), that:

1. Notice of tender of Eligible Bonds for purchase pursuant to Section 301 of the Third Supplement has been received.

2. Insufficient moneys are available for such purchase as determined pursuant to Section 301 of the Third Supplement.

3. [(a)] The total principal amount of the Eligible Bonds for which there is not sufficient moneys referred to above is \$_____, which amount does not exceed the Available Principal Commitment.

[(b) Accrued, but unpaid, interest on such Eligible Bonds (other than Defaulted Interest), computed in accordance with the terms of the Bonds and the Third Supplement, as of the date of delivery hereof to the Bank is \$_____, which amount does not exceed the Available Interest Commitment.]

4. The Eligible Bonds referred to above are hereby tendered to the Bank for purchase pursuant to the Standby Purchase Agreement on the date hereof for an aggregate purchase price of \$_____, which amount does not exceed the Available Commitment.

5. The Bank Purchase Date is _____, _____ and the wire instructions for payment of the Purchase Price are as follows: [insert payment instructions].

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of
the _____ day of _____, _____.

**WACHOVIA BANK, NATIONAL
ASSOCIATION**
as Trustee and Paying Agent

By: _____

Name:

Title:

EXHIBIT B

NOTICE OF BANK PURCHASE (Mandatory Purchase)

The undersigned, a duly authorized officer of the WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee and Paying Agent (the "*Trustee*"), hereby certifies to JPMORGAN CHASE BANK (the "*Bank*"), in accordance with the Standby Bond Purchase Agreement, dated as of June 1, 2003 (the "*Standby Purchase Agreement*"), among the Trustee, Pennsylvania Intergovernmental Cooperation Authority (the "*Authority*"), and the Bank (all capitalized terms herein having the meanings given them in the Standby Purchase Agreement), that:

1. Eligible Bonds have been tendered or deemed tendered for mandatory purchase pursuant to [Section 304(a)(ii)][Section 304(a)(iii)][Section 304(a)(iv)] of the Third Supplement in connection with the occurrence of [state reason for mandatory tender].

2. Insufficient moneys are available for such purchase pursuant to [Section 304(a)(ii)][Section 304(a)(iii)][Section 304(a)(iv)] of the Third Supplement.

3. [(a)] The total principal amount of the Eligible Bonds referred to above is \$ _____, which amount does not exceed the Available Principal Commitment.

[(b) Accrued, but unpaid interest on such Eligible Bonds (other than Defaulted Interest), computed in accordance with the terms of the Bonds and the Third Supplement, as of the date of delivery hereof to the Bank is \$ _____, which amount does not exceed the Available Interest Commitment.]

4. The Eligible Bonds referred to above are being delivered to the Bank for purchase pursuant to the Standby Purchase Agreement on the date hereof for an aggregate purchase price of \$ _____, which amount does not exceed the Available Commitment.

5. The Bank Purchase Date is _____, _____ and the wire instructions for payment of the Purchase Price are as follows: [insert payment instructions].

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of
the _____ day of _____, _____.

**WACHOVIA BANK, NATIONAL
ASSOCIATION**, as Trustee and Paying Agent

By _____

Name:

Title:

EXHIBIT C
[FORM OF REQUEST FOR EXTENSION]
REQUEST FOR EXTENSION

[Date]

JPMorgan Chase Bank
270 Park Avenue, 48th Floor
New York, New York 10017
Attention: Vice President, Municipal Credit Group

Ladies and Gentlemen:

Reference is made to the Standby Bond Purchase Agreement, dated as of June 1, 2003 (the “**Standby Purchase Agreement**”), among Wachovia Bank, National Association, as Trustee and Paying Agent (the “**Trustee**”), Pennsylvania Intergovernmental Cooperation Authority (the “**Authority**”), and JPMorgan Chase Bank (the “**Bank**”) (all capitalized terms herein having the meanings given them in the Standby Purchase Agreement).

The Authority hereby requests, pursuant to Section 3.04(b) of the Standby Purchase Agreement that the Stated Expiration Date with respect to the Available Commitment as of the date hereof be extended to _____, _____. Pursuant to such Section 3.04(b), we have enclosed with this request the following information:

1. The outstanding principal amount of the Bonds.
2. A reasonably detailed description of any and all Events of Default or Defaults that have occurred and are continuing.
3. Confirmation that all representations and warranties of the Authority as set forth in the Standby Purchase Agreement are true and correct as though made on the date hereof and that no Events of Default or Defaults have occurred and are continuing on the date hereof except for the events referenced in paragraph 2 above.
4. Any other pertinent information previously requested by the Bank.

The Bank is required to notify the Authority of the Bank’s decision with respect to this request for extension no more than thirty (30) days following the date of receipt of this request. If the Bank fails to notify the Authority of the Bank’s decision on or prior to such thirtieth (30th) day following receipt of this request, the Bank shall be deemed to have rejected such request.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

IN WITNESS WHEREOF, the Authority has executed and delivered this Request for Extension as of the _____ day of _____, _____.

Very truly yours,

**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY**

By _____

Name:

Title:

cc: Trustee
Remarketing Agent
Bond Insurer

EXHIBIT D
[FORM OF NOTICE OF EXTENSION]
NOTICE OF EXTENSION

[Date]

Pennsylvania Intergovernmental Cooperation Authority
1429 Walnut Street
Philadelphia, PA 19102
Attention: Executive Director

Ladies and Gentlemen:

Reference is made to the Standby Bond Purchase Agreement, dated as of June 1, 2003 (the "***Standby Purchase Agreement***"), among Wachovia Bank, National Association, as Trustee and Paying Agent (the "***Trustee***"), Pennsylvania Intergovernmental Cooperation Authority (the "***Authority***"), and JPMorgan Chase Bank (the "***Bank***") (all capitalized terms herein having the meanings given them in the Standby Purchase Agreement).

We hereby notify you that, pursuant to Section 3.04(b) of the Standby Purchase Agreement, the Stated Expiration Date with respect to the Available Commitment as of the date hereof shall be extended for a period of _____ days, effective _____ (the "***Effective Date***"). The new Stated Expiration Date shall be _____. Your acknowledgment hereof shall be deemed to be your representation and warranty that all your representations and warranties contained in Article IV of the Standby Purchase Agreement are true and correct and will be true and correct as of the Effective Date and that no Event of Default or Default has occurred and is continuing.

Very truly yours,

JPMORGAN CHASE BANK

By _____
Name:
Title:

Receipt of the above Notice of Extension is hereby acknowledged as of this _____ day of _____, _____.

**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY**

By _____

Name:

Title:

EXHIBIT E
[FORM OF NOTICE OF TERMINATION]
NOTICE OF TERMINATION

Pennsylvania Intergovernmental Cooperation Authority
1429 Walnut Street
Philadelphia, PA 19102
Attention: Executive Director

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004
Attention: General Counsel

Ladies and Gentlemen:

Reference is made to the Standby Bond Purchase Agreement, dated as of June 1, 2003 (the “*Standby Purchase Agreement*”), among Wachovia Bank, National Association, as Trustee and Paying Agent (the “*Trustee*”), Pennsylvania Intergovernmental Cooperation Authority (the “*Authority*”), and JPMorgan Chase Bank (the “*Bank*”) (all capitalized terms herein having the meanings given them in the Standby Purchase Agreement).

We hereby notify you that an Event of Termination has occurred under Section 7.1 [] of the Standby Purchase Agreement. As a result, unless and until you have been advised otherwise by us:

1. On _____, _____ [Insert date not less than twenty-five (25) days from the date thereafter], the Available Commitment will be hereby reduced to \$0.00 and no further Purchases will be made by the Bank; and
2. The Available Commitment will no longer be reinstated.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

IN WITNESS WHEREOF, we have executed and delivered this Notice of Termination as
of the ____ day of _____, _____.

Very truly yours,

JPMORGAN CHASE BANK

By _____

Name:

Title:

cc: Tender Agent
Remarketing Agent
Trustee

EXHIBIT F

[FORM OF CUSTODY AGREEMENT]

This Custody Agreement dated as of June 1, 2003, by and between Wachovia Bank, National Association, as custodian (the "*Custodian*") and JPMorgan Chase Bank (the "*Bank*").

WHEREAS, Pennsylvania Intergovernmental Cooperation Authority (the "*Authority*") issued \$165,550,000 in aggregate principal amount of its revenue bonds to be designated as its Special Tax Revenue Refunding Bonds, (City of Philadelphia Funding Program), Series of 2003 (the "*Bonds*"), pursuant to (i) the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), 53 P.S. 12720.101 et seq., as amended (the "*Act*") of the Commonwealth of Pennsylvania, (ii) an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "*Amended and Restated Indenture*"), between the Authority and the Trustee, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "*First Supplement*"), a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "*Second Supplement*") and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "*Third Supplement*" and as further amended and supplemented from time to time in accordance with the terms thereof and hereof, being referred to herein collectively as the "*Indenture*"), and (iii) Resolution No. 2003-04 adopted by the Authority on March 24, 2003 (the "*Resolution*"); and

WHEREAS, the Indenture requires that the Bonds delivered by the holders thereof to the Trustee pursuant to the Indenture be purchased under certain circumstances by the Bank under a Standby Bond Purchase Agreement dated as of June 1, 2003 (the "*Agreement*"), among the Authority, the Trustee and the Bank; and

WHEREAS, it is a condition to the effectiveness of the obligations of the Bank under the Agreement that the Custodian shall have entered into this Custody Agreement with the Bank; and

WHEREAS, the Custodian has agreed to act as custodian and agent for the Bank, as herein provided;

NOW THEREFORE, in consideration of the mutual covenants recited herein, and other good and valuable consideration, receipt of which is hereby acknowledged, it is hereby agreed as follows:

(a) The Bank appoints the Custodian as its agent and bailee for the purpose of receiving Bank Bonds (as defined in the Agreement) under the Agreement and holding such Bank Bonds for and on behalf of the Bank. Bank Bonds shall be held and registered as provided in Section 2.02 of the Agreement. The Custodian hereby agrees to hold the Bank Bonds for such purpose, as the Bank's agent and bailee. As used herein, the term "*Bank Bonds*" means, unless

the context otherwise requires, the beneficial ownership of such Bank Bonds during any period that Bank Bonds are maintained as Book Entry Bonds.

(b) Except at the written direction of the Bank, the Custodian shall not pledge, hypothecate, transfer or release possession of such Bank Bonds held by or registered in the name of the Custodian on behalf of the Bank to any Person or in any manner not in accordance with this Custody Agreement and shall not enter into any other agreement, other than the Custody Agreement or the Indenture, regarding possession of the Bank Bonds without the prior written consent of the Bank. The Custodian will not release Bank Bonds to the purchaser of such Bank Bonds unless the Bank has delivered to the Custodian, in addition to its written direction contemplated above in this paragraph, written notice (which may be by telex, answerback received) that a portion of the Available Principal Commitment (as defined in the Agreement) in an amount equal to the principal amount of such Bank Bonds has been reinstated.

(c) Upon written notice to the Bank, and release and delivery to the Bank or its designee of any Bank Bonds then held by the Custodian on behalf of the Bank pursuant to this Custody Agreement, the Custodian shall have the right to terminate its obligations with respect to such Bank Bonds under this Custody Agreement. The Bank shall have the option to terminate this Custody Agreement at any time upon written notice to the Custodian and, upon such termination, the Custodian will release and deliver to the Bank or its designee any Bank Bonds then held by the Custodian hereunder. The Bank may also from time to time request that the Custodian release and deliver to the Bank all or a portion of the Bank Bonds then held by the Custodian on behalf of the Bank without termination of this Custody Agreement, and upon receipt of any such request in writing, the Custodian will release and deliver such Bank Bonds to the Bank or its designee then held by the Custodian.

(d) In acting under this Custody Agreement the Custodian shall not be liable to the Bank except for gross negligence or willful misconduct in the performance of its obligations hereunder.

(e) The Custodian's duties are only such as are specifically provided herein, and the Custodian shall incur no fiduciary or other liability whatsoever to the Bank or any other Person, except to the extent the Bank incurs any loss or liability due to the Custodian's gross negligence or willful misconduct. Anything in this Custody Agreement to the contrary notwithstanding, in no event shall the Custodian be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Custodian has been advised of such loss or damage and regardless of the form of action. The Custodian may consult with counsel and shall be fully protected in any action taken, suffered or omitted in good faith in accordance with such advice. The Custodian may rely conclusively and shall be fully protected in acting upon any written instructions given to it hereunder and believed by it to have been properly executed.

(f) The Custodian may resign at any time by giving written notice thereof to the Bank. Such resignation shall not become effective until a successor Custodian shall have been appointed by the Bank and shall have accepted such appointment in writing. The resigning Custodian may, at the reasonable expense of the Authority, petition any court of competent

jurisdiction, including without limitation the Supreme Court of the State of New York, for the appointment of a successor Custodian.

(g) This Custody Agreement cannot be amended or modified except in a writing signed by the Bank and the Custodian.

(h) This Custody Agreement shall inure to the benefit of and shall be binding upon the Custodian and the Bank, and their respective successors and assigns.

(i) This is the Custody Agreement referred to in the Agreement, and shall be governed by the law of the State of New York without regard to choice of law rules.

(j) This Custody Agreement may be executed in counterparts which, taken together, shall constitute a single document.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

IN WITNESS WHEREOF, the parties have hereunder set their hands, all as of the date first above written.

**WACHOVIA BANK, NATIONAL
ASSOCIATION, as Custodian**

By: _____
Name:
Title:

JPMORGAN CHASE BANK

By: _____
David Weinstein
Vice President

ACCEPTED AND AGREED TO:

**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY**

By: _____
Name:
Title:

EXHIBIT G

NOTICE OF INCREASE OF AVAILABLE COMMITMENT

_____, 20__

Pennsylvania Intergovernmental Cooperation Authority
1492 Walnut Street
Philadelphia, PA 19102
Attention: Executive Director

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004
Attention: General Counsel

[REMARKETING AGENT] [TRUSTEE]

Re: Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds, (City of Philadelphia Funding Program) Series of 2003

Ladies and Gentlemen:

Reference is made to the Standby Bond Purchase Agreement, dated as of June 1, 2003 (the "Standby Purchase Agreement"), among Wachovia Bank, National Association, as Trustee and Paying Agent (the "Trustee"), Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), and JPMorgan Chase Bank (the "Bank") (all capitalized terms herein having the meanings given them in the Standby Purchase Agreement). The Authority has requested, in accordance with Section 8.18 of the Agreement, that the Bank deem Bonds bearing interest at a [Term Rate] [Flexible Rate] as "Eligible Bonds" under the Agreement. The Bank hereby consents to such request and, from and after the date hereof, the Agreement shall be amended as follows:

(1) Bonds which bear interest at a [Term Rate] [Flexible Rate] shall be deemed "Eligible Bonds" for purposes of the Agreement;

(2) The Available Interest Commitment shall be increased to \$_____, which amount is equal to _____ day's interest on the Available Principal Commitment as required by each Rating Agency rating the Bonds at the time of such conversion to a [Term Rate] [Flexible Rate] based on an assumed rate of interest of _____ percent (____%) per annum and a three hundred and sixty-five (365) day year and actual days elapsed, and shall increase and decrease as described in the definition of "Available Interest Commitment" set forth in the Agreement.

Very truly yours,

JPMORGAN CHASE BANK

By _____
Name:
Title:

EXHIBIT H

CONFIRMING AGREEMENT

This CONFIRMING AGREEMENT (this "Agreement"), dated as of June 1, 2003, is entered into by and between WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee for the Bonds hereinafter described (the "*Trustee*") and JPMORGAN CHASE BANK (the "*Bank*").

WHEREAS, the Pennsylvania Intergovernmental Cooperation Authority (the "*Authority*") is issuing on the date hereof \$165,550,000 in aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2003 (the "*Bonds*"), pursuant to (i) the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), 53 P.S. 12720.101 et seq., as amended (the "Act") of the Commonwealth of Pennsylvania, (ii) an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Amended and Restated Indenture"), between the Authority and the Trustee, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "First Supplement"), a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "Second Supplement") and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplement" and as further amended and supplemented from time to time in accordance with the terms thereof and hereof, being referred to herein collectively as the "Indenture"), and (iii) Resolution No. 2003-04 adopted by the Authority on March 24, 2003 (the "Resolution"); and

WHEREAS, pursuant to the Indenture, the holders of the Bonds have the right to and under certain circumstances are required to tender their Bonds for purchase at a purchase price equal to the principal amount of the tendered Bonds plus interest accrued thereon to the purchase date; and

WHEREAS, the Authority, the Trustee and the Bank are entering into a Standby Bond Purchase Agreement relating to the Bonds, dated as of the date hereof (as the same may be supplemented or amended from time to time the "*Standby Bond Purchase Agreement*"), pursuant to which the Bank agrees to purchase Bonds tendered for purchase upon the terms and conditions of the Standby Bond Purchase Agreement; and

WHEREAS, the Bank and the Trustee desire to enter into this Agreement to acknowledge and confirm that the obligation of the Bank to purchase tendered Bonds that are not remarketed in accordance with the terms and conditions of the Standby Bond Purchase Agreement is for the benefit of the Trustee and is a separate, independent obligation of the Bank to the Trustee;

NOW, THEREFORE, in consideration of the fees payable to the Bank, the covenants of the Authority contained in the Standby Bond Purchase Agreement and the amounts paid by the Bondholders incident to the issuance of the Bonds and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Standby Bond Purchase Agreement.

SECTION 2. *Purchase Obligation.* The Bank hereby confirms (a) that it is obligated from time to time during the Purchase Period, as the same may be extended under and pursuant to the terms of the Standby Bond Purchase Agreement, to purchase Bonds in accordance with the terms and conditions of the Standby Bond Purchase Agreement, including, without limitation, Section 2.1 thereof, (b) that such purchase obligation, the terms and conditions of which are expressly incorporated herein by this reference, is a direct obligation of the Bank to, and payment thereunder is for the benefit of, the Trustee and is a separate, independent obligation of the Bank to the Trustee, and (c) that such purchase obligation does not constitute a contract to make a loan or extend other debt financing or financial accommodations to or for the benefit of the Authority. To further confirm such purchase obligation, the Bank hereby agrees with the Trustee to purchase Bonds in accordance with the terms and conditions set forth in the Standby Bond Purchase Agreement, including, without limitation, Section 2.01 thereof, just as if such purchase obligation, terms, and conditions were set forth verbatim herein. Neither the failure of the Authority to pay amounts due or to perform other obligations due under the Standby Bond Purchase Agreement nor the bankruptcy or insolvency of the Authority nor any other Event of Default or Default under the Standby Bond Purchase Agreement nor any other event which affects the enforceability of the Standby Bond Purchase Agreement against the Authority shall affect the obligation of the Bank to purchase tendered but unremarketed Bonds, subject only to Section 7.02 of the Standby Bond Purchase Agreement. Without limiting the generality of the foregoing, the Bank hereby further confirms that its obligations to purchase tendered but unremarketed Bonds shall survive, and shall remain in full force and effect enforceable against it by the Trustee, notwithstanding any composition, receivership, conservatorship, insolvency, bankruptcy, reorganization, moratorium, liquidation, readjustment of debt or other similar proceeding commenced by or against the Authority, as debtor, or relating to Authority's assets, or any rejection or nonassumption of the Standby Bond Purchase Agreement in any such proceeding, whether as an executory contract or otherwise. The Bank under this Agreement shall have the remedies provided in the Standby Bond Purchase Agreement with respect to the Defaults and Events of Default specified therein, including under certain circumstances terminating the obligation of the Bank to purchase Bonds as expressly provided in the Standby Bond Purchase Agreement.

SECTION 3. *Amendments to Standby Bond Purchase Agreement.* The obligations of the Bank hereunder shall be automatically (and without any necessity for a written agreement) amended, modified and supplemented to incorporate any amendments, modifications and supplements to the Standby Bond Purchase Agreement upon the effectiveness of each such amendment, modification or supplement.

SECTION 4. *GOVERNING LAW.* THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA.

SECTION 5. *Counterparts.* This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Trustee

By: _____
Title:

JPMORGAN CHASE BANK

By: _____
Title:

CUSTODY AGREEMENT

This Custody Agreement dated as of June 1, 2003, by and between Wachovia Bank, National Association, as custodian (the "*Custodian*") and JPMorgan Chase Bank (the "*Bank*").

WHEREAS, Pennsylvania Intergovernmental Cooperation Authority (the "*Authority*") issued \$165,550,000 in aggregate principal amount of its revenue bonds to be designated as its Special Tax Revenue Refunding Bonds, (City of Philadelphia Funding Program), Series of 2003 (the "*Bonds*"), pursuant to (i) the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), 53 P.S. 12720.101 et seq., as amended (the "*Act*") of the Commonwealth of Pennsylvania, (ii) an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "*Amended and Restated Indenture*"), between the Authority and the Trustee, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "*First Supplement*"), a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "*Second Supplement*") and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "*Third Supplement*" and as further amended and supplemented from time to time in accordance with the terms thereof and hereof, being referred to herein collectively as the "*Indenture*"), and (iii) Resolution No. 2003-04 adopted by the Authority on March 24, 2003 (the "*Resolution*"); and

WHEREAS, the Indenture requires that the Bonds delivered by the holders thereof to the Trustee pursuant to the Indenture be purchased under certain circumstances by the Bank under a Standby Bond Purchase Agreement dated as of June 1, 2003 (the "*Agreement*"), among the Authority, the Trustee and the Bank; and

WHEREAS, it is a condition to the effectiveness of the obligations of the Bank under the Agreement that the Custodian shall have entered into this Custody Agreement with the Bank; and

WHEREAS, the Custodian has agreed to act as custodian and agent for the Bank, as herein provided;

NOW THEREFORE, in consideration of the mutual covenants recited herein, and other good and valuable consideration, receipt of which is hereby acknowledged, it is hereby agreed as follows:

(a) The Bank appoints the Custodian as its agent and bailee for the purpose of receiving Bank Bonds (as defined in the Agreement) under the Agreement and holding such Bank Bonds for and on behalf of the Bank. Bank Bonds shall be held and registered as provided

in Section 2.02 of the Agreement. The Custodian hereby agrees to hold the Bank Bonds for such purpose, as the Bank's agent and bailee. As used herein, the term "**Bank Bonds**" means, unless the context otherwise requires, the beneficial ownership of such Bank Bonds during any period that Bank Bonds are maintained as Book Entry Bonds.

(b) Except at the written direction of the Bank, the Custodian shall not pledge, hypothecate, transfer or release possession of such Bank Bonds held by or registered in the name of the Custodian on behalf of the Bank to any Person or in any manner not in accordance with this Custody Agreement and shall not enter into any other agreement, other than the Custody Agreement or the Indenture, regarding possession of the Bank Bonds without the prior written consent of the Bank. The Custodian will not release Bank Bonds to the purchaser of such Bank Bonds unless the Bank has delivered to the Custodian, in addition to its written direction contemplated above in this paragraph, written notice (which may be by telex, answerback received) that a portion of the Available Principal Commitment (as defined in the Agreement) in an amount equal to the principal amount of such Bank Bonds has been reinstated.

(c) Upon written notice to the Bank, and release and delivery to the Bank or its designee of any Bank Bonds then held by the Custodian on behalf of the Bank pursuant to this Custody Agreement, the Custodian shall have the right to terminate its obligations with respect to such Bank Bonds under this Custody Agreement. The Bank shall have the option to terminate this Custody Agreement at any time upon written notice to the Custodian and, upon such termination, the Custodian will release and deliver to the Bank or its designee any Bank Bonds then held by the Custodian hereunder. The Bank may also from time to time request that the Custodian release and deliver to the Bank all or a portion of the Bank Bonds then held by the Custodian on behalf of the Bank without termination of this Custody Agreement, and upon receipt of any such request in writing, the Custodian will release and deliver such Bank Bonds to the Bank or its designee then held by the Custodian.

(d) In acting under this Custody Agreement the Custodian shall not be liable to the Bank except for gross negligence or willful misconduct in the performance of its obligations hereunder.

(e) The Custodian's duties are only such as are specifically provided herein, and the Custodian shall incur no fiduciary or other liability whatsoever to the Bank or any other Person, except to the extent the Bank incurs any loss or liability due to the Custodian's gross negligence or willful misconduct. Anything in this Custody Agreement to the contrary notwithstanding, in no event shall the Custodian be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Custodian has been advised of such loss or damage and regardless of the form of action. The Custodian may consult with counsel and shall be fully protected in any action taken, suffered or omitted in good faith in accordance with such advice. The Custodian may rely conclusively and shall be fully protected in acting upon any written instructions given to it hereunder and believed by it to have been properly executed.

(f) The Custodian may resign at any time by giving written notice thereof to the Bank. Such resignation shall not become effective until a successor Custodian shall have been appointed by the Bank and shall have accepted such appointment in writing. The resigning Custodian may, at the reasonable expense of the Authority, petition any court of competent jurisdiction, including without limitation the Supreme Court of the State of New York, for the appointment of a successor Custodian.

(g) This Custody Agreement cannot be amended or modified except in a writing signed by the Bank and the Custodian.

(h) This Custody Agreement shall inure to the benefit of and shall be binding upon the Custodian and the Bank, and their respective successors and assigns.

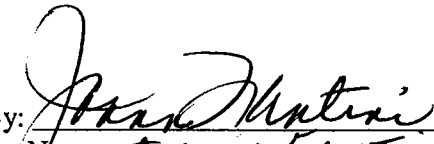
(i) This is the Custody Agreement referred to in the Agreement, and shall be governed by the law of the State of New York without regard to choice of law rules.

(j) This Custody Agreement may be executed in counterparts which, taken together, shall constitute a single document.


[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

IN WITNESS WHEREOF, the parties have hereunder set their hands, all as of the date first above written.

**WACHOVIA BANK, NATIONAL
ASSOCIATION, as Custodian**

By: 
Name: JOANN FANTINI
Title: ASSITANT VICE President

JPMORGAN CHASE BANK

By: 
David Weinstein
Vice President

ACCEPTED AND AGREED TO:

**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY**

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties have hereunder set their hands, all as of the date first above written.

**WACHOVIA BANK, NATIONAL
ASSOCIATION, as Custodian**


By: _____
Name:
Title:

JPMORGAN CHASE BANK

By: _____
David Weinstein
Vice President

ACCEPTED AND AGREED TO:

**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY**

By: 
Name: Louis A. Kowalski
Title: Chair

CONFIRMING AGREEMENT

This CONFIRMING AGREEMENT (this "*Agreement*"), dated as of June 1, 2003, is entered into by and between WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee for the Bonds hereinafter described (the "*Trustee*") and JPMORGAN CHASE BANK (the "*Bank*").

WHEREAS, the Pennsylvania Intergovernmental Cooperation Authority (the "*Authority*") is issuing on the date hereof \$165,550,000 in aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2003 (the "*Bonds*"), pursuant to (i) the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), 53 P.S. 12720.101 et seq., as amended (the "*Act*") of the Commonwealth of Pennsylvania, (ii) an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "*Amended and Restated Indenture*"), between the Authority and the Trustee, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "*First Supplement*"), a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "*Second Supplement*") and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "*Third Supplement*" and as further amended and supplemented from time to time in accordance with the terms thereof and hereof, being referred to herein collectively as the "*Indenture*"), and (iii) Resolution No. 2003-04 adopted by the Authority on March 24, 2003 (the "*Resolution*"); and

WHEREAS, pursuant to the Indenture, the holders of the Bonds have the right to and under certain circumstances are required to tender their Bonds for purchase at a purchase price equal to the principal amount of the tendered Bonds plus interest accrued thereon to the purchase date; and

WHEREAS, the Authority, the Trustee and the Bank are entering into a Standby Bond Purchase Agreement relating to the Bonds, dated as of the date hereof (as the same may be supplemented or amended from time to time the "*Standby Bond Purchase Agreement*"), pursuant to which the Bank agrees to purchase Bonds tendered for purchase upon the terms and conditions of the Standby Bond Purchase Agreement; and

WHEREAS, the Bank and the Trustee desire to enter into this Agreement to acknowledge and confirm that the obligation of the Bank to purchase tendered Bonds that are not remarketed in accordance with the terms and conditions of the Standby Bond Purchase Agreement is for the benefit of the Trustee and is a separate, independent obligation of the Bank to the Trustee;

NOW, THEREFORE, in consideration of the fees payable to the Bank, the covenants of the Authority contained in the Standby Bond Purchase Agreement and the amounts paid by the Bondholders incident to the issuance of the Bonds and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Standby Bond Purchase Agreement.

SECTION 2. Purchase Obligation. The Bank hereby confirms (a) that it is obligated from time to time during the Purchase Period, as the same may be extended under and pursuant to the terms of the Standby Bond Purchase Agreement, to purchase Bonds in accordance with the terms and conditions of the Standby Bond Purchase Agreement, including, without limitation, Section 2.1 thereof, (b) that such purchase obligation, the terms and conditions of which are expressly incorporated herein by this reference, is a direct obligation of the Bank to, and payment thereunder is for the benefit of, the Trustee and is a separate, independent obligation of the Bank to the Trustee, and (c) that such purchase obligation does not constitute a contract to make a loan or extend other debt financing or financial accommodations to or for the benefit of the Authority. To further confirm such purchase obligation, the Bank hereby agrees with the Trustee to purchase Bonds in accordance with the terms and conditions set forth in the Standby Bond Purchase Agreement, including, without limitation, Section 2.01 thereof, just as if such purchase obligation, terms, and conditions were set forth verbatim herein. Neither the failure of the Authority to pay amounts due or to perform other obligations due under the Standby Bond Purchase Agreement nor the bankruptcy or insolvency of the Authority nor any other Event of Default or Default under the Standby Bond Purchase Agreement nor any other event which affects the enforceability of the Standby Bond Purchase Agreement against the Authority shall affect the obligation of the Bank to purchase tendered but unremarketed Bonds, subject only to Section 7.02 of the Standby Bond Purchase Agreement. Without limiting the generality of the foregoing, the Bank hereby further confirms that its obligations to purchase tendered but unremarketed Bonds shall survive, and shall remain in full force and effect enforceable against it by the Trustee, notwithstanding any composition, receivership, conservatorship, insolvency, bankruptcy, reorganization, moratorium, liquidation, readjustment of debt or other similar proceeding commenced by or against the Authority, as debtor, or relating to Authority's assets, or any rejection or nonassumption of the Standby Bond Purchase Agreement in any such proceeding, whether as an executory contract or otherwise. The Bank under this Agreement shall have the remedies provided in the Standby Bond Purchase Agreement with respect to the Defaults and Events of Default specified therein, including under certain circumstances terminating the obligation of the Bank to purchase Bonds as expressly provided in the Standby Bond Purchase Agreement.


SECTION 3. Amendments to Standby Bond Purchase Agreement. The obligations of the Bank hereunder shall be automatically (and without any necessity for a written agreement) amended, modified and supplemented to incorporate any amendments, modifications and supplements to the Standby Bond Purchase Agreement upon the effectiveness of each such amendment, modification or supplement.

SECTION 4. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA.

SECTION 5. Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Trustee

By: 
Name: JOANN FORTINI
Title: Assistant Vice President

JPMORGAN CHASE BANK

By: _____
Name: _____
Title: _____

SECTION 4. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA.

SECTION 5. Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Trustee

By: _____
Name:
Title:

JPMORGAN CHASE BANK

By:  _____
Name: **DAVID WEINSTEIN**
Title: **VICE PRESIDENT**

In the opinion of Bond Counsel, under existing law, and subject to continuing compliance by the Authority with certain covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), interest on the 2003 Bonds is excluded from gross income for Federal income tax purposes and is not an item of tax preference for purposes of Federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as corporations are 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. The 2003 Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2003 Bonds is exempt from Pennsylvania corporate net income tax and from personal income taxation by the Commonwealth of Pennsylvania (See “TAX EXEMPTION” herein).

\$165,895,000*

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)
SERIES OF 2003**

Dated: June 16, 2003**Due: June 15, 2022**

The 2003 Bonds are being issued pursuant to an Amended and Restated Indenture of Trust (the “1994 Indenture”), between the Pennsylvania Intergovernmental Cooperation Authority (the “Authority”), a body corporate and politic organized and existing pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the “Act”), as a public authority and instrumentality of the Commonwealth of Pennsylvania (the “Commonwealth”), and Wachovia Bank, National Association, Philadelphia, Pennsylvania (successor in interest to Meridian Bank), as trustee (the “Trustee”), as amended and supplemented by three supplements thereto (as so amended and supplemented, the “Indenture”), between the Authority and the Trustee. The 2003 Bonds will initially bear interest at a Variable Rate for a Weekly Rate Period. The interest rate on the 2003 Bonds may thereafter be converted to another Variable Rate, a Flexible Rate or a Fixed Rate. The 2003 Bonds are issuable only as fully registered bonds, without coupons, in the denominations of \$100,000 and integral multiples of \$5,000 in excess thereof while bearing interest at a Variable Rate. The Interest Payment Dates for interest accruing on the 2003 Bonds during a Daily Rate Period or a Weekly Rate Period is the fifteenth day of each month and the Regular Record Date therefor is the close of business on the Business Day preceding such Interest Payment Date. Interest on the 2003 Bonds is payable, by check or draft mailed or under certain conditions by wire transfer, to the persons in whose names the 2003 Bonds are registered at the close of business on the Regular Record Date. The principal of, and redemption premium, if any, on the 2003 Bonds will be payable at the corporate trust office of the Trustee in Philadelphia, Pennsylvania.

Any 2003 Bond bearing interest at a Variable Rate during a Daily Rate Period or a Weekly Rate Period that is tendered or deemed tendered for purchase and not remarketed by the purchase date will be purchased (subject to certain conditions described herein) pursuant to a Standby Bond Purchase Agreement by JPMorgan Chase Bank.



The 2003 Bonds are subject to optional and mandatory tender and optional and mandatory sinking fund redemption prior to maturity as described herein. The 2003 Bonds are not subject to acceleration upon the occurrence of an Event of Default (as defined in the Indenture).

The proceeds from the sale of the 2003 Bonds, together with the other available funds of the Authority, will be used to (i) currently refund the Authority’s Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993A maturing on and after June 15, 2004 in the aggregate principal amount of \$163,185,000, and (ii) pay the costs of issuing the 2003 Bonds. See “PLAN OF FINANCE” herein.

The 2003 Bonds, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2003 Bonds. Purchases of beneficial ownership interests in the 2003 Bonds will be made in book-entry-only form. So long as DTC or its nominee, Cede & Co., is the registered owner, principal of, redemption premium, if any, and interest on, and purchase price of, the 2003 Bonds is payable directly to Cede & Co., for redistribution to DTC Participants and in turn to the beneficial owners as described herein. Purchasers of 2003 Bonds will not receive physical delivery of certificates representing their ownership interests in the 2003 Bonds. See “THE 2003 BONDS—Book-Entry-Only System” herein.

THE 2003 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY ISSUED PURSUANT TO THE ACT AND THE INDENTURE AND ARE PAYABLE SOLELY FROM REVENUES OF THE AUTHORITY DERIVED FROM (i) A ONE AND ONE-HALF PERCENT (1.5%) TAX ON THE SALARIES, WAGES, COMMISSIONS AND OTHER COMPENSATION EARNED BY RESIDENTS OF THE CITY OF PHILADELPHIA (THE “CITY”) AND ON NET PROFITS EARNED IN BUSINESS, PROFESSIONS AND OTHER ACTIVITIES CONDUCTED BY RESIDENTS OF THE CITY, WHICH TAX IS IMPOSED BY THE CITY PURSUANT TO THE ACT AND AN ORDINANCE ADOPTED BY THE COUNCIL OF THE CITY OF PHILADELPHIA AND APPROVED BY THE MAYOR EXCLUSIVELY FOR THE PURPOSES OF THE AUTHORITY, AND (ii) CERTAIN MONEYS AND SECURITIES, AND INVESTMENT EARNINGS THEREON, HELD BY THE TRUSTEE IN CERTAIN FUNDS ESTABLISHED UNDER THE INDENTURE. THE ACT PROVIDES THAT THE REVENUES FROM THE FOREGOING TAX ARE THE REVENUES AND PROPERTY OF THE AUTHORITY AND ARE NOT THE REVENUES AND PROPERTY OF THE CITY. SEE “SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS” HEREIN.

In addition, payment of the principal of and interest on the 2003 Bonds will be insured by an insurance policy to be issued simultaneously with the delivery of the 2003 Bonds by Ambac Assurance Corporation.



NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE UPON TENDER OF, THE 2003 BONDS. THE 2003 BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, AND NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS LIABLE FOR THE PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR THE PURCHASE PRICE OF THE 2003 BONDS. THE AUTHORITY HAS NO TAXING POWER.

The 2003 Bonds are offered when, as and if issued by the Authority and delivered to and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the receipt of the approving opinion of Klett Rooney Lieber & Schorling, A Professional Corporation, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by Reed Smith LLP, Philadelphia, Pennsylvania, General Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by Dilworth Paxson LLP and Obermayer Rebmann Maxwell & Hippen LLP, both of Philadelphia, Pennsylvania, co-counsel to the Underwriters. Certain legal matters will be passed upon for the City by the Office of the City Solicitor and by Blank Rome LLP, Philadelphia, Pennsylvania, special counsel to the City. It is anticipated that the 2003 Bonds in definitive form will be available for delivery to DTC in New York, on or about June 16, 2003.

Raymond James & Associates, Inc.

**Arthurs, Lestrangle & Company, Inc.
RBC Dain Rauscher**

**Commerce Capital Markets, Inc.
UBS PaineWebber Inc.**

This Official Statement is dated June __, 2003.

* Preliminary

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2003 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2003 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE OF THE OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

This Official Statement does not constitute an offer to sell the 2003 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, broker, salesman or other person has been authorized by the Authority, the City of Philadelphia or the Underwriters to give any information or to make any representation other than that contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Official Statement nor the sale of any of the 2003 Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the 2003 Bonds. All summaries of statutes and documents are made subject to the provisions of such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The information set forth herein has been provided by the Authority, the City of Philadelphia, Ambac Assurance Corporation, JPMorgan Chase Bank and by other sources which the Authority believes are reliable, but it is not guaranteed as to its accuracy or completeness, and it not to be construed as a representation by the Underwriters or, as to information provided by sources other than the Authority, by the Authority. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. No representation, warranty or guarantee is made by the Financial Advisors as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Authority, the City, the Underwriters or the Financial Advisors.

This Official Statement contains forecasts, projections and estimates by the City of Philadelphia that are based on current expectations or assumptions. In light of the important factors that may materially affect the amount of Authority Tax received, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the Authority or the City of Philadelphia that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the amount of Authority Tax received include, among others, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the Authority and the City. These forward-looking statements include, but are not limited to, certain statements contained in the information contained under the captions "ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX" and such statements speak only as of the date of this Official Statement. The Authority and the City disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Authority's or the City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The 2003 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2003 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

TABLE OF CONTENTS

INTRODUCTION	1	FINANCIAL ADVISORS	39
General	1	CERTAIN RELATIONSHIPS.....	39
The Authority	1	FINANCIAL STATEMENTS	39
Authority's Outstanding Indebtedness	2	MISCELLANEOUS	39
Authorization to Issue the 2003 Bonds.....	2	Negotiable Instruments.....	39
Plan of Finance	3	Certain References.....	40
Financial Condition of the City	3	No Continuing Disclosure Undertaking.....	40
Description of the 2003 Bonds.....	3		
Sources of Payment and Security for the 2003 Bonds.....	4	APPENDIX A: AUDITED FINANCIAL STATEMENTS OF THE	
Additional Bonds.....	5	AUTHORITY AS OF JUNE 30, 2002	
Bond Insurance.....	5	APPENDIX B: CERTAIN INFORMATION CONCERNING THE CITY	
Miscellaneous	5	OF PHILADELPHIA	
PLAN OF FINANCE	6	APPENDIX C: DEFINITIONS OF CERTAIN TERMS AND SUMMARY	
General	6	OF CERTAIN PROVISIONS OF THE INDENTURE	
Estimated Sources and Uses	7	APPENDIX D: PROPOSED FORM OF OPINION OF BOND COUNSEL	
THE 2003 BONDS.....	7	APPENDIX E: .. SPECIMEN COPY OF FINANCIAL GUARANTY	
General	7	INSURANCE POLICY	
Interest	8	APPENDIX F: CERTAIN INFORMATION CONCERNING THE BANK	
Purchase of Tendered 2003 Bonds	10		
Remarketing	11		
Redemption	12		
Notice of Redemption.....	13		
Transfers and Exchanges of 2003 Bonds.....	13		
Book-Entry-Only System	14		
Discontinuation of Book-Entry Only System.....	16		
SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS	16		
General	16		
Authority Tax	17		
Debt Service Reserve Fund	19		
Additional Bonds.....	20		
Certain Remedies of Bondholders	21		
Limitation of Remedies	21		
CERTAIN DERIVATIVES ACTIVITIES OF THE AUTHORITY	21		
BOND INSURANCE	23		
Payment Pursuant to Financial Guaranty Insurance Policy	23		
Ambac Assurance Corporation.....	24		
Available Information.....	24		
Incorporation of Certain Documents by Reference.....	25		
THE STANDBY AGREEMENT	25		
General	25		
Conditions Precedent to Purchase of Tendered Bonds	25		
Conditions Causing a Mandatory Tender	26		
Expiration of Commitment to Purchase Tendered 2003 Bonds.....	27		
CERTAIN INFORMATION CONCERNING THE BANK.....	27		
DEBT SERVICE REQUIREMENTS.....	28		
ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX	28		
THE AUTHORITY	30		
Organization and Purpose.....	30		
Board of Authority.....	30		
Authority Staff.....	32		
Financing Program	32		
Oversight Functions of the Authority	32		
Intergovernmental Cooperation Agreement.....	33		
Financial Plan	33		
Contracts and Collective Bargaining Agreements of the City	35		
Powers of the Authority to Promote Compliance	35		
Operating History	37		
LITIGATION	37		
LEGAL INVESTMENT	38		
TAX EXEMPTION	38		
Federal Tax Exemption.....	38		
Pennsylvania Tax Exemption	38		
RATINGS	38		
CERTAIN LEGAL MATTERS.....	39		
UNDERWRITING	39		

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

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Vice Chairperson
Treasurer/Secretary
Member
Member

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Ex-Officio Representative
of the Commonwealth

Janice D. Davis
Ex-Officio Representative
of the City

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Uri Z. Monson

Director of Capital Analysis and Operations
John S. Daly

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Reed Smith LLP

Bond Counsel
Klett Rooney Lieber & Schorling, A Professional Corporation

Financial Advisors
Hopkins & Company
Calhoun Baker, Inc.
Penn Capital Advisors

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OFFICIAL STATEMENT

Relating to

\$165,895,000*

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 2003

INTRODUCTION

General

This Official Statement, including the cover page, table of contents and the attached appendices, sets forth information with respect to the issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$165,895,000* aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "2003 Bonds"). This introduction is a brief description of certain matters described in this Official Statement and is qualified by reference to the entire Official Statement. Persons considering the purchase of any of the 2003 Bonds should read this Official Statement, including the cover page, tables and all appendices, in its entirety. Capitalized terms used in this Official Statement and not otherwise defined herein shall have the respective meanings set forth in APPENDIX C hereto or in the Indenture (as defined herein).

The Authority

The Authority, a body corporate and politic, was organized and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), 53 P.S. 12720.101 et seq., as amended (the "Act"). Pursuant to the Act, the Authority was established to provide financial assistance to cities of the first class in the Commonwealth of Pennsylvania (the "Commonwealth"). The City of Philadelphia (the "City") currently is the only city of the first class in the Commonwealth. See "THE AUTHORITY" herein.

The Act provides that, upon the request by the City to the Authority for financial assistance and for so long as any bonds of the Authority remain outstanding, the Authority shall have certain financial and oversight functions. First, the Authority shall have the power, subject to satisfaction of certain requirements in the Act, to provide financial assistance to the City. Second, the Authority also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify noncompliance by the City with its then-existing five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth to cause certain payments due to the City from the Commonwealth to be withheld by the Commonwealth).

Under the Act, the Authority is no longer permitted to issue bonds for the purpose of financing a capital project of the City or a deficit of the City, including a cash flow deficit. The Authority does, however, have the power to issue bonds to refund outstanding bonds issued under the Act.

* Preliminary

Authority's Outstanding Indebtedness

The Authority has previously issued six Series of Bonds. Three Series of Bonds remain Outstanding: Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") issued in the original aggregate principal amount of \$178,675,000, of which \$163,185,000 will be Outstanding on the date of issuance of the 2003 Bonds; Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 issued in the original aggregate principal amount of \$343,030,000 (the "1996 Bonds"), of which \$105,070,000 are currently Outstanding, and Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 issued in the original aggregate principal amount of \$610,005,900, of which \$567,325,000 are currently Outstanding. Three series of bonds, Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 Bonds") in the original aggregate principal amount of \$474,555,000, Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 Bonds") in the original aggregate principal amount of \$643,430,000, and Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") in the original aggregate principal amount of \$122,020,000, are no longer Outstanding.

The 1992 Bonds were issued to provide funds to make grants to the City to fund the Fiscal Year 1991 General Fund cumulative deficit and the projected Fiscal Year 1992 and 1993 General Fund deficits of the City, fund the costs of certain capital projects to be undertaken by the City and provide other financial assistance to the City to enhance productivity in the operation of City government. The 1993 Bonds were issued to provide funds to make grants to the City to (i) pay the costs of certain capital projects to be undertaken by the City, (ii) pay the costs of certain capital improvements to the City's criminal justice and correctional facilities, and (iii) provide for the defeasance of certain general obligation bonds of the City. The 1993A Bonds were issued to provide funds to advance refund a portion of the 1992 Bonds, in the aggregate principal amount of \$136,670,000. The 1994 Bonds were issued to provide funds to make grants to the City to pay the costs of certain capital projects to be undertaken by the City. The 1996 Bonds were issued to provide funds to advance refund the Outstanding 1992 Bonds and the Outstanding 1994 Bonds. The 1999 Bonds were issued to provide funds to advance refund the Outstanding 1993 Bonds. The proceeds of the 2003 Bonds will be applied to the current refunding of the 1993A Bonds.

Since the issuance of the 1992 Bonds in June, 1992, the Authority has devoted its primary attention to the assessment, approval and oversight of each of the City's five-year financial plans prepared in accordance with the requirements of the Act (each, a "Financial Plan"), the City's compliance therewith, the evaluation of City financial reporting, the analysis of City financial and budgetary practices and programs and the oversight of the expenditures of funds for the capital projects and productivity enhancements for which the Authority has made grants to the City with a portion of the proceeds from the sale of the 1992 Bonds, the 1993 Bonds and the 1994 Bonds. See "THE AUTHORITY - Operating History" herein.

Authorization to Issue the 2003 Bonds

The Authority is authorized to issue and sell the 2003 Bonds pursuant to the provisions of the Act and pursuant to a resolution of the Authority adopted March 25, 2003. The 2003 Bonds will be issued pursuant to and secured under an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Amended and Restated Indenture"), between the Authority and Wachovia Bank, National Association (successor in interest to Meridian Bank), as trustee (the "Trustee"), as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "First Supplement"), a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "Second Supplement") and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplement" and, together with the Amended and Restated Indenture, the First Supplement and the Second Supplement, the "Indenture"). The Amended and Restated Indenture amended and restated an Indenture of Trust dated as of June 1, 1992, as amended and supplemented (the "Original Indenture") between the Authority and Meridian Bank (successor trustee by assignment from CoreStates Bank, N.A., the initial trustee). For a summary of certain provisions of the Indenture, see "APPENDIX C - DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" hereto.

The 1992 Bonds, the 1993 Bonds and the 1993A Bonds were issued pursuant to the Original Indenture. The 1994 Bonds, the 1996 Bonds and the 1999 Bonds were issued pursuant to the Amended and Restated Indenture. The Indenture provides that the 1996 Bonds, the 1999 Bonds, the 2003 Bonds and any Additional Bonds issued pursuant thereto (sometimes referred to herein collectively as, the "Bonds") are to be equally and ratably secured under the Indenture (except as otherwise described herein and in the Indenture). For a discussion of the issuance by the Authority of additional bonds, including Additional Bonds issued under the Indenture, and the limitations on such issuance, see "SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS - Additional Bonds" herein.

Plan of Finance

The proceeds from the sale of the 2003 Bonds will be used to (i) currently refund the 1993A Bonds maturing on and after June 15, 2004 in the aggregate principal amount of \$163,185,000, and (ii) pay the costs of issuing the 2003 Bonds. See "PLAN OF FINANCE" herein.

Financial Condition of the City

The City has reported that it ended Fiscal Year 2002 on June 30, 2002 with a General Fund balance of \$139.0 million, a decrease of \$91.0 million from the Fiscal Year 2001 year-end General Fund balance. No deficit elimination grants from the Authority were made during Fiscal Years 1993 through 2002. The City's Fiscal Year 2003 General Fund Budget was adopted by City Council on May 2, 2002 and approved by the Mayor on May 15, 2002 and the City's Five Year Plan for the fiscal years ending June 30, 2003 through June 30, 2007 was approved by resolution of City Council on May 2, 2002. The Authority approved the City's Fiscal Year 2003 General Fund budget on June 18, 2002. The Fiscal Year 2003 General Fund Budget was adopted by Philadelphia City Council and approved by the Mayor without a grant from the Authority. The City's Fiscal Year 2004 budget was approved by City Council on May 29, 2003 and does not anticipate a grant from the Authority for Fiscal Year 2004. For additional information regarding the City's financial condition, see "APPENDIX B — CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA" hereto.

Although the 2003 Bonds are not obligations of the City, financial developments with respect to the City may affect the market for, and the market prices of, the 2003 Bonds. Further, economic and demographic conditions in the City may affect the levels of collections of the Authority Tax (as defined herein). See "ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX" herein. For a more detailed discussion of the City's financial affairs, see "APPENDIX B — CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA" hereto.

Description of the 2003 Bonds

The 2003 Bonds will be issued as fully registered bonds, without coupons, will be dated June 16, 2003, and will mature on June 15, 2022. The 2003 Bonds are subject to optional and mandatory redemption prior to scheduled maturity as described herein. See "THE 2003 BONDS—Optional Redemption" and "THE 2003 BONDS—Mandatory Sinking Fund Redemption" herein. The 2003 Bonds may bear interest at (i) a Variable Rate, with a Daily Rate Period, a Weekly Rate Period or a Term Rate Period, (ii) a Flexible Rate, or (iii) the Fixed Rate. The 2003 Bonds will initially bear interest at a Variable Rate with a Weekly Rate Period until converted to another Rate Period. The 2003 Bonds will continue to bear interest from the date of their initial delivery at a Variable Rate for a Weekly Rate Period, as determined from time to time by the Remarketing Agent as described herein until the Conversion Date, as described in the Third Supplement. The 2003 Bonds will be issuable in authorized denominations; the authorized denominations for 2003 Bonds during any Daily Rate Period or Weekly Rate Period are \$100,000 and any whole multiple of \$5,000 in excess thereof. THE BONDS OF THE AUTHORITY WHICH ARE OUTSTANDING UNDER THE INDENTURE, INCLUDING THE 2003 BONDS, ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT.

The Interest Payment Date for interest accrued on the 2003 Bonds during a Daily Rate Period or a Weekly Rate Period is the fifteenth day (or the next succeeding Business Day if the fifteenth day is not a Business Day) of each calendar month and the Regular Record Date therefor is the close of business on the Business Day preceding such Interest Payment Date.

The principal of 2003 Bonds during a Daily Rate Period or a Weekly Rate Period shall be payable at the Principal Office of the Trustee, upon presentation and surrender of such 2003 Bonds, which presentation and surrender can be made at the Principal Office of Wachovia Bank, National Association, as tender agent (the "Tender Agent").

Interest payments on a 2003 Bond (other than with respect to defaulted interest) shall be made to the registered owner thereof appearing on the bond register as of the close of business of the Trustee as bond registrar on the Record Date. Interest on the 2003 Bonds shall, except as hereinafter provided, be paid during a Daily Rate Period or a Weekly Rate Period, (i) by check or draft of the Tender Agent mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the bond register or at such other address furnished in writing by such registered owner to the Tender Agent, (ii) by wire transfer sent on the Interest Payment Date to the registered owner upon written notice to the Tender Agent from the registered owner containing the wire transfer address (which shall be in the continental United States) to which the registered owner wishes to have such wire directed

which written notice is received not later than the Business Day prior to the first Interest Payment Date to which it relates, it being understood that such notice may refer to multiple interest payments; or (iii) on or prior to the Fixed Rate Conversion Date, in such other fashion as is agreed upon between the registered owner and the Tender Agent, including, without limitation, by wire transfer upon such prior notice as may be satisfactory to the Tender Agent.

The 2003 Bonds, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository under a book-entry-only system for the 2003 Bonds. See "THE 2003 BONDS – Book-Entry-Only System" herein.

The 2003 Bonds are subject to optional and mandatory tender as described herein. The obligation to purchase 2003 Bonds will be funded from the proceeds of the remarketing of such 2003 Bonds by Raymond James & Associates, Inc., as remarketing agent (the "Remarketing Agent") and, except under certain circumstances described herein, purchases of 2003 Bonds under a standby bond purchase agreement dated as of June 1, 2003 (the "Standby Agreement") provided in respect of the 2003 Bonds by JPMorgan Chase Bank (the "Bank"). The obligation of the Authority to pay the purchase price of any 2003 Bonds upon optional or mandatory tender is limited to proceeds of the remarketing of such 2003 Bonds by the Remarketing Agent and to moneys provided under the Standby Agreement.

Sources of Payment and Security for the 2003 Bonds

The 2003 Bonds are limited obligations of the Authority and the principal of, redemption premium, if any, and interest on, and purchase price upon tender of, the 2003 Bonds are payable, together with the 1996 Bonds, the 1999 Bonds and any Additional Bonds issued pursuant to the Indenture, solely from (i) the revenues pledged and assigned by the Authority for such payment under the Indenture, including revenues received by the Authority from a one and one-half percent (1.5%) tax (the "Authority Tax") imposed by the City, pursuant to the Act and an ordinance adopted by City Council and approved by the Mayor on June 12, 1991 (Bill No. 1437, effective July 1, 1991) (the "Authority Tax Ordinance"), exclusively for the purposes of the Authority, on the salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City, and (ii) certain moneys and securities and investment earnings thereon, together with a Debt Service Reserve Fund Policy (described herein), all held by the Trustee in certain funds established under the Indenture. In connection with the enactment of the Authority Tax Ordinance and the adoption of the Fiscal Year 1992 operating budget of the City, the City enacted an ordinance reducing the rate of the City's tax on the salaries, wages, commissions and other compensation earned by, and net profits earned in business, professions and other activities conducted by, City residents by one and one-half percent (1.5%).

The Act provides that the Commonwealth will not reduce, and will not authorize any government agency levying such tax to reduce, the rate of any tax, including the Authority Tax, imposed exclusively for the purposes of the Authority and pledged by the Authority as security for the payment of principal of, and interest on, bonds issued by the Authority, including without limitation the 2003 Bonds, until all of the principal of, and interest on, the bonds so secured is paid in full or provided for. The Authority Tax presently is the only tax imposed exclusively for the purposes of the Authority and pledged by the Authority as security for the payment of its bonds.

The Act prohibits the City from reducing the rate of the Authority Tax or repealing the Authority Tax Ordinance while bonds of the Authority secured by the Authority's pledge of the Authority Tax are outstanding. The City, as required by the Act, has pledged and agreed in the Authority Tax Ordinance with each and every obligee of the Authority secured by an Authority pledge of the Authority Tax that the City will not reduce the rate of, or repeal, the Authority Tax until the principal of, and interest on, all bonds so secured are paid in full or provision for such payment is made. In an Intergovernmental Cooperation Agreement, dated January 8, 1992 (the "Cooperation Agreement"), between the Authority and the City, the City has made a similar pledge to, and agreement with, the Authority and its obligees.

The Act requires that the Authority Tax be collected by the Department of Revenue of the Commonwealth (the "Pennsylvania Revenue Department") for deposit in the Pennsylvania Intergovernmental Cooperation Authority Tax Fund (the "PICA Tax Fund") established under the Act and held by the Treasurer of the Commonwealth (the "State Treasurer"), as custodian. The State Treasurer is required by the Act to transfer all amounts in the PICA Tax Fund at least weekly to or upon the order of the Authority. Concurrently with the issuance of the 1992 Bonds, the Authority directed the State Treasurer to transfer all such amounts to the Trustee for deposit in the Revenue Fund established under the Indenture in accordance with the requirements of the Act and for so long as any 1992 Bonds are Outstanding under the Indenture. Similar instructions were given in connection with the issuance of the 1993 Bonds, the 1993A

Bonds, the 1994 Bonds, the 1996 Bonds and the 1999 Bonds. In connection with the issuance of the 2003 Bonds, similar instructions will be given relating to the 1996 Bonds, the 1999 Bonds and the 2003 Bonds so long as any of such bonds are Outstanding under the Indenture. The Act authorizes the Pennsylvania Revenue Department to appoint agents for the collection and enforcement of the Authority Tax. Pursuant to such authority, a letter dated June 28, 1991 from the Pennsylvania Revenue Department and the Pennsylvania Intergovernmental Cooperation Authority Income Tax Collection Agency Agreement, dated as of June 1, 1992 (the "Tax Collection Agreement"), by and between the Commonwealth and the City, the Revenue Department of the City ("City Revenue Department") and the Law Department of the City have been appointed agents of the Pennsylvania Revenue Department for the collection and enforcement of the Authority Tax. The procedures for the collection and transfer of the Authority Tax are prescribed in the Act and are further delineated in the Authority Tax Ordinance and the Tax Collection Agreement.

NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE UPON TENDER OF, THE 2003 BONDS. THE 2003 BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, AND NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS LIABLE FOR THE PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE UPON TENDER OF, THE 2003 BONDS. THE AUTHORITY HAS NO TAXING POWER.

Additional Bonds

The Authority has the power under the Act, and subject to the limitations set forth therein, to issue additional bonds for various purposes. Under the Act as currently in effect, however, the Authority may only issue refunding bonds. Subject to the terms of the Act and the Indenture, such additional bonds may be issued by the Authority under the Indenture on a parity with the 1996 Bonds, the 1999 Bonds and the 2003 Bonds. For a discussion of the issuance by the Authority of additional bonds, including Additional Bonds issued under the Indenture, and the limitations on such issuance, see "SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS - Additional Bonds" herein.

Bond Insurance

Payment of the principal of and interest on the 2003 Bonds will be insured in accordance with the terms of a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") to be issued by Ambac Assurance Corporation ("Ambac Assurance ") simultaneously with the issuance and delivery of the 2003 Bonds. See "BOND INSURANCE" herein and a specimen copy of the Financial Guaranty Insurance Policy in APPENDIX E hereto.

Miscellaneous

Brief descriptions of the Act, the Authority, the 2003 Bonds, the Indenture, the Cooperation Agreement, the Tax Collection Agreement, the Authority Tax Ordinance, the Standby Agreement and the Financial Guaranty Insurance Policy are included in this Official Statement. The summaries of the Act and of other documents contained herein do not purport to be complete, comprehensive or definitive and are qualified in their entirety by reference to the entire text of the Act and such documents, and the description herein of the 2003 Bonds is qualified in its entirety by reference to the text thereof and the information with respect thereto included in the aforesaid documents. All such descriptions are further qualified in their entirety by reference to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights. Copies of the Indenture, the Authority Tax Ordinance, the Cooperation Agreement, the Standby Agreement and the Tax Collection Agreement may be obtained from the Authority and, after initial delivery of the 2003 Bonds, at the corporate trust office of the Trustee in Philadelphia, Pennsylvania.

Certain information concerning the City has been furnished by the City and is included as APPENDIX B hereto. THE AUTHORITY MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION INCLUDED AS APPENDIX B HERETO.

Certain information concerning Ambac Assurance and the Financial Guaranty Insurance Policy has been furnished by Ambac Assurance and is included under the caption "BOND INSURANCE" herein. A specimen copy of the Financial Guaranty Insurance Policy has been furnished by Ambac Assurance and is included as APPENDIX E hereto. THE AUTHORITY MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION FURNISHED BY AMBAC ASSURANCE INCLUDED HEREIN OR OF THE SPECIMEN COPY OF THE FINANCIAL GUARANTY INSURANCE POLICY FURNISHED BY AMBAC ASSURANCE INCLUDED AS APPENDIX E HERETO.

This Official Statement, including the appendices (except APPENDIX A, consisting of the audited financial statements of the Authority, which speak as of June 30, 2002), speaks only as of the date of this Official Statement printed on the cover hereof. The information contained herein is subject to change.

PLAN OF FINANCE

General

In December, 2001, the Authority and JPMorgan Chase Bank (in this capacity, the "Swap Counterparty") entered into an interest rate swap transaction dated December 6, 2001 (the "1993A Bonds Swaption") with respect to the 1993A Bonds as a means of effecting a synthetic refunding of the 1993A Bonds. Under the 1993A Bonds Swaption, the Swap Counterparty made a payment to the Authority on the date of execution of the 1993A Bonds Swaption in exchange for an option to cause the Authority to enter into an interest rate exchange or swap transaction (the "Swap") with the Swap Counterparty. The Swap Counterparty has given notice to the Authority that it intends to exercise its option on June 16, 2003. The terms of the Swap require the payment (i) by the Swap Counterparty to the Authority of an amount (the "Floating Rate Amount") on the 15th day of each month, commencing July 15, 2003, equal to the interest payable on the agreed upon principal amount (the "Notional Amount") computed on the basis of a floating rate equal to 67% of one month LIBOR and (ii) by the Authority to the Swap Counterparty of an amount (the "Fixed Rate Amount") on each June 15 and December 15, commencing December 15, 2003, equal to the interest payable on the Notional Amount computed on the basis of a fixed rate essentially equal to the fixed rates payable on the 1993A Bonds. The Notional Amount on which such Floating Rate Amount and Fixed Rate Amount is computed is initially equal to \$163,185,000 and declines on June 15 of each year, commencing June 15, 2004, through its termination date of June 15, 2022. See "CERTAIN DERIVATIVES ACTIVITIES OF THE AUTHORITY" herein for a discussion of the interest rate "swaption" transactions entered into by the Authority, including the 1993A Bonds Swaption.)

The Swap Counterparty has given notice to the Authority that it intends to exercise its option on June 16, 2003. As a result of the Swap Counterparty's election to exercise its option to cause the Authority to enter into the Swap, the Authority has determined to issue the 2003 Bonds. The proceeds from the sale of the 2003 Bonds will be used to (i) provide for the current refunding of all of the Outstanding 1993A Bonds maturing after June 15, 2003, in the aggregate principal amount of \$163,185,000 (the "Refunded 1993A Bonds"), and (ii) pay the costs of issuing the 2003 Bonds.

A portion of the net proceeds of the sale of the 2003 Bonds shall be held by the Trustee in a separate account in the Bond Redemption Fund and immediately applied to the payment of the redemption price of the Refunded 1993A Bonds which have been called for redemption on June 15, 2003, at a redemption price of 100% of the principal of the Refunded 1993A Bonds then Outstanding, plus accrued interest to the redemption date. In accordance with the Indenture, as June 15, 2003 is not a business day, payment of the redemption price of the 1993A Bonds will be made on June 16, 2003. Upon deposit of the necessary funds with the Trustee, the Refunded 1993A Bonds will no longer be deemed to be Outstanding under the Indenture.

Estimated Sources and Uses

The estimated sources and uses of funds relating to the 2003 Bonds are as follows:

Sources of Funds:	
Principal Amount of 2003 Bonds	\$
Uses of Funds:	
Current Refunding of 1993A Bonds	\$163,185,000
Costs of Issuance*
Total	\$

*Includes legal, accounting, financial advisory and liquidity facility fees and expenses, printing, bond insurance premium, rating fees, underwriters' fee, contingency and miscellaneous fees and expenses.

THE 2003 BONDS

General

The 2003 Bonds are being issued in the principal amount and are stated to mature on the date shown on the cover of this Official Statement. The 2003 Bonds may bear interest at (i) a Variable Rate, with a Daily Rate Period, a Weekly Rate Period or a Term Rate Period, (ii) a Flexible Rate, or (iii) the Fixed Rate. The 2003 Bonds will initially bear interest at a Variable Rate with a Weekly Rate Period until converted to another Rate Period. The 2003 Bonds will continue to bear interest from the date of their initial delivery at a Variable Rate for a Weekly Rate Period, as determined from time to time by the Remarketing Agent as described herein until the Conversion Date, as described in the Third Supplement.

The following is a summary of certain provisions of the 2003 Bonds while such Bonds bear interest at a Variable Rate for a Daily Rate Period or a Weekly Rate Period. Reference is made to the 2003 Bonds and to the Third Supplement for the detailed provisions of the 2003 Bonds, including provisions relating to the Flexible Rate Period, the Term Rate Period and the Fixed Rate Period.

The Authority anticipates that a remarketing memorandum or other new or supplemental disclosure document will be prepared in the event the 2003 Bonds are converted to bear interest at the Flexible Rate or the Fixed Rate, or to a Variable Rate for a Term Rate Period.

The 2003 Bonds will be issuable in fully registered form, without coupons, in the authorized denominations for each Interest Rate Period. The authorized denomination for 2003 Bonds is \$100,000 and any whole multiple of \$5,000 in excess thereof during any Daily Rate Period or Weekly Rate Period.

The Interest Payment Date for interest accrued on the 2003 Bonds during a Daily Rate Period or a Weekly Rate Period is the fifteenth day (or the next succeeding Business Day if the fifteenth day is not a Business Day) of each calendar month and the Regular Record Date therefor is the close of business on the Business Day preceding such Interest Payment Date.

The principal of and premium, if any, on 2003 Bonds during a Daily Rate Period or a Weekly Rate Period shall be payable at the Principal Office of the Trustee, upon presentation and surrender of such 2003 Bonds, which presentation and surrender can be made at the Principal Office of the Tender Agent. Payment of principal of any 2003 Bond shall be made to any owner of \$1,000,000 or more in aggregate principal amount of 2003 Bonds by wire transfer to such owner on the principal payment date for said 2003 Bonds upon written notice from such owner containing the wire transfer address within the continental United States to which such owner wishes to have such wire directed, which written notice is received not later than the tenth (10th) day next preceding the principal payment or maturity date applicable to such 2003 Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2003 Bonds at the designated office of the Trustee or Tender Agent, as applicable, on the principal payment date.

Interest payments on a 2003 Bond (other than with respect to defaulted interest) shall be made to the registered owner thereof appearing on the bond register as of the close of business of the Trustee as bond registrar on the Record Date. Interest on the 2003 Bonds shall, except as hereinafter provided, be paid during a Daily Rate Period or a Weekly Rate Period, (i) by check or draft of the Tender Agent mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the bond register or at such other address furnished in writing by such registered owner to the Tender Agent, (ii) by wire transfer sent on the Interest Payment Date to the registered owner upon written notice to the Tender Agent from the registered owner containing the wire transfer address (which shall be in the continental United States) to which the registered owner wishes to have such wire directed which written notice is received not later than the Business Day prior to the first Interest Payment Date to which it relates, it being understood that such notice may refer to multiple interest payments; or (iii) on or prior to the Fixed Rate Conversion Date, in such other fashion as is agreed upon between the registered owner and the Tender Agent, including, without limitation, by wire transfer upon such prior notice as may be satisfactory to the Tender Agent.

Under certain circumstances as described herein, the beneficial owner of a 2003 Bond bearing interest at a Variable Rate for a Daily Rate Period or a Weekly Rate Period will have the right to tender to the Tender Agent a 2003 Bond (or any portion thereof in an Authorized Denomination) for purchase at a price (the "Tender Price") equal to 100% of the principal amount thereof, plus accrued interest. Payment for 2003 Bonds so tendered is required to be made in immediately available funds on the purchase date specified by the owner if the notice and tender requirements described herein and as set forth in the Third Supplement have been strictly complied with. Subject to the provisions described below under "THE 2003 BONDS - Purchase of Tendered Bonds - Optional Tender," notices of tender are to be delivered to the Tender Agent by the beneficial owner.

Raymond James & Associates, Inc. has been appointed Remarketing Agent for the 2003 Bonds. The Remarketing Agent is to remarket 2003 Bonds tendered for purchase and is to perform certain rate-setting functions in connection with the 2003 Bonds as described herein under "THE 2003 BONDS—Remarketing" pursuant to a Remarketing Agreement to be dated June 16, 2003 (the "Remarketing Agreement"), between the Authority and the Remarketing Agent. See "THE 2003 BONDS—Remarketing."

Wachovia Bank, National Association has been appointed Tender Agent for the 2003 Bonds. The Tender Agent shall perform those functions with respect to the 2003 Bonds related to the registration of transfers and exchanges, tenders, redemption, notices and purchases thereof and payments thereon prior to the commencement of a Fixed Rate Period.

DTC will serve as securities depository under a book-entry-only system for the 2003 Bonds. Unless such system is discontinued, the provisions described under "Book-Entry-Only System" below (including provisions regarding payments to and transfers by the owners of beneficial interests in the 2003 Bonds) will be applicable to the 2003 Bonds. If such system is discontinued, the provisions described under "Discontinuance of Book-Entry-Only System" below will be applicable.

So long as DTC, or its partnership nominee, Cede & Co., is the registered owner of the 2003 Bonds, payments of the principal of and interest on the 2003 Bonds, and payments of the purchase price of any 2003 Bonds subject to optional or mandatory tender, are to be made by the Tender Agent directly to Cede & Co. Disbursements of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC. Disbursements of such payments to the owners of beneficial interests in the 2003 Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). See "BOOK-ENTRY ONLY SYSTEM" below.

THE 2003 BONDS ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT

Interest

General. Upon initial issuance, and until a Conversion Date, the 2003 Bonds will bear interest at a Variable Rate for a Weekly Rate Period. During Daily Rate Periods and Weekly Rate Periods, the Remarketing Agent shall determine the interest rate as described below. The 2003 Bonds may be converted from one Variable Rate Period to another, from a Term Rate Period of one length to a Term Rate Period of a different length, to a Flexible Rate Period or to a Fixed Rate Period, as elected by the Authority, following which the 2003 Bonds will bear interest at the interest rate determined by the Remarketing Agent for the new Rate Period. Such conversion will result in the mandatory tender for purchase of the 2003 Bonds as described below under "Purchase of Tendered 2003 Bonds - Mandatory Tender." When 2003 Bonds bear interest at a Variable Rate for a Daily Rate Period or a Weekly Rate Period, interest will be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed.

Determination of interest rates when the 2003 Bonds bear interest at the Flexible Rate, the Fixed Rate or at a Variable Rate during a Term Rate Period are described in the Third Supplement.

Weekly Rate. When the 2003 Bonds bear interest at a Variable Rate during a Weekly Rate Period, the interest rate on the 2003 Bonds for a particular Weekly Rate Period shall be the rate established by the Remarketing Agent no later than 10:00 a.m. on the commencement date of such Weekly Rate Period, or, if such preceding day is not a Business Day, on the preceding Business Day. The initial Weekly Rate for the 2003 Bonds will be established not later than the date preceding the date they are issued and delivered. The initial Weekly Rate Period shall commence on the date of issuance and delivery of the 2003 Bonds and end on June 25, 2003. Each subsequent Weekly Rate Period shall commence on a Thursday and continue through the following Wednesday; provided, however, that any Weekly Rate Period which does not follow another Weekly Rate Period shall commence on the Variable Rate Conversion Date with respect thereto and end on the first or second Wednesday thereafter, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and any Weekly Rate Period which is not followed by another Weekly Rate Period shall commence on the last or second to last Thursday of a calendar month, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and end on the day preceding the first Business Day of the next calendar month.

Daily Rate. When the 2003 Bonds bear interest at a Variable Rate during a Daily Rate Period, the interest rate on the 2003 Bonds during such Daily Rate Period shall be the rate established by the Remarketing Agent no later than 10:30 a.m. on such Business Day. For any day which is not a Business Day, the interest rate on the 2003 Bonds shall be the interest rate in effect for the next preceding Business Day. Each Daily Rate established for the 2003 Bonds will remain in effect through the day preceding the Business Day following the day on which that Daily Rate was established. The Remarketing Agent is required to make each determination of the interest rate on the respective date described above for each Daily Rate Period and Weekly Rate Period (each a "Rate Determination Date"). "Maximum Interest Rate" for the 2003 Bonds means twelve percent (12%) per annum.

If for any reason the Remarketing Agent fails to determine or notify the Tender Agent of the Variable Rate for any Daily Rate Period or Weekly Rate Period, the interest rate for any 2003 Bonds in a Daily Rate Period or a Weekly Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System, Inc. (or a replacement publisher of the BMA Municipal Swap Index designated in writing by the Authority to the Trustee and the Remarketing Agent), or if the BMA Municipal Swap Index is not published on the day the Variable Rate is to be set, 125% of an comparable index selected by the Authority).

Conversion of Interest Rate Mode. The Authority is permitted to effect conversions of 2003 Bonds among the various interest rate modes as provided in the Third Supplement. In the case of conversions between Variable Rate Periods or to a Flexible Rate Period or a Fixed Rate Period, the Authority must deliver notice to the Remarketing Agent, the Trustee, the Tender Agent and the Bank not less than 7 days prior to the date on which the Tender Agent is required to notify Bondholders of the conversion. If the proposed conversion is from a Daily Rate Period or a Weekly Rate Period, the Conversion Date must be a regularly scheduled Interest Payment Date. In the case of a conversion of 2003 Bonds bearing interest at a Variable Rate during a Daily Rate Period or a Weekly Rate Period, the Authority must cause to be delivered to the Trustee and the Tender Agent an opinion of bond counsel stating that the proposed conversion is permitted by the Third Supplement and will not adversely affect the exclusion from gross income of interest on the 2003 Bonds for federal income tax purposes; provided, however, no such opinion shall be required with respect to a conversion to a Daily Rate Period or Weekly Rate Period or to a Term Rate Period with a duration of twelve months if the immediately preceding period was a Daily Rate Period, Weekly Rate Period or a Term Rate Period with a duration of twelve calendar months.

Notwithstanding the Authority's delivery of notice of its exercise of the option to effect a conversion, such conversion shall not take effect if (1) the Remarketing Agent fails to determine the interest rate for the new interest rate mode, (2) if all the 2003 Bonds being converted are not remarketed on the proposed Conversion Date, or (3) if the opinion of bond counsel referred to in the preceding paragraph is not confirmed as of the Conversion Date. See "Purchase of Tendered 2003 Bonds - Mandatory Tender" below. In addition, in connection with any conversion to or from a Variable Rate Period or a Flexible Rate Period or a conversion to a Fixed Rate Period, in addition to the other conditions to conversion set forth in the Indenture, the Trustee must have received written evidence from each Rating Agency then maintaining a rating on the 2003 Bonds that such rating will not be reduced or withdrawn due to such conversion (other than a withdrawal of a short term rating upon a remarketing into a Fixed Rate Period) and the Remarketing Agent shall have received firm commitments for the purchase of all 2003 Bonds being converted to bear interest in such new rate period on or before such Conversion Date.

Notice to Bondowners. The Tender Agent is required to give written notice to holders of the 2003 Bonds being converted at least 14 days prior to the Conversion Date in the case of conversions from a Daily Rate Period or a Weekly Rate Period to another Variable Rate or a Flexible Rate Period, and at least 30 days in all other cases.

Effect of Determination. Each designation of a Rate Period, each determination of the duration of a Rate Period and each determination of a Variable Rate by the Remarketing Agent, shall be conclusive and binding upon the owners of the 2003 Bonds, the Trustee, the Authority, the Tender Agent, and the Remarketing Agent.

Purchase of Tendered 2003 Bonds

Optional Tender. An owner of a 2003 Bond will have the right to tender its 2003 Bonds (or portions thereof in authorized denominations) for purchase while the 2003 Bonds bear interest at a Variable Rate during a Daily Rate Period or a Weekly Rate Period, on the purchase dates and with prior notice and delivery as described below, at the Tender Price, payable from and to the extent of proceeds of the remarketing of such 2003 Bonds, moneys paid to it by the Bank for the purchase of 2003 Bonds pursuant to the Liquidity Facility and any other moneys provided by the Authority.

Payment for 2003 Bonds so tendered is required to be made in immediately available funds by 3:00 p.m. on the Optional Tender Date specified by the Bondowner for purchase.

So long as DTC is the registered owner of the 2003 Bonds, a Beneficial Owner (as hereinafter defined) of 2003 Bonds is required to give notice to elect to have its 2003 Bonds purchased or tendered, through its Participant (as hereinafter defined), to the Tender Agent and shall effect delivery of such 2003 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2003 Bonds, on DTC's records, to the Tender Agent.

Weekly Rate Period. During a Weekly Rate Period, 2003 Bonds may be tendered for purchase on any Business Day upon oral or written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day not less than seven (7) days prior to the Optional Tender Date. In the case of a written notice, such notice shall be delivered to the Tender Agent at its designated office and be in form satisfactory to the Tender Agent. Such notice, whether delivered orally or in writing, shall state (i) the name and address of such bondholder and the principal amount of the 2003 Bond to which the notice relates, (ii) that the Bondholder irrevocably demands purchase of such 2003 Bond or a specified portion thereof in an Authorized Denomination, (iii) the Optional Tender Date on which such 2003 Bond or portion is to be purchased, and (iv) the payment instructions with respect to the Tender Price.

Daily Rate Period. During a Daily Rate Period, 2003 Bonds may be tendered for purchase on any Business Day upon oral or written notice of tender given to the Tender Agent not later than 10:00 a.m., New York City time, on the Optional Tender Date. In the case of a written notice, such notice shall be delivered to the Tender Agent at its Principal Office and be in form satisfactory to the Tender Agent. Such notice, whether delivered orally or in writing, shall state (i) the name and address of such bondholder and the principal amount of the 2003 Bond to which the notice relates, (ii) that the Bondholder irrevocably demands purchase of such 2003 Bond or a specified portion thereof in an Authorized Denomination, (iii) the Optional Tender Date on which such 2003 Bond or portion is to be purchased, and (iv) the payment instructions with respect to the Tender Price.

The determination of the Tender Agent as to whether a notice of tender has been properly delivered pursuant to the Third Supplement will be conclusive and binding upon the owner of the 2003 Bonds.

In accepting a notice of tender pursuant to the Third Supplement, the Tender Agent and the Remarketing Agent may conclusively assume that the person providing the notice of tender is the Beneficial Owner of the 2003 Bonds and therefore entitled to tender them. The Tender Agent and the Remarketing Agent assume no liability to anyone in accepting a notice of tender from a person whom it reasonably believes to be a Beneficial Owner of the 2003 Bonds.

Mandatory Tender. The owners of 2003 Bonds will be required to tender, and in any event will be deemed to have tendered, their 2003 Bonds to the Tender Agent for purchase at the Tender Price, payable from and to the extent of proceeds of the remarketing of such 2003 Bonds, moneys paid to it by the Bank for the purchase of 2003 Bonds pursuant to the Liquidity Facility, and any other moneys provided by the Authority in its sole discretion, (1) on each Variable Rate Conversion Date, Flexible Rate Conversion Date or Fixed Rate Conversion Date, and (2) on the regularly scheduled Interest Payment Date preceding the effective date of any substitution

of the Liquidity Facility with an Alternate Liquidity Facility, on any Renewal Date if by the tenth day preceding such Renewal Date the Trustee has not received a Renewal Liquidity Facility, and (3) on the 15th day (or the next preceding Business Day if such day is not a Business Day) after receipt by the Trustee of notice from the Bank of the occurrence of a default under the Liquidity Facility and that such Liquidity Facility shall be terminated, and with respect to the initial Liquidity Facility only, the occurrence of either of the events described under “THE STANDBY AGREEMENT—Conditions Causing a Mandatory Tender” herein.

The Tender Agent is required to give notice of mandatory tender, as provided in the Third Supplement, to each owner of the 2003 Bonds by first-class mail as follows: (i) at least 30 days' written notice in the event of a conversion to a Fixed Rate, (ii) at least 15 days' written notice in the event of a substitution of the Liquidity Facility or a non-renewal of the Liquidity Facility, and (iii) in the event of the occurrence of an event of default under the Liquidity Facility, on the Business Day following receipt by the Trustee of such notice from the Bank. The owners of the 2003 Bonds shall have no right to elect to retain 2003 Bonds that are subject to mandatory tender.

Undelivered Bonds. ANY 2003 BOND (OR PORTION THEREOF) FOR WHICH NOTICE OF OPTIONAL OR MANDATORY TENDER HAS BEEN GIVEN IN ACCORDANCE WITH THE PROVISIONS OF THE THIRD SUPPLEMENT, BUT THAT IS NOT TENDERED FOR PURCHASE BY THE REQUIRED TIME, WILL BE DEEMED TO HAVE BEEN TENDERED AND SOLD ON THE DESIGNATED PURCHASE DATE AND, UPON DEPOSIT IN THE BOND PURCHASE FUND ESTABLISHED UNDER THE THIRD SUPPLEMENT OF AN AMOUNT SUFFICIENT TO PAY THE PURCHASE PRICE OF SUCH 2003 BOND ON SUCH PURCHASE DATE, THE OWNER OF SUCH 2003 BOND WILL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST ACCRUED SUBSEQUENT TO SUCH DATE) IN RESPECT THEREOF OTHER THAN THE PURCHASE PRICE FOR SUCH 2003 BOND AND ACCRUED INTEREST AS OF THE PURCHASE DATE. SUCH 2003 BOND WILL NO LONGER BE ENTITLED TO THE BENEFIT OF THE INDENTURE, EXCEPT FOR THE PURPOSE OF PAYMENT OF SUCH PURCHASE PRICE AND, EXCEPT AS DESCRIBED ABOVE, ACCRUED INTEREST AS OF THE PURCHASE DATE.

Purchase of 2003 Bonds Upon Tender. The obligation to purchase 2003 Bonds will be funded from the proceeds of the remarketing of such 2003 Bonds by the Remarketing Agent and, except under certain circumstances described herein, purchases of the 2003 Bonds under the Standby Agreement. The obligation of the Authority to pay the purchase price of any 2003 Bonds upon optional or mandatory tender is limited to proceeds of the remarketing of such 2003 Bonds by the Remarketing Agent and to moneys provided under the Standby Agreement.

Bank Bonds. Any 2003 Bonds purchased with proceeds of a drawing on the Liquidity Facility (“Bank Bonds”) shall be registered in the name of the provider of the Liquidity Facility and shall bear interest at the rate determined in accordance with the provisions of the Liquidity Facility.

Remarketing

The Authority and the Remarketing Agent are entering into the Remarketing Agreement pursuant to which the Authority will agree to pay to the Remarketing Agent a fee for its services as Remarketing Agent and the Remarketing Agent will agree, among other things, to perform the duties of the Remarketing Agent set forth in the Third Supplement for so long as any of the 2003 Bonds bear interest at a Variable Rate or a Flexible Rate. The Authority and the Remarketing Agent anticipate that separate fee arrangements will be made for remarketing 2003 Bonds being converted to bear interest at the Fixed Rate. The Remarketing Agreement may be amended by the Authority and the Remarketing Agent without the consent of the Trustee or the owners of the 2003 Bonds.

The Remarketing Agreement provides that the Remarketing Agent may be removed by the Authority at any time or may resign, in either instance upon 30 days prior notice. In addition, under certain circumstances the Remarketing Agent may cease reoffering and selling the 2003 Bonds with immediate effect.

Redemption

(a) Optional Redemption.

(i) Flexible Rate Period or a Variable Rate Period. During a Flexible Rate Period or a Variable Rate Period, the 2003 Bonds shall be subject to redemption prior to maturity at the option of the Authority, in whole or in part (and if in part in an Authorized Denomination) on any Repurchase Date applicable thereto during a Flexible Rate Period or on any Interest Payment Date during a Variable Rate Period (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot), at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

(ii) Term Rate Period. On or prior to the Fixed Rate Conversion Date, 2003 Bonds in a Term Rate Period may be redeemed by the Authority, in whole or in part (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot in such manner as shall be determined by the Trustee), (A) at any time on and after the No-Call Period described below, at a redemption price of 100% of the principal amount of 2003 Bonds called for redemption, plus accrued interest to the date fixed for redemption, and (B) on the day after the end of each Term Rate Period at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption:

<u>Length of Term Rate Period</u>	<u>Commencement of Redemption Period</u>
Greater than or equal to 15 years	10 th Anniversary of the commencement of the Term Rate Period
Less than 15 years and greater than or equal to 8 years	8 th Anniversary of the commencement of the Term Rate Period
Less than 10 years and greater than or equal to 8 years	6 th Anniversary of the commencement of the Term Rate Period
Less than 8 years	Not subject to optional redemption until commencement of next Term Rate Period

Notwithstanding the foregoing, the No-Call Periods specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2003 Bonds to a Term Rate Period is to the effect that such change will not have an adverse effect on the validity of the 2003 Bonds or any exemption from federal income taxation to which interest on the 2003 Bonds would otherwise be entitled.

(iii) Fixed Rate. After the Fixed Rate Conversion Date, the 2003 Bonds may be redeemed by the Authority in whole on any date, or in part on any Interest Payment Date (and, if in part, by lot in such manner as shall be determined by the Trustee), after the No-Call Period described below at a redemption price of 100% of the principal amount of 2003 Bonds called for redemption, plus accrued interest to the date fixed for redemption:

<u>Length of Fixed Rate Period</u>	<u>Commencement of Redemption Period</u>
Greater than or equal to 15 years	10 th Anniversary of the commencement of the Fixed Rate Period
Less than 15 years and greater than or equal to 8 years	8 th Anniversary of the commencement of the Fixed Rate Period
Less than 10 years and greater than or equal to 8 years	6 th Anniversary of the commencement of the Fixed Rate Period
Less than 8 years	Not subject to optional redemption

Notwithstanding the foregoing, the No-Call Periods and redemption prices specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2003 Bonds to a Fixed Rate is to the effect that such change will not have an adverse effect on the validity of the 2003 Bonds or any exemption from federal income taxation to which interest on the 2003 Bonds would otherwise be entitled.

(b) Special Optional Redemption. Any 2003 Bonds which are Bank Bonds shall be subject to redemption in whole or in part prior to the Maturity Date at the option of the Authority out of amounts deposited in the Debt Service Fund, on any Business Day while such 2003 Bonds are Bank Bonds at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

(c) *Mandatory Sinking Fund Redemption.* The 2003 Bonds are subject to mandatory redemption prior to maturity in part by lot, as selected by the Trustee, on June 15 of each year as set forth below, in the respective principal amounts listed opposite each such year from moneys in the Debt Service Fund, at a redemption price equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date to the redemption date.

<u>Redemption Date</u> <u>(June 15)</u>	<u>Principal Amount*</u>	<u>Redemption Date</u> <u>(June 15)</u>	<u>Principal Amount*</u>
2004	\$5,480,000	2013	\$ 8,440,000
2005	5,740,000	2104	8,850,000
2006	6,015,000	2015	9,285,000
2007	6,310,000	2016	9,740,000
2008	6,625,000	2017	10,220,000
2009	6,970,000	2018	10,725,000
2010	7,310,000	2019	11,260,000
2011	7,670,000	2020	11,810,000
2012	8,045,000	2021	12,395,000
		2022	13,005,000**

* Preliminary

**Stated Maturity

In the event of any partial optional redemption of the 2003 Bonds or any special optional redemption of 2003 Bonds that are Bank Bonds, the mandatory sinking fund redemption payments shall be reduced in such order as the Authority shall elect prior to such redemption or, if no such election is made, in the inverse order thereof. The Trustee shall (in such manner as it in its sole discretion shall choose) adjust the amount of each such reduction in required mandatory redemption payment, so that each such required mandatory sinking fund redemption payment is made in Authorized Denominations.

Notice of Redemption

When the Authority shall determine to redeem 2003 Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of 2003 Bonds to be redeemed, or whenever the Trustee shall be required to redeem 2003 Bonds from moneys in the 2003 Bonds Sinking Fund Account, without action on the part of the Authority, the Trustee, at the Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall specify the redemption date, the redemption price, the place and manner of payment and that from the redemption date interest will cease to accrue on the 2003 Bonds which are the subject of such notice. If at the time of mailing of any notice of redemption, other than with respect to a mandatory sinking fund redemption, the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the 2003 Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption moneys with the Trustee not late than the opening of business on the redemption date and shall be of no effect unless such moneys are so deposited.

During a Daily Rate Period or a Weekly Rate Period, the notice to Bondholders shall be deposited by the Trustee in the United States mail, postage prepaid, at least fifteen (15) days, but not more than thirty (30) days, prior to the redemption date, addressed to the Holders of the 2003 Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any 2003 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other 2003 Bonds.

So long as DTC or its nominee is the sole Bondholder under the book-entry-only system, redemption notices shall be sent by the Trustee only to DTC or its nominee and any failure on the part of DTC or a DTC Participant (as defined below) to notify the Beneficial Owner (as defined below) of a 2003 Bond called for redemption shall not affect the validity of the redemption.

Transfers and Exchanges of 2003 Bonds

Upon presentation for transfer and exchange of any 2003 Bond entitled to registration of exchange or registration of transfer at the corporate trust office of Wachovia Bank, National Association, Philadelphia, Pennsylvania (the "Registrar"), the Registrar will register the exchange or register the transfer of such 2003 Bond in the bond registration books, under such reasonable regulations as

the Registrar may prescribe. The Registrar will make all necessary provisions to permit the exchange or registration of transfer of the 2003 Bonds at its corporate trust office in Philadelphia, Pennsylvania. Until the discontinuance of the book-entry-only system, as described above, one fully registered 2003 Bond in the aggregate principal amount of the 2003 Bonds will be registered in the name of Cede & Co., as nominee for DTC.

The transfer of any 2003 Bond shall be registered in the registration books of the Registrar at the written request of the Bondholder thereof or his attorney duly authorized in writing, upon surrender and cancellation thereof at the corporate trust office of the Registrar in Philadelphia, Pennsylvania, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Bondholder or his duly authorized attorney. Upon the registration of transfer of any such 2003 Bond or Bonds, the Authority shall issue in the name of the transferee, in authorized denominations permitted by the Indenture, a new fully registered 2003 Bond or new fully registered 2003 Bonds in the same aggregate principal amount and of like tenor as the surrendered 2003 Bond or Bonds.

The Authority, the Trustee and the Registrar may deem and treat the registered owner of any 2003 Bond as the absolute owner of such 2003 Bond, whether such 2003 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on 2003 Bonds and for all other purposes, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All such payments so made to any such holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such 2003 Bond to the extent of the sum or sums so paid.

Any 2003 Bond, upon surrender thereof at the corporate trust office of the Registrar in Philadelphia, Pennsylvania, may, at the option of the Bondholder thereof, be exchanged for an equal aggregate principal amount of any authorized denominations of the 2003 Bonds of the same maturity, and having the same interest rate and other provisions, as the surrendered 2003 Bond.

In all cases in which the privilege of exchanging 2003 Bonds or registering the transfer of 2003 Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver 2003 Bonds in accordance with the provisions of the Indenture.

For every such exchange or registration of transfer of the 2003 Bonds, whether temporary or definitive, the Authority, the Registrar or the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, which sum or sums shall be paid by the person requesting such exchange or registration of transfer as a condition precedent to the exercise of the privilege of making such exchange or registration of transfer.

The Registrar shall not be required to transfer or exchange any 2003 Bond during the period from a Record Date, as described below, through the next Interest Payment Date, inclusive, nor to transfer or exchange any 2003 Bond selected for redemption in whole or in part.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry only system have been obtained from DTC. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Underwriters believe to be reliable; however, the Authority and the Underwriters take no responsibility for the accuracy thereof and make no representation as to the accuracy of such information.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2003 Bonds. The 2003 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2003 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S.

securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: “AAA”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2003 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2003 Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2003 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2003 Bonds, except in the event that use of the book-entry system for the 2003 Bonds is discontinued.

To facilitate subsequent transfers, all 2003 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2003 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2003 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2003 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2003 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2003 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indentures. For example, Beneficial Owners of 2003 Bonds may wish to ascertain that the nominee holding the 2003 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the 2003 Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2003 Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts 2003 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal or redemption price of and interest on the 2003 Bonds will be paid to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Authority or the Trustee, as applicable, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, as applicable, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the 2003 Bonds, as nominee of DTC, references herein to the bondholders or registered owners of the 2003 Bonds means Cede & Co., not the Beneficial Owners of the 2003 Bonds.

THE AUTHORITY, TRUSTEE AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE 2003 BONDS (i) PAYMENTS OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2003 BONDS, OR (ii) CONFIRMATION OF OWNERSHIP INTERESTS IN THE 2003 BONDS, OR (iii) REDEMPTION OR OTHER NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE AUTHORITY, THE TRUSTEE, THE REMARKETING AGENT OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OF THE 2003 BONDS WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (ii) THE PAYMENT BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OF, OR INTEREST ON, ANY 2003 BONDS, (iii) THE DELIVERY OF ANY NOTICE BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2003 BONDS, OR (v) ANY OTHER ACTION TAKEN BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT.

Discontinuation of Book-Entry Only System

DTC may determine to discontinue providing its service with respect to the 2003 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS

General

The 2003 Bonds are limited obligations of the Authority payable solely from certain pledged revenues of the Authority and certain other funds held by the Trustee for such purpose. The 2003 Bonds are payable from and are equally and ratably secured under the Indenture, together with the 1996 Bonds, the 1999 Bonds and with certain Additional Bonds that may be issued thereunder, by an assignment, pledge and grant to the Trustee of all of the Authority's right, title and interest in and to (i) the Authority Tax, and (ii) moneys and securities held by the Trustee under the Indenture (including proceeds of the Authority Tax) and any interest or income earned thereon, including amounts deposited into the Deficit Fund, Capital Projects Fund, Revenue Fund, Debt Service Fund, Debt Service Reserve Fund and the Bond Redemption Fund, but excluding moneys held in trust for the United States in the Rebate Fund (collectively, the "Pledged Revenues"), subject to the terms and conditions of the Indenture. The Indenture provides that moneys in accounts established by the Trustee in respect of a particular Series of Bonds shall only be available to pay debt service or the redemption price of Bonds of such Series, except as may otherwise be provided in the Indenture or in a Supplemental Indenture adopted at or prior to the time of issuance of such Series. The Debt Service Reserve Fund will secure, equally and ratably, all Bonds outstanding under the Indenture, including the 1996 Bonds, the 1999 Bonds and the 2003 Bonds.

Authority Tax

As permitted by the Act, and pursuant to the Authority Tax Ordinance, the City has imposed, exclusively for the purposes of the Authority, a one and one-half percent (1.5%) tax on the salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City. As described above, the Authority Tax has been pledged by the Authority to the Trustee, as permitted by the Act and pursuant to the Indenture, as security for the payment of principal of, redemption premium, if any, and interest on, the Bonds, including the 1996 Bonds, the 1999 Bonds and the 2003 Bonds.

The Act requires that the Authority Tax be collected by the Pennsylvania Revenue Department for deposit in the PICA Tax Fund held by the State Treasurer, as custodian. The Act authorizes the Pennsylvania Revenue Department to appoint agents for the collection and enforcement of the Authority Tax and, pursuant to such authority, a letter dated June 28, 1991 from the Pennsylvania Revenue Department and the Tax Collection Agreement, the City Revenue Department and the Law Department of the City have been appointed agents for the collection and enforcement of the Authority Tax.

In accordance with the applicable provisions of the Act and the Tax Collection Agreement, all receipts from the Authority Tax are deposited into a special account separate and apart from all City accounts. Based on historical trends in revenues collected by the City from taxes imposed for City purposes by the City on salaries, wages, commissions and other compensation earned by, and net profits earned in business, professions and other activities conducted by, City residents (see "APPENDIX B-CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA"), the City and the Pennsylvania Revenue Department currently attribute 63.0% of wage tax remittances, 77.1% of earnings tax remittances, and 44.0% of net profit tax remittances to City residents. Pursuant to the Tax Collection Agreement, the Pennsylvania Revenue Department shall determine the timing and the method of recalculation of the foregoing percentages. Moneys in an amount equal to each daily amount of the Authority Tax collected (calculated as set forth above) are deposited on the day of receipt in immediately available funds in a segregated account (the "Custodial Account") established by the City, as agent for the Pennsylvania Revenue Department, for remittance on the following day to a general Commonwealth demand deposit account established by the State Treasurer. Upon the transfer of Authority Tax collections to the custody of the State Treasurer, such moneys are held with other Commonwealth funds. Pursuant to the Tax Collection Agreement, the City is required to reconcile the daily deposits to the Custodial Account with actual Authority Tax collections on a monthly basis. Pursuant to the Act, the Authority Tax paid to the State Treasurer shall be transferred by the State Treasurer not less frequently than every two weeks to the PICA Tax Fund, a special fund established by the Act and held in the custody of the State Treasurer. Pursuant to the Act, proceeds of the Authority Tax and amounts on deposit in the PICA Tax Fund are at all times the sole property and revenues of the Authority, and are not subject to appropriation by either the City or the Commonwealth.

The Act requires that the State Treasurer make at least weekly payments of all amounts in the PICA Tax Fund to or upon the order of the Authority. Concurrently with the issuance of the 1992 Bonds, the Authority directed the State Treasurer to transfer all such amounts to the Trustee for deposit in the Revenue Fund established under the Indenture in accordance with the requirements of the Act and for so long as any 1992 Bonds were Outstanding under the Indenture. Similar instructions were given in connection with the issuance of the 1993 Bonds, the 1993A Bonds, the 1994 Bonds, the 1996 Bonds and the 1999 Bonds. In connection with the issuance of the 2003 Bonds, similar instructions will be given relating to the 1996 Bonds, the 1999 Bonds and the 2003 Bonds so long as any of such Bonds are Outstanding under the Indenture. Promptly after deposit of moneys in the Revenue Fund, the Trustee shall transfer any money in the Revenue Fund to the following funds in the following order and priority:

(a) to the Debt Service Fund, the amount necessary to cause the aggregate amount therein in each month to equal the sum of (i) the aggregate for all Series of Bonds Outstanding paying interest semiannually of $1/6$ (such fraction to be increased or decreased, as appropriate, for a Series of Bonds to account for any initial or final interest period longer or shorter than six months) of the amount of interest that will be due and payable on each Series of Bonds Outstanding on the next succeeding Interest Payment Date for the respective Series, (ii) the aggregate for all Series of Bonds paying interest at an interval other than semiannually of an amount equal to the interest that will be due and payable on each such Series of Bonds during such month (assuming that interest due on such Bonds will be payable at the maximum interest rate applicable to such Bonds, and taking into account (A) any amounts received from the counterparty to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the 1993 Bonds Swaption, deposited directly into the Debt Service Fund, and (B) any amounts remaining in the Debt Service Fund from prior months' transfers from the Revenue Fund), (iii) the aggregate for all Series of Bonds Outstanding of $1/12$ (such fraction to be increased for a Series to account for any initial or final principal payment period shorter than 12 months) of the amount of principal that will become due and payable on each Series of Bonds Outstanding, including the 2003 Bonds (whether upon maturity or

mandatory redemption), on the next succeeding principal payment date (whether upon maturity or mandatory redemption) for the respective Series occurring within the next year following the date of such transfer, (iv) any deficiency in deposits required to be made in prior months under the preceding clauses (i), (ii) and (iii) which has not been eliminated, and (v) any amount owed to any Credit Facility Issuer in respect of payments made for principal and interest on Bonds;

(b) to the Debt Service Reserve Fund, the amount necessary to eliminate any deficiency therein (a deficiency being the amount by which the Debt Service Reserve Requirement exceeds the amount in such Fund);

(c) to any Person entitled to payment pursuant to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the Swap Counterparty, an amount equal to the net amount then required to be paid to such person by the Authority pursuant to such an agreement; provided, however, with respect to certain interest rate swap agreements or similar hedge agreements, the Authority may elect to establish a separate account in the Revenue Fund and cause the Trustee to deposit on a monthly basis such amount as is necessary to cause the aggregate amount deposited therein in each month to equal a monthly portion of the amount that will be due to the relevant counterparty on the next payment date;

(d) as directed in a certificate of the Authority delivered to the Trustee, to the trustees or other depositories in respect of subordinated debt, if any, payable from Pledged Revenues, the amount necessary to cause the aggregate amount paid in respect of such subordinated debt from all sources to equal the amount then required to be paid in respect of each issue of subordinated debt;

(e) to the Authority, the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made to equal the operating expenses of the Authority for such fiscal year as set forth in a certificate of the Authority delivered to the Trustee with respect to such fiscal year, to the extent that the amounts transferred from the Debt Service Reserve Fund pursuant to the applicable provisions of the Indenture are not sufficient for such purpose; and

(f) to the Rebate Fund, the amounts required to be deposited therein pursuant to the applicable provisions of the Indenture, to the extent that the transfers from the earnings in the Debt Service Reserve Fund pursuant to the applicable provisions of the Indenture are insufficient for such purpose.

Notwithstanding the foregoing order of priority, the Indenture requires that to the extent the Trustee is required to make payment of the Rebate Amount or Yield Reduction Amount to the United States of America pursuant to the Indenture and there are insufficient amounts in the Rebate Fund on the date which is thirty (30) days prior to the due date of such payment, the Trustee shall thereafter transfer moneys from the Revenue Fund to the Rebate Fund prior to making any other transfers of moneys to any other funds until the amount in the Rebate Fund equals the required Rebate Amount and Yield Reduction Amount. Any moneys remaining in the Revenue Fund after all transfers required by paragraphs (a), (b), (c), (d), (e) and (f) have been made shall be transferred by the Trustee to Wachovia Bank, National Association, for deposit to a special account (the "City Account"), in trust for the exclusive benefit of the City, established and created under the Act and the City Account Deposit and Disbursement Agreement, dated as of December 6, 1991, as amended, between the Authority and First Union National Bank (now Wachovia Bank, National Association), Philadelphia, Pennsylvania, as depository. The City Account Deposit and Disbursement Agreement has been acknowledged and agreed to by the City.

The Bonds, including the 2003 Bonds, are not secured by, and the owners of the Bonds, including the 2003 Bonds, are not and shall not be entitled to, any moneys transferred by the Trustee, as required by the Act and the Indenture, to the City Account.

The Act provides that, for so long as any of the Authority's bonds, including the 2003 Bonds, remain Outstanding, the Commonwealth (i) will not limit or alter the rights vested in the Authority by the Act in any manner inconsistent with the obligations of the Authority to its obligees, and (ii) will not reduce, nor will it authorize any government agency (which term includes, without limitation, the City) levying such tax to reduce, the rate of any tax, including the Authority Tax, imposed exclusively for the purposes of the Authority and pledged by the Authority to secure its bonds, including the 2003 Bonds. Pursuant to the requirements of the Act, the City has included a pledge to the effect set forth in clause (ii) above in the Authority Tax Ordinance.

In the Authority Tax Ordinance and the Cooperation Agreement, the City has pledged and agreed, for so long as any of the Authority's bonds remain outstanding, with the Authority and each and every obligee of the Authority secured by an Authority pledge of the Authority Tax, that the City will not reduce the rate of, or repeal in whole or in part, the Authority Tax until the principal amount

of all bonds of the Authority, including the 2003 Bonds, secured by a pledge of the Authority Tax, together with interest thereon, is fully paid or provision for such payment is made in accordance with the terms of the Indenture or other agreement pursuant to which such bonds were issued. The City further has acknowledged and agreed in the Authority Tax Ordinance and the Cooperation Agreement that, as provided in the Act, (i) all revenues from the Authority Tax are revenues and property of the Authority and not revenues or property of the City, (ii) such revenues may be freely pledged by the Authority to secure payment of bonds of the Authority, and (iii) such revenues are not subject to appropriation by City Council.

Debt Service Reserve Fund

The Debt Service Reserve Fund will, upon issuance of the 2003 Bonds, be maintained in an amount equal to the Debt Service Reserve Requirement, and will secure, equally and ratably, all Bonds Outstanding under the Indenture, including the 1996 Bonds, the 1999 Bonds and the 2003 Bonds.

Under the Indenture the term "Debt Service Reserve Requirement" means, with respect to all Bonds, an amount equal to the lesser of (i) the Maximum Annual Debt Service Requirement with respect to all Bonds Outstanding under the Indenture, and (ii) the maximum amount permitted by the Code. The amount to be deposited into the Debt Service Reserve Fund as a result of each additional Series of Bonds will be specified in the Supplemental Indenture executed in connection with the issuance of each additional Series of Bonds, and will be that amount sufficient to satisfy the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture. The Indenture provides that in lieu of a deposit at the time of issuance of a series of Bonds, the Authority may cause a Credit Facility to be provided to the Trustee. See "APPENDIX C—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE-Debt Service Reserve Fund." Upon the issuance of the 2003 Bonds, amounts on deposit in the Debt Service Reserve Fund will satisfy the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture. Initially, the Debt Service Reserve Requirement will be satisfied with existing monies derived from the prior accounts of the Debt Service Reserve Fund and the Debt Service Reserve Fund Policy (the "Reserve Fund Policy") issued by Financial Guaranty Insurance Company ("Financial Guaranty") and delivered to the Trustee in connection with the issuance of the 1999 Bonds.

The Reserve Fund Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Authority, provided that the aggregate amount paid under the Reserve Fund Policy may not exceed the maximum amount set forth in the Reserve Fund Policy. Financial Guaranty will make such payments to the Trustee on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from the Trustee of the nonpayment of such amount by the Authority. The term "nonpayment" in respect of a Bond includes any payment of principal or interest made to an owner of a Bond 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.

If there are insufficient moneys to pay the debt service requirements on any Series of Bonds on any Interest Payment Date, mandatory sinking fund redemption date or maturity date of such Series of Bonds, the Trustee shall transfer from the Debt Service Reserve Fund to the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund. All cash and investments in the Debt Service Reserve Fund shall be utilized for making required transfers to the Debt Service Fund for payment of principal of, or interest on, the Bonds before making any draws on the Reserve Fund Policy. Repayment of any draws, expenses and interest thereon with respect to the Reserve Fund Policy shall be made prior to replenishment of the Debt Service Reserve Fund. Draws on the Reserve Fund Policy and any other similar policies on which there is available coverage shall be made on a pro rata basis (calculated by reference to coverage then available under each such policy) after applying available cash and investments in the Debt Service Reserve Fund. Holders of Bonds will have equal and ratable rights or claims to all funds, including the Reserve Fund Policy, held by the Trustee in the Debt Service Reserve Fund.

The Reserve Fund Policy is non-cancelable and the premium has been fully paid. The Reserve Fund Policy covers failure to pay principal of the Bonds on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Reserve Fund Policy terminates on the scheduled final maturity date of the 1999 Bonds.

Generally, in connection with its issuance of a Reserve Fund Policy, Financial Guaranty requires, among other things, (i) that, so long as it has not failed to comply with its payment obligations under the Reserve Fund Policy, it be granted the power to exercise any remedies available at law or under the authorizing document other than (A) acceleration of the Bonds or (B) remedies which would adversely affect holders in the event that the Authority fails to reimburse Financial Guaranty for any draws on the Reserve Fund Policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its issuance of the Reserve Fund Policy are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Authority is required to provide additional or substitute credit enhancement, and related matters.

The Reserve Fund Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of December 31, 2002, the total capital and surplus of Financial Guaranty was approximately \$978 million. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

Additional Bonds

Pursuant to the Indenture and the Act, the Authority is authorized to issue Additional Bonds under the Indenture, so long as no Event of Default has occurred and is continuing under the Indenture. The Additional Bonds may be equally and ratably secured with the 1996 Bonds, the 1999 Bonds and the 2003 Bonds, except for moneys otherwise specifically pledged under the Indenture. Pursuant to the Act, additional bonds, including Additional Bonds issued under the Indenture, may be issued only for the purpose of refunding any outstanding bonds issued by the Authority under the Act.

In connection with the issuance of Additional Bonds under the Indenture, the Indenture provides that the Authority must execute a certificate, the calculations of which shall be "verified" by a certified public accountant, showing that (1) the PICA Taxes (as defined in the Indenture), including the Authority Tax, collected with respect to any twelve (12) consecutive months during the fifteen (15) month period immediately preceding the date of issuance of such Additional Bonds equaled at least one hundred seventy-five percent (175%) of the Maximum Annual Debt Service Requirement on Bonds to be Outstanding after the issuance of the Additional Bonds and (2) the PICA Taxes projected to be collected during the twelve (12) months following issuance of the Additional Bonds, which projection may be based on the PICA Taxes projected in the City's most recent Financial Plan approved by the Authority, equal at least one hundred seventy-five (175%) of the Debt Service Requirement during such twelve (12) month period on Bonds to be Outstanding after the issuance of the Additional Bonds. In connection with the issuance of the 2003 Bonds, the Authority has selected the twelve (12) consecutive month period commencing April, 2002 and ending March, 2003 for the purpose of satisfying the test set forth in clause (1) of the preceding sentence. In determining the amount of PICA Taxes, retroactive effect shall be given to any PICA Tax which was not in effect (including for this purpose any increase in the rate of an existing tax) during the relevant period, but which has been imposed prior to the issuance of the Additional Bonds, provided that new PICA Taxes shall not be included in the calculation unless Financial Guaranty Insurance Company, as the issuer of municipal bond new issue insurance policy for the 1996 Bonds (so long as any of the 1996 Bonds are Outstanding), the 1999 Bonds (so long as any of the 1999 Bonds are Outstanding), and Ambac Assurance Corporation, as the issuer of the Financial Guaranty Insurance Policy (so long as any of the 2003 Bonds are Outstanding), consent to the inclusion. The certificate referenced in this paragraph shall not be required, in the case of Additional Bonds issued to refund Outstanding Bonds where the Maximum Annual Debt Service Requirement for such Additional Bonds and the total principal and interest payable on such Additional Bonds for the term thereof do not exceed the comparable amounts for the Bonds being refunded.

The Authority may at any time, without the request or approval of the City, issue bonds to refund its outstanding bonds, including the 2003 Bonds, so long as the maturity date of such refunding bonds will not extend to a maturity date which could not have been included in the original issue of the bonds being refunded. The 2003 Bonds satisfy this requirement.

Certain Remedies of Bondholders

Upon the occurrence of any Event of Default (as defined in the Indenture) and subject to certain rights of Ambac Assurance (see "BOND INSURANCE" herein), the Indenture provides that the Trustee, if requested to do so by the holders of twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding and upon being indemnified as provided in the Indenture, shall pursue any available remedy at law or in equity, including, without limitation, the right to enforce the pledge of, security interest in and lien and charge on all revenues pledged by the Authority as security under the Indenture against all Commonwealth and local public officials in possession of any such taxes and revenues at any time and the performance by the Authority of its obligations under the Indenture; provided, however, that there is no right to accelerate the payment of the principal of the Bonds. See "APPENDIX C - DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" hereto.

Limitation of Remedies

THE 2003 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE PLEDGED REVENUES. THE 2003 BONDS DO NOT OTHERWISE CONSTITUTE A PLEDGE OF THE GENERAL CREDIT OF THE AUTHORITY. FURTHER, THE 2003 BONDS DO NOT CONSTITUTE A PLEDGE OF THE CREDIT OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE CITY), NOR DO THE 2003 BONDS CONSTITUTE A PLEDGE OF THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE CITY). THE AUTHORITY HAS NO TAXING POWER. NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE CITY) IS LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE 2003 BONDS.

THE 2003 BONDS SHALL NOT BE SECURED BY, AND ARE NOT PAYABLE FROM, AND THE OWNERS OF THE 2003 BONDS SHALL NOT BE ENTITLED TO, ANY MONEYS TRANSFERRED BY THE TRUSTEE, AS REQUIRED BY THE ACT AND THE INDENTURE, TO THE CITY ACCOUNT OR TO THE ENCUMBERED FUNDS ACCOUNT.

THE 2003 BONDS ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF AN EVENT OF DEFAULT.

The rights and remedies of Bondholders could be limited by the provisions of the Federal Bankruptcy Code, as now or hereafter enacted (the "Bankruptcy Code"), or by other laws or legal or equitable principles which may affect the enforcement of creditors' rights. Chapter 9 of the Bankruptcy Code permits, under prescribed circumstances, a political subdivision of a state to commence a voluntary bankruptcy proceeding and to file a plan of adjustment in the repayment of its debts, if such political subdivision is generally not paying its debts as they became due (unless such debts are the subject of a bona fide dispute), or is unable to pay its debts as they become due. Under the Bankruptcy Code, an involuntary petition cannot be filed against a political subdivision.

In order to proceed under Chapter 9 of the Bankruptcy Code, state law must authorize the political subdivision to file a petition under the Bankruptcy Code. THE ACT PROHIBITS BOTH THE AUTHORITY AND THE CITY FROM FILING A PETITION UNDER THE BANKRUPTCY CODE WHILE ANY BONDS OF THE AUTHORITY ARE OUTSTANDING.

CERTAIN DERIVATIVES ACTIVITIES OF THE AUTHORITY

The Authority and the Swap Counterparty have entered into interest "swaption" transactions with respect to each of the 1993A Bonds, the 1996 Bonds and the 1999 Bonds. These swaption transactions are documented under standard ISDA documents including a Master Agreement, dated as of December 6, 2001 (the "Master Agreement"); a U.S. Municipal Counterparty Schedule to said Master Agreement, dated as of December 6, 2001; a Credit Support Annex to said Schedule, dated as of December 6, 2001 (the "Credit Support Annex"); a transaction confirmation, dated December 6, 2001, with respect to the swaption relating to the 1993A Bonds (the "1993A Bonds Swaption"); a transaction confirmation, dated December 6, 2001, with respect to the swaption relating to the 1996 Bonds (the "1996 Bonds Swaption"); and a transaction confirmation, dated May 1, 2002, with respect to the swaption relating to the 1999 Bonds (the "1999 Bonds Swaption").

The 1993A Bonds Swaption involved the purchase by the Swap Counterparty of an “American” option, exercisable by the Swap Counterparty at any time after June 15, 2003 upon at least 90 days notice, to cause an interest rate swap to become effective. Under this interest rate swap, the Authority will pay to the Swap Counterparty a fixed rate (as specified in the related confirmation, but essentially equal to the fixed rates payable on the 1993A Bonds from time to time, ranging from 5.01077% to 5.00%), and the Swap Counterparty will pay to the Authority a floating rate (equal to 67% of one month LIBOR), on an amortizing notional amount equal to the principal amount of the 1993A Bonds as originally scheduled to be outstanding each year from June 15, 2003 to maturity. The termination date of this interest rate swap is June 15, 2022.

The 1996 Bonds Swaption involved the purchase by the Swap Counterparty of an “American” option, exercisable by the Swap Counterparty at any time after June 15, 2006 upon at least 90 days notice, to cause an interest rate swap to become effective. Under this interest rate swap, the Authority will pay to the Swap Counterparty a fixed rate (as specified in the related confirmation, but essentially equal to the fixed rates payable on the 1996 Bonds from time to time, ranging from 5.48419% to 5.50%), and the Swap Counterparty will pay to the Authority a floating rate (equal to 67% of one month LIBOR), on an amortizing notional amount equal to the principal amount of the 1996 Bonds as originally scheduled to be outstanding each year from June 15, 2006 to maturity. The termination date of this interest rate swap is June 15, 2020.

The 1999 Bonds Swaption involved the purchase by the Swap Counterparty of an “American” option, exercisable by the Swap Counterparty at any time after June 15, 2009 upon at least 90 days notice, to cause an interest rate swap to become effective. Under this interest rate swap, the Authority will pay to the Swap Counterparty a fixed rate (as specified in the related confirmation, but essentially equal to the fixed rates payable on the 1999 Bonds from time to time, ranging from 5.1221% to 4.75%), and the Swap Counterparty will pay to the Authority a floating rate (equal to 62% of one month LIBOR), on an amortizing notional amount equal to the principal amount of the 1999 Bonds as originally scheduled to be outstanding each year from June 15, 2009 to maturity. The termination date of this interest rate swap is June 15, 2023.

In addition, the Authority is considering entering into a “basis cap” transaction (the “1993A Bonds Basis Cap”) relating to the 1993A Bonds and the 1993A Bonds Swaption with the Swap Counterparty. The 1993A Bonds Basis Cap would be an additional “Transaction” under the Master Agreement, Schedule and Credit Support Annex described above. Under the 1993A Bonds Basis Cap, the Swap Counterparty would pay to the Authority a fixed rate each month, starting July 15, 2003 of a certain percentage to be negotiated, and the Authority would pay to the Swap Counterparty each month, starting July 15, 2003, an amount equal to the greater of (a) the average of the BMA Index for the monthly period divided by the one-month LIBOR rate less 70%, multiplied by the one-month LIBOR rate, times the notional amount times the day count fraction, and (b) zero. The notional amount and term of the 1993A Bonds Basis Cap are expected to mirror the notional amount and term of the interest rate swap that is the subject of the 1993A Bonds Swaption. There is no assurance that the Authority will, in fact, enter into the 1993A Bonds Basis Cap on these or any other terms.

Under each of these transactions, the Authority has the right at its option to terminate the related interest rate swap or basis cap, either before or after the related option has been exercised by the Swap Counterparty, and any such termination will be treated as an “Additional Termination Event” under the Master Agreement that will result in a termination payment, calculated under the “Market Quotation, Second Method” basis, either owing by the Authority to the Swap Counterparty or owing by the Swap Counterparty to the Authority. Other “Additional Termination Events” under the Master Agreement that may entitle the Authority to terminate the related interest rate swap transactions include (i) if the Swap Counterparty ceases to have an unsecured and unenhanced senior long-term debt rating of at least “A3” by Moody’s Investors Service, Inc. (“Moody’s”) and “A-” by Standard & Poor’s Ratings Services (“S&P”) and the Swap Counterparty fails to post collateral as required by the Credit Support Annex within 15 days, and (ii) if the unsecured and unenhanced senior long-term debt rating of the Swap Counterparty by Moody’s or S&P is suspended or withdrawn or if the Swap Counterparty ceases to have an unsecured and unenhanced senior long-term debt rating of at least “Baa2” by Moody’s and “BBB” from S&P.

Under the documentation for these interest rate swaptions and basis cap, the liability of the Authority to make any payment is limited to the amounts available for such payment in the Revenue Fund after all required transfers have been made to the Debt Service Fund and the Debt Service Reserve Fund pursuant to the Indenture (and also after payment of any amounts owing to the issuer of any municipal bond debt service reserve fund policy on deposit in the Debt Service Reserve Fund). The Swap Counterparty's rights are expressly subordinated to payment by the Authority on the Authority's bonds issued under the Indenture and amounts required to be deposited into the Debt Service Reserve Fund (including payments to the issuer of a reserve fund policy as aforesaid), and the Authority has not granted to the Swap Counterparty any lien, charge, security interest or other encumbrance in or on the Pledged Revenues or any of other revenues or assets to secure payment or performance of any of the Authority's obligations under the swaption transaction and basis cap.

BOND INSURANCE

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance Corporation (the "Ambac Assurance") has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the 2003 Bonds effective as of the date of issuance of the 2003 Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the 2003 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority. Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the 2003 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 2003 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding 2003 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding 2003 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the 2003 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a 2003 Bond which has become Due for Payment and which is made to a bondholder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Financial Guaranty Insurance Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of 2003 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 2003 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of bondholder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the 2003 Bonds, appurtenant coupons, if any, or right to payment of principal or interest on such 2003 Bonds and will be fully subrogated to the surrendering bondholders' rights to payment.

The Financial Guaranty Insurance Policy does not insure against loss relating to payments of the purchase price of 2003 Bonds upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of 2003 Bonds upon tender by a registered owner thereof.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$6,362,000,000 (unaudited) and statutory capital of approximately \$3,945,000,000 (unaudited) as of March 31, 2003. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service, Inc. and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Authority of the 2003 Bonds.

Ambac Assurance makes no representation regarding the 2003 Bonds or the advisability of investing in the 2003 Bonds and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by Ambac Assurance and presented under the heading "Bond Insurance".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

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Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Current Report on Form 8-K dated January 23, 2003 and filed on January 24, 2003;
2. The Company's Current Report on Form 8-K dated February 25, 2003 and filed on February 28, 2003;
3. The Company's Current Report on Form 8-K dated February 25, 2003 and filed on March 4, 2003;
4. The Company's Current Report on Form 8-K dated March 18, 2003 and filed on March 20, 2003;
5. The Company's Current Report on Form 8-K dated March 19, 2003 and filed on March 26, 2003;
6. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and filed on March 28, 2003;
7. The Company's Current Report on Form 8-K dated March 25, 2003 and filed on March 31, 2003;
8. The Company's Current Report on Form 8-K dated April 17, 2003 and filed on April 21, 2003; and
9. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2003 and filed on May 15, 2003.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

THE STANDBY AGREEMENT

General

The initial Liquidity Facility with respect to the 2003 Bonds will be provided pursuant to the Standby Bond Purchase Agreement dated as of June 1, 2003 by and among the Bank, the Trustee and the Authority (the "Standby Agreement"). The following is a summary of certain provisions of the Standby Agreement. The following summary does not purport to be a full and complete statement of the provisions of the Standby Agreement and the Standby Agreement should be read in full for a complete understanding of all the terms and provisions thereof. Copies of the Standby Agreement may be obtained from the Trustee upon request.

Under the Standby Agreement, the Bank will agree (subject to certain conditions described below) to advance moneys to enable the Trustee to purchase for the Bank any 2003 Bonds bearing interest at the Daily Rate or the Weekly Rate, that are duly tendered or deemed tendered for optional or mandatory purchase pursuant to the Third Supplement if the Remarketing Agent is unable to remarket such 2003 Bonds pursuant to the Remarketing Agreement. See "The 2003 Bonds — Purchase of Tendered 2003 Bonds." The obligation of the Bank to advance moneys to the Trustee for the purchase of the 2003 Bonds is limited to the aggregate outstanding principal amount of such 2003 Bonds plus the actual amount of interest accrued on such 2003 Bonds to but not including the date of purchase; provided that if the applicable purchase date is an Interest Payment Date, the interest component amount shall be reduced by the interest payable on each such 2003 Bond on such Interest Payment Date. The 2003 Bonds purchased by the Bank will be Bank Bonds, and will bear interest at the rate determined in accordance with the Standby Agreement. The Bank may sell Bank Bonds to certain investors subject to the terms and conditions set forth in the Standby Agreement.

Conditions Precedent to Purchase of Tendered Bonds

The Bank's obligation to advance moneys to the Trustee to purchase any 2003 Bonds pursuant to the Standby Agreement is subject to the following conditions: receipt by the Bank of required notice from the Trustee, and that none of the following events shall have occurred:

- (a) any principal or interest due on any 2003 Bond is not paid by the Authority when due and such principal or interest is not paid by Ambac Assurance when, as, and in the amounts required to be paid pursuant to the terms of the Financial Guaranty Insurance Policy; or

- (b) an officer of Ambac Assurance shall in writing claim that the Financial Guaranty Insurance Policy, with respect to the payment of principal or interest on the 2003 Bonds, is not valid and binding on Ambac Assurance, and repudiate the obligations of Ambac Assurance under the Financial Guaranty Insurance Policy with respect to payment of principal of and interest on the 2003 Bonds, or Ambac Assurance shall initiate any legal proceeding to seek an adjudication that the Financial Guaranty Policy, with respect to the payment of principal of or interest on the 2003 Bonds, is not valid and binding on Ambac Assurance; or
- (c) (c) (i) the issuance, under the laws of the state of incorporation or organization of Ambac Assurance, of an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution of Ambac Assurance; (ii) the commencement by Ambac Assurance of a voluntary case or other proceeding seeking an order for relief, liquidation, rehabilitation, conservation, reorganization or dissolution with respect to itself or its debts under the laws of the state of incorporation or organization of Ambac Assurance or any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (iii) the consent of Ambac Assurance to any relief referred to in the preceding clause (ii) in an involuntary case or other proceeding commenced against it; (iv) the making by Ambac Assurance of an assignment for the benefit of creditors; (v) the failure of Ambac Assurance to generally pay its debts or claims as they become due; or (vi) the initiation by Ambac Assurance of any actions to authorize any of the foregoing; or
- (d) Ambac Assurance shall default in any payment or payments of amounts payable by it under any bond insurance policy or policies (other than the Financial Guaranty Insurance Policy) when due and such default shall continue for a period of 10 days (it being understood by the Bank that default, for the purposes of this clause (d), shall not mean a situation whereby Ambac Assurance contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder).

In the case of an Event of Default as described in (a), (c) or (d) above or the occurrence of a Final Suspension Event (as defined below) (each, an “Automatic Termination Event”), the obligation of the Bank to purchase 2003 Bonds under the Standby Agreement shall immediately terminate without notice or demand to any person, and thereafter the Bank shall be under no obligation to purchase 2003 Bonds. Promptly after the Bank receives written notice of an Automatic Termination Event, the Bank shall give written notice of the same to the Trustee, Ambac Assurance, the Authority and the Remarketing Agent; provided that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice, and such failure shall in no way affect the termination of the Bank's commitment and its obligation to purchase 2003 Bonds pursuant to the Standby Agreement.

In the case of an Event of Default described in (b) above (an “Automatic Suspension Event”), the Bank's obligation to purchase 2003 Bonds under the Standby Agreement shall immediately be suspended without notice or demand to any person and thereafter the Bank shall be under no obligation to purchase 2003 Bonds until its obligation to purchase 2003 Bonds is reinstated as described below. Promptly upon an Event of Default specified in (b) above the Bank shall notify the Authority, the Trustee and the Remarketing Agent of such suspension in writing. With respect to an Event of Default specified in (b), if (i) a court with jurisdiction to rule on the validity of the Financial Guaranty Insurance Policy shall thereafter enter a final, nonappealable judgment that the Financial Guaranty Insurance Policy is not valid and binding on Ambac Assurance or (b) a period of two years elapses since the commencement of the suspension thereunder, then the obligation of the Bank under the Standby Agreement will immediately terminate and the Bank shall be under no further obligation to purchase 2003 Bonds (a “Final Suspension Event”). If with respect to such an Event of Default a court with jurisdiction to rule on the validity on the Financial Guaranty Insurance Policy shall find or rule that the Financial Guaranty Insurance Policy is valid and binding on Ambac Assurance, then upon such ruling or termination, as applicable, the Bank's obligation under the Standby Agreement shall be automatically reinstated and the terms of the Standby Agreement will continue in full force and effect (unless the Standby Agreement shall otherwise have terminated by its terms) as if there had been no such suspension.

Conditions Causing a Mandatory Tender

Upon the occurrence and continuance of each of the following events, the Bank may terminate its commitment under the Standby Agreement, but must provide notice to the Authority, the Trustee, Ambac Assurance and the Remarketing Agent, specifying the date on which the Standby Agreement and the obligation of the Bank to advance funds for the purchase of the 2003 Bonds shall terminate (the “Noticed Termination Date”), which shall be not less than twenty-five (25) days from the date of receipt of such notice by the Trustee and, on and after the Noticed Termination Date, the Bank shall be under no further obligation to purchase the 2003 Bonds:

- (a) nonpayment, in whole or in part, of any commitment fees payable under the Standby Agreement within fifteen (15) business days after the Authority and Ambac Assurance shall receive written notice from the Bank that the same were not paid when due; or
- (b) the financial strength ratings assigned to Ambac Assurance by Moody's, S&P and Fitch shall fall below "Aa3", "AA-" and "AA-", respectively, and such financial strength ratings shall remain below "Aa3", "AA-" and "AA-", respectively, for a period of 90 consecutive days.

Expiration of Commitment to Purchase Tendered 2003 Bonds

The obligation of the Bank to purchase the 2003 Bonds ends on the earliest of (i) 5:00 p.m. on June 14, 2004 (or such later date as may be agreed to by the Bank and the Authority in accordance with the terms of the Standby Agreement), (ii) the date on which no 2003 Bonds are Outstanding, (iii) 5:00 p.m. on the business day on which the Trustee notifies such Bank that an Alternate Liquidity Facility has been delivered in replacement of the Standby Agreement and is effective, (iv) the business day immediately succeeding the date on which all of the 2003 Bonds are converted to a rate other than the Daily Rate or the Weekly Rate, (v) the close of business on the Noticed Termination Date, and (vi) the close of business on the date the available commitment is reduced to zero or terminated pursuant to the terms of the Standby Agreement. If the Standby Agreement terminates and is not replaced, the 2003 Bonds will be subject to mandatory tender for purchase. See "The 2003 Bonds — Purchase of Tendered 2003 Bonds." The Bank will be obligated to purchase the 2003 Bonds subject to mandatory tender only if the conditions described above under "Conditions Precedent to Purchase of Tendered Bonds" are satisfied.

CERTAIN INFORMATION CONCERNING THE BANK

Certain information concerning the Bank is set forth in Appendix F hereto.

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DEBT SERVICE REQUIREMENTS

The following table shows the annual debt service requirements on the 1996 Bonds and the 1999 Bonds as of the date of this Official Statement, the annual principal or sinking fund requirements on the 2003 Bonds, interest payments on the 2003 Bonds at an assumed rate of __%, and the total debt service requirements on the 1996 Bonds, the 1999 Bonds and the 2003 Bonds. The following table does not reflect the debt service requirements on the Refunded 1993A Bonds which will no longer be outstanding following redemption by the Authority as described in "PLAN OF FINANCE" herein.

Year Ending (June 15)	1996 Bonds Debt Service Requirements	1999 Bonds Debt Service Requirements	Total Debt Service Requirements on 1996 Bonds and 1999 Bonds	2003 Bonds Sinking Fund Requirements ²	2003 Bonds Interest	2003 Bonds Debt Service Requirements	Total Debt Service Requirements ³
2003 ¹	\$6,330,365.63	\$42,290,125.00	\$48,620,490.63	-			
2004	9,224,376.26	53,655,500.00	62,879,876.26	\$5,480,000			
2005	9,308,976.26	63,157,000.00	72,465,976.26	5,740,000			
2006	9,385,576.26	63,226,800.00	72,612,376.26	6,015,000			
2007	9,383,576.26	63,228,050.00	72,611,626.26	6,310,000			
2008	9,382,176.26	57,566,550.00	66,948,726.26	6,625,000			
2009	9,384,136.26	48,940,550.00	58,324,686.26	6,970,000			
2010	9,387,916.26	42,112,300.00	51,500,216.26	7,310,000			
2011	9,381,916.26	38,455,375.00	47,837,291.26	7,760,000			
2012	9,385,516.26	38,435,512.50	47,821,028.76	8,045,000			
2013	9,381,556.26	38,428,175.00	47,809,731.26	8,440,000			
2014	9,383,150.00	38,404,425.00	47,787,575.00	8,850,000			
2015	9,388,400.00	38,386,637.50	47,775,037.50	9,285,000			
2016	9,383,850.00	38,360,875.00	47,744,725.00	9,470,000			
2017	9,383,950.00	38,338,725.00	47,722,675.00	10,220,000			
2018	9,382,325.00	29,215,987.50	38,598,312.50	10,725,000			
2019	9,382,875.00	20,490,487.50	29,873,362.50	11,260,000			
2020	9,384,225.00	20,492,412.50	29,876,637.50	11,810,000			
2021	-	20,490,412.50	20,490,412.50	12,395,000			
2022	-	20,491,162.50	20,491,162.50	13,005,000			
2023	-	20,489,100.00	20,489,100.00	-			
TOTAL ³	\$165,624,863.23	\$834,656,162.50	\$1,000,281,025.73	\$165,895,000			

(1) Does not reflect interest payments made on December 15, 2002 with respect to the 1996 Bonds and the 1999 Bonds

(2) Preliminary

(3) Numbers may not add due to rounding.

ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX

In connection with the enactment of the ordinance levying the Authority Tax of 1.5% and the adoption of the Fiscal Year 1992 operating budget of the City, the City enacted an ordinance approved on June 12, 1991 (effective July 1, 1991) reducing the rate of the City's tax on the salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by City residents (the "City Tax") by 1.5% from 4.96% to 3.46%. Further reductions in the rate of the City Tax were implemented in each of the City's fiscal years 1996 through 2003. The current rate is 3.0% which, when added to the Authority Tax, results in a tax rate of 4.5%.

Legislation passed by City Council in 2002 will continue reductions in the rate of the City Tax through fiscal year 2007. In addition, such legislation stipulates that if combined tax receipts ("Tax Receipts") from the City Tax, the Authority Tax and the Non-resident Tax (hereinafter defined) grow by at least 3.5% over the previous year, the size of the reduction in the rate of the City Tax will increase. If the Tax Receipts grow at 3.5% in each year of the planned tax rate reduction, the rate of the City Tax would drop to 2.48% in fiscal year 2007. If Tax Receipts do not grow at 3.5% in any year of the plan, the rate of the City Tax would be 2.85% in fiscal year 2007.

The City Tax is imposed pursuant to authority granted to the City by the Sterling Act (Act of August 5, 1932, Sp. Sess., P.L. 45, No. 45), which was enacted by the Pennsylvania General Assembly in 1932 and permits the City to levy any tax not specifically preempted by the Commonwealth. The City has imposed a wage, earnings and net profits tax since 1939. For a discussion of historical data with respect to collection of the City Tax, see "APPENDIX B - CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA" herein.

Under state law at least sixty percent (60%) of a taxpayer's tax liability based upon net income under the Business Privilege Tax levied by the City under the First Class City Business Tax Reform Act must be allowed as a credit against such taxpayer's liability under any tax based upon net profits or gain levied by the City pursuant to the Sterling Act (such as the City Tax and the Authority Tax). The Act requires that such credit be applied and exhausted against the City Tax before such credit can be applied and charged against similar liability of a taxpayer under the Authority Tax. The City currently allows the minimum sixty percent (60%) credit required by law, but is permitted to increase that credit above sixty percent (60%).

The City also levies a tax on the salaries, wages, commissions and other compensation and on net profits earned in business, professions and other activities of non-residents employed in the City ("Non-resident Tax"). The Non-resident Tax rate is different from the City Tax rate.

The amount of the Authority Tax remitted to the Authority by the Commonwealth in Fiscal Years 1999, 2000, 2001 and 2002 totaled \$243,588,074, \$259,325,800, \$274,935,589 and \$276,834,389, respectively. The following table sets forth Authority Tax receipts from the Commonwealth for the periods indicated below.

**Authority Tax Receipts
April, 2002 to March, 2003**

<u>Month</u>	<u>Amount</u>	<u>Month</u>	<u>Amount</u>
April 2002	\$25,714,298	October	\$ 25,975,486
May	29,314,839	November	22,737,281
June	20,921,915	December	19,654,462
July	24,771,495	January 2003	25,258,231
August	23,919,839	February	22,639,499
September	19,078,853	March	20,446,637
		Total*	<u>\$280,432,835</u>

*Total does not add due to rounding

Historical Revenues and Debt Service Coverage Ratios

The revenues of the Authority available for debt service from the Authority Tax for Fiscal Years 1999, 2000, 2001 and 2002 and the debt service coverage ratios for Fiscal Years 1999, 2000, 2001 and 2002 are shown in the following table:

	1999	2000	2001	2002
Revenues Available for Debt Service	\$243,588,074	\$259,325,800	\$274,935,589	\$276,834,389
Actual Debt Service	\$87,226,415	\$107,071,149	\$106,998,376	\$107,298,475
Debt Service Coverage Ratio*	2.79	2.42	2.57	2.58

* Based on Maximum Annual Debt Service Requirement of the Bonds Outstanding as of June 30 of such Fiscal Years.

In its current Financial Plan, the City estimates that the amount of the Authority Tax to be collected in Fiscal Years 2003 and 2004 will be approximately \$285.7 and \$295.7 respectively. There is no assurance that the City Revenue Department and the Law Department of the City, acting as agents for the Pennsylvania Revenue Department, will actually collect such estimated amount of Authority Tax or that the amount of the Authority Tax collected in future years will equal or exceed such estimated amount. Authority Tax receipts collected in the first eleven (11) months of Fiscal Year 2003 totaled \$256.04 million. The current Financial Plan estimated \$285.0 million would be collected during Fiscal Year 2003. See "APPENDIX B - CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA" herein.

THE AUTHORITY

Organization and Purpose

The Authority is a body corporate and politic constituting a public authority and an instrumentality of the Commonwealth exercising public powers of the Commonwealth as an agency and instrumentality thereof which was created pursuant to the Act for the purpose of providing financial assistance to, and exercising certain powers of oversight over the budgetary practices and fiscal affairs of, cities of the first class in the Commonwealth. The City currently is the only city of the first class in the Commonwealth. The Act and the Cooperation Agreement provide that, upon the request by the City to the Authority for financial assistance and for so long as any bonds of the Authority remain outstanding, the Authority shall have certain powers. In its financial assistance capacity, the Authority had the power to issue its bonds to grant or lend the proceeds thereof to the City. Such power to issue debt for such purposes has expired; however, the Authority remains authorized under the Act to refund any of its Outstanding Bonds. The Authority also has an oversight role, and in this capacity it has the power to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve Financial Plans to be revised at least annually by the City and to certify any noncompliance by the City with its then-existing Financial Plan, which certification would require the Secretary of the Budget of the Commonwealth to cause certain payments due to the City from the Commonwealth to be withheld by the Commonwealth and disbursements to the City from the City Account to be suspended pending compliance with the Act and the then-existing Financial Plan. For a discussion of the operating history of the Authority, see "THE AUTHORITY - Operating History" herein.

Board of Authority

Under the Act, the Authority is administered by a governing Board consisting of five voting members and two ex officio non-voting members. The Governor, the President pro tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives each appoints one voting member of the Board. Each Board member serves at the pleasure of his or her appointing authority for a term extending not more than sixty days beyond the current term of office of the appointing authorities from the House of Representatives or until a successor member is appointed, whichever occurs first. The maximum term of office of the appointing authorities from the House of Representatives is two (2) years. The current term of office of the appointing authorities from the House of Representatives ends on November 30, 2004.

Members of the Board shall not be liable personally on the 2003 Bonds and shall not be subject to any personal liability or accountability by reason of the issuance thereof.

The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of the Board. The ex officio members have no voting rights, are not counted for purposes of establishing a quorum and may designate in writing a representative of their respective offices to attend Board meetings on their behalf.

The present members of the Board are as follows:

LAURI A. KAVULICH, Chair. Ms. Kavulich was appointed to serve as a member of the Board by the Minority Leader of the Senate of the Commonwealth in 1998. Ms. Kavulich is the Managing Attorney of the Philadelphia office of the law firm Reger and Rizzo. She is a member of the Bar of the Supreme Courts of Pennsylvania and New Jersey. She is also a member of the Committee of Seventy. Ms. Kavulich holds a Bachelor of Sciences degree from the University of Scranton and a Juris Doctor from Villanova University School of Law.

WILLIAM J. LEONARD, Vice-Chair. Mr. Leonard was appointed to serve as a member of the Board by the Minority Leader of the House of Representatives of the Commonwealth in 1998. Mr. Leonard is a partner with the Philadelphia-based law firm of Obermayer Rebmann Maxwell & Hippel LLP. He was previously associated with the law firm of Dilworth Paxson LLP. His areas of concentration include general complex commercial litigation with experience in antitrust, construction and intellectual property matters. He graduated from Drexel University in 1981 with a degree in Business Administration. In 1984 he graduated from the Dickinson School of Law where he was the winner of the Law Review Writing Competition for Outstanding Casenote.

GREGG R. MELINSON, Treasurer/Secretary. Mr. Melinson was appointed to serve as a member of the Board by the President Pro Tempore of the Senate of the Commonwealth of Pennsylvania in 1999. Mr. Melinson is a partner with the Philadelphia-based law firm of Drinker Biddle & Reath LLP. He has previously served as Deputy General Counsel to Governor Tom Ridge of Pennsylvania. He is currently a member of his firm's litigation department and labor and employment group. Mr. Melinson initially joined his firm in 1990 after serving a one-year judicial clerkship with the Honorable Edward R. Becker of the United States Court of Appeals for the Third Circuit. Between 1990 and 1994, Mr. Melinson practiced in the Labor and Employment Group, where he represented the firm's clients in labor disputes, employment discrimination litigation, wrongful discharge lawsuits, and other employment-related matters. In early 1995, Governor Ridge appointed Mr. Melinson Deputy General Counsel. In that capacity, he represented the Governor of Pennsylvania and other administration officials in federal and state court litigation, provided legal counseling to several cabinet secretaries, and oversaw the legal work of attorneys in a variety of state agencies. He graduated magna cum laude from LaSalle University in 1986 with a degree in English. In 1989, he graduated from the Duke University School of Law where he served as Senior Editor of the Alaska Law Review and was awarded the Bidlake Award for excellence in legal writing.

MICHAEL A. KARP. Mr. Karp was appointed to serve as a member of the Board by the Speaker of the House of Representatives in 2000 and reappointed in 2003. His prior government service includes service as a member of the Board of Education of the School District of Philadelphia. He is the founder of University City Housing and is active in the civic affairs of the University City community in West Philadelphia.

KENNETH I. TRUJILLO. Mr. Trujillo was appointed to serve as a member of the Board by the Governor of the Commonwealth in 2003. Mr. Trujillo is a founding member of Trujillo Rodriguez & Richards, LLC. He returned to the firm after serving as the City Solicitor of Philadelphia for the first two years of the administration of Mayor John F. Street. A substantial portion of Mr. Trujillo's work is in the area of complex litigation. Mr. Trujillo is also a former Assistant U.S. Attorney. In addition to his professional activities, Mr. Trujillo is active in a wide range of non-profit boards and professional associations. Most recently, Mr. Trujillo served Governor Rendell as Deputy Counsel of Governor Rendell's Transition Team. He is also the President of the Board of Directors of Congreso de Latinos Unidos, Inc. and the Secretary/Treasurer of the National Council of La Raza Board of Directors.

JANICE D. DAVIS, Ex Officio. Ms. Davis is the Director of Finance of the City.

MICHAEL J. MASCH, Ex Officio. Mr. Masch is the Secretary of the Budget of the Commonwealth.

Authority Staff

The Board appoints a staff to execute the functions of the Authority. Currently, the staff of the Authority is comprised of six (6) individuals, including the Executive Director, Deputy Executive Director, one (1) financial analysis specialist and three (3) clerical assistants. The Act provides that the Executive Director serves at the pleasure of the Board for a term ending sixty days beyond the current term of office of the appointing authorities from the House of Representatives or until his or her successor is retained, whichever occurs first. The staff of the Authority is currently supervised by:

JOSEPH C. VIGNOLA, Executive Director. Mr. Vignola was Chair of the Philadelphia Board of City Commissioners from 1981 to 1983. He was elected and reelected Controller of the City and County of Philadelphia in 1983 and 1985 and served in that office from 1983 to 1987. From 1987 to 1992, he established a law practice in Pennsylvania and New Jersey. In 1991, he was elected to the City Council of Philadelphia for the 1st Councilmanic District and served in that position until he resigned to become PICA's Executive Director in April 1995.

URI Z. MONSON, Deputy Executive Director. Mr. Monson served as Director of Budgetary Analysis for PICA until October 16, 2001. From 1998 to 2000, he served as an Assistant Budget Director for the City of Philadelphia. From 1995 to 1998, he worked for the U.S. Department of Education in Washington, D.C. as a congressional liaison, policy analyst, and as manager of the Javits Graduate Fellowship Program and co-manager of the National Resource Center program. Mr. Monson is a graduate of the Presidential Management Internship Program, serving as a program analyst at the U.S. Department of Education, and working in the Office of the Vice President of the United States and the New York City Office of the Superintendent for Alternative High School Programs. He has a Masters Degree in Public Policy, with a concentration in education policy, from the Columbia University School of International and Public Affairs. He also has a BA in Political Science from Columbia University, as well as a BA in Midrash from the Jewish Theological Seminary of America. Mr. Monson serves on the Boards of Camp Ramah in the Poconos and the Philadelphia Academy for Law, Criminal Justice and Public Administration as well as a Vice President of the Philadelphia Committee on City Policy.

Financing Program

The Authority was established and organized by the Commonwealth in June, 1991 pursuant to the Act. The Authority has not issued any short- or long-term debt obligations other than the 1992 Bonds, the 1993 Bonds, the 1993A Bonds, the 1994 Bonds, the 1996 Bonds and the 1999 Bonds. Only the 1993A Bonds, the 1996 Bonds and the 1999 Bonds are currently Outstanding. In addition to its currently outstanding obligations and the 2003 Bonds, the Authority may from time to time, subject to the limitations prescribed in the Act, enter into refinancing transactions for Authority obligations previously issued. Each additional refinancing transaction may be a separate obligation of the Authority issued under a trust indenture separate from the Indenture or may be an obligation of the Authority issued under a supplemental indenture to the Indenture and secured on an equal and ratable (except for moneys otherwise specifically pledged under the Indenture) or subordinate basis with the 1996 Bonds, the 1999 Bonds and the 2003 Bonds.

Under the Act, the City is required to fulfill and comply with certain requirements in order to receive financial assistance from the Authority. Such requirements include, but are not limited to, (i) adoption of an intergovernmental cooperation agreement between the City and the Authority, which must be approved by a Qualified Majority (as defined in the Act) of the Board, and (ii) the development and revision at least annually by the City, in consultation with the Authority, of, and compliance with, a Financial Plan. "Qualified Majority" is defined in the Act to mean a majority of the Board which includes any four voting members.

Oversight Functions of the Authority

The Act establishes a statutory framework for financial oversight of the City by the Authority. Generally, in order to receive financial assistance from the Authority, and for so long as any bonds of the Authority remain Outstanding, the City must comply with certain requirements set forth in the Act and in certain documents and agreements, such as the Cooperation Agreement, contemplated by the Act. In addition, the Act and certain documents and agreements contemplated by the Act, such as the Cooperation Agreement, grant to the Authority certain powers to review City financial information and to take certain actions to monitor and to promote the City's compliance with its obligations under the Act and under certain documents and agreements contemplated by the Act, such as the Cooperation Agreement. See "THE AUTHORITY - Powers of the Authority to Promote Compliance" herein.

Intergovernmental Cooperation Agreement

On January 8, 1992, the City and the Authority entered into the Cooperation Agreement. In addition to detailing the preparation, approval and effect of the City's Financial Plan as described below, the Cooperation Agreement provides, in general, for the initial issuance of bonds by the Authority to provide financial assistance to the City, and sets forth certain terms governing the City Account. The Cooperation Agreement also requires the City to provide to the Authority certain financial and other information and grants to the Authority certain inspection and audit rights.

Financial Plan

Upon the request by the City to the Authority for financial assistance, and for so long as any bonds of the Authority remain Outstanding, the Act requires that the City submit and the Authority approve at least annually a Financial Plan conforming to certain standards specified in the Act and in the Cooperation Agreement. The Act and the Cooperation Agreement require that each Financial Plan include financial information concerning projected revenues and expenditures of the principal operating fund or funds of the City specified in the Cooperation Agreement, including primarily the City's General Fund, General Capital Fund and Grants Revenue Fund, for the current fiscal year and the next four fiscal years. All projections of the revenues and expenditures in each Financial Plan must be based on assumptions and methods of estimation determined to be reasonable and appropriate by the Authority, such assumptions and methods to be consistently applied. All cash flow projections in each Financial Plan must be based upon assumptions as to sources and uses of cash determined to be reasonable and appropriate by the Authority. Revenue and appropriation estimates must be on a modified accrual basis; any deviation from the statutory standards for estimating revenues and expenditures must be approved by a Qualified Majority of the Board.

Each Financial Plan must specify practices by which the City shall (i) eliminate any projected deficit of the City for the then-current fiscal year and for the subsequent fiscal years covered by such Financial Plan; (ii) restore to special fund accounts of the City moneys from those accounts used for purposes other than those specifically authorized; (iii) balance the then-current fiscal year budget and subsequent budgets of the City covered by the Financial Plan through sound budgetary practices, including, but not limited to, reductions in expenditures, improvements in productivity, increases in revenues, or a combination of such steps; (iv) provide procedures to avoid a City fiscal emergency condition in the future; and (v) enhance the ability of the City to regain access to the short- and long-term credit markets.

Pursuant to the Act, the City was required to submit an initial Financial Plan to the Authority for its approval prior to the Authority rendering certain financial assistance to the City. The City submitted an initial Financial Plan to the Authority prior to the issuance of the 1992 Bonds. In addition, the Act and the Cooperation Agreement require the City to submit a revised Financial Plan at least one hundred (100) days prior to the beginning of each fiscal year (or such other date as the Authority may approve at the request of the City), so long as any bonds of the Authority are outstanding. Each such revised Financial Plan is required to include projected revenues and expenditures of the General Fund, the General Capital Fund, the Grants Revenue Fund and any other principal operating fund of the City which becomes a member of the City's Consolidated Cash Account (collectively, the "Covered Funds") for five fiscal years of the City, consisting of the fiscal year of the City beginning on the July 1 next following the date such revised Financial Plan is required to be submitted to the Authority and the next four fiscal years thereafter.

The Act and the Cooperation Agreement also require that the City, simultaneously with the submission of each Financial Plan, submit to the Authority, among other things, the following:

(a) a schedule of debt service payments due or projected to become due in respect of all indebtedness of the City and all indebtedness of others supported in any manner by the City (by guaranty, lease, service agreement or otherwise) during each fiscal year of the City until the final scheduled maturity of such indebtedness, such schedule to set forth such debt service payments separately according to the general categories of direct general obligation debt, direct revenue debt, lease obligations, service agreement obligations and guaranty obligations;

(b) a schedule of payments for legally mandated services included in the Financial Plan and due or projected to be due during the fiscal years of the City covered by the Financial Plan;

(c) a statement describing, in reasonable detail, the significant assumptions and methods of estimation used in arriving at the projections contained in the Financial Plan;

(d) the Mayor's proposed operating budget and capital budget for each of the City's principal operating funds for the next fiscal year of the City, which budgets shall be consistent with the first year of the Financial Plan and which budgets shall be prepared in accordance with the Philadelphia Home Rule Charter, as amended;

(e) a statement by the Mayor that the budgets described in (d) above:

(i) are consistent with the Financial Plan;

(ii) contain funding adequate for debt service payments, legally mandated services and lease payments securing bonds of other government agencies or of any other entities; and

(iii) are based on reasonable and appropriate assumptions and methods of estimation;

(f) a cash flow forecast for the City's consolidated cash account for the first fiscal year of the City covered by the Financial Plan;

(g) an opinion or certification of the City Controller, prepared in accordance with generally accepted auditing standards, with respect to the reasonableness of the assumptions and estimates in the Financial Plan; and

(h) a schedule setting forth the number of authorized employee positions (filled and unfilled) for the first year covered by such Financial Plan for each board, commission, department or office of the City.

The Act and the Cooperation Agreement require the Authority promptly to review the Financial Plan and the proposed operating and capital budgets. The Act and the Cooperation Agreement also require the Authority, within thirty (30) days of the submission of the Financial Plan and proposed operating and capital budgets, to determine whether such Financial Plan projects balanced budgets for the principal operating fund or funds of the City, based upon reasonable assumptions, for each year of the Financial Plan and whether such proposed operating and capital budgets are consistent with the Financial Plan.

If the Authority determines that the Financial Plan and the proposed operating and capital budgets fulfill the applicable requirements of the Act and the Cooperation Agreement, the Act and the Cooperation Agreement require the Board to approve the Financial Plan by a Qualified Majority. If the Authority fails to take any action within thirty (30) days of the submission of a proposed Financial Plan, such Financial Plan shall be deemed to have been approved; provided, however, that if during such thirty (30) day period a written request by two (2) members of the Board for a meeting and vote on the question of approval of the proposed Financial Plan has been submitted to the Chairperson of the Board and a meeting and vote does not take place, then the Financial Plan shall be deemed to have been disapproved. The Financial Plan also shall be deemed to have been disapproved if such meeting and vote are held and the Financial Plan is approved by anything less than a Qualified Majority. The Act and the Cooperation Agreement provide that the Authority shall not be bound by any opinions or certifications of the City Controller issued pursuant to the Act or the Cooperation Agreement in making any determination regarding the Financial Plan.

If the Financial Plan is disapproved by the Board, the Act and the Cooperation Agreement require the Authority to notify the City thereof and to state in writing in reasonable detail the reasons for such disapproval, including the amount of any estimated budget imbalance in a principal operating fund or funds of the City. The City must then submit a revised Financial Plan to the Authority, eliminating the budget imbalance, within fifteen (15) days of such disapproval. Such revised Financial Plan must be reviewed and voted upon by the Board within fifteen (15) days of its submission. If the Authority determines that the revised Financial Plan fulfills the applicable requirements of the Act and the Cooperation Agreement, the Board must approve the revised Financial Plan by a Qualified Majority. If the Authority does not so approve the revised Financial Plan, the Authority shall certify the City's noncompliance with the Financial Plan to the Secretary of the Budget of the Commonwealth. See "THE AUTHORITY - Powers of the Authority to Promote Compliance" herein.

The Act and the Cooperation Agreement provide that the City may, during any fiscal year, submit proposed revisions to its then-existing Financial Plan. The Act provides that the City shall submit such a proposed revision after, and the Cooperation Agreement provides that the City shall submit a proposed revision within fifteen (15) days after, any amendment to the City's operating or capital budget becomes effective. The Act and the Cooperation Agreement also require the Mayor, within ninety (90) days of assuming office, to certify to the Authority that the Mayor adopts the then-existing Financial Plan or to propose to the Authority revisions to the then-existing Financial Plan. When a proposed revision is submitted, the Authority is required to review the revision within twenty (20) days and to approve the proposed revision if, based on assumptions deemed to be reasonable by the Authority, it does not cause the Financial Plan to become imbalanced. Proposed revisions become part of the Financial Plan upon the approval of a Qualified Majority, unless a Qualified Majority of the Board adopts some other method of approval in its rules and regulations. If the Authority fails to take action on a proposed revision within twenty (20) days, such revision will be deemed to have been approved, unless two (2) members of the Board request in writing submitted to the Chairperson of the Board a meeting and vote on the revision and no such meeting and vote takes place, in which event such revision will be deemed to have been disapproved. The Financial Plan shall also be deemed to have been disapproved if such meeting and vote are held and the Financial Plan is approved by anything less than a Qualified Majority.

In the event that the City Council adopts a budget inconsistent with an approved Financial Plan, the Act and the Cooperation Agreement require the City to submit the enacted budget to the Authority (pursuant to the terms of the Cooperation Agreement, within twenty (20) days after such budget has been so enacted) as a proposed revision to the Financial Plan. The Authority shall have thirty (30) days to review such proposed revision.

Contracts and Collective Bargaining Agreements of the City

The Act and the Cooperation Agreement provide that the City shall execute contracts and collective bargaining agreements which are in compliance with the Financial Plan. The Act and the Cooperation Agreement provide that if the City executes a contract or collective bargaining agreement or receives an arbitration award (other than with respect to police officers or firefighters as described in the next following sentence) which is not in compliance with the Financial Plan, such contract, collective bargaining agreement or arbitration award shall not be void or voidable solely by reason of such noncompliance, but the City shall as soon as practicable but in no event later than fifteen (15) days after the execution or receipt thereof by the City, submit to the Authority a proposed revision to the Financial Plan which demonstrates to the reasonable satisfaction of the Authority that revenues sufficient to pay the costs of the contract or collective bargaining agreement or arbitration award will be available in the affected fiscal years of the Financial Plan. In addition, Section 209(k) of the Act provides that a board of arbitration must take into consideration and accord substantial weight to the Financial Plan when making an award which increases the wages or fringe benefits of any police officers or firefighters employed by the City. The Act and the Cooperation Agreement provide that if such an arbitration award, after the exhaustion of all appeals, is not in compliance with the Financial Plan, such an arbitration award shall not be void or voidable solely by reason of such noncompliance, but the City shall not later than twenty (20) days after the date of such award, submit to the Authority a proposed revision to the Financial Plan which demonstrates that revenues sufficient to pay the costs of the arbitration award will be available in the affected fiscal years of the Financial Plan. (It should be noted, however, that Act No. 230 of 2002, signed into law by the Governor of the Commonwealth on December 30, 2002, purports to repeal Section 209(k) of the Act. The City has filed suit against the Commonwealth and certain other relevant parties seeking declaratory relief to declare Act 230 of 2002 unconstitutional. Such case is currently pending before the Pennsylvania Supreme Court.) The Cooperation Agreement provides that the Authority has certain rights to receive information concerning collective bargaining agreements of the City and to express views as to the financial impact on the City of such collective bargaining agreements. The Cooperation Agreement also provides that the Authority has certain rights of review, comment, and recommendation with respect to certain other contracts or agreements to which the City is a party or under or on account of which the City may be or become obligated, directly or indirectly, pursuant to which the City will or may incur a financial obligation or confer a financial benefit upon another, in either case in excess of \$1,000,000 during any fiscal year of the City during the term of such contract or agreement, or in excess of \$5,000,000 in the aggregate during the term of such contract or agreement. The Authority has agreed with the City to keep certain information and communications relating to collective bargaining agreements and such other contracts confidential until such agreements or contracts are executed.

Powers of the Authority to Promote Compliance

In the event the City fails to submit the required revisions to the Financial Plan as discussed above, the Authority may exercise certain powers to promote compliance, as described below.

Power to Require Production of Records and Information and to Act Thereon

The Act and the Cooperation Agreement require the City to furnish, and the Authority to receive and review, certain financial reports and other information in order to enable the Authority to determine whether the City is complying with the then-existing Financial Plan. Under the Cooperation Agreement, within forty-five (45) days of the end of each fiscal quarter of the City, and also monthly (within thirty (30) days after the end of the previous month) if a Variance (as hereinafter defined) from the then-current Financial Plan has been determined by the Authority to have occurred, the Mayor is required to provide to the Authority a report describing actual, or current estimates of, revenues, expenditures and cash flows by Covered Fund (excepting the Grants Revenue Fund) compared to budgeted revenues, expenditures and cash flows by Covered Funds (excepting the Grants Revenue Fund) for such previous quarterly or monthly period, as the case may be, and for the year-to-date period from the beginning of the then-current fiscal year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any Variance existing as of such last day. If the City fails to file with the Authority any Financial Plan, revision to a Financial Plan, report or other information required to be filed with the Authority pursuant to the Act or the Cooperation Agreement, the Act and the Cooperation Agreement authorize the Authority to bring, on ten (10) days' notice, a mandamus action to compel production of the same.

The Authority is required to determine, based on its review of the aforementioned information or upon such independent audits, examinations or studies of the City finances as may be conducted by or on behalf of the Authority, whether a Variance from the Financial Plan has occurred.

Under the Cooperation Agreement, a "Variance" is deemed to have occurred as of the end of a reporting period described above if (i) a net adverse change in the fund balance of a Covered Fund of more than one percent (1%) of the revenues budgeted for such Covered Fund for that fiscal year is reasonably projected to occur, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year, or (ii) the actual net cash flows of the City for a Covered Fund are reasonably projected to be less than ninety-five percent (95%) of the net cash flows of the City for such Covered Fund for that fiscal year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year.

If the Authority determines that a Variance exists, it is required to notify the City in writing, whereupon the City is required, within ten (10) days after request by the Authority, to provide the Authority such additional information as the Authority deems necessary to explain the Variance. The Authority may not take action with respect to the City as a result of Variances from the Financial Plan in any fiscal quarter of the City if the City (i) within thirty (30) days provides a written explanation of the Variance that the Authority deems reasonable, (ii) within forty-five (45) days proposes remedial action that the Authority believes will restore overall compliance with the Financial Plan, (iii) provides information in the immediately succeeding quarterly financial report required to be delivered to the Authority demonstrating to the reasonable satisfaction of the Authority that the City is taking the remedial action and otherwise complying with the Financial Plan, and (iv) submits monthly supplemental reports in accordance with the Act and the Cooperation Agreement.

Power to Initiate Withholding of Certain Payments to the City by the Commonwealth

The Act and the Cooperation Agreement require the Authority to certify to the Secretary of the Budget of the Commonwealth the City's noncompliance with the then-existing Financial Plan during any period when the Authority, by a Qualified Majority, determines that the City (i) has not adhered to the then-existing Financial Plan and (ii) has not taken adequate remedial action during the next fiscal quarter following such departure from the Financial Plan to cure such noncompliance.

In addition, the Act and the Cooperation Agreement require the Authority to certify to the Secretary of the Budget of the Commonwealth that the City is not in compliance with the then-existing Financial Plan if the City (a)(i) has failed to file a Financial Plan or has no Financial Plan approved by the Authority, both as required by the Act and the Cooperation Agreement, or (ii) has failed to file mandatory revisions to an approved Financial Plan or reports as required by the Act and the Cooperation Agreement and (b) has not been compelled to file a Financial Plan, a mandatory revision to a Financial Plan or a report pursuant to the Authority's power to institute a mandamus action under the Act and the Cooperation Agreement.

Withholding of Commonwealth Payments to City; Exemptions Therefrom

In the event the Authority certifies the City's noncompliance with an approved Financial Plan, the Act requires the Secretary of the Budget of the Commonwealth to notify the City of such certification and to inform the City that each grant, loan, entitlement or payment from the Commonwealth or any of its agencies to the City (except as provided below), including payments from the City Account, shall be suspended until such time as the City complies with the then-existing Financial Plan. The Act also requires payments from the City Account to be retained in that account, and all other payments to be held in escrow by the Commonwealth until such time as the Board, by a Qualified Majority, determines that the conditions causing the City's noncompliance with the Financial Plan have ceased to exist. At the time the Authority makes such determination, the Act requires the Authority promptly to notify the Secretary of the Budget of the Commonwealth, who is required to release all funds held in escrow, along with interest and income earned thereon during the escrow period, and the disbursements to the City from the City Account shall then resume.

The Act and the Cooperation Agreement specifically provide that, other provisions of the Act and the Cooperation Agreement notwithstanding, the following funds may not be withheld by the Commonwealth from the City for noncompliance with a Financial Plan: (i) funds for capital projects under contracts in progress; (ii) funds granted or allocated to the City directly from an agency of the Commonwealth, or from the federal government for distribution by the Commonwealth after the declaration of a disaster resulting from a catastrophe; (iii) pension fund payments required by law; (iv) funds administered by the City's Department of Human Services or Department of Health that provide benefits or services to recipients; (v) funds that the City has pledged to repay bonds or notes issued under The First Class City Revenue Bond Act (Act of October 18, 1972, P.L. 955, No. 234); and (vi) funds appropriated by the Commonwealth for the City's court system or correctional programs. The Act also provides that funds will not be withheld from the City if the City's noncompliance with a Financial Plan is due to the Commonwealth's failure to pay funds due to the City from moneys appropriated by the General Assembly of the Commonwealth. However, the Cooperation Agreement provides that such failure by the Commonwealth to pay any such money shall not be as a result of any fault of the City.

Operating History

Since the issuance of the 1992 Bonds, the Authority has devoted its primary attention to the assessment, approval and oversight of the City's Financial Plans, the City's compliance therewith, the evaluation of City financial reporting, the analysis of City financial and budgetary practices and programs and oversight of the expenditure of funds for capital projects and productivity enhancements for which the Authority made and expects to make grants to the City with a portion of the proceeds from the sale of the 1992 Bonds, 1993 Bonds and 1994 Bonds.

The City's original Financial Plan, which covered Fiscal Years 1992-1996, was prepared by the Mayor, approved by City Council on April 29, 1992 and approved by the Authority on May 18, 1992. In November 1992 the Authority began receiving quarterly Financial Plan reports from the City addressing the status of the City's compliance with its original Financial Plan and any associated achievement of City initiatives. The Authority determined a Variance to exist with respect to the quarterly Financial Plan report for the first quarter of Fiscal Year 1993, which projected a Variance in the Financial Plan through June 30, 1993 of \$57 million of the budgeted revenues of the General Fund. The Mayor proposed Variance correction measures for Fiscal Year 1993, a revised Financial Plan for Fiscal Years 1994-1998 and a Fiscal Year 1994 general fund and capital budget, which were enacted or approved by the City Council. The revised Financial Plan for Fiscal Years 1994-1998 and Variance correction proposals were submitted to the Authority and were approved by the Authority on April 14, 1993, at which time the Authority determined that a Variance no longer existed with respect to the Financial Plan. Subsequent quarterly Financial Plan reports have not projected Variances from the Financial Plans applicable to such reports. The Authority approved five subsequent Financial Plans including most recently the Financial Plan for Fiscal Years 2003-2007. The Financial Plan for Fiscal Years 2004-2008 was approved by City Council on May 29, 2003, and is currently being considered by the Board of the Authority.

LITIGATION

There is no litigation of any nature now pending or threatened seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2003 Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2003 Bonds or the existence or powers of the Authority.

LEGAL INVESTMENT

The Act provides that the 2003 Bonds are legal investments, in which all government agencies, all insurance companies, trust companies, banking associations, banking corporations, savings banks, investment companies, executors, trustees of any retirement, pension or annuity fund or system of the Commonwealth or of a city, trustees and other fiduciaries may properly and legally invest funds, including capital, deposits or other funds in their control or belonging to them. Under the Act, the 2003 Bonds may properly and legally be deposited with and received by any government agency for any purpose for which the deposit of bonds or other obligations of the Commonwealth now or hereafter may be authorized by law.

TAX EXEMPTION

Federal Tax Exemption

Bond Counsel is expected to issue its opinion that under existing law, the interest on the 2003 Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference within the meaning of Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the alternative minimum tax imposed by Section 55 of the Code on individuals and corporations: however, it should be noted, with respect to 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 by Section 55 of the Code on such corporations. The opinion set forth in the preceding sentence is subject to the condition that the Authority complies with all the requirements of the Code that must be satisfied subsequent to the issuance of the 2003 Bonds in order that interest on the 2003 Bonds be (or continues to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the 2003 Bonds to be included in gross income retroactively to the date of issuance of the 2003 Bonds. The Authority has covenanted to comply with all such requirements.

Ownership of the 2003 Bonds may give rise to collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2003 Bonds. Bond Counsel expresses no opinion as to any such collateral federal income tax consequences. Purchasers of the 2003 Bonds should consult their own tax advisors as to such collateral federal income tax consequences.

Pennsylvania Tax Exemption

In the opinion of Bond Counsel, under existing law, the 2003 Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2003 Bonds is exempt from Pennsylvania personal income tax and corporate net income tax.

RATINGS

Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings, which have assigned the 2003 Bonds ratings of "Aaa", "AAA" and "AAA", respectively, have done so with the understanding that, upon delivery of the 2003 Bonds, the Financial Guaranty Insurance Policy will be issued by Ambac Assurance. Moody's Investors Service, Inc., Standard & Poor's Rating Services and Fitch Ratings have also assigned underlying ratings of "A1", "A+", and "A" to the 2003 Bonds based on the unenhanced credit of the Authority. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; Standard & Poor's Ratings Services, 25 Broadway, New York, New York 10004; Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2003 Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the 2003 Bonds are subject to the approval of Klett Rooney Lieber & Schorling, a Professional Corporation, Philadelphia, Pennsylvania, Bond Counsel. The proposed form of opinion of Bond Counsel is appended hereto as APPENDIX D. Certain legal matters will be passed upon for the Authority by Reed Smith LLP, Philadelphia, Pennsylvania, General Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by Dilworth Paxson LLP and Obermayer Rebmann Maxwell & Hoppel LLP, both of Philadelphia, Pennsylvania, Co-counsel to the Underwriters. Certain legal matters will be passed upon for the City by the Office of the City Solicitor and by Blank Rome LLP, Philadelphia, Pennsylvania, special counsel to the City.

The various legal opinions to be delivered concurrently with the delivery of the 2003 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, an attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction. In addition, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

UNDERWRITING

The 2003 Bonds are being purchased for reoffering by the underwriters shown on the cover page hereof (the "Underwriters") at an aggregate purchase price of par. The Authority has agreed to pay the Underwriters an underwriting fee of \$____. The initial public offering prices of the 2003 Bonds may be changed from time to time by the Underwriters without notice. The Underwriters may offer and sell the 2003 Bonds to certain dealers (including dealers depositing 2003 Bonds into investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) and others at prices lower than the offering prices set forth on the cover page hereof. The purchase contract for the 2003 Bonds provides that the Underwriters' obligation to purchase the 2003 Bonds is subject to certain conditions and that the Underwriters are obligated to purchase all of the 2003 Bonds, if any 2003 Bonds are purchased.

FINANCIAL ADVISORS

Hopkins & Company, Calhoun Baker, Inc. and Penn Capital Advisors have served as co-financial advisors to the Authority with respect to the issuance and sale of the 2003 Bonds. Hopkins & Company, Calhoun Baker, Inc. and Penn Capital Advisors have assisted in the preparation of this Official Statement (excluding the Appendices hereto) and in other matters relating to the planning, structuring, and issuance of the 2003 Bonds.

CERTAIN RELATIONSHIPS

William J. Leonard, Esquire, a Board member of the Authority, is a partner at Obermayer Rebmann Maxwell & Hoppel LLP, co-counsel to the Underwriters.

FINANCIAL STATEMENTS

The financial statements of the Authority as of June 30, 2002 included in APPENDIX A to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in APPENDIX A.

MISCELLANEOUS

Negotiable Instruments

The Act provides that bonds of the Authority shall have all the qualities of negotiable instruments under the Uniform Commercial Code of the Commonwealth.

Certain References

All summaries of the provisions of the 2003 Bonds and the security therefor, the Act and the Indenture set forth herein, and all summaries and references to other documented material not purported to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions. Reference is made hereby to the complete documents relating to such matters for the complete terms and provisions thereof, or for the information contained therein. Copies of the Indenture are on file at the corporate trust office of the Trustee in Philadelphia, Pennsylvania. Insofar as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are made merely as such and not as representations of fact.

The City has furnished the information relating to the City and its affairs contained in APPENDIX B to this Official Statement and has reviewed and approved all other information relating to the City appearing in this Official Statement. The Authority makes no representations as to the accuracy or completeness of such information.

This Official Statement has been duly authorized, executed and delivered by the Authority. Neither any advertisement for the 2003 Bonds nor this Official Statement is to be deemed or construed as constituting a contract among the Authority, the City and the purchasers of the 2003 Bonds.

No Continuing Disclosure Undertaking

The Authority is not required to provide continuing financial or other information for the benefit of the owners of the 2003 Bonds so long as the 2003 Bonds bear interest at a Variable Rate during a Daily Rate Period or a Weekly Rate Period.

If the interest rate on the 2003 Bonds is converted to a Term Rate or to another interest rate mode for which the interest rate period is longer than nine months, the Authority must either provide the Trustee, the issuer of the Liquidity Facility, Ambac Assurance and the Remarketing Agent with an opinion of Bond Counsel stating that Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission provides an exemption with respect to the 2003 Bonds or enter into a written undertaking at the time of such conversion covenanting to provide continuing information with respect to the 2003 Bonds required by the Rule. It should be noted, however, that as a result of prior contractual commitments in respect of the 1996 Bonds and the 1999 Bonds, the Authority has filed annual reports with nationally recognized municipal securities information repositories in the past and expects to file such reports in the future so long as any 1996 Bonds or 1999 Bonds, scheduled to mature in 2019 and 2022, respectively, remain outstanding.

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

By: _____

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY AS OF JUNE 30, 2002

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Pennsylvania Intergovernmental Cooperation Authority

*Management Discussion and Analysis, Financial
Statements and Supplemental
Schedules as of and for the
Year Ended June 30, 2002 and
Independent Auditors' Report*

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

TABLE OF CONTENTS

	Page
MANAGEMENT DISCUSSION AND ANALYSIS	i-vi
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AS OF JUNE 30, 2002 AND FOR THE YEAR THEN ENDED:	
Statement of Net Assets	2
Statement of Activities	3
Balance Sheet - Governmental Funds	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Notes to Financial Statements	6-19
SUPPLEMENTAL SCHEDULES FOR THE YEAR ENDED JUNE 30, 2002:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -General Fund	20
Schedules of Cash Activity:	
General Fund	21
Special Revenue Fund	22

Management Discussion of Financial Operations

The Board of the Pennsylvania Intergovernmental Cooperation Authority (the Authority) offers the following narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2002.

Financial Highlights

- The total net assets of the Authority at the close of the fiscal year were (\$694,478,230) representing an increase in net assets of \$39,353,757 over the prior year.
- At the close of the current fiscal year, the Authority's General Fund unreserved balance increased by over \$981,000 to \$2,221,612 from the prior fiscal year. All Administration costs in during fiscal year 2002 were funded from the Authority's earnings on its General Fund and on its Debt Service Reserve Fund.
- The Authority's outstanding long-term debt decreased by \$61,175,000 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, and 2) governmental funds financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net assets changed during the fiscal year ended June 30, 2002. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements can be found on pages 2-3 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the functions as reported as governmental activities in the government-wide financial statements. However, unlike the

government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The basic governmental fund financial statements can be found on pages 4-5 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 6-18 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, liabilities exceeded assets by \$694,478,230 at the close of fiscal year 2002.

By far the largest portion of the Authority's net deficit reflects its bonds payable. Proceeds from the PICA tax as well as the corresponding interest earned are in part utilized to fund such debt service requirements. The Authority's bonds payable activity for the year ended June 30, 2002 is summarized as follows:

	Amount (in thousands)
Outstanding Debt at July 1, 2001	\$901,850
Debt Retired	<u>61,175</u>
Outstanding Debt at June 30, 2002	<u>\$840,675</u>

The Authority's long-term investments make up the largest portion of the total assets. Such investments are derived from the proceeds of bond issuances of year's past and the related investment income and are used to provide grants to the City of Philadelphia for various capital projects. During fiscal year 2002, the Authority granted approximately \$201.5 million to the City of Philadelphia.

Governmental activities decreased the Authority's net deficit by \$39,353,757, thereby

accounting for the total growth in assets during fiscal year 2002. Asset growth was due primarily to the retirement of long-term debt as well as better than budgeted operating fund results during fiscal year 2002.

Governmental Funds Financial Analysis

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of approximately \$146 million, a decrease of approximately \$21.8 million in comparison with the prior year. Approximately 60 percent of this total amount (\$87.4 million) constitutes fund balances reserved for debt service. Approximately 37 percent of the total (\$54.6 million) constitutes fund balances that are reserved for the benefit of the City of Philadelphia. The remainder of the reserved fund balances is reserved primarily for the administration of the Authority. Approximately \$2.2 million constitutes unreserved fund balance, which is available for spending at the Authority's discretion.

General Fund. All fiscal year 2002 administration expenses of the Authority were funded from the Authority's earnings on its General Fund and on its Debt Service Reserve Fund (established from proceeds of the Authority's bond issues) and residual balances of similar earnings from prior fiscal years. No City of Philadelphia or Commonwealth of Pennsylvania tax revenues were used to pay any portion of the Authority's administrative costs in fiscal year 2002, nor are any expected to be used in fiscal year 2003 for such purpose.

The PICA Act allows the Authority several sources of income to support its operations. The statute specifically provides that the Authority may draw earnings from the various funds and accounts created pursuant to its Trust Indenture, and also directly from the proceeds of PICA Taxes to the extent investment income is insufficient. The latter allowable revenue source has never been utilized by the Authority.

The PICA Act requires that the Authority adopt an annual budget (for the fiscal year commencing July 1) before March 1 of each year and also stipulates the format thereof, and information to be provided therewith to the Governor and General Assembly of the Commonwealth of Pennsylvania. The Authority's annual General Fund budgets, since its inception, have all produced surpluses.

Details as to anticipated and actual fund balances as of June 30, 2002 and as to the fiscal year 2002 budget are as follows:

Anticipated Residual Fund Balance:

Fund Balance at June 30, 2001	\$1,311,341
Less: Utilization of Fund Balance	<u>71,709</u>
Anticipated Fund Balance at June 30, 2002	<u><u>\$1,239,632</u></u>

Fund Balance at June 30, 2002 (Anticipated/Actual):

Anticipated Unreserved Fund Balance at June 30, 2002	\$1,239,632
Add: Net FY02 "Better than Budget" Operating Results	<u>981,980</u>
Actual Unreserved Fund Balance at June 30, 2002	<u><u>\$2,221,612</u></u>

General Fund Budget for FY03:

Revenues - General Fund Interest Earnings	\$ 53,050
Other Financing Sources - Transfer from	
Bond Issue Investment Earnings	
("Reserved for subsequent Authority Administration"	
in the Debt Service Reserve Fund at June 30, 2002)	1,832,483
Utilization of portion of FY02 fund balance	0
Total Estimated Expenditures	<u>\$1,885,533</u>

The Authority's fiscal year 2003 budget recognizes the possibility that the Authority may be requested to become involved in oversight matters pertinent to the School District of Philadelphia; and provides funding to study and/or implement such a role.

The philosophy underlying the Authority's general fund operations remains that the Authority should maintain a personnel and expenditure level sufficient to permit it to respond to the demands placed upon it, but not so large as to present an opportunity either for the City of Philadelphia to use the Authority's resources to bypass the re-creation of its own management systems or to establish a permanent Authority structure that would develop its own reason for continued existence.

Special Revenue Fund. The Authority's Special Revenue Fund receives PICA taxes, interest earnings on such collections, and net interest earnings on bond issue funds other than Capital Projects Funds (the earnings on Capital Projects Funds are restricted to use for grants to the City of Philadelphia for PICA approved capital projects). The Special Revenue Fund receipts are utilized to provide, monthly, from the first available funds in that month, one-sixth of the next semi-annual interest requirement on PICA bonds outstanding and one-twelfth of the next annual principal requirement on PICA bonds outstanding, in a manner calculated to provide the total required semi-annual interest and the total required annual principal at the close of the month prior to such required date. After provision of monthly debt service requirements, the residual balances in PICA's Special Revenue Fund are paid to City of Philadelphia as grants to the City's General Fund.

The Special Revenue Fund received in excess of \$156,000 on its invested balances during fiscal year 2002, and also received in excess of \$5,361,000 of net interest earnings transferred in from other bond issue provided funds. Thus, PICA grants to the City of Philadelphia's General Fund during fiscal year 2002 exceeded the equation (PICA taxes minus provision for PICA Debt Service divided by the monthly basis equals PICA grants to the City) by in excess of \$5,518,000.

Debt Service Funds. The Debt Service Funds account for the accumulation of financial resources for the payment of principal and interest on PICA's long-term debt.

Debt Service Reserve Fund. This fund is used to hold assets for debt service reserve purposes as required by the Trust Indenture. Current year investment earnings were transferred to pay current year debt service requirements and to aid in paying for the general fund's administration expenditures.

Rebate Fund. This fund is maintained in order to fund future potential rebates and/or debt service requirements. The only activity that occurred during the current fiscal year was the increase from investment earnings.

At June 30, 2002, the Fund Balances held in the combined Debt Service Funds, by individual fund groups, consisted of:

Debt Service Fund -- Current assets held for interest due 12/15/02 and principal due 6/15/03	\$ 6,977,415
Debt Service Reserve Fund -- Current assets held for debt service reserve purposes as required by the Trust Indenture	76,840,350
Rebate Fund -- Current assets held for future potential rebate/debt service purposes	<u>3,562,787</u>
Amount Reserved for Debt Service	\$87,380,552
Debt Service Reserve Fund -- Current assets held for subsequent PICA administration purposes (Debt Service Reserve Fund earnings held for PICA FY03 operations – per adopted budget)	<u>1,832,483</u>
Fund Balances at June 30, 2002-- Combined Debt Service Funds	<u>\$89,213,035</u>

Expendable Trust/Capital Projects Funds. Expendable trust funds include amounts held separately, by bond issue from which such funds were provided, for purposes of grants to the City of Philadelphia for specific PICA approved capital projects. The PICA Act restricts City of Philadelphia use of PICA provided capital projects dollars to specific "emergency" and "productivity" projects approved by the PICA Board and, where necessary, by specified Commonwealth of Pennsylvania elected officials.

PICA, in connection with its three new-money bond issues, approved specific City capital projects totaling approximately \$426 million, while providing bond issue funds of approximately \$400.8 million for such projects. The difference, \$25.2 million, as anticipated, has been raised from investment earnings of funds dedicated to capital projects. At June 30, 2002, sufficient PICA controlled capital projects funds were available to complete all of the initially approved PICA projects, to complete \$16.3 million of additional projects subsequently approved by the PICA Board, and an additional \$30.2 million of yet to be designated projects. Capital project funds held for PICA capital project grants to the City of Philadelphia totaled approximately \$54.6 million at June 30, 2002.

Additional information. In accordance with IRS regulations, certain funds already granted to the City of Philadelphia by PICA continue to be classified as PICA Arbitrage Reportable Funds until the City of Philadelphia expends such funds for the purpose for which they were provided. Accordingly, and also for oversight purposes, PICA tracks the uses/balances of such grant funds and interest earnings thereon as yet unexpended by the City of Philadelphia. As of June 30, 2002, such PICA provided funds as yet unexpended by the City of Philadelphia included:

	<u>Amount</u> <u>(in thousands)</u>
Indemnity Fund	\$ 1,757
'95 Indemnity Fund	\$11,427
'92 Capital Projects Encumbered Funds	\$16,764
'93 Capital Projects Encumbered Funds	\$10,010
'93 Criminal Justice Project Encumbered Funds	\$ 6,990
'94 Capital Projects Encumbered Funds	\$ 6,420

INDEPENDENT AUDITORS' REPORT

To the Board of the Authority:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") as of and for the year ended June 30, 2002, which collectively comprise the Authority's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, as of June 30, 2002.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Pennsylvania Intergovernmental Cooperation Authority as of June 30, 2002, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit such information and therefore, express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These supplemental schedules are the responsibility of the Authority's management. Such supplemental schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

DELOITTE & TOUCHE LLP
Philadelphia, Pennsylvania

September 13, 2002

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

STATEMENT OF NET ASSETS JUNE 30, 2002

ASSETS	Governmental Activities
CURRENT ASSETS:	
Cash and short-term investments	\$ 51,630,766
PICA Taxes receivable	6,796,803
Accrued interest receivable	<u>589,502</u>
Total current assets	59,017,071
LONG-TERM INVESTMENTS	121,030,421
OTHER ASSETS—Prepaid rent and security deposit	<u>12,257</u>
TOTAL	<u>\$ 180,059,749</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 106,612
Accrued payroll and taxes	289,979
Due to the City of Philadelphia	7,231,388
Deferred revenue	26,235,000
Bonds payable—current portion	<u>36,620,000</u>
Total current liabilities	70,482,979
BONDS PAYABLE—Long-term portion	<u>804,055,000</u>
Total liabilities	<u>874,537,979</u>
NET ASSETS (DEFICIT):	
Restricted for debt service	87,380,552
Restricted for benefit of the City of Philadelphia	54,589,741
Restricted for subsequent PICA administration	1,832,483
Unrestricted deficit	<u>(838,281,006)</u>
Total net assets (deficit)	<u>(694,478,230)</u>
TOTAL	<u>\$ 180,059,749</u>

See notes to financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2002

EXPENSES:

Grants to the City of Philadelphia	\$ 201,528,938
General management and support—	
General operations	1,046,327
Interest expense on long term debt	<u>46,123,475</u>
Total program expenses	<u>248,698,740</u>

PROGRAM REVENUES—

Interest	<u>11,218,108</u>
Program revenues	<u>11,218,108</u>
Net program expenses	<u>237,480,632</u>

GENERAL REVENUES:

PICA Taxes	276,677,775
Interest	<u>156,614</u>
Total general revenues	<u>276,834,389</u>

DECREASE IN NET DEFICIT	39,353,757
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NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(733,831,987)</u>
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NET ASSETS (DEFICIT), END OF YEAR	<u><u>\$(694,478,230)</u></u>
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See notes to financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

BALANCE SHEET-GOVERNMENTAL FUNDS

JUNE 30, 2002

	General	PICA Tax Revenue	Debt Service Fund			Debt Service Reserve Fund	Rebate Fund	Expendable Trust Funds Capital Projects Fund			Total Governmental Funds
			1993A	1996	1999			1992	1993	1994	
ASSETS											
CURRENT ASSETS:											
Cash and short-term investments	\$ 28,931,833		\$ 1,136,684	\$ 854,468	\$ 4,979,828	\$ 15,347,983	\$ 3,954	\$ 172,761	\$ 75,721	\$ 127,534	\$ 51,630,766
PICA Taxes receivable		\$ 6,796,803									6,796,803
Accrued interest receivable	81,495	1,015	1,174	980	4,281	433,570	5	19,564	6,028	41,390	589,502
Interfund receivable		433,570									433,570
Total current assets	29,013,328	7,231,388	1,137,858	855,448	4,984,109	15,781,553	3,959	192,325	81,749	168,924	59,450,641
LONG-TERM INVESTMENTS											
OTHER ASSETS—Prepaid rent and security deposit	12,257					63,324,850	3,558,828	18,013,190	3,584,254	32,549,299	121,030,421
											12,257
TOTAL	\$ 29,025,585	\$ 7,231,388	\$ 1,137,858	\$ 855,448	\$ 4,984,109	\$ 79,106,403	\$ 3,562,787	\$ 18,205,515	\$ 3,666,003	\$ 32,718,223	\$ 180,493,319
LIABILITIES AND FUND EQUITY											
CURRENT LIABILITIES:											
Accounts payable	\$ 106,612										\$ 106,612
Accrued payroll and taxes	289,979										289,979
Due to the City of Philadelphia		\$ 7,231,388									7,231,388
Deferred revenue	26,235,000										26,235,000
Interfund payable						\$ 433,570					433,570
Total current liabilities	26,631,591	7,231,388				433,570					34,296,549
FUND EQUITY:											
Fund balances:											
Unreserved	2,221,612										2,221,612
Reserved for debt service			\$ 1,137,858	\$ 855,448	\$ 4,984,109	76,840,350	\$ 3,562,787				87,380,552
Reserved for benefit of the City of Philadelphia								\$ 18,205,515	\$ 3,666,003	\$ 32,718,223	54,589,741
Reserved for subsequent PICA administration						1,852,485					1,852,485
Reserved for future swaption activity	172,382										172,382
Total fund equity	2,393,994		1,137,858	855,448	4,984,109	78,672,833	3,562,787	18,205,515	3,666,003	32,718,223	146,196,770
TOTAL	\$ 29,025,585	\$ 7,231,388	\$ 1,137,858	\$ 855,448	\$ 4,984,109	\$ 79,106,403	\$ 3,562,787	\$ 18,205,515	\$ 3,666,003	\$ 32,718,223	

Amounts reported for governmental activities in the statement of net assets are different due to:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds

Net assets of governmental activities

(840,675,000)

\$ (694,478,230)

See notes to financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2002

	General	PICA Tax Revenue	Debt Service Fund			Debt Service Reserve Fund	Rebate Fund	Expendable Trust Funds Capital Projects Fund			Total Governmental Funds
			1993A	1996	1999			1992	1993	1994	
REVENUES:											
PICA Taxes		\$ 276,677,775									\$ 276,677,775
Interest earned on investments	\$ 278,980	156,614	\$ 141,615	\$ 1,357,458	\$ 799,674	\$ 4,741,821	\$ 286,086	\$ 1,277,720	\$ 541,363	\$ 1,793,391	11,374,722
Total revenues	278,980	276,834,389	141,615	1,357,458	799,674	4,741,821	286,086	1,277,720	541,363	1,793,391	288,052,497
EXPENDITURES:											
Grants to the City of Philadelphia		177,093,803						9,000,000	12,744,410	2,690,725	201,528,938
Debt service:											
Principal			775,000	45,800,000	14,600,000						61,175,000
Interest			8,454,494	8,548,731	29,120,250						46,123,475
Administration:											
Operations	1,046,327										1,046,327
Total expenditures	1,046,327	177,093,803	9,229,494	54,348,731	43,720,250			9,000,000	12,744,410	2,690,725	309,873,740
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(767,347)	99,740,586	(9,087,879)	(52,991,273)	(42,920,576)	4,741,821	286,086	(7,722,280)	(12,203,047)	(897,334)	(21,821,243)
OTHER FINANCING SOURCES (USES)—											
Net operating transfers in (out)	1,850,000	(99,740,586)	9,443,805	49,222,927	43,983,192	(4,759,338)					
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,082,653		355,926	(3,768,346)	1,062,616	(17,517)	286,086	(7,722,280)	(12,203,047)	(897,334)	(21,821,243)
FUND BALANCES, JULY 1, 2001	1,311,341		781,932	4,623,794	3,921,493	78,690,350	3,276,701	25,927,795	15,869,050	33,615,557	168,018,013
FUND BALANCES, JUNE 30, 2002	\$ 2,393,994	\$ -	\$ 1,137,858	\$ 855,448	\$ 4,984,109	\$ 78,672,833	\$ 3,562,787	\$ 18,205,515	\$ 3,666,003	\$ 32,718,223	\$ 146,196,770
Reconciliation of change in fund balance to change in net assets:											
Change in fund balance		\$ (21,821,243)									
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		61,175,000									
Change in net assets		\$ 39,353,757									

See notes to financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Structure—The Pennsylvania Intergovernmental Cooperation Authority (the “Authority”), a body corporate and politic, was organized on June 5, 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (P.L. 9, No. 6) (the “Act”). Pursuant to the Act, the Authority was established to provide financial assistance to cities of the first class. The City of Philadelphia (the “City”) currently is the only city of the first class in the Commonwealth of Pennsylvania (the “Commonwealth”). Under the Act, the Authority is administered by a governing Board consisting of five voting members and two ex officio nonvoting members. The Governor, the President pro tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives each appoints one voting member of the Board.

The Act provides that, upon the request of the City to the Authority for financial assistance and for so long as any bonds of the Authority remain outstanding, the Authority shall have certain financial and oversight functions. First, the Authority shall have the power, subject to satisfaction of certain requirements in the Act, to issue bonds and grant or lend the proceeds thereof to the City. Second, the Authority also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City’s financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify noncompliance by the City with its then-existing five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth to cause certain payments due to the City from the Commonwealth to be withheld by the Commonwealth).

Adoption of GASB Statement 34 - The Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements- and Management’s Discussion and Analysis- for State and Local Governments*, as of June 30, 2002. The requirements of this new reporting model are described below.

Government-Wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are

recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements utilize a “modified accrual basis” of accounting. Under this basis, certain revenues (those susceptible to accrual, readily measurable and available as to amount and anticipated as being readily collectible) are recorded on the accrual basis. All other revenues are recognized only when received in cash. Expenditures, with the exception of interest requirements on long-term debt, are accounted for on the accrual basis of accounting.

The General Fund is used to account for the administrative operations of the Authority, for which a budget is adopted annually.

The Special Revenue Fund accounts for the proceeds of the PICA Tax (a tax levied on the wages and net profits of City of Philadelphia residents) remitted to the Authority via the Commonwealth. It is utilized to fund the debt service requirements of the Authority and to provide grants to the City. It encompasses the Revenue Fund established with the Trustee by the Trust Indenture (see Note 3).

Debt Service Funds account for the accumulation of financial resources for the payment of principal and interest on the Authority’s long-term debt. The Debt Service Reserve Fund holds assets for debt service reserve purposes as required by the Trust Indenture. The Rebate Fund is maintained in order to fund future potential rebates and/or debt service requirements. The Debt Service Funds also include the Bond Redemption Fund which has not yet been required.

The Expendable Trust Funds/Capital Projects Funds account for assets held by the Authority for expenditure for the benefit of the City. The principal and income of these funds must be expended for their designated purpose. These funds also utilize the modified accrual basis of accounting. The Expendable Trust Funds/Capital Projects Funds also include the Deficit and Settlement funds which completed their designated purposes in prior years and are presently inactive.

PICA Tax—The “PICA Tax” was enacted by an ordinance adopted by City Council and approved by the Mayor of the City of Philadelphia on June 12, 1991 (Bill No. 1437). The tax levy is one and one-half percent (1.5%) on the wages and net profits of City residents. The PICA Tax is collected by the Department of Revenue of the Commonwealth, utilizing the City Revenue and Law Departments (collectively) as its agent, and remitted to the Treasurer of the Commonwealth for disbursement to the Authority’s Trustee.

Compensated Absences—The Authority records all accrued employee benefits, including accumulated vacation, as a liability in the period benefits are earned. Accrued vacation at June 30, 2002 totaled \$115,622.

Investments—The Authority’s investments are stated at fair value.

2. CASH AND INVESTMENTS

Authority funds may be deposited in any bank that is insured by federal deposit insurance. To the extent that such deposits exceed federal insurance, the depositories must deposit (with their trust department or other custodians) obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Under Pennsylvania Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit with their institution.

Investments in the Special Revenue Fund, the Debt Service Funds, and the Expendable Trust Funds must be invested in accordance with the Trust Indenture (see Note 3). The Trust Indenture restricts investments to the following types of securities:

- (a) Obligations of the City of Philadelphia;
- (b) government obligations;
- (c) federal funds, unsecured certificates of deposits, time deposits or bankers' acceptances of any domestic bank having a combined capital and surplus of not less than \$50,000,000;
- (d) federally insured deposits of any bank or savings and loan association which has a combined capital, surplus and undivided profits of not less than \$3,000,000;
- (e) (i) direct obligations of, or (ii) obligations, the principal of and interest on which are unconditionally guaranteed by any state of the United States of America, the District of Columbia or the Commonwealth of Puerto Rico, or any political subdivision or agency thereof, other than the City, whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and Standard & Poor's (S&P);
- (f) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P;
- (g) repurchase agreements collateralized by direct obligations of, or obligations the payment of principal and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America; and direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association; participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association; guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing and Urban Development; and guaranteed Title XI financing of the U.S. Maritime Administration.
- (h) money market mutual fund shares issued by a fund having assets not less than \$100,000,000 (including any such fund from which the Trustee or any of its affiliates may receive compensation) which invests in securities of the types specified in clauses (b) or (f) above and is rated "AAAm" or "AAAm-G" by S&P;
- (i) guaranteed investment contracts (GICs) with a bank, insurance company or other financial institution that is rated in one of the three highest rating categories by Moody's and S&P and which GICs are either insured by a municipal bond insurance company or fully collateralized at all times with securities included in (b) above.

Investments in the Debt Service Reserve Fund may only be invested in the investments included in (b) through (i) above with a maturity of 5 years or less or GICs that can be withdrawn without penalty.

At June 30, 2002, the carrying amount of the Authority's deposits with financial institutions (including certificates of deposit and shares in U.S. Government money market funds) was \$38,116,186. The bank balance of \$38,154,667 was insured or collateralized as follows:

Insured	\$ 100,000
Uninsured and uncollateralized, but covered under the provisions of Act 72, as amended	<u>38,054,667</u>
Total deposits	<u>\$ 38,154,667</u>

The following is a schedule of investments of the Authority by type (other than certificates of deposit and shares in U.S. Government money market funds) showing the carrying value and categorization as to credit risk at June 30, 2002:

	Total	Fair Value		
		Credit Risk Category		
		(1)	(2)	(3)
Federal National Mortgage Loan Corporation discount note	\$ 13,514,580			\$ 13,514,580
Federal National Mortgage Association debenture	3,558,828			3,558,828
Repurchase agreements	<u>117,471,593</u>			<u>117,471,593</u>
Total investments	<u>\$ 134,545,001</u>			<u>\$ 134,545,001</u>

The three credit risk categories are defined as follows:

Category

- (1) Insured, registered or securities held by the entity or its agent (bank trust department) in the entity's name (name of the Authority).
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

During the year ended June 30, 2002, deposits and investments of the Authority were similar to those on hand at June 30, 2002 with respect to credit risk.

The Authority's deposits include bank certificates of deposit that have a remaining maturity at time of purchase of one year or less and shares in U.S. Government money market funds. U.S. Government Agency Investments with a remaining maturity of one year or less are classified as short-term investments.

3. SPECIAL TAX REVENUE BONDS

In the government-wide financial statements bonds are reported as liabilities in the statement of net assets. Through June 30, 2002, the Authority issued six series of Special Tax Revenue Bonds, as follows:

Series of	Amount Issued
1992	\$474,555,000
1993	643,430,000
1993A	178,675,000
1994	122,020,000
1996	343,030,000
1999	610,005,000

The following summary shows the changes in bonds payable for the year ended June 30, 2002:

Series of	Outstanding July 1, 2001	Retirements	Outstanding June 30, 2002
1993A	\$ 169,055,000	\$ 775,000	\$ 168,280,000
1996	150,870,000	45,800,000	105,070,000
1999	<u>581,925,000</u>	<u>14,600,000</u>	<u>567,325,000</u>
	<u>\$ 901,850,000</u>	<u>\$ 61,175,000</u>	840,675,000
Less current portion			<u>36,620,000</u>
Long-term portion			<u>\$ 804,055,000</u>

In conjunction with its 1992, 1993 and 1993A bond issues, the Authority entered into an Indenture of Trust dated as of June 1, 1992 which was subsequently amended and supplemented as of June 22, 1992, July 15, 1993 and August 15, 1993. An Amended and Restated Indenture of Trust dated as of December 15, 1994 was entered into in conjunction with the Authority's 1994 bond issue and replaced (amended and restated) the original indenture as amended and supplemented. The 1996 bonds were issued pursuant to the Amended and Restated Indenture of Trust dated as of December 15, 1994 (the "1994 Indenture") as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996. The 1999 bonds were issued pursuant to the Amended and Restated Indenture of Trust dated as of December 15, 1994 as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 and a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (together the "Trust Indenture") between the Authority and First Union National Bank as Trustee (the "Trustee"). The Trustee's responsibilities include ensuring that the proceeds of the PICA Tax (see Note 1) received by it are used to fund the debt service payments (bond principal and interest) required under the Trust Indenture.

Each series of bonds issued by the Authority are limited obligations of the Authority and the principal, redemption premium, if any, and interest thereon, are payable solely from a portion of the PICA Tax.

To issue additional bonds, the Trust Indenture requires that the Authority's collection of PICA Taxes in any twelve consecutive months during the fifteen-month period immediately proceeding the date of issuance of such additional bonds equals at least 175% of the maximum annual debt service requirement on the bonds outstanding after the issuance of the additional bonds. The PICA Taxes collected during the year ended June 30, 2002 (\$276,221,579) equaled approximately 349% of the maximum annual debt service (\$79,229,826) of the bonds outstanding at June 30, 2002 (the 1993A, 1996 and 1999 bonds).

Total annual debt service requirements (annual principal or sinking fund requirements and interest payments) on the outstanding bonds at June 30, 2002 are as follows:

Fiscal Year Ending	Total Debt Service Requirements
2003	\$ 79,229,826
2004	76,391,709
2005	85,979,061
2006	86,123,509
2007	86,121,324
2008	80,455,926
2009	71,836,686
2010	65,010,966
2011	61,349,791
2012	61,332,279
2013	61,320,981
2014	61,299,075
2015	61,286,038
2016	61,253,475
2017	61,231,425
2018	52,108,063
2019	43,388,863
2020	43,386,138
2021	34,001,413
2022	33,999,413
2023	20,489,100

Details as to the purpose of each of the respective series of bonds issued by the Authority to June 30, 2002 and as to bonds outstanding at that date follow.

A. Series of 1992

The proceeds from the sale of the Series of 1992 Bonds were to be used to (i) make grants to the City to fund the Fiscal Year 1991 General Fund cumulative deficit and the projected Fiscal Years 1992 and 1993 General Fund deficits, (ii) make grants to the City to pay the costs of certain emergency capital projects to be undertaken by the City and other capital projects to increase productivity in the operation of City government, (iii) make the required deposit to the Debt Service Reserve Fund, (iv) capitalize interest on a portion of the Series of 1992 Bonds through June 15, 1993, (v) repay amounts previously advanced to the Authority by the Commonwealth to pay initial operating expenses of the Authority, (vi) fund a portion of the Authority's first fiscal year operating budget, and (vii) pay the costs of issuing the Series of 1992 Bonds.

Series of 1992 Bonds in the aggregate principal amount of \$136,670,000, initially scheduled to mature June 15, 2006, 2012 and 2022 were advance refunded on September 14, 1993 (the “Refunded 1992 Bonds”) through an irrevocable trust created by using a portion of the proceeds of the Series of 1993A Bonds. Series of 1992 Bonds in the aggregate principal amount of \$304,160,000, initially scheduled to mature June 15, 1996, 1997, 1998, 1999, 2000 and 2002 were advance refunded on May 15, 1996 (also the “Refunded 1992 Bonds”) together with the Refunded 1994 Bonds (see Series of 1994 in this Note 3) through an irrevocable trust created by using the net proceeds of the Series of 1996 Bonds together with monies on deposit with the Trustee on account of the Refunded 1992 Bonds, monies on deposit with the Trustee on account of the Refunded 1994 Bonds and sums derived from certain forward purchase agreements entered into with respect to the irrevocable trust. The Refunded 1992 Bonds are no longer deemed to be outstanding under the Trust Indenture.

B. Series of 1993

The proceeds from the sale of the Series of 1993 Bonds were to be used to (i) make grants to the City to pay the costs of certain emergency capital projects (including capital improvements to the City’s Criminal Justice and Correctional Facilities) to be undertaken by the City and other capital projects to increase productivity in the operation of City government, (ii) make a grant to the City for refunding of certain of the City’s General Fund Obligation Bonds, (iii) make the required deposit to the Debt Service Fund, and (iv) to pay the costs of issuing the Series of 1993 Bonds.

Series of 1993 Bonds in the aggregate principal amount of \$610,730,000, initially scheduled to mature June 15, 1999 through 2009, 2015, 2016 and 2023 were advance refunded on April 1, 1999 (the “Refunded 1993 Bonds”) through an irrevocable trust created by using the net proceeds of the Series of 1999 Bonds together with monies on deposit with the Trustee on account of the refunded 1993 bonds. The Refunded 1993 Bonds are no longer deemed to be outstanding under the Trust Indenture (see Note 5).

C. Series of 1993A

The proceeds from the sale of the Series of 1993A Bonds were to be used to (i) provide for the advance refunding of a portion of the Authority’s Special Tax Revenue Bonds Series of 1992, in the aggregate principal amount of \$136,670,000, (ii) make the required deposit to the Debt Service Fund, and (iii) to pay the costs of issuing the Series of 1993A Bonds.

The details of Series of 1993A Bonds outstanding at June 30, 2002 are as follows:

Interest Rate	Maturing June 15	Amount
4.750	2003	\$ 5,095,000
4.850	2004	5,335,000
4.950	2005	5,595,000
5.050	2006	5,870,000
5.150	2007	6,165,000
5.250	2008	6,480,000
5.000	2013	12,000,000
5.000	2013	25,710,000
5.000	2022	<u>96,030,000</u>
Total		<u>\$ 168,280,000</u>

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1993A Bonds outstanding at June 30, 2002:

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
2003	\$ 5,095,000	\$ 8,418,845	\$ 13,513,845
2004	5,335,000	8,176,833	13,511,833
2005	5,595,000	7,918,085	13,513,085
2006	5,870,000	7,641,133	13,511,133
2007	6,165,000	7,344,698	13,509,698
2008	6,480,000	7,027,200	13,507,200
2009	6,825,000	6,687,000	13,512,000
2010	7,165,000	6,345,750	13,510,750
2011	7,525,000	5,987,500	13,512,500
2012	7,900,000	5,611,250	13,511,250
2013	8,295,000	5,216,250	13,511,250
2014	8,710,000	4,801,500	13,511,500
2015	9,145,000	4,366,000	13,511,000
2016	9,600,000	3,908,750	13,508,750
2017	10,080,000	3,428,750	13,508,750
2018	10,585,000	2,924,750	13,509,750
2019	11,120,000	2,395,500	13,515,500
2020	11,670,000	1,839,500	13,509,500
2021	12,255,000	1,256,000	13,511,000
2022	12,865,000	643,250	13,508,250

D. Series of 1994

The proceeds from the sale of the Series of 1994 Bonds were to be used to (i) make grants to the City to pay the costs of certain emergency capital projects to be undertaken by the City and other capital projects to increase productivity in the operation of City Government, (ii) make the required deposit to the Debt Service Reserve Fund, and (iii) pay the costs of issuing the Series of 1994 Bonds.

Series of 1994 Bonds in the aggregate principal amount of \$120,180,000 initially scheduled to mature on and after June 15, 1996 were advance refunded on May 15, 1996 (the "Refunded 1994 Bonds") together with the Refunded 1992 Bonds (see Series of 1992 earlier in this Note 3) through an irrevocable trust created by using the net proceeds of the Series of 1996 Bonds together with monies on deposit with the Trustee on account of the Refunded 1994 Bonds, monies on deposit with the Trustee on account of the Refunded 1992 Bonds and sums derived from certain forward purchase agreements entered into with respect to the irrevocable trust. The Refunded 1994 Bonds are no longer deemed to be outstanding under the Trust Indenture (see Note 4).

E. Series of 1996

The proceeds from the sale of the Series of 1996 Bonds were to be used, together with monies available in certain of the separate accounts established under the 1994 Indenture on account of the 1992 Bonds and the 1994 Bonds to (i) provide for the advance refunding of the Authority's Special Tax Revenue Bonds Series of 1992 outstanding as of May 15, 1996 in the aggregate principal amount of \$304,160,000 and the Authority's Special Tax Revenue Bonds Series of 1994 outstanding as of May 15, 1996 in the aggregate principal amount of \$120,180,000, (ii) pay the

premium for a Debt Service Reserve Fund Insurance Policy in the amount of \$35,004,944 to satisfy the Debt Service Reserve Fund Requirements in respect of the Series of 1996 Bonds which amount is equal to ten percent (10%) of the proceeds of the Series of 1996 Bonds, and (iii) pay the costs of issuing the Series of 1996 Bonds.

The details of Series of 1996 Bonds outstanding at June 30, 2002 are as follows:

Interest Rate	Maturing June 15	Amount
4.850	2003	\$ 3,430,000
6.000	2004	3,590,000
6.000	2005	3,890,000
6.000	2006	4,200,000
5.200	2007	4,450,000
5.300	2008	4,680,000
5.400	2009	4,930,000
5.500	2010	5,200,000
5.500	2011	5,480,000
5.600	2012	5,785,000
5.625	2013	6,105,000
5.500	2016	20,440,000
5.500	2020	32,890,000
Total		<u>\$ 105,070,000</u>

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1996 Bonds outstanding at June 30, 2002.

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
2003	\$ 3,430,000	\$ 5,800,731	\$ 9,230,731
2004	3,590,000	5,634,376	9,224,376
2005	3,890,000	5,418,976	9,308,976
2006	4,200,000	5,185,576	9,385,576
2007	4,450,000	4,933,576	9,383,576
2008	4,680,000	4,702,176	9,382,176
2009	4,930,000	4,454,136	9,384,136
2010	5,200,000	4,187,916	9,387,916
2011	5,480,000	3,901,916	9,381,916
2012	5,785,000	3,600,516	9,385,516
2013	6,105,000	3,276,556	9,381,556
2014	6,450,000	2,933,150	9,383,150
2015	6,810,000	2,578,400	9,388,400
2016	7,180,000	2,203,850	9,383,850
2017	7,575,000	1,808,950	9,383,950
2018	7,990,000	1,392,325	9,382,325
2019	8,430,000	952,875	9,382,875
2020	8,895,000	489,225	9,384,225

F. Series of 1999

The net proceeds from the sale of the Series of 1999 Bonds were to be used, together with other monies available in the Debt Service Fund of the 1993 Bonds, to (i) provide for the advance refunding of all of the Authority's Special Tax Revenue Bonds Series of 1993 outstanding as of April 1, 1999 and maturing June 15 of the years 1999 through 2009, 2015, 2016 and 2023, in the aggregate principal amount of \$610,730,000 (the "Refunded 1993 Bonds"), (ii) pay the premium for a Debt Service Reserve Fund Insurance Policy to help satisfy the Debt Service Reserve Requirements in respect of the 1993A, 1996 and 1999 bonds outstanding under the Indenture, equally and ratably, as per the amended provisions of the Trust Indenture with respect to "Debt Service Reserve Requirements," and (iii) pay the costs of issuing the Series of 1999 Bonds.

The details of Series of 1999 Bonds outstanding at June 30, 2002 are as follows:

Interest Rate	Maturing June 15	Amount
5.00	2003	\$ 28,095,000
5.00	2004	26,670,000
4.00	2005	37,505,000
5.00	2006	39,075,000
5.00	2007	41,030,000
5.00	2008	37,420,000
5.00	2009	30,665,000
5.25	2010	25,370,000
5.25	2011	23,045,000
5.25	2012	24,235,000
5.25	2013	25,500,000
5.25	2014	26,815,000
5.25	2015	28,205,000
5.25	2016	29,660,000
5.25	2017	31,195,000
5.00	2018	23,710,000
4.75	2019	16,170,000
5.00	2021	34,725,000
4.75	2023	38,235,000
Total		<u>\$ 567,325,000</u>

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1999 Bonds outstanding at June 30, 2002.

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
2003	\$28,095,000	\$28,390,250	\$56,485,250
2004	26,670,000	26,985,500	53,655,500
2005	37,505,000	25,652,000	63,157,000
2006	39,075,000	24,151,800	63,226,800
2007	41,030,000	22,198,050	63,228,050
2008	37,420,000	20,146,550	57,566,550
2009	30,665,000	18,275,550	48,940,550
2010	25,370,000	16,742,300	42,112,300
2011	23,045,000	15,410,375	38,455,375
2012	24,235,000	14,200,513	38,435,513
2013	25,500,000	12,928,175	38,428,175
2014	26,815,000	11,589,425	38,404,425
2015	28,205,000	10,181,638	38,386,638
2016	29,660,000	8,700,875	38,360,875
2017	31,195,000	7,143,725	38,338,725
2018	23,710,000	5,505,988	29,215,988
2019	16,170,000	4,320,488	20,490,488
2020	16,940,000	3,552,413	20,492,413
2021	17,785,000	2,705,413	20,490,413
2022	18,675,000	1,816,163	20,491,163
2023	19,560,000	929,100	20,489,100

G. Series of 1993A, 1996, and 1999 Swaptions

During the fiscal year ended June 30, 2002, the Authority entered into three swaption agreements with JPMorganChase as the counterparty. These swaption agreements were entered into in order to affect a synthetic advance refunding of the Authority's 1993A, 1996, and 1999 bond issuances at some point in the future. The Authority received a total of \$26,235,000, recorded as deferred revenue, for the option to enter into interest rate swap agreements, the first may begin during the fiscal year 2003. At the time any of the interest rate swap agreements are to take effect, the notional amounts will represent the outstanding debt balance at that time. The Authority will pay an annual fixed interest rate, which represents the rate on its variable rate bonds for that time period, approximately 5.0%. In turn the Authority will receive a floating rate which will be a predetermined percentage of LIBOR. Both the Authority and the counterparty have the ability to end the interest rate swap agreements, with monetary consequences, before the interest rate swaps are set to begin.

4. REFUNDED 1994 BONDS - 1996 REFUNDED BONDS ESCROW FUND

Proceeds of the Series of 1996 Bonds, together with certain funds held by the Trustee on account the Series of 1994 Bonds and the proceeds of certain forward supply agreements entered into utilizing portions of the proceeding funds (the 1994 and 1996 proceeds supply agreements) were deposited into an irrevocable trust fund (the "1996 Refunded Bonds Escrow Fund") under and pursuant to the terms of an escrow deposit agreement, dated as of May 15, 1996 (the "Escrow Deposit Agreement") between the Authority and its "Escrow Agent." First Union National Bank became the Escrow Agent during the fiscal year ended June 30, 1997. The 1996 Refunded Bonds Escrow Fund is required to be invested in Government Obligations (as defined in the Trust Indenture). Moneys in the 1996 Refunded Bonds Escrow Fund shall be used to pay when due the principal of and interest on the 1994

Refunded Bonds as the same shall become due and payable from the date of the Escrow Deposit Agreement to and including June 15, 2005 (the “1994 Bonds Redemption Date”) and to pay on the 1994 Bonds Redemption Date the Redemption Price (100% of principal amount) of the outstanding 1994 Refunded Bonds maturing after that date plus accrued interest on that date.

The following sets forth the 1994 Refunded Bonds (\$104,185,000 aggregate amount) which remain advance refunded through establishment of the 1996 Refunded Bonds Escrow Fund:

Maturing June 15	Par Amount
2003	\$ 2,850,000
2004	3,025,000
2005 and thereafter	98,310,000 *

* Includes redemption of all Bonds maturing 2005 through 2021.

At June 30, 2002, the 1996 Refunded Bonds Escrow Fund held cash and United States Treasury Securities (at market) in the amount of \$123,970,379 for payment of its obligations after that date. The maturing principal and interest on the securities held in escrow have been verified as being sufficient to provide for the payment of the principal of, interest on and redemption price of the Refunded Bonds on their scheduled maturity and redemption dates.

5. REFUNDED 1993 BONDS—1993 BONDS ESCROW FUND

A portion of the proceeds of the Series of 1999 Bonds (\$616,677,050), together with moneys on deposit with the Trustee on account of the Refunded 1993 Bonds (\$19,817,995), were deposited into an irrevocable trust fund (the “1993 Bonds Escrow Fund”) established and held by First Union National Bank, an escrow agent (the “Escrow Agent”), under and pursuant to the terms of an escrow deposit agreement dated as of April 1, 1999 (the “Escrow Deposit Agreement”). The 1993 Bonds Escrow Fund is required to be invested in Government Obligations, as defined in the Trust Indenture. Moneys in the 1993 Bonds Escrow Fund shall be used to pay interest on and principal of the Refunded 1993 Bonds, as and when due to and including June 15, 2003 and to redeem and pay on June 15, 2003, at a redemption price of 100%, the principal of the Refunded 1993 Bonds then outstanding plus accrued interest to the redemption date.

The following sets forth the refunded 1993 Bonds (\$565,645,000 aggregate amount) which remain advance refunded through the 1993 Bonds Escrow Fund:

Maturing June 15	Par Amount
2003 and thereafter	565,645,000*

* Includes redemption of all bonds maturing 2003 through 2023.

At June 30, 2002, the 1993 Bonds Escrow Fund held cash and United States Treasury securities (at market) in the amount of \$574,787,510 for the previously stated purpose. The maturing principal and interest on the securities held in escrow have been verified as being sufficient to provide for the payment of the interest and redemption prices of the Refunded 1993 Bonds on their scheduled redemption dates.

6. DEFINED BENEFIT PENSION PLAN

Plan Description—The Authority covers all full-time employees in the State Employees’ Retirement System (the “System”) which was established as of June 27, 1923, under the provisions of Public Law 858, No. 331. The System is the administrator of a cost-sharing, multiple-employer defined

benefit retirement system established by the Commonwealth to provide pension benefits for employees of state government and certain independent agencies.

The System is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. The System also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Commonwealth of Pennsylvania, State Employees' Retirement Board, 30 North Third Street, P.O. Box 1147, Harrisburg, Pennsylvania 17108.

The System provides retirement, death and disability benefits. Retirement benefits vest after five years of credited service. Employees who retire with three years of service at age 60, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. Members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50, with at least three years of service. The general annual benefit is 2% of the member's highest three-year annual average salary times years of service times class of service multiplier. The Authority's total and annual covered payroll for the year ended June 30, 2002 was \$535,430.

Contributions Required—Covered employees are required to contribute to the System at a rate of 6.25% of their gross pay. The contributions are recorded in an individually identified account which is also credited with interest, calculated quarterly to yield 4% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

Participating agency contributions are also mandated by statute and are based upon an actuarially determined percentage of gross pay that is necessary to provide the System with assets sufficient to meet the benefits to be paid to System participants.

The Authority's contributions to the System for the years ended June 30, 2002, 2001 and 2000 were \$0, \$3,587, and \$23,745, respectively, and equal the required contribution for each year.

According to the retirement code, all obligations of the System will be assumed by the Commonwealth should the System terminate.

7. LEASE OBLIGATIONS

The Authority is obligated under various operating leases, including a lease for office space through December 31, 2007. The following is a schedule of all minimum lease payments:

Fiscal Year Ending June 30	Amount
2003	\$ 80,109
2004	76,725
2005	76,725
2006	75,443
2007	75,443
2008	<u>37,722</u>
	<u>\$422,167</u>

Rental expense for the year ended June 30, 2002 was \$77,345.

* * * * *

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

GENERAL FUND

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2002

	Budget	Actual	Over (Under) Budget
Revenues - interest earnings	\$ 62,671	\$ 278,980	\$ 216,309
Expenditures:			
Personnel—salaries and benefits	1,051,880	623,140	(428,740)
Professional services:			
Legal	35,000	21,195	(13,805)
Audit	45,000	45,500	500
Consulting/research	35,000	48,866	13,866
Interagency services	2,500		(2,500)
Trustee	76,500	126,500	50,000
Miscellaneous	45,000		(45,000)
Other:			
Rent	76,000	77,345	1,345
Computer software and minor hardware	14,000	12,982	(1,018)
Office supplies	6,500	1,504	(4,996)
Telephone	13,000	14,097	1,097
Subscriptions and reference services	6,000	8,499	2,499
Postage and express	7,500	6,055	(1,445)
Dues and professional education	10,000	436	(9,564)
Travel	8,000	3,112	(4,888)
General and administrative	15,000	13,095	(1,905)
Miscellaneous	2,500		(2,500)
Administration—operations	1,449,380	1,002,326	(447,054)
Capital outlay—furniture, fixtures and equipment	35,000	44,001	9,001
Additional oversight duties	500,000		(500,000)
Total—administration	1,984,380	1,046,327	(938,053)
Excess of expenditures over revenues	(1,921,709)	(767,347)	1,154,362
Other financing sources—transfers in— PICA draw for operations	1,850,000	1,850,000	
Excess of revenues and other financing sources over expenditures	(71,709)	1,082,653	1,154,362
FUND BALANCE, JULY 1, 2001	330,737	1,311,341	980,604
FUND BALANCE, JUNE 30, 2002	\$ 259,028	\$ 2,393,994	\$ 2,134,966

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

GENERAL FUND

SUPPLEMENTAL SCHEDULE OF CASH ACTIVITY YEAR ENDED JUNE 30, 2002

Cash receipts:	
Revenues collected—interest	\$ 261,117
Proceeds from swaption activity	26,235,000
Other financing sources—operating transfers in from interest earnings on Debt Service Funds	<u>1,850,000</u>
Total cash receipts	28,346,117
Cash disbursements—expenditures paid—administration	<u>1,165,185</u>
Excess of cash receipts over cash disbursements	27,180,932
CASH AND SHORT-TERM INVESTMENTS, JULY 1, 2001	<u>1,750,901</u>
CASH AND SHORT-TERM INVESTMENTS, JUNE 30, 2002	<u>\$ 28,931,833</u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL REVENUE FUND

SUPPLEMENTAL SCHEDULE OF CASH ACTIVITY

YEAR ENDED JUNE 30, 2002

Cash receipts:

Revenues collected:

PICA Taxes

\$ 276,221,579

Interest

158,181

Other financing sources—operating transfers in from interest earnings
on Debt Service Funds

5,129,635

Total cash receipts

281,509,395

Cash disbursements:

Expenditures paid—grants to the City of Philadelphia

176,549,973

Other financing uses—operating transfers out for debt service requirements

104,959,422

Total cash disbursements

281,509,395

Excess of cash receipts over cash disbursements

-

CASH AND SHORT-TERM INVESTMENTS, JULY 1, 2001

CASH AND SHORT-TERM INVESTMENTS, JUNE 30, 2002

\$ -

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APPENDIX B

CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA

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APPENDIX B

DESCRIPTIVE, FINANCIAL, DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF PHILADELPHIA

TABLE OF CONTENTS

<u>PAGE</u>	<u>PAGE</u>
THE GOVERNMENT OF THE CITY OF PHILADELPHIA	Municipal Pension Fund (Related to All Funds)32
General.....1	Purchase of Services 35
Elected and Appointed Officials.....1	City Payments to School District..... 35
Government Services.....5	City Loan to PGW 35
Local Government Agencies5	City Payments to SEPTA..... 36
School District6	DEBT OF THE CITY 36
PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY.....6	Short-Term Debt 36
General.....6	Long-Term Debt 36
Source of Payment of PICA Bonds8	Other Long-Term Debt Related Obligations.... 37
Five-Year Plans of the City9	Recent Financings..... 37
CITY FINANCIAL PROCEDURES.....9	CITY CAPITAL IMPROVEMENT PROGRAM... 42
Independent Audit and Opinion of the City	LITIGATION..... 43
Controller.....9	Introduction..... A-1
Fund Structure10	Quality of Life A-1
Principal Operating Funds10	Demographics A-2
Basis of Accounting.....10	The Economy..... A-3
Budget Procedure.....11	Employment..... A-4
Awards.....12	Income A-9
CITY CASH MANAGEMENT AND	Effective Buying Income and Household
INVESTMENT POLICIES12	Income..... A-12
Consolidated Cash12	Transportation..... A-12
Investment Practices12	Water and Wastewater Systems A-13
General Fund Cash Flow13	Municipal Solid Waste Disposal A-13
DISCUSSION OF FINANCIAL OPERATIONS...13	Housing..... A-14
Fiscal Year 2002 Budget.....13	Economic Development..... A-17
Fiscal Year 2003 Budget.....14	Philadelphia International Airport A-17
Quarterly Reporting to PICA.....17	Hospitality and Tourism A-17
REVENUES OF THE CITY17	Pennsylvania Convention Center A-17
General.....17	Center City Hotel Development..... A-18
Major Revenue Sources of Principal Operating	Avenue of the Arts A-18
Funds (Debt Related)17	Penn's Landing Waterfront..... A-19
Revenues from City-Owned Systems20	New Stadium and Ballpark A-19
Philadelphia Parking Authority21	New Center City Skyscrapers A-19
Assessment and Collection of Real and	TJ Maxx Distribution Center A-19
Personal Property Taxes.....22	Special Economic Development Zones A-19
EXPENDITURES OF THE CITY.....29	Philadelphia Industrial Development
Personal Services (Personnel).....29	Corporation A-20
Labor Agreements30	Urban Industry Initiative..... A-20
Employee Benefits.....32	The Office of Defense Conversion ActivitiesA-21
	Hospitals and Medical Centers A-22
	Additional Projects Under Construction A-24

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THE GOVERNMENT OF THE CITY OF PHILADELPHIA

General

The City was incorporated in 1789 by an Act of the Commonwealth of Pennsylvania General Assembly (predecessors of the City under charters granted by William Penn in his capacity as proprietor of the colony of Pennsylvania may date to as early as 1684). In 1854 the General Assembly, by an act commonly referred to as the Consolidation Act, made the City's boundaries coterminous with the boundaries of Philadelphia County (the same boundaries that exist today) (the "County"), abolished all governments within these boundaries other than the City and the County and consolidated the legislative functions of the City and the County. Article 9, Section 13 of the Pennsylvania Constitution abolished all county offices in the City and provides that the City performs all functions of county government and that laws applicable to counties apply to the City.

Since 1952, the City has been governed under a Home Rule Charter authorized by the General Assembly (First Class City Home Rule Act, Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City. The Home Rule Charter, as amended and supplemented to this date, provides, among other things, for the election, organization, powers and duties of the legislative branch (the "City Council"); the election, organization, powers and duties of the executive and administrative branch; and the basic rules governing the City's fiscal and budgetary matters, contracts, procurement, property and records. The Home Rule Charter, as amended, now also provides for the governance of the School District of Philadelphia (the "School District") as a home rule school district. Certain other constitutional provisions and Commonwealth statutes continue to govern various aspects of the City's affairs, notwithstanding the broad grant of powers of local self-government in relation to municipal functions set forth in the First Class City Home Rule Act.

Under the Home Rule Charter, as now in effect, there are today two principal governmental entities in Philadelphia: (1) the City, which performs ordinary municipal functions as well as traditional county functions; and (2) the School District, which has boundaries coterminous with the City and has responsibility for all public primary and secondary education.

The court system in Philadelphia, consisting of Common Pleas, Municipal and Traffic Courts, is part of the Commonwealth of Pennsylvania judicial system. Although judges are paid by the Commonwealth, most other court costs are paid by the City, with partial reimbursement from the Commonwealth.

Elected and Appointed Officials

The Mayor is elected for a term of four years and is eligible to succeed himself for one term. Each of the seventeen members of the City Council is also elected for a four-year term which runs concurrently with that of the Mayor. There is no limitation on the number of terms that may be served by members of the City Council. Of the members of the City Council, ten are elected from districts and seven are elected at-large, with a minimum of two of the seven representing a party or parties other than the majority party. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

The City Controller's responsibilities derive from the Home Rule Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow GAGAS, Generally Accepted Government Auditing Standards established by the federal General Accounting Office, and GAAS, generally accepted auditing standards promulgated by the

American Institute of Certified Public Accountants. As of June 30, 2002, the Office of the City Controller had 125 employees, including 73 auditors, 41 of whom are certified public accountants.

The City Controller post-audits and reports on the City's combined financial statements, federal assistance received by the City, the performance of City departments and the finances of the School District. The City Controller also conducts a pre-audit program of expenditure documents required to be submitted for approval, such as invoices, payment vouchers, purchase orders and contracts. Documents are selected for audit on a category and statistical basis. The Pre-Audit Division verifies that expenditures are authorized and accurate in accordance with the Charter and other pertinent legal and contractual requirements before any moneys are paid by the City Treasurer. The Pre-Audit Technical Unit, consisting of auditing and engineering staff, inspects and audits capital project design, construction and related expenditures. Other responsibilities of the City Controller include investigation of allegations of fraud, preparation of economic reports, certification of the City's debt capacity and the capital nature and useful life of the capital projects, and opining to the Pennsylvania Intergovernmental Cooperation Authority on the reasonableness of the assumptions and estimates in the City's five-year financial plans.

The principal officers of the City's government appointed by the Mayor are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), who is the chief financial and budget officer and is selected from three names submitted to the Mayor by a Finance Panel, the City Solicitor (the "City Solicitor"), who is head of the Law Department, and the City Representative and Director of Commerce (the "City Representative and Director of Commerce"). These officials, together with the Mayor and the other members of the Mayor's cabinet, constitute the major policy-making group in the City's government.

The Managing Director is responsible for supervising the operating departments and agencies of the City that render the City's various municipal services. The City Solicitor acts as legal advisor to the Mayor, the City Council, and all of the agencies of the City government. The City Solicitor is also responsible for all of the City's contracts and bonds, for assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council, and for the conduct of litigation involving the City. The City Representative and Director of Commerce is charged with the responsibility of giving wide publicity to any items reflecting the activities and accomplishments of the City, its inhabitants, and commerce and industry, and is charged with the responsibility of promoting and developing commerce and industry.

The Director of Finance is responsible for the financial functions of the City including development of the annual operating budget, the capital budget, and capital program; the City's program for temporary and long-term borrowing; supervision of the operating budget's execution, the collection of revenues through the Department of Revenue, purchasing, and some aspects of property management through the Procurement Department; oversight of pension administration as Chairperson of the Board of Pensions and Retirement; and the appointment and supervision of the City Treasurer.

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

John F. Street, Mayor, was sworn in as Philadelphia's 97th mayor on January 3, 2000. Elected to Philadelphia City Council in 1979, Mayor Street took his City Council seat in 1980. For nearly 20 years he represented the City's Fifth Councilmanic District, distinguishing himself as a fighter for working people and neighborhoods. He was unanimously elected City Council President in 1992 and again in 1996. Mayor Street received his B.A. from Oakwood College in Huntsville, Alabama, and a J.D. from Temple University Law School.

Joyce S. Wilkerson, Chief of Staff, began practicing law as a legal service attorney first in California and later in Philadelphia. Ms. Wilkerson worked as Housing Counsel at the Philadelphia Redevelopment Authority where she represented the Redevelopment Authority in its capacity as issuer of housing bonds. More recently, Ms. Wilkerson served as Chief Staff Attorney to the City Council of Philadelphia. Ms. Wilkerson has a B.A. degree from the University of Pennsylvania and a J.D. degree from Boalt Hall School of Law at the University of California, Berkeley.

Janice D. Davis, Secretary of Financial Oversight and Director of Finance, served as Chief Financial Officer for the Dallas Independent School District for one and a half years prior to assuming her current position in May 2000. Prior to that, she served as the Director of Finance and Budget for the Dallas/Fort Worth International Airport. From 1992-1995, Ms. Davis served the City of Houston, first as the Director of General Accounting in the Controller's Office and, later as Deputy Director of Financial Services. She received a B. S. in Accounting from the University of New Orleans. She is a Certified Public Accountant and Government Financial Manager.

Nelson A. Diaz, is the City Solicitor, and was most recently a partner in the law firm of Blank Rome Comisky & McCauley LLP. He was previously appointed by President Clinton as the General Counsel for the United States Department of Housing and Urban Development, where he managed over 500 lawyers. Before that he was a Judge in the Trial Division, Court of Common Pleas, First Judicial District of Pennsylvania, elected in 1981. On the Common Pleas Court, he was Administrative Judge of the Trial Division. He is the first person of Puerto Rican ancestry to be admitted to the Bar in Pennsylvania and the first Hispanic Judge in the Court of Common Pleas in Philadelphia. Judge Diaz was also Special Assistant to Vice President Walter F. Mondale, and prior to that a Public Defender. Judge Diaz was born and raised in Harlem, New York. He received a B.S. in accounting from St. Johns University in 1969, and a J.D. from Temple University School of Law in 1972. His professional memberships include the Philadelphia, Pennsylvania and American Bar Associations, the Bar of the Supreme Court of the United States, the National Hispanic Bar Association, and others.

Philip R. Goldsmith, Managing Director, was appointed February 2003. Mr. Goldsmith served as the Acting Executive Director of Fairmount Park from September 2002 to January 2003. From November 2000 to December 2002, he served as Interim Chief Executive Officer for the School District of Philadelphia. Prior to his appointment as Interim CEO, Mr. Goldsmith served from 1997 to 2000 as the managing principal of Right Management Consultants where he was responsible for overseeing the company's Mid-Atlantic operations. From 1994 to 1997, Mr. Goldsmith was chief operating officer for Diversified Search Companies, an executive recruiting firm. Mr. Goldsmith gained extensive banking experience working for PNC Bank Corporation from 1982 through 1994, rising to the level of President of the credit card subsidiary and the head of consumer banking. He served from 1979 through 1982 as Deputy Mayor for Policy and Planning for the City, and previous to that was a journalist for *The Philadelphia Inquirer*. He served as Executive Director of the Philadelphia Bar Association from 1973 to 1976 and served as Chairman of the Greater Philadelphia First/Philadelphia School District Oversight Committee on Management and Productivity and currently serves on the Board of Philadelphia Futures. He graduated with a Juris Doctor from George Washington University Law School in 1969 and a Bachelor of Arts in accounting from Pennsylvania State University in 1966.

George R. Burrell, Jr., Secretary of External Affairs, was appointed in January 2000. While serving as a member of City Council, Mr. Burrell served as Chair of the Committees on Labor and Civil Service and Licenses and Inspections. In 1974, he began his law practice as a corporate attorney with Ragan Henry, Esquire. He later joined the law firm of Wolf Block Schorr and Solis-Cohen in 1977. In both firms, Mr. Burrell served as Chairman of their Governmental Relations Department. In 1985, before his election as an at-large member of the Philadelphia City Council, he founded Burrell, Waxman,

Donaghy, and Lee. Mr. Burrell graduated from the University of Pennsylvania Wharton School in 1969. He received a J.D. from the University of Pennsylvania Law School in 1974.

James Cuorato, Director of Commerce and City Representative, was appointed in July 2000. Prior to serving in his current position Mr. Cuorato served as Vice President of the Penn's Landing Corporation from 1994 – 2000. Mr. Cuorato also served the City of Philadelphia's Department of Commerce in the capacity of First Deputy Director from 1986 – 1994. Mr. Cuorato also spent 6 years with the Philadelphia Industrial Development Corporation. Mr. Cuorato holds a Master's Degree in Business Administration from Drexel University and a Bachelor's Degree from Saint Joseph's University.

Debra A. Kahn, Secretary of Education, has served as the Executive Director of Philadelphia Futures, Assistant to the President of Temple University, Vice President of Corporate Communications and Public Affairs at PNC Bank, and the Director of Policy and Planning for Mayor William J. Green. She has provided volunteer services for several civic and community organizations, including service as a founding board member for the Greater Philadelphia Food Bank. From 1991 to 1997, Ms. Kahn served as a member of the Philadelphia Board of Education. She received a B.A. in government from Franklin and Marshall College. She holds a masters degree in political science from the Eagleton Institute of Politics at Rutgers University.

Sylvester M. Johnson, Police Commissioner/Secretary of Public Safety. Mr. Johnson is a thirty-six year veteran of the Philadelphia Police Department. Prior to his current appointment, Mr. Johnson was, since April 1998, Deputy Commissioner of Operations under former Police Commissioner John F. Timoney. Mr. Johnson attended Philadelphia Community College, Temple University, the Senior Management Institute for Police at Harvard University, Pennwalt Corporation's Targeted Management Training, the United States Secret Service Dignitary Protection Training, the Federal Bureau of Investigation's ("FBI") National Academy Class 172, and the FBI National Executive Institute.

Maxine Griffith, Secretary of Strategic Planning and Initiatives/Executive Director of the City Planning Commission, was appointed in May 2001. Prior to serving in her current position, Ms. Griffith was the Senior Fellow for Community Planning and Development at the Regional Planning Association in New York. She also served in the Clinton administration in the Department of Housing and Urban Development ("HUD"), first as Secretary's Regional Representative for New York and New Jersey and then as the HUD's Assistant Deputy Secretary. From 1988-1996, Ms. Griffith was a principal of Griffith Planning and Design and from 1990-1996 served as a member of the New York City Planning Commission. She received a bachelor's degree from Hunter College and a master's of architecture degree from the University of California at Berkeley.

Dianah L. Neff, Chief Information Officer, was appointed in May 2001. Prior to that Ms. Neff served as deputy City Manager and Chief Information Officer for the City of San Diego, California. Before that she served as Chief Information Officer of the City of Bellevue, Washington. Ms. Neff has also Served as Director of Information Systems for the County of San Bernadino, California and Director of Information Resources for the City of Palo Alto, California, where she oversaw efforts to make Palo Alto the first city in the nation on the World Wide Web. Prior to her work in government, Ms. Neff had fourteen years experience in the private sector working for high-tech software and hardware firms in the Silicon Valley. Ms. Neff holds a bachelor's degree in marketing and economics from San Jose State University.

Corey Kemp, City Treasurer, was appointed in April 2002. Mr. Kemp served as the Deputy City Treasurer for the City of Philadelphia from June 2000 to April 2002. Prior to coming to the City of Philadelphia, Mr. Kemp served as the Finance Director and Treasurer for West Goshen Township, Pennsylvania for two and a half years. Mr. Kemp worked for the City of Reading, Pennsylvania from

1991 to 1997 where he served in various capacities, including Accounting Manager, Treasury Manager, and Acting Finance Director. Mr. Kemp holds a Bachelor of Business in Accounting from Alvernia College and a Masters in Business Administration from West Chester University.

Jonathan A. Saidel, City Controller, is serving his fourth term as Philadelphia's elected City Controller, an office independent of the Mayor. He is an attorney and certified public accountant, and received a Juris Doctor degree from the Delaware Law School of Widener University and a Bachelor of Business in Accounting degree from Temple University. In recent years, Mr. Saidel has been an adjunct professor in graduate programs at Drexel University, Saint Joseph's University and the University of Pennsylvania. Philadelphia: A New Urban Direction, a book offering analysis and recommendations for improving Philadelphia's competitive position, researched and written by Mr. Saidel and the staff of the Office of the City Controller, was published by Saint Joseph's University Press in 1999.

Government Services

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

Local Government Agencies

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

The Southeastern Pennsylvania Transportation Authority ("SEPTA"), which is supported by transit revenues and Federal, Commonwealth, and local funds, is responsible for developing and operating a comprehensive and coordinated public transportation system in the southeastern Pennsylvania region.

The Philadelphia Parking Authority is responsible for the construction and operation of parking facilities in the City and at the Philadelphia International Airport and, by contract with the City, for enforcement of on-street parking regulations.

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

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

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

The Philadelphia Industrial Development Corporation (“PIDC”) and its affiliate, the Philadelphia Authority for Industrial Development (“PAID”), coordinate the City’s efforts to maintain an attractive business environment and to attract new businesses to the City and retain existing ones.

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

School District

The School District was established by the Educational Supplement to the City’s Home Rule Charter to provide free public education to the City’s residents. Under the Home Rule Charter, its board is appointed by the Mayor and must submit a lump sum statement of expenditures to the City annually. Such statement is used by City Council in making its determination to authorize the levy of taxes on behalf of the School District. Certain financial information regarding the School District is included in the City’s Annual Financial Report. It has no independent taxing powers and may levy only the taxes authorized on its behalf by the City and the Commonwealth. Under the Home Rule Charter, the School District is managed by a nine-member Board of Education appointed by the Mayor from a list supplied by an Educational Nominating Panel that is chosen by the Mayor. In some matters, including the incurrence of short-term and long-term debt, both the City and the School District are governed primarily by the laws of the Commonwealth. The School District is a separate political subdivision of the Commonwealth and the City has no property interest in or claim on any revenues or property of the School District.

The School District was declared distressed by the Secretary of Education of the Commonwealth pursuant to Section 691(c) of the Public School Code of 1949, as amended (the “School Code”), on December 22, 2001. During a period of distress under Section 691(c) of the School Code, all of the powers and duties of the Board of Education granted under the School Code or any other law will be suspended and all of such powers and duties are vested in the School Reform Commission (the “School Reform Commission”) provided for under the School Code. The School Reform Commission is responsible for the operation, management and educational program of the School District during such period. It is also responsible for financial matters related to the School District. The School Code provides that the members of the Board of Education continue to serve during the time the School District is governed by the School Reform Commission, and that the establishment of the School Reform Commission shall not interfere with the regular selection of the members of the Board of Education. During the tenure of the School Reform Commission, the Board of Education will perform those duties delegated to it by the School Reform Commission.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

General

The Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was created on June 5, 1991 by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the “PICA Act”). PICA was established to provide financial assistance to cities of the first class. The City is the only city of the first class in the Commonwealth. The PICA Act provides that, upon request by the

City to PICA for financial assistance and for so long as any bonds issued by PICA remain outstanding, PICA shall have certain financial and oversight functions. Under the PICA Act, PICA no longer has the authority to issue bonds for new money purposes but may refund bonds previously issued by it. PICA has the power, in its oversight capacity, to exercise certain advisory and review procedures with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify non-compliance by the City with the then-existing five-year plan adopted by the City pursuant to the PICA Act. Under the PICA Act, such certification would require the Secretary of the Budget of the Commonwealth to withhold payments due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payment of the portion of the PICA Tax, hereinafter described, otherwise payable to the City). See "Source of Payment of PICA Bonds" below.

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

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

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

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

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

On April 15, 1999, PICA issued \$610,005,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999, the proceeds of which were used to advance refund \$610,730,000 principal amount of the 1993 PICA Bonds.

As of the close of business on June 30, 2002, the principal amount of PICA bonds outstanding was \$840,700,000.

Source of Payment of PICA Bonds

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

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

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

The PICA Act establishes a “Bond Payment Account” for PICA as a trust fund for the benefit of PICA bondholders and authorizes the creation of a debt service reserve fund for bonds issued by PICA. Since PICA has issued bonds secured by the PICA Tax, the PICA Act requires that the State Treasurer pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account, the debt service reserve fund created for bonds issued by PICA and the City Account.

The total amount of PICA Tax remitted to PICA by the State Treasurer for each of the Fiscal Years 1992 through 2002 is set forth below:

<u>Year</u>	<u>Amount</u>
1992	\$169.0 million
1993	185.1 million
1994	205.5 million
1995	209.6 million
1996	218.8 million
1997	218.2 million
1998	236.1 million
1999	245.8 million
2000	256.6 million
2001	273.6 million
2002	278.0 million

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

Five-Year Plans of the City

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

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

Plan	Plan Fiscal Years
Original Five-Year Plan	1992-1996
Second Five-Year Plan*	1994-1998
Third Five-Year Plan	1995-1999
Fourth Five-Year Plan	1996-2000
Fifth Five-Year Plan	1997-2001
Sixth Five-Year Plan	1998-2002
Seventh Five-Year Plan	1999-2003
Eighth Five-Year Plan	2000-2004
Ninth Five-Year Plan	2001-2005
Tenth Five-Year Plan	2002-2006
Eleventh Five-Year Plan	2003-2007
Twelfth Five-Year Plan	2004-2008

* Also included Fiscal Year 1993

The Twelfth Five-Year Plan was presented to City Council by the Mayor on January 28, 2003, and approved by City Council on May, 29, 2003, but has not yet been approved by City PICA. In the Twelfth Five-Year Plan, the City projects a balanced budget in each of the five years covered by the plan through a continued strategy based upon implementation of management initiatives, productivity improvements, cost containments, certain workforce restructurings, and revenue enhancements.

CITY FINANCIAL PROCEDURES

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

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the general purpose financial statements of The City of Philadelphia contained in the City’s Comprehensive Annual Financial Report for Fiscal Years 1997, 1998, 1999, 2000 and 2001 and The City of Philadelphia’s basic financial statements for fiscal year 2002. See also, “CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA – City Financial Procedures – Independent Audit and Opinion of the City Controller.” The City Controller has not examined and expressed an opinion on the financial statements on any financial data contained in this Official Statement. .

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

Fund Structure

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

Principal Operating Funds

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

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

Basis of Accounting

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

- A. Governmental Funds, Expendable Trust and Agency Funds account for their activities using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenue and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. Using modified accrual accounting means revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due. However, the expenditures may be accrued if they are to be liquidated with available resources.

Derived tax revenues, such as wage, business privilege, net profits and earnings taxes, are recognized when the underlying exchange transaction has occurred and the resources are available. Imposed nonexchange revenues such as real estate taxes are recognized when the enforceable legal claim arises and the resources are available. Grant revenues are recognized when all the applicable eligibility requirements have been met and the

resources are available. All other revenue items are considered to be measurable and available only when cash is received by the City.

- B. Proprietary Funds, Pension Trust Funds and Non-Expendable Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Propriety fund-type operating statements present increases (e.g. revenue) and decreases (e.g. expenses) in net total assets. These funds use the accrual basis of accounting where revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time liabilities are incurred. Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Activities," Propriety Funds will continue to follow FASB pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements and will follow FASB standards issued after that date which do not conflict with GASB standards. Water revenues, net of uncollectible accounts, are recognized as billed on the basis of scheduled meter readings. Aviation revenue from Passenger Facility Charges is reserved for capital purposes. Pension Trust Funds recognize employer and plan member contributions and benefits and refunds paid in the period in which they are due and payable.

Budget Procedure

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

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

The capital program is prepared annually by the City Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, Federal, and private) estimated to be required to finance each project. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon. See Table 18 for a summary of the City's capital improvement program for the Fiscal Years 2003 through 2008.

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

Awards

For the twenty first consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

Consolidated Cash

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

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

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, the required advance is made from the Consolidated Cash Account, in the amount necessary to result in a zero balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a borrowing fund are applied in repayment of the advance.

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

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

Investment Practices

Cash balances in each of the City's funds are invested by the City Treasurer's Office through the use of money market mutual funds and professional money managers under contract with the City. The Director of Finance adopted a written Investment Policy (the "Policy") which went into effect in August 1994 and was revised most recently in April 2001.

The Policy delineates the authorized investments as approved by City Council Ordinance and the funds to which the Policy applies. The authorized investments include U.S. Government Securities, U.S. Treasuries, U.S. Agencies, Certificates of Deposit, Bankers Acceptance Notes, Eurodollar Deposits, Euro Certificates of Deposit, Commercial Paper, Corporate Bonds, Money Market Mutual Funds, Repurchase Agreements and Commonwealth of Pennsylvania securities, all of investment grade rating or better. Each category of instruments, excluding U.S. Government, Treasury and Agency securities which carry no limitation, is limited to investment of no more than 25% of the total portfolio, and no more than 10% of

the total portfolio per institutional or corporate issuer. The Policy also restricts investments to those having a maximum maturity of two years. Daily liquidity is maintained through the use of SEC-registered money market mutual funds with the balance of funds invested by money managers in accordance with the Investment Policy.

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

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

General Fund Cash Flow

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

The timing imbalance referred to above results from a number of factors, principally the following: (1) real property, business privilege tax and certain other taxes are not due until the latter part of the fiscal year; (2) the City makes the majority of the employer's contribution to the Municipal Pension Fund in July of each year; and (3) the City experiences lags in reimbursement from other governmental entities for expenditures initially made by the City in connection with programs funded by other governments.

DISCUSSION OF FINANCIAL OPERATIONS

Fiscal Year 2002 Budget

The City's Fiscal Year 2002 budget was approved by City Council on March 22, 2001. This budget was prepared by the City in conjunction with the Tenth Five-Year Plan, which was approved by PICA on May 15, 2001. The Tenth Five-Year Plan reflects a fund balance of \$21.1 million at the end of Fiscal Year 2006.

The adopted General Fund budget for Fiscal Year 2002 including prior year adjustments, was balanced for the tenth consecutive year without a deficit elimination grant from PICA. In preparing the budget for Fiscal year 2002, the City took a conservative approach to revenue estimation while also reflecting revenue enhancement and operating expense reduction measures identified in the Tenth Five-Year Plan.

On August 15, 2002, the City issued its Quarterly City Managers Report which reported Fiscal Year 2002 results through June 30, 2002.

The City ended Fiscal Year 2002 with a fund balance in the General Fund of \$139.0 million; a decrease of \$91 million from the Fiscal Year 2001 fund balance. A copy of the most recent Quarterly City Managers report may be obtained from the Office of the City Treasurer.

One of the largest causes of the decreases was a delay in the receipt of \$45 million in reimbursements from the State government. If the City had received its reimbursement for those costs on time, its FY'02 fund balance would have been \$184 million, about \$7 million lower than the amount the City projected when it introduced the FY '03 -'07 Five-Year Financial Plan in January.

Changes on both the revenues and expenditures sides caused the decrease in fund balance. While revenues were declining, expenditures were increasing by about \$99 million from \$2.88 billion in FY '01 to \$2.98 billion in FY '02. The largest single increase in expenditures was the \$45 million contribution made to the School District as a result of the partnership entered into by the City and the State. Excluding the contribution to the School District, the City's expenditures grew by under two percent from FY '01 to FY '02.

Fiscal Year 2003 Budget

The City's Fiscal Year 2003 budget was approved by City Council on May 2, 2002 and signed by the Mayor on May 15, 2002. This budget was prepared by the City in conjunction with the Eleventh Five-Year Plan. The Eleventh Five-Year Plan, which covers Fiscal Years 2003-2007, was approved by PICA on June 18, 2002. As of March 31, 2003, the City is projecting it will end Fiscal Year 2003 with a positive fund balance of \$116.2 million with revenue of \$3,115.0 million and obligations of \$3,162.8 million.

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

	1997	1998	1999	2000	2001	2002	Adopted Budget 2003
REVENUES							
Real Property Taxes	\$ 354.8	\$ 333.9	\$ 342.6	\$ 353.6	\$ 363.4	\$ 373.6	349.7
Personal Property Taxes	3.4 ^(a)	0.0	0.0	0.0	0.8	0.0	0.0
Wage and Earnings Tax	872.5	914.3	934.3	973.0	1,047.2 ^(c)	1,006.0	1,028.3
Net Profits Tax	12.8	12.6	15.5	12.7	11.8	13.4	10.9
Business Privilege Tax	246.4	237.4	254.5	290.1	314.0 ^(c)	295.8	299.2
Sales Tax	91.4	94.5	101.4	103.7	111.3	108.1	112.5
Other Taxes ^(b)	93.9	122.1	118.3	123.5	130.0 ^(c)	148.2	130.9
Total Taxes	<u>1,675.2</u>	<u>1,714.8</u>	<u>1,766.6</u>	<u>1,856.6</u>	<u>1,977.7</u>	<u>1,945.4</u>	<u>1,931.5</u>
Locally Generated Non-Tax Revenue	178.7	180.9	193.1	194.9	204.5	207.1	198.9
Revenue from Other Governments	546.4	579.0	606.4	678.0	748.8	687.7	868.7
Receipts from Other City Funds	24.5	22.5	61.9	26.0	24.0	24.7	24.6
Total Revenue	<u>2,424.8</u>	<u>2,497.2</u>	<u>2,628.1</u>	<u>2,755.5</u>	<u>2,955.1</u>	<u>2,866.9</u>	<u>3,023.7</u>
OBLIGATIONS/APPROPRIATIONS							
Personal Services	970.4	974.2	1,018.4	1,071.8	1,173.3	1,188.3	1,197.2
Purchase of Services	735.9	736.0	794.0	848.9	871.8	920.5	1,013.7
Materials, Supplies and Equipment	72.4	76.1	85.2	79.7	84.0	80.0	79.6
Employee Benefits	456.7	471.0	488.1	493.8	483.4	485.8	528.1
Indemnities, Contributions and Grants	84.0	79.9	90.2	69.9	82.4	123.8	95.7
City Debt Service	91.1	84.1	84.2	91.5	88.2	101.8	111.5
Other	29.7	29.5	29.3	29.2	72.9	30.2	32.4
Payments to Other City Funds	23.8	28.8	27.1	26.4	25.5	50.7	27.5
Total Obligations/Appropriations	<u>2,463.9</u>	<u>2,479.6</u>	<u>2,616.6</u>	<u>2,711.2</u>	<u>2,881.5</u>	<u>2,981.1</u>	<u>3,085.5</u>
Operating Surplus for the Year	(39.2)	17.6	11.5	44.3	73.6	(114.2)	(61.8)
Net Adjustments – Prior Year	49.5	22.8	25.0	45.1	(138.7) ^(d)	23.2	32.0
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	(161.6)
Cumulative Fund Balance Prior Year	<u>118.5</u>	<u>128.8</u>	<u>169.2</u>	<u>205.7</u>	<u>295.1</u>	<u>230.0</u>	<u>194.8</u>
Cumulative Adjusted Year End Fund Balance	<u>\$ 128.8</u>	<u>\$ 169.2</u>	<u>\$ 205.7</u>	<u>\$ 295.1</u>	<u>\$ 230.0</u>	<u>\$ 139.0</u>	<u>\$ 0.0</u>

(a) Final year of collection of Personal Property Taxes. See “REVENUES OF THE CITY-Assessment and Collection of Real and Personal Property Taxes.”

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

(c) Accounting accrual changes required by GASB #33 resulted in additional one-time tax revenue accruals in FY2001. (Wage Tax, \$50.4 million; Business Privilege, \$5.2 million; Other Taxes, \$4.3 million)

(d) Reflects GASB # 33's impact on prior year accruals.

FIGURES MAY NOT ADD DUE TO ROUNDING

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

	1997	1998	1999	2000	2001	2002	Adopted Budget 2003
REVENUES							
General Fund	\$2,424.8	\$2,497.2	\$2,628.1	\$2,755.5	\$2,955.1	\$2866.9	\$3,023.7
Water Fund ^(a)	384.0	398.7	402.3	414.0	410.3	404.2	453.0
Aviation Fund ^(b)	128.6	131.0	147.5	154.3	180.6	184.2	281.5
Other Operating Funds ^(c)	22.0	23.8	25.3	24.5	29.1	35.8	39.5
Total Revenue	<u>2,959.4</u>	<u>3,050.7</u>	<u>3,203.2</u>	<u>3,348.3</u>	<u>3,575.1</u>	<u>3491.1</u>	<u>3,797.7</u>
OBLIGATIONS/APPROPRIATIONS							
Personal Services	1,098.4	1,101.9	1,153.3	1,208.6	1,321.4	1339.1	1,366.8
Purchase of Services	836.3	843.5	903.8	966.4	992.2	1050.3	1,166.5
Materials, Supplies and Equipment	117.5	122.2	129.9	124.1	127.1		138.4
						121.9	
Employee Benefits	504.9	520.8	541.4	546.3	538.1	541.8	595.7
Indemnities, Contributions and Taxes	89.5	86.2	98.7	77.7	88.1	129.1	108.1
Debt Service ^(d)	256.9	253.4	273.0	289.8	296.2	330.7	383.3
Other	29.7	29.5	29.3	29.2	72.9	30.3	32.9
Payments to Other City Funds	77.2	92.1	64.3	70.6	75.5	97.5	92.8
Total Obligations/Appropriations	<u>3,010.3</u>	<u>3,049.6</u>	<u>3,193.8</u>	<u>3,312.7</u>	<u>3,511.5</u>	<u>3640.7</u>	<u>3,884.5</u>
Operating Surplus (Deficit) for the Year	(50.9)	1.1	9.3	35.6	63.6	(149.6)	(86.8)
Net Adjustments Prior Year	65.8	41.0	43.6	58.7	(122.8)	43.1	47.2
Funding for Contingencies	0.0	0.0	0.0	0.0	(0.0)	0.0	(161.6)
Cumulative Fund Balance (Deficit) Prior Year End	<u>140.9</u>	<u>155.8</u>	<u>197.9</u>	<u>250.9</u>	<u>330.3</u>	<u>289.6</u>	<u>241.3</u>
Cumulative Adjusted Year End Fund Balance (Deficit)	<u>\$ 155.8</u>	<u>\$ 197.9</u>	<u>\$ 250.9</u>	<u>\$ 345.2</u>	<u>\$ 271.1</u>	<u>\$ 183.1</u>	<u>\$40.1</u>

(a) Revenues of the Water Fund are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied, and then only to the extent of \$4,994,000 per year, provided certain further conditions are satisfied. The City has determined that only \$4,138,000 per year shall be transferred from the Water Fund to the General Fund provided certain other conditions are met.

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

(c) Includes County Liquid Fuels Tax Fund, Special Gasoline Tax Fund and Water Residual Fund.

(d) Excludes PICA bonds.

FIGURES MAY NOT ADD DUE TO ROUNDING.

Quarterly Reporting to PICA

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

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

The City’s most recent quarterly report was submitted to PICA on February 15, 2003 and reported no adverse variance from the Eleventh Five-Year Plan.

REVENUES OF THE CITY

General

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

Major Revenue Sources of Principal Operating Funds (Debt Related)

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 for revenues by major source for Fiscal Years 1993-2003 and Table 4 for General Fund tax revenues for Fiscal Years 1997-2003. The following description does not take into account revenues in the Non-Debt Related Funds. See Table 5 for tax rates for Fiscal Years 1993 through 2002.

Real Property Taxes — The City levies real estate taxes on all taxable real property located within its boundaries. For Fiscal Year 2002, the rate for the City is 37.45 mills and the rate for the School District is 45.19 mills. The City is shifting an additional 2.71 mills to the School District in Fiscal Year 2003 to provide \$25 million of the \$45 million in additional funding the City pledged to provide to the School District as part of its School District agreement with the Commonwealth. In Fiscal Year 2002, the full \$45 million in additional funding was provided as a contribution because it was too late in the fiscal year for the City to change its mileage allocation. The mileage shift would increase the School District's portion of the tax from 4.519 percent to 4.79 percent and the City's portion of the tax would decrease from 3.745 percent to 3.474 percent. At the same time, the City's cash transfer to the School District would be reduced by \$25 million so that there would be no net change in the amount of combined property tax revenues and city cash transfers that the School District receives.

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

In Fiscal Year 1992, the City reduced the City wage, earnings, and net profits tax on City residents by 1.5% and imposed the PICA Tax on wage, earnings and net profits at the rate of 1.5% on City residents. The following are the resident and non-resident wage and earnings tax rates for Fiscal Years 1992-2003.

<u>Fiscal Year</u>	<u>Resident Wage and Earnings Tax Rates*</u>	<u>Non-Resident Wage and Earnings Tax Rates</u>
1992	4.9600%	4.3125%
1993	4.9600	4.3125
1994	4.9600	4.3125
1995	4.9600	4.3125
1996	4.8600	4.2256
1997	4.8400	4.2082
1998	4.7900	4.1647
1999	4.6869	4.0750
2000	4.6135	4.0112
2001	4.5635	3.9672
2002	4.5385	3.9462
2003	4.5000	3.9127

* Includes PICA Tax

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

The Business Privilege Tax is a composite tax. Tax rates vary according to business classification (regulated, non-regulated, persons registered under the Pennsylvania Securities Act of 1972, manufacturing, wholesale, or retail) and method of tax computation employed. The various methods of tax computation are as follows: effective Fiscal Year 1989, all regulated industries, banks, trust companies, insurance companies, and public utilities, among others, were taxed at an annual rate of 3.25

mills on annual receipts not to exceed 6.5% of their net income. The tax on annual receipts and net income of all businesses, other than regulated industries, was levied at 3.25 mills and 6.5%, respectively, provided that persons registered under the Pennsylvania Securities Act of 1972 shall in no event pay a tax of less than 5.711 mills on all taxable receipts plus the lesser of 4.302% of net income or 4.302 mills on gross taxable receipts.

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

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

In Fiscal Year 1996, the City began a program of reducing the gross receipts portion of the Business Privilege Tax from its previous level of 3.25 mills.

<u>Fiscal Year</u>	<u>Business Privilege Tax/Gross Receipts</u>
1995	3.250 mills
1996	3.000 mills
1997	2.950 mills
1998	2.875 mills
1999	2.775 mills
2000	2.650 mills
2001	2.530 mills
2002	2.400 mills
2003	2.300 mills

In the Eleventh Five-Year Plan, the Mayor also proposed further reductions in this tax rate for each of Fiscal Years 2003-2007. The City proposes to accelerate the rate reductions for the gross receipts portion of the business privilege tax so that by Fiscal Year 2007, this tax will be only 50 percent of the rate that prevailed when the City began its tax cuts in 1996. There can be no assurance that the proposed reductions will be implemented.

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

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

The City Sales Tax is imposed in addition to, and on the same basis as, the Commonwealth’s sales and use tax. The City Sales Tax became effective September 28, 1991 and is collected for the City

by the Commonwealth Department of Revenue. The City collected the amount set forth below in Fiscal Years 1994 through 2002 and budgeted collection for Fiscal Year 2003 set forth below.

<u>Fiscal Year</u>	<u>City Sales Tax Collections</u>
1994	\$ 82.6 million
1995	86.1 million
1996	82.4 million
1997	91.4 million
1998	94.5 million
1999	101.4 million
2000	103.7 million
2001	111.3 million
2002	108.1 million
2003	110.8 million*
* Budgeted for Fiscal Year 2003	

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

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

Revenue From Other Governments — The City's Fiscal Year 2002 Current General Fund actual shows that approximately 24% of General Fund revenues will be received from other governmental jurisdictions, including: (1) \$242.2 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) \$224.7 million from the Federal government; (3) \$34.1 million from other governments, in which revenues are primarily principal and interest payments on loans made by the City on SEPTA's behalf, the Convention Center Service Fee offset and rents paid to the City by PGW; and (4) \$6.5 million of "Other Authorized Adjustments." In addition, the projected net collections of the PICA Tax of \$180.2 million are included in "Revenue from Other Governments." These amounts do not include the substantial amounts of revenues from other governments received by the Grants Revenue Fund, Community Development Fund, and other operating and capital funds of the City.

Revenues from City-Owned Systems

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

Effective June 1991, the revenues of the Water Department were required to be segregated from other funds of the City. Under the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "Water Ordinance"), an annual transfer may be made from the Water Fund to the City's General Fund in an amount not to exceed the lesser of (a) all Net Reserve Earnings, as defined below, or (b) \$4,994,000. Net Reserve Earnings means the amount of interest earnings during the fiscal year on amounts in the Debt Reserve Account and Subordinated Bond Fund, as defined in the Water Ordinance. The \$4,994,000 amount was reduced to \$4,138,000 by administrative agreement that will be

in effect through Fiscal Year 2003. No such transfer was made in Fiscal Year 1992; however, the transfer has been made in each subsequent year.

The revenues of PGW are segregated from other funds of the City. Payments for debt service on Gas Works Revenue Bonds are made directly by PGW. PGW also makes an annual payment of \$18,000,000 to the City's General Fund. The Fiscal Year 2003 General Fund budget includes this annual receipt of \$18,000,000.

Philadelphia Parking Authority

The Philadelphia Parking Authority ("PPA") was established by City ordinance pursuant to the Pennsylvania Parking Authority Law, P.L. 458, No. 208 (June 5, 1947). Various statutes, ordinances, and contracts authorized PPA to plan, design, acquire, hold, construct, improve, maintain and operate, own or lease land and facilities for parking in the City, including such facilities at Philadelphia International Airport (the "Airport"), and to administer the City's on-street parking program through an Agreement of Cooperation ("Agreement of Cooperation") with the City.

Revenues under the Ground Lease with PPA – PPA owns and operates three parking garages at the Airport, as well as operating a number of surface parking lots at the Airport. The land on which these garages and surface lots are located is leased from the City, acting through the Department of Commerce, Division of Aviation, pursuant to a lease expiring in 2030 (the "Ground Lease"). PPA is currently constructing two additional garages at the Airport that will also be subject to the terms of Ground Lease. The Ground Lease provides for payment of rent to the City, which is equal to gross receipts less operating expense, debt service on PPA's bonds issued to finance improvements at the Airport and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its Airport operations, if any. The amount that was transferred from the PPA to the Division of Aviation on June 29, 2002 was approximately \$16,863,000.

One component of the operating expenses is PPA's administrative costs. In 1999, at the request of the Federal Aviation Administration ("FAA"), PPA and the City entered into a letter agreement (the "FAA Letter Agreement") which contained a formula for calculating PPA's administrative costs and capped such administrative costs at 28% of PPA's total administrative costs for all of its cost centers. PPA owns and/or operates parking facilities at a number of non-Airport locations in the City. These parking facilities are revenue centers for purposes of the FAA Letter Agreement.

Act 22 Litigation – In 2001, the Commonwealth enacted a law ("Act 22") which, in part, requires PPA to transfer to the Philadelphia School District in PPA's fiscal year beginning April 1, 2001, that portion of PPA's retained earnings, not to exceed \$45,000,000, which will not jeopardize its ability to meet debt service payments or to retire outstanding bonds. Act 22 also provides that the board of PPA shall transfer the maximum amount it deems available for such purposes in subsequent fiscal years.

It is the City's position that Act 22 will not materially reduce the amount of revenue the City receives from PPA. The primary sources of the revenue are funds the City receives pursuant to the lease arrangements between the City and PPA (including the Ground Lease), and funds the City receives pursuant to the Agreement of Cooperation whereby PPA acts as the City's agent in administering much of the City's on-street parking program, which is a municipal function. It is the City's position that Act 22 does not affect the aforementioned leases or Agreement of Cooperation.

The City has filed a lawsuit in the United States District Court for the Eastern District of Pennsylvania seeking a ruling confirming that no such transfer of City revenues may occur because sums paid to, or retained by, PPA from revenues generated by PPA at the Airport are limited by the FAA Letter

Agreement and Federal law (49 U.S.C. § 47107), which prohibits the diversion of airport revenues for non-airport purposes. This federal lawsuit has been stayed, and is currently expected to remain stayed pending the outcome of the state litigation described below.

The City filed a lawsuit in the Court of Common Pleas for Philadelphia County seeking a ruling invalidating Act 22. In this state court lawsuit, the City alleges, among other things, that Act 22 violates several provisions of the Pennsylvania Constitution and infringes upon certain statutory guarantees prohibiting changes in PPA's rights and authority. The state court lawsuit was transferred to the Pennsylvania Commonwealth Court for a decision on its merits. The Commonwealth Court sustained the defendant's preliminary objections, thus dismissing the lawsuit. The City has appealed the dismissal to the Pennsylvania Supreme Court. It is anticipated that briefing on the matter will be complete by the end of July, 2003.

Assessment and Collection of Real and Personal Property Taxes

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

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

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

Table 3
City of Philadelphia
Summary of
Principal Operating Funds (Debt Related)
Revenues By Major Source
Fiscal Years 1993-2003
(Legal Basis)

(Amounts in Millions of Dollars)

Fiscal Year	Real & Personal Property Taxes ^(a)	Wage Earnings & Net Profits Taxes ^(a)	Business Privilege Tax ^(a)	Sales and Use Tax ^{(a)(b)}	Other Taxes ^(c)	Total Taxes	Water & Wastewater Charges	Airport Charges	Other Locally Generated Charges	Total Local Revenue	Revenue from Other Gov'ts	Revenue from Other City Funds	Total Revenues
1993	345.2	820.0 ^(d)	215.1	76.3	69.0	1,525.6	294.8	113.5	176.5	2,110.4	617.1	31.8	2,759.3
1994	346.0	840.8 ^(d)	221.6	82.6	78.3	1,569.3	288.1	114.7	199.9	2,172.0	587.0	38.7	2,797.7
1995	339.5	857.6 ^(d)	230.2	86.1	79.9	1,593.3	288.9	114.0	244.7	2,240.9	515.9	31.1	2,787.9
1996	346.6	877.5 ^(d)	237.5	82.4	77.7	1,621.8	296.2	123.8	250.4	2,292.2	565.1	33.2	2,890.5
1997	358.2	885.4 ^(d)	246.4	91.4	93.8	1,675.2	291.0	125.8	236.8	2,328.8	587.9	44.1	2,960.8
1998	333.9 ^(e)	926.9 ^(d)	237.4	94.5	122.1	1,714.8	288.8	126.6	253.7	2,383.9	620.7	46.1	3,050.7
1999	342.6	949.8 ^(d)	254.5	101.4	118.3	1,766.6	290.5	143.2	259.9	2,460.2	639.9	103.1	3,203.2
2000	353.6	985.7	290.1	103.7	123.5	1,856.6	296.1	149.4	258.0	2,560.1	708.3	79.9	3,348.3
2001	363.4	1,059.0 ^(f)	314.0 ^(f)	111.3	130.0 ^(f)	1,997.7	285.8	175.7	251.3	2,710.5	781.7	90.5	3,580.0
2002	373.6	1019.3	295.8	108.1	148.6	1,945.4	302.8	181.7	257.9	2,687.8	722.5	80.8	3,491.1
2003 (Budget)	349.7	1,028.3	299.2	112.5	141.8	1,931.5	326.1	277.5	258.1	2,793.2	901.1	103.4	3,797.7

(a) See Table 5 for Tax Rates.

(b) Effective September 28, 1991.

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

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

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

(f) See Note (c) on Table 1.

FIGURES MAY NOT ADD DUE TO ROUNDING

Table 4
City of Philadelphia
General Fund
Tax Revenues ^(a)
Fiscal Years 1997-2003
(Amounts In Millions)

			Actual				Adopted Budget
	1997	1998	1999	2000	2001	2002	2003
REAL PROPERTY TAXES							
Current	\$ 310.1	\$ 305.8	\$ 311.9	\$ 315.9	\$ 325.8	\$ 333.2	\$ 321.7
Prior	44.7	28.1	30.7	37.7	37.6	40.4	28.0
Total	<u>\$ 354.8</u>	<u>\$ 333.9</u>	<u>\$ 342.6</u>	<u>\$ 353.6</u>	<u>363.4</u>	<u>\$ 373.6</u>	<u>349.7</u>
PERSONAL PROPERTY TAXES							
Current ^(b)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prior	3.4	0.0	0.0	0.0	0.0	0.0	0.0
Total	<u>\$ 3.4</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>
WAGE AND EARNINGS TAX ^(c)							
Current	859.7	896.6	916.2	949.6	1,023.1 ^(d)	981.8	1,007.3
Delinquent	12.8	17.7	18.1	23.4	24.1	24.2	21.0
Total	<u>\$ 872.5</u>	<u>\$ 914.3</u>	<u>\$ 934.3</u>	<u>\$ 973.0</u>	<u>\$ 1,047.2</u>	<u>\$ 1,006.0</u>	<u>\$ 1,028.3</u>
BUSINESS TAXES:							
Business Privilege							
Current	210.6	214.0	233.9	251.7	275.5	273.8	264.2
Delinquent	35.8	23.4	20.7	38.4	38.5	22.0	35.0
Sub-Total Business Privilege	<u>\$ 246.4</u>	<u>\$ 237.4</u>	<u>\$ 254.5</u>	<u>\$ 290.1</u>	<u>\$ 314.0</u>	<u>\$ 295.8</u>	<u>\$ 299.2</u>
Net Profits Tax							
Current	10.4	10.2	13.1	9.9	10.6	11.4	9.8
Delinquent	2.3	2.4	2.4	2.8	1.2	2.0	1.1
Sub-Total Net Profits Tax	<u>12.7</u>	<u>12.6</u>	<u>15.5</u>	<u>12.7</u>	<u>11.8</u>	<u>13.4</u>	<u>10.9</u>
Total Business Taxes	<u>\$ 259.2</u>	<u>\$ 250.0</u>	<u>\$ 270.0</u>	<u>\$ 302.8</u>	<u>\$ 325.8</u>	<u>\$ 309.2</u>	<u>\$310.0</u>
OTHER TAXES							
Sales and Use Tax	91.4	94.5	101.4	103.7	111.3	108.1	112.5
Amusement Tax	9.2	9.5	9.9	11.7	13.0 ^(d)	13.8	13.3
Real Property Transfer Tax	54.8	82.5	74.9	77.7	77.0	96.7	78.9
Parking Taxes	28.4	30.0	32.1	34.1	39.0 ^(d)	37.9	37.6
Other Taxes	1.4	.1	1.4	0.0	0.5	.1	1.0
Sub-Total Other Taxes	<u>\$ 185.2</u>	<u>\$ 216.6</u>	<u>\$ 219.7</u>	<u>\$ 227.2</u>	<u>\$ 241.3</u>	<u>\$ 256.6</u>	<u>\$243.4</u>
TOTAL TAXES	<u>\$1,675.2</u>	<u>\$1,714.8</u>	<u>\$1,766.6</u>	<u>\$1,856.6</u>	<u>\$1,977.7</u>	<u>\$ 1945.4</u>	<u>\$1,931.5</u>

(a) See Table 5 for Tax Rates.

(b) The City ceased levying the Personal Property Tax during the latter part of Fiscal Year 1997.

(c) Beginning in FY 1992, the City reduced the resident Wage and Earnings and Net Profits Tax from 4.96% to 3.46% and levied the PICA Tax at a rate of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and the PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments.

(d) See Note (c) on Table 1.

FIGURES MAY NOT ADD DUE TO ROUNDING

Table 5
City of Philadelphia
Tax Rates and School District Real Estate Tax Rates
For the Ten-Year Period 1993 Through 2002

Tax Classification	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Real Property: (% on Assessed Valuation)										
City	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%
School District	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%
Assessment Ratio as Determined by Sales	25.10%	27.30%	27.00%	27.07%	26.44%	24.39%	23.00%	23.70%	25.46%	NA
Effective Tax Rate (Real Estate Tax Rate x Assessment Ratio)	2.074%	2.256%	2.231%	2.237%	2.185%	2.016%	1.901%	1.959%	2.104%	NA
Wage, Earnings and Net Profits Taxes:										
Residents (a)	4.96%	4.96%	4.96%	4.86%(b)	4.84%(c)	4.79%(h)	4.6869%(i)	4.6135%(j)	4.5630%(k)	4.5385%(s)
Non-Residents	4.3125%	4.3125%	4.3125%	4.2256%(b)	4.2082%(c)	4.1647%(h)	4.075%(i)	4.0112%(j)	3.9672%(k)	3.9462%(s)
Real Property Transfer Tax (l)	3.46%	3.23%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Personal Property Tax (% on Taxable Intangible Items) (m)	0.4%	0.4%	0.4%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Business Privilege Taxes										
(% on Gross Receipts)	0.325%	0.325%	0.325%	0.300%(b)	0.295%(c)	0.2875%(d)	0.2775%(e)	0.2650%(f)	0.2525%(g)	0.2400%(t)
(% on Net Income) (n)	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Sales and Use Tax	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Parking Lot Tax (% on Gross Receipts)	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Mechanical Amusement Device Tax(o)	\$100	-	-	-	-	-	-	-	-	-
Hotel Room Rental Tax	5.0%	6.0%(p)	6.0%	6.0%	6.0%	6.0%	6.0%	7.0%(r)	7.0%	7.0%
Vehicle Rental Tax(q)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%

NOTES:

(a) Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Taxes for City residents is 1.5%.

(b) Tax decrease effective January 1, 1996.

(c) Tax decrease effective January 1, 1997.

(d) Tax decrease effective January 1, 1998.

(e) Tax decrease effective January 1, 1999.

(f) Tax decrease effective January 1, 2000.

(g) Tax decrease effective January 1, 2001.

(h) Tax decrease effective July 1, 1997.

(i) Tax decrease effective July 1, 1998.

(j) Tax decrease effective July 1, 1999.

(k) Tax decrease effective July 1, 2000.

(l) Phased decreases effective July 1, 1990.

(m) The City ceased the collection of the Personal Property Tax during FY 1997.

(n) 60% of Net Income Tax portion paid is credited against Net Profits Tax Payable.

(o) The City converted this tax to a Licensing Fee in Fiscal 1994.

(p) Tax Increase effective July, 1993.

(q) Effective July 1, 2000

(r) Tax increase effective July 1, 1999.

(s) Tax decrease effective July 1, 2001.

(t) Tax decrease effective January 1, 2002.

Table 6
City of Philadelphia
Assessed and Market Value of Taxable Realty in Philadelphia
For the Calendar Years 1993 Through 2002
(Amounts in Millions of Dollars)

Calendar Year	Assessed Value Adjusted to 6-30-2002(a)		Assessment Ratio of State Tax Equalization Board (b)	Market Value on Basis of STEB Ratio		Assessment Ratio as Determined by Sales (c)	Estimated Market Value Based on Sales	
	Amount	Percentage Increase (Decrease) Over Prior Year		Amount	Percentage Increase (Decrease) Over Prior Year		Amount	Percentage Increase (Decrease) Over Prior Year
1993	8,865	-0.66%	0.300	29,570	-0.66%	0.251	35,291	-0.46%
1994	9,008	1.61%	0.300	30,047	1.61%	0.273	33,057	-6.33%
1995	8,896	-1.24%	0.299	29,753	-0.98%	0.270	32,912	-0.44%
1996	8,896	0.00%	0.300	29,673	-0.27%	0.271	32,863	-0.15%
1997	8,968	0.81%	0.303	29,617	-0.19%	0.264	33,918	3.21%
1998	9,039	0.79%	0.302	29,940	1.09%	0.244	37,060	9.26%
1999	9,196	1.74%	0.304	30,300	1.20%	0.230	39,983	7.89%
2000	9,351	1.69%	0.304	30,811	1.69%	0.237	39,439	-1.36%
2001	9,615	2.82%	0.303	31,712	2.93%	0.255	37,765	-4.24%
2002(d)	9,911	3.08%	0.303	32,677	3.04%	NA	NA	NA
Total Increase 1993 - 2002	1,046	11.80%						
Compounded Annual Average Rate of Increase 1993 - 2002		1.25%						

NOTES:

- (a) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments.
- (b) The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth. The ratio is used for the purpose of equalizing certain state school aid distribution.
- (c) The Assessment Ratio as presented has not been adjusted to allow for the effects of large or unusual sales.
- (d) At June 30, 2002

Table 7
City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 1993 Through 2002
(Amounts in Millions of Dollars)

Calendar Year of Levy (a)	Original Assessed Value (b)	Assessed Value of Taxable Real Property Adjusted to 6-30-2001(c)	Amount Collectible in Year of Levy	Amount Collected in Year of Levy (d)	Collections Within Year of Levy as a Percent of Amount Collectible	Net Levy Adjusted to 6-30-2002	Net Collections of Delinquent Taxes Relating to Year of Levy	Total Collections	Total Collections as a Percent of Adjusted Amount Collectible
1993	9,676	8,865	337.2	307.1	91.1%	338.0	24.7	331.8	98.2%
1994	9,516	9,008	335.6	305.9	91.2%	337.0	22.5	328.4	97.5%
1995	9,410	8,896	338.5	307.1	90.7%	336.4	23.2	330.3	98.2%
1996	9,266	8,896	337.7	308.2	91.3%	338.5	19.5	327.7	96.8%
1997	9,275	8,968	336.2	310.8	92.4%	337.3	18.1	328.9	97.5%
1998	9,220	9,039	338.6	311.9	92.1%	341.2	18.2	330.1	96.8%
1999	9,273	9,196	343.6	316.2	92.0%	346.2	15.6	331.8	95.8%
2000	9,527	9,351	349.3	322.0	92.2%	352.1	12.8	334.8	95.1%
2001	9,867	9,615	356.6	326.7	91.6%	359.6	7.9	334.6	93.1%
2002	10,300	9,911	367.6	324.9(e)	88.4%	N/A	N/A	N/A	N/A

NOTES:

- (a) Real property tax bills are sent out in November and are payable at one percent discount until February 28, and the face amount is due on or before March 31, without interest or penalty.
- (b) Includes \$334.1 million in 1993, \$189.8 million in 1994, \$95.2 million in 1995, \$64.9 million in 1996, \$52.7 million in 1997, \$13.7 million in 1998, \$23.3 million in 1999, \$57.7 million in 2000, \$84.0 million in 2001 and \$68.1 million in 2002 classified as exempt under ordinance (Bill 1130) approved February 8, 1978 which provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill 982 (approved July 9, 1990) changed the exemption period from five years to three years. Also includes \$35.8 million in 1993, \$11.8 million in 1994, \$13.1 million in 1995, \$10.4 million in 1996, \$4.3 million in 1997, \$5.9 million in 1998, \$9.0 million in 1999, \$15.3 million in 2000, \$16.1 million in 2001 and \$26.9 million in 2002 classified as exempt under ordinance (Bill 1456-A) as approved January 28, 1983 which provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property; and Legislative Act 5020-205 as amended, approved October 11, 1984 which provides for a maximum thirty month tax abatement to developers of residential property. Includes \$2.3 million in 2000, \$9.0 million in 2001 and \$19.4 million in 2002 classified as exempt under ordinance (Bill #970274) approved July 1, 1997 which provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial, or other business property to commercial non-owner occupied residential property. Also includes, \$17.1 million in 2001 and \$26.7 million in 2002 classified as exempt under ordinance (Bill 980788A) approved December 30, 1998 which provides a maximum twelve year tax exemption, abatement, or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.
- (c) The adjustment reflects reductions or increases in assessments pursuant to established procedures for review of assessments.
- (d) Amounts shown as collected include amounts allowed as discounts for payments during the discount period.
- (e) Includes collections through June 30, 2002, while the other years include collection through December 31, of the year of the levy. It is estimated that approximately 91% of the net levy for Fiscal 2002 will be collected within the year of levy, resulting in approximately \$334.5 million by December 31, 2002.

Table 8
City of Philadelphia
Ten Largest Real Estate Assessments
January 1, 2002
(Amounts in Thousands of Dollars)

<u>Location</u>	<u>Owner</u>	<u>Assessment</u>	<u>Percentage of Total Assessments</u>
1650 Market Street	Phila. Liberty Place	\$ 64,320	0.63%
1500-42 Market Street	Center Square Partners	59,520	0.59%
1735 Market Street	Nine Penn Center Associates	51,968	0.51%
50 S. 16th Street	Two Liberty Place	51,840	0.51%
4301 Byberry Road	PMI Associates	48,096	0.47%
1717 Arch Street	Bell Atlantic	43,320	0.43%
1901-19 Market Street	PRU 1901 Market LLC	32,896	0.32%
2005 Market Street	Commerce Square Partners	32,320	0.32%
2001 Market Street	Maguire/Thomas	32,000	0.32%
1201 Market Street	Philadelphia Market Street	30,400	0.30%
		<hr/>	<hr/>
		\$ 446,680	4.40%
		<hr/>	<hr/>
Total Taxable Assessments		\$ 10,158,592	100.00%
		<hr/>	<hr/>

Table 9
Ten Largest Certified Market and Assessment Values
of Tax Abated Properties
January 1, 2001

Rank	Location	2001 Certified Market Value	Taxable Assessment Value	Assessment Value
1	1622-50 Arch Street	\$40,000,000	\$6,400,000	\$6,400,000
2	1701 Market Street	30,000,000	2,240,000	7,360,000
3	219-29 South 18th Street	20,859,700	2,988,711	3,686,393
4	1628-36 Chestnut Street	16,620,000	960,000	4,358,400
5	1500 Chestnut Street	14,800,000	294,400	4,441,600
6	1100 Vine Street	14,700,000	325,000	4,379,000
7	232-52 South 24th Street	12,500,000	539,456	3,460,544
8	1338-48 Chestnut Street	11,615,000	1,464,000	2,252,800
9	140 South Broad Street	11,500,000	2,080,000	1,600,000
10	9898 East Roosevelt Blvd.	10,255,100	2,683,520	598,112

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, 2002, the City employed 29,072 full-time employees with the salaries of 24,372 employees paid from the General Fund. Additional employment is supported by other funds, including the Water Fund and the Aviation Fund.

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

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

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

	At June 30 Actual						Adopted Budget
	1997	1998	1999	2000	2001	2002	2003
General Fund							
Police	7,630	7,801	7,789	7,812	7,807	7,683	7,883
Streets	2,160	2,135	2,137	2,130	2,141	2,080	2,195
Fire	2,462	2,468	2,478	2,468	2,500	2,458	2,518
Health	904	874	884	904	864	874	884
Courts	2,091	2,108	2,080	2,108	2,038	2,039	2,060
Other	8,866	8,963	9,024	9,257	9,306	9,289	9,898
Total General Fund	24,115	24,350	24,391	24,676	24,653	24,372	25,440
Other Funds	4,250	4,331	4,530	4,556	4,649	4,700	5,553
TOTAL	28,365	28,681	28,921	29,232	29,302	29,072	30,993

Labor Agreements

Four major bargaining units represent City employees for collective bargaining purposes. District Councils 33 and 47 of the American Federation of State County and Municipal Employees, AFL-CIO represents approximately 15,000 non-uniformed employees. The bargaining units for uniformed employees are the Fraternal Order of Police, Lodge 5 (the "FOP") and the Philadelphia Fire Fighters Association, Local 22, International Association of Fire Fighters AFL-CIO ("Local 22"), which together represent approximately 9,400 employees. The non-uniformed employees bargain under Act 195 of 1972, which allows for the limited right to strike over collective bargaining impasses. The uniformed employees bargain under Pennsylvania Act 111 of 1968, which provides for final and binding interest arbitration to resolve collective bargaining impasses.

In July 2000, new collective bargaining agreements were reached with District Councils 33 and 47. These four-year contracts, expiring June 30, 2004, include a \$1,500 payment with no general wage increase in Fiscal Year 2001, an increase of 3% late in the second quarter of both Fiscal Years 2002 and 2003 and a 3% increase in Fiscal Year 2004. In addition, these agreements maintain the health benefit cost containment provisions, disability reforms, paid leave reductions and other reforms achieved in prior agreements.

The City is currently engaged in binding interest arbitration with Local 22. The arbitration panel will award modifications in the fire wage and benefits packages which will be effective July 1, 2002.

On July 25, 2002 the City concluded binding interest arbitration with the FOP. The panel awarded the FOP a 3% increase in wages effective 7/1/02 and a 3.5% wage increase effective 7/1/03. The two year award also granted significant increases in health and welfare benefits to the FOP. All other reforms achieved in prior agreements are maintained.

The following table presents employee wage increases for the Fiscal Years 1993 through 2004.

Table 11
City of Philadelphia
Employee Wage Increases
Fiscal Years 1993-2004

Fiscal Year	District Council No. 33		District Council No. 47		Fraternal Order of Police		International Association of Fire Fighters	
1993	No increase		No increase		No increase		No increase	
1994	No increase		No increase		No increase		No increase	
1995	2.0%		2.0%		2.0%		2.0%	
1996	3.0%		3.0%		3.0%		3.0%	
1997	No increase	(a)	No increase	(a)	4.0%	(b)	4.0%	(c)
1998	3.0%	(d)	3.0%	(d)	4.0%	(e)	4.0%	(f)
1999	3.0%	(g)	3.0%	(g)	3.0%	(h)	3.0%	(i)
2000	4.0%	(j)	4.0%	(j)	4.0%	(k)	4.0%	(l)
2001	No increase	(m)	No increase	(m)	3.0%		3.0%	
2002	3.0%	(n)	3.0%	(n)	4.0%		4.0%	
2003	3.0%	(o)	3.0%	(o)	0.0%		0.0%	
2004	3.0%	(p)	3.0%	(p)	0.0%		0.0%	

- (a) First year of a four year contract: received a cash bonus of \$1,100 in July 1996.
- (b) First year of a two year contract: 4% effective July 1, 1996.
- (c) First year of a four year contract: 4% effective July 1, 1996.
- (d) Second year of a four year contract: 3% effective December 15, 1997.
- (e) Second year of a two year contract: 4% effective September 15, 1997.
- (f) Second year of a four year contract: 4% effective September 15, 1997.
- (g) Third year of a four year contract: 3% effective December 15, 1998.
- (h) First year of a two year contract: 3% effective September 15, 1998.
- (i) Third year of a four year contract: 3% effective September 15, 1998.
- (j) Fourth year of a four year contract: 4% effective March 15, 2000.
- (k) Second year of a two year contract: 4% effective September 15, 1999.
- (l) Fourth year of a four year contract: 4% effective September 15, 1999.
- (m) First year of a four year contract: cash bonus of \$1,500 paid in August 2000.
- (n) Second year of a four year contract: 3% effective December 15, 2001.
- (o) Third year of a four year contract: 3% effective December 15, 2002.
- (p) Fourth year of a four year contract: 3% effective July 1, 2003.

Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 1997 through 2003 are shown in the following table.

Table 12
City of Philadelphia
General Fund Employee Benefit Expenditures
Fiscal Years 1997-2003

(Amounts in Millions)

	Actual						Adopted Budget
	1997	1998	1999	2000	2001	2002	2003
Pension Contribution	\$207.2	\$219.2	\$224.9	\$219.7	\$194.2	\$196.6	\$210.8
Health-Medical-Dental	149.6	151.6	162.1	172.2	186.7	187.6	207.6
Social Security	46.2	48.2	51.7	53.5	57.8	57.4	59.2
Other	54.1	52.0	49.4	48.4	44.6	44.2	50.5
Total	<u>\$457.1</u>	<u>\$471.0</u>	<u>\$488.1</u>	<u>\$493.8</u>	<u>\$483.3</u>	<u>\$485.8</u>	<u>528.1</u>

Municipal Pension Fund (Related to All Funds)

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

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

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

The July 1, 1980 unfunded liability, as amended by subsequent reports, will be amortized over 38 years through annual contributions which will closely approximate a level percent of payroll. The Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, enacted December 18, 1984

adopted changes in funding of municipal pensions that have been reflected in the valuation report for July 1, 1985. In particular, this act generally requires that unfunded actuarial accrued liability be funded in annual level dollar payments. The City is permitted to amortize the July 1, 1985 unfunded actuarial accrued liability over 40 years ending in 2025.

Based on an actuarial schedule providing payments increasing at 5.0% per annum, the unfunded accrued liability of \$1.4 billion, as of July 1, 2001 should be fully amortized by 2019.

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

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

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

The following table is a comprehensive statement of operations of the City Municipal Pension Fund for Fiscal Years 1996 through 2002.

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Table 13
City of Philadelphia
City Municipal Pension Fund
Comparative Schedule of Operations
For the Fiscal Years 1993 Through 2002

	1993		1994		1995		1996		1997		1998		1999		2000		2001		2002
	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>
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	48.0	6.7	49.2	2.5	50.2	7.4	49.3	14.1	50.1
Less: Refunds to Members	<u>4.9</u>	<u>1.2</u>	<u>4.3</u>	<u>0.9</u>	<u>3.7</u>	<u>0.8</u>	<u>3.8</u>	<u>0.6</u>	<u>3.8</u>	<u>0.4</u>	<u>3.2</u>	<u>0.4</u>	<u>4.2</u>	<u>0.2</u>	<u>4.2</u>	<u>0.6</u>	<u>4.7</u>	<u>1.3</u>	<u>7.1</u>
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>	<u>44.8</u>	<u>6.3</u>	<u>45.0</u>	<u>2.3</u>	<u>46.0</u>	<u>6.8</u>	<u>44.6</u>	<u>12.8</u>	<u>43.0</u>
Employer's:																			
City of Philadelphia	174.3	41.3	233.7 (2)	50.5	212.8	48.5	222.5	35.3	237.0	24.8	252.0	35.3	1,506.8 (5)	77.7	179.5 (2)	26.6	163.5	46.9	174.2
Commonwealth of Pennsylvania																			
Through City of Philadelphia	35.1	8.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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>	<u>5.0</u>	<u>0.7</u>	<u>4.9</u>	<u>0.3</u>	<u>4.5</u>	<u>0.7</u>	<u>4.1</u>	<u>1.3</u>	<u>4.0</u>
Total Employer's Contributions	213.0	50.5	236.5	51.1	217.4	49.5	227.3	36.0	242.2	25.3	257.0	36.0	1,511.7	78.0	184.0	27.3	167.6	48.2	178.2
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>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Contributions	259.6	61.6	279.2	60.4	259.2	59.0	273.6	43.4	285.4	29.8	301.8	42.3	1,556.6	80.3	230.0	34.1	212.2	61.0	221.2
Investment Earnings	161.6	38.3	182.9	39.5	178.9	40.8	356.4	56.5	669.9 (3)	70.1	411.8	57.6	383.0	19.7	445.0	65.9	135.8	39.0	111.4
Other	<u>0.5</u>	<u>0.1</u>	<u>0.5</u>	<u>0.1</u>	<u>0.9</u>	<u>0.2</u>	<u>0.8</u>	<u>0.1</u>	<u>0.3</u>	<u>0.1</u>	<u>0.4</u>	<u>0.1</u>	<u>0.3</u>	<u>0.0</u>	<u>0.2</u>	<u>0.0</u>	<u>0.6</u>	<u>0.0</u>	<u>0.7</u>
Total Revenue	<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>	<u>714.0</u>	<u>100.0</u>	<u>1,939.9</u>	<u>100.0</u>	<u>675.2</u>	<u>100.0</u>	<u>348.6</u>	<u>100.0</u>	<u>333.3</u>
Deductions:																			
For Pension Benefits	312.5		326.2		338.6		353.4		372.0		383.3		434.0		444.3		456.8		450.2
Net Decline in Fair Value of Investments	0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		422.8		359.5
For Other Purposes, Excluding Refunds	<u>43.2 (1)</u>		<u>26.8 (1)</u>		<u>28.1 (1)</u>		<u>21.4 (1)</u>		<u>13.6</u>		<u>2.9 (4)</u>		<u>4.4</u>		<u>4.8</u>		<u>5.3</u>		<u>5.2</u>
Total Deductions	<u>355.7</u>		<u>353.0</u>		<u>366.7</u>		<u>374.8</u>		<u>385.6</u>		<u>386.2</u>		<u>438.4</u>		<u>449.1</u>		<u>884.9</u>		<u>814.9</u>
Excess of Revenue Over Deductions	<u>66.0</u>		<u>109.6</u>		<u>72.3</u>		<u>256.0</u>		<u>570.0</u>		<u>327.8</u>		<u>1,501.5</u>		<u>226.1</u>		<u>-536.3</u>		<u>-481.6</u>
Net Assets: Opening	1,847.1		1,913.1		2,022.7		2,095.0		2,351.0		2,921.0		3,248.8		4,750.3		4,976.4		4,440.1
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>		<u>3,248.8</u>		<u>4,750.3</u>		<u>4,976.4</u>		<u>4,440.1</u>		<u>3,958.5</u>
Increase (Decrease) During the Year	<u>66.0</u>		<u>109.6</u>		<u>72.3</u>		<u>256.0</u>		<u>570.0</u>		<u>327.8</u>		<u>1,501.5</u>		<u>226.1</u>		<u>-536.3</u>		<u>-481.6</u>
EXHIBIT:																			
A. Pension Benefits Paid as a Percent of																			
A. Net Contributions of Members		779.3		815.5		836.0		845.5		861.1		855.6		964.4		965.9		1,024.2	
B. Revenue		74.1		70.5		77.1		56.0		38.9		53.7		22.4		65.8		131.0	
C. Closing Net Assets		16.3		16.1		16.2		15.0		12.7		11.8		9.1		8.9		10.3	
B. The Closing Assets as a Percent of																			
Total Disbursements		537.8		573.0		571.3		627.3		757.5		841.2		1,083.6		1,108.1		501.8	
C. Coverage of Revenues Over Disbursements		118.6		131.0		119.7		168.3		247.8		184.9		442.5		150.3		39.4	
D. Investment Earnings as a Percent of Pension Benefits		51.7		56.1		52.8		100.8		180.1		107.4		88.2		100.2		29.7	

Notes:

- (1) Disbursements for Other Purposes include losses due to the permanent decline in market value of some investments. These losses amounted to \$34.2 million in Fiscal 1993, \$14.4 million in Fiscal 1994, \$15.2 million in Fiscal 1995 and \$9.3 million in Fiscal 1996.
- (2) Includes additional payments toward the Unfunded Actuarial Accrued Liability of \$10.0 million in Fiscal 1994 and \$15.0 million in Fiscal 2000
- (3) Included in this figure is \$354.2 million attributable to the recognition of the fair value of the investments at June 30, 1997
- (4) Disbursements for Other Purposes includes a reduction of \$1 million due to the reversal of charges made in previous fiscal years
- (5) Includes \$1,250 million from the sale of Pension Funding obligations.

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 1997 through 2003.

Table 14
City of Philadelphia
Purchase of Services In The General Fund
Fiscal Years 1996-2002

(Amounts In Millions)

	Actual						Adopted Budget
	1997	1998	1999	2000	2001	2002	2003
Human Services ^(a)	\$249.4	\$275.3	\$296.6	\$335.0	\$360.2	\$393.1	\$439.0
Public Health ^(b)	54.2	55.6	58.4	58.2	62.0	73.6	73.1
Public Property ^(c)	135.9	139.1	137.7	135.6	140.3	144.3	143.0
Streets ^(d)	65.1	59.1	48.0	49.7	49.7	50.4	52.0
Sinking Fund-Lease Debt ^(e)	38.5	38.2	38.2	44.2	42.6	57.8	91.2
Legal Services ^(f)	22.6	24.2	24.1	25.2	27.1	29.5	30.7
First Judicial District	29.9	27.1	28.5	27.9	28.8	21.9	23.4
Licenses & Inspections ^(g)	12.5	15.0	16.2	15.5	23.7	25.9	5.0
Emergency Services ^(h)	12.3	10.0	9.6	11.9	11.8	11.6	13.9
All Other	115.6	92.4	137.6	145.7	125.6	142.9	142.4
Total	\$736.0	\$736.0	\$794.9	\$848.9	\$871.8	\$951.2	\$1,013.7

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

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

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

(d) Includes solid waste disposal costs.

(e) Includes Justice Center lease debt.

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

(g) Includes payments for demolition.

(h) Includes homeless shelter and boarding home payments.

FIGURES MAY NOT ADD DUE TO ROUNDING

City Payments to School District

In each fiscal year since Fiscal Year 1996, the City has made an annual grant of \$15 million to the School District. Pursuant to negotiations with the Commonwealth to address the School District's current and future educational and fiscal situation, the Mayor and City Council agreed to provide the School District with an additional annual \$45 million beginning in Fiscal Year 2002.

City Loan to PGW

The City made a loan of \$45 million to PGW during Fiscal Year 2001 to assist PGW in meeting its cash flow requirements. Such loan is currently due in Fiscal Year 2007.

City Payments to SEPTA

In recent years, SEPTA has faced increased operating costs. The City's estimated Fiscal Year 2002 operating subsidy payment to SEPTA was \$61.4 million. The Fiscal Year 2003 budget projects operating subsidy payments to SEPTA of \$64.2 million. The Eleventh Five-Year Plan provides that the City's contribution to SEPTA will remain at approximately this level through Fiscal Year 2007.

DEBT OF THE CITY

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

The Constitution of the Commonwealth further provides that there shall be excluded from the computation of debt for purposes of the Constitutional debt limit, debt (herein called "self-supporting debt") 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 1, 2003, the Constitutional debt limitation for tax-supported general obligation debt was \$1,260,639,000. After legally authorized deductions, \$1,119,224,000 of tax-supported general obligation debt was authorized as of this date, leaving a balance of \$141,415,000 available for future authorization.

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

Short-Term Debt

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

The City issued \$300 million of Tax and Revenue Anticipation Notes in July 2002. These notes are due on June 30, 2003. The City intends to repay these notes when due at maturity.

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 2002. 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, 2002, the City's tax-supported general obligation debt issued and outstanding equaled \$855.3 million.

Of the total balance of City tax-supported general obligation bonds outstanding at June 30, 2002, 18% is scheduled to mature within 5 years and 33% is scheduled to mature within 10 years.

Other Long-Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations. These obligations include guarantees or the payment of debt service on certain bonds of PMA, PAID, the Parking Authority, the Redevelopment Authority, the Hospitals Authority and the Convention Center Authority.

The principal amount of the City's obligation with regard to each of these authorities as of June 30, 2002 is as follows:

PMA	\$ 300.7 million
PAID	\$ 1,668.8 million
Parking Authority	\$ 109.8 million
Redevelopment Authority	\$ 145.3 million
Hospitals Authority	\$ 24.1 million
Convention Center Authority	\$ 253.8 million

The bonds of the Parking Authority included in the previous table are payable from project revenues, and by the City only if and to the extent that net revenues are inadequate for this purpose. See "REVENUES OF THE CITY – Philadelphia Parking Authority."

The Hospitals Authority 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 the lease revenue bonds on behalf of CCP for which the City is obligated to make such payments was \$24,105,000 as of June 30, 2002; this amount represents 50% of the \$48,210,000 principal amount of bonds issued and outstanding for CCP purposes as of June 30, 2002.

Recent Financings

In May 2002, the Redevelopment Authority issued \$18,250,000 of taxable and \$124,123,000 of non-taxable bonds in connection with the City of Philadelphia's Neighborhood Transformation Initiative. Such bonds are secured by a Service Agreement that obligates the City to appropriate sums equal to the debt service of such bonds.

Table 15
City of Philadelphia
Analysis of Changes in Bonded Debt Outstanding
For The Period July 1, 2001 To June 30, 2002

(Amounts in Thousands of Dollars)

	General Fund	Water Fund	Aviation Fund	Gas Works Fund	Total
<u>Bonded Debt Outstanding, July 1, 2001</u>	<u>901,043</u>	<u>1,692,738</u>	<u>954,302</u>	<u>975,302</u>	<u>4,523,385</u>
Increases:					
Par Value of Bonds Issued:					
General Obligation	0		0	0	0
Revenue Bonds	<u>0</u>	<u>288,672</u>	<u>227,800</u>	<u>0</u>	<u>516,472</u>
<u>Total Bonds Sold</u>	<u>0</u>	<u>288,672</u>	<u>227,800</u>	<u>0</u>	<u>516,472</u>
Decreases:					
Matured Bonds:					
General Obligation	42,133	1,696	3,667	0	47,496
Revenue Bonds		61,814	26,690	38,855	127,359
Revenue Refunded	<u>0</u>	<u>35,735</u>	<u>0</u>	<u>0</u>	<u>35,735</u>
<u>Total Decrease</u>	<u>42,133</u>	<u>99,245</u>	<u>30,357</u>	<u>38,855</u>	<u>210,590</u>
 Total Debt Outstanding,					
	858,910	1,882,165	1,151,745	936,447	4,829,267

Table 16
City of Philadelphia
City and School District Net Tax Supported Debt and Debt Service Ratios
For the Fiscal Years 1993 Through 2002

Line No.		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	<u>Net Tax Supported Debt (Millions)</u>										
	<u>City:</u>										
1	Bonded Debt (a)	\$ 792.6	490.2	451.4	522.6	486.1	453.7	674.7	640.2	895.4	855.3
2	Other Long-Term Obligations (b)	1,817.3	1,754.1	1,796.3	1,799.8	1,836.3	734.1	3,124.9	3,113.8	3,112.7	3,615.0
3	Total City	\$ 2,609.9	2,244.3	2,247.7	2,322.4	2,322.4	1,187.8	3,799.6	3,754.0	4,008.1	4,470.3
	<u>Overlapping School District Debt:</u>										
4	Bonded Debt	400.7	533.1	498.7	628.2	704.0	697.2	784.3	870.4	995.1	1,410.9
5	Other Long-Term Obligations (c)	\$ 381.3	403.3	420.6	436.5	436.2	458.2	447.2	483.7	516.5	547.3
6	Total School District	\$ 782.0	936.4	919.3	1,064.7	1,140.2	1,155.4	1,231.5	1,354.1	1,511.6	1,958.2
7	<u>Overlapping PICA Bonded Debt:</u>	\$ 0.0	1,156.7	1,237.5	1,146.2	1,102.4	1,055.0	1,014.1	959.4	901.8	840.7
8	Total Debt	\$ 3,391.9	4,337.4	4,404.5	4,533.3	4,565.0	3,398.2	6,045.2	6,067.5	6,421.5	7,269.2
9	Estimated Population (Thousands) (d)	1,539	1,524	1,499	1,478	1,451	1,436	1,418	1,518	1,518	1,492
10	Assessed Valuation (Millions) (e)	\$ 8,865	9,008	8,896	8,896	8,968	9,039	9,196	9,351	9,615	9,911
11	Estimated Market Value (Millions) (e)	\$ 35,291	33,057	32,912	32,863	33,918	37,060	39,983	39,439	37,765	NA
	<u>City Net Tax Supported Annual Debt Service:</u>										
12	Bonded Debt	\$ 176.4	168.0	69.1	67.6	68.1	61.4	62.6	73.0	71.9	87.9
13	Other Long-Term Obligations	96.1	132.2	115.0	87.2	104.4	108.1	64.1	120.9	73.0	125.0
14	Total (Line 12 and Line 13)	\$ 272.5	300.2	184.1	154.8	172.5	169.5	126.7	193.9	144.9	212.9
15	<u>City General Governmental Obligations (f)</u>	\$ 2,462.1	2,627.2	2,626.1	2,774.0	2,996.6	3,229.7	3,576.7	3,775.1	3,947.8	4,211.1
	<u>Net Tax Supported Debt per Capita:</u>										
16	City Bonded Debt (Line 1/Line 9)	\$ 515.0	321.7	301.1	353.6	335.0	315.9	475.8	421.7	589.9	573.3
17	City Total Long-Term Debt (Line 3/Line 9)	\$ 1,695.8	1,472.6	1,499.5	1,571.3	1,600.6	827.2	2,679.5	2,473.0	2,640.4	2,996.2
18	School District Total (Line 6/Line 9)	\$ 508.1	614.4	613.3	720.4	785.8	804.6	868.5	892.0	995.8	1,312.5
19	PICA Bonded Debt (Line 7/Line 9)	\$ 0.0	759.0	825.6	775.5	759.8	734.7	715.2	632.0	594.1	563.5
20	Total (Line 8/Line 9)	\$ 2,204.0	2,846.1	2,938.3	3,067.2	3,146.1	2,366.4	4,263.2	3,997.0	4,230.2	4,872.1
	<u>Net Tax Supported Debt as a Percentage of Assessed Valuation:</u>										
21	City Bonded Debt (Line 1/Line 10)	8.94	5.44	5.07	5.87	5.42	5.02	7.33	6.83	9.25	8.63
22	City Total Long-Term Debt (Line 3/Line 10)	29.44	24.91	25.27	26.11	25.90	13.14	41.32	40.15	41.69	45.10
23	School District Total (Line 6/Line 10)	8.82	10.40	10.33	11.97	12.71	12.78	13.39	14.48	15.72	19.76
24	Total (Lines 3 & 6/Line 10)	38.26	35.31	35.60	38.07	38.61	25.92	54.71	54.63	57.41	64.86
	<u>Net Tax Supported Debt as a Percentage of Estimated Market Value:</u>										
25	City Bonded Debt (Line 1/Line 11)	2.25	1.48	1.37	1.59	1.43	1.22	1.69	1.62	NA	NA
26	City Total Long-Term Debt (Line 3/Line 11)	7.40	6.79	6.83	7.07	6.85	3.21	9.50	9.52	10.61	NA
27	School District Total (Line 6/Line 11)	2.22	2.83	2.79	3.24	3.36	3.12	3.08	3.43	4.00	NA
28	Total (Lines 3 & 6/Line 11)	9.61	9.62	9.62	10.31	10.21	6.32	12.58	12.95	14.62	NA
	<u>City Net Tax Supported Debt Service as a Percentage of City General Governmental Obligations:</u>										
29	City Bonded Debt (Line 12/Line 15)	7.16	6.39	2.63	2.44	2.27	1.90	1.75	1.93	1.82	2.09
30	City Total Long-Term Obligation (Line 14/Line 15)	11.07	11.43	7.01	5.58	5.76	5.25	3.54	5.14	3.67	5.06

NOTES:

- (a) See Table 13.
- (b) Consists of leasing obligations, payments on contingent liabilities, accrued compensated absences, and the pension funding service agreement.
- (c) Consists of amounts due the Commonwealth of PA for vocational education, the State Public Building Authority and leasing obligations and accrued Terminal and Severance Pays.
- (d) Source: U.S. Department of Commerce, Bureau of the Census and Wharton Econometric Forecasting Associates.
- (e) See Table 5.
- (f) Consists of General Fund and Special Revenue Funds, all of which account for general governmental functions. See Table 3.

Table 17
City of Philadelphia
City and Gas Works Related Annual Debt Service on Long-Term Debt
As of June 30, 2002
(Amounts in Millions of Dollars)

Fiscal Year	General Obligation Bonds									Revenue Bonds									Fiscal Year
	Tax Supported			Self-Supporting			Total			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	
2003	\$ 44.4	\$ 42.8	\$ 87.2	\$ 3.9	\$ 0.7	\$ 4.6	\$ 48.3	\$ 43.5	\$ 91.8	\$ 64.3	\$ 95.4	\$ 159.7	\$ 43.3	\$ 46.6	\$ 89.9	\$ 31.8	\$ 59.8	\$ 91.6	2003
2004	43.1	40.5	83.6	4.0	0.5	4.5	47.1	41.0	88.1	67.0	92.8	159.8	40.1	45.0	85.1	34.2	60.2	94.4	2004
2005	27.6	38.3	65.9	3.7	0.3	4.0	31.3	38.6	69.9	69.5	90.0	159.5	32.0	43.5	75.5	36.0	58.3	94.3	2005
2006	16.8	36.9	53.7	1.4	0.2	1.6	18.2	37.1	55.3	75.3	84.9	160.2	40.2	41.9	82.1	38.0	56.3	94.3	2006
2007	19.0	36.2	55.2	1.2	0.2	1.4	20.2	36.4	56.6	79.1	81.1	160.2	32.9	40.0	72.9	32.3	54.2	86.5	2007
2008	23.3	35.3	58.6	1.3	0.2	1.5	24.6	35.5	60.1	82.5	77.7	160.2	37.0	38.1	75.1	34.0	52.4	86.4	2008
2009	24.4	34.1	58.5	1.4	0.1	1.5	25.8	34.2	60.0	85.9	74.4	160.3	36.9	36.1	73.0	35.8	50.6	86.4	2009
2010	25.5	32.9	58.4	1.4	0.1	1.5	26.9	33.0	59.9	89.4	70.9	160.3	36.2	34.1	70.3	37.8	48.7	86.5	2010
2011	26.9	31.6	58.5	1.5	0.1	1.6	28.4	31.7	60.1	95.4	64.9	160.3	46.3	32.2	78.5	39.8	46.6	86.4	2011
2012	28.2	30.2	58.4	1.3	0.1	1.4	29.5	30.3	59.8	102.7	57.5	160.2	38.4	30.6	69.0	42.0	44.5	86.5	2012
2013	29.7	28.7	58.4	0.3	0.1	0.4	30.0	28.8	58.8	108.7	51.8	160.5	20.4	29.4	49.8	44.3	42.2	86.5	2013
2014	31.3	27.2	58.5	0.2	0.1	0.3	31.5	27.3	58.8	114.7	45.8	160.5	33.2	27.8	61.0	46.7	39.8	86.5	2014
2015	32.9	25.5	58.4	0.2	0.1	0.3	33.1	25.6	58.7	121.0	39.6	160.6	33.5	26.0	59.5	49.3	37.2	86.5	2015
2016	30.7	23.9	54.6	0.2	0.1	0.3	30.9	24.0	54.9	126.5	34.4	160.9	33.7	24.1	57.8	45.9	34.5	80.4	2016
2017	32.2	22.3	54.5	0.2	0.0	0.2	32.4	22.3	54.7	47.3	27.9	75.2	30.9	22.2	53.1	48.4	32.1	80.5	2017
2018	33.8	20.8	54.6	0.2	0.0	0.2	34.0	20.8	54.8	49.8	25.4	75.2	31.1	20.5	51.6	50.2	29.4	79.6	2018
2019	35.4	19.1	54.5	0.2	0.0	0.2	35.6	19.1	54.7	43.1	23.1	66.2	31.3	18.8	50.1	42.7	26.6	69.3	2019
2020	37.2	17.3	54.5	0.2	0.0	0.2	37.4	17.3	54.7	35.0	21.2	56.2	31.6	17.0	48.6	45.0	24.3	69.3	2020
2021	28.0	15.4	43.4		0.0	0.0	28.0	15.4	43.4	36.8	19.5	56.3	31.8	15.3	47.1	47.4	21.9	69.3	2021
2022	29.4	14.1	43.5	0.0	0.0	0.0	29.4	14.1	43.5	38.7	17.7	56.4	32.0	13.5	45.5	50.0	19.3	69.3	2022
2023	30.9	12.6	43.5	0.0	0.0	0.0	30.9	12.6	43.5	40.7	15.7	56.4	32.8	11.8	44.6	52.7	16.6	69.3	2023
2024	32.4	11.0	43.4	0.0	0.0	0.0	32.4	11.0	43.4	26.9	13.7	40.6	33.0	10.0	43.0	55.6	13.8	69.4	2024
2025	34.1	9.3	43.4	0	0	0.0	34.1	9.3	43.4	28.2	12.4	40.6	33.4	8.3	41.7	58.6	10.7	69.3	2025
2026	28.5	7.6	36.1	0	0	0.0	28.5	7.6	36.1	29.7	11.0	40.7	28.3	6.6	34.9	45.7	7.5	53.2	2026
2027	30.0	6.1	36.1	0	0	0.0	30.0	6.1	36.1	31.2	9.6	40.8	29.5	5.2	34.7	48.1	5.2	53.3	2027
2028	31.4	4.6	36.0	0	0	0.0	31.4	4.6	36.0	32.7	8.1	40.8	27.3	3.7	31.0	44.3	2.7	47.0	2028
2029	15.8	3.0	18.8	0.0	0.0	0.0	15.8	3.0	18.8	34.4	6.6	41.0	28.8	2.3	31.1	2.4	0.4	2.8	2029
2030	16.6	2.2	18.8	0	0	0.0	16.6	2.2	18.8	36.2	4.8	41.0	15.0	1.2	16.2	2.5	0.3	2.8	2030
2031	17.5	1.4	18.9	0.0	0.0	0.0	17.5	1.4	18.9	38.0	2.9	40.9	7.6	0.6	8.2	2.6	0.1	2.7	2031
2032	18.3	0.5	18.8	0	0.0	0.0	18.3	0.5	18.8	40.0	1.0	41.0	7.9	0.2	8.1	0.0	0.0	0.0	2032
Total	855.3(a)	631.4	1,486.7	22.8(b)	2.9	25.7	878.1	634.3	1,512.4	1,870.7	1,181.8(c)	3,052.5	936.4	652.6	1,589.0	1,144.1	896.2	2,040.3	
Sinking Fund Assets Held by Fiscal Agent Available City	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Sinking Fund Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	160.9	0.7(d)	161.6	99.4	0.0	99.4	57.9	6.5	64.4(e)	
Net Debt	\$ 855.3	\$ 631.4	\$ 1,486.7	\$ 22.8	\$ 2.9	\$ 25.7	\$ 878.1	\$ 634.3	\$ 1,512.4	\$ 1,709.8	\$ 1,181.1	\$ 2,890.9	\$ 837.0	\$ 652.6	\$ 1,489.6	\$ 1,086.2	\$ 889.7	\$ 1,975.9	

NOTES:

- (a) Included in this amount is \$1.8 million issued for Port purposes which has been reclassified as Tax-Supported due to the sale of the Port Corporation.
- (b) Of this amount, Bonds have been issued for the following major purposes: Water and Sewer, \$11.5 million; Airport, \$7.7 million; Veterans Stadium, \$4 million and Subways, \$2.5 million. Issues for five other purposes account for the balance of \$7 million.
- (c) Interest on \$94.6 million Water and Sewer Variable Rate Bonds is based on the estimated short-term interest rate of 2.8241%.
- (d) In addition to the \$161.6 million available in Sinking Fund Assets, \$136.3 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 \$64.4 million available in 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.

Table 17 (cont.)
City of Philadelphia
City and Gas Works Related Annual Debt Service on Long-Term Debt
As of June 30, 2002
(Amounts in Millions of Dollars)

Fiscal Year	Total Revenue Bonds			Total General Obligation and Revenue Bonds			Other Long-Term Obligations			Total Long-Term Debt			Fiscal Year
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
2003	139.4	201.8	341.2	187.7	245.3	433.0	93.5	96.1	189.6	281.2	341.4	622.6	2003
2004	141.3	198.0	339.3	188.4	239.0	427.4	73.7	94.1	167.8	262.1	333.1	595.2	2004
2005	137.5	191.8	329.3	168.8	230.4	399.2	79.1	92.0	171.1	247.9	322.4	570.3	2005
2006	153.5	183.1	336.6	171.7	220.2	391.9	84.4	89.3	173.7	256.1	309.5	565.6	2006
2007	144.3	175.3	319.6	164.5	211.7	376.2	94.0	85.8	179.8	258.5	297.5	556.0	2007
2008	153.5	168.2	321.7	178.1	203.7	381.8	90.7	81.8	172.5	268.8	285.5	554.3	2008
2009	158.6	161.1	319.7	184.4	195.3	379.7	98.8	77.9	176.7	283.2	273.2	556.4	2009
2010	163.4	153.7	317.1	190.3	186.7	377.0	116.7	73.4	190.1	307.0	260.1	567.1	2010
2011	181.5	143.7	325.2	209.9	175.4	385.3	127.5	67.7	195.2	337.4	243.1	580.5	2011
2012	183.1	132.6	315.7	212.6	162.9	375.5	138.2	61.5	199.7	350.8	224.4	575.2	2012
2013	173.4	123.4	296.8	203.4	152.2	355.6	145.1	59.8	204.9	348.5	212.0	560.5	2013
2014	194.6	113.4	308.0	226.1	140.7	366.8	148.0	57.9	205.9	374.1	198.6	572.7	2014
2015	203.8	102.8	306.6	236.9	128.4	365.3	259.1	56.0	315.1	496.0	184.4	680.4	2015
2016	206.1	93.0	299.1	237.0	117.0	354.0	143.5	54.0	197.5	380.5	171.0	551.5	2016
2017	126.6	82.2	208.8	159.0	104.5	263.5	144.8	51.8	196.6	303.8	156.3	460.1	2017
2018	131.1	75.3	206.4	165.1	96.1	261.2	150.9	49.7	200.6	316.0	145.8	461.8	2018
2019	117.1	68.5	185.6	152.7	87.6	240.3	137.8	47.2	185.0	290.5	134.8	425.3	2019
2020	111.6	62.5	174.1	149.0	79.8	228.8	128.6	45.8	174.4	277.6	125.6	403.2	2020
2021	116.0	56.7	172.7	144.0	72.1	216.1	130.0	44.3	174.3	274.0	116.4	390.4	2021
2022	120.7	50.5	171.2	150.1	64.6	214.7	131.4	43.0	174.4	281.5	107.6	389.1	2022
2023	126.2	44.1	170.3	157.1	56.7	213.8	132.7	41.6	174.3	289.8	98.3	388.1	2023
2024	115.5	37.5	153.0	147.9	48.5	196.4	134.2	40.0	174.2	282.1	88.5	370.6	2024
2025	120.2	31.4	151.6	154.3	40.7	195.0	135.8	38.4	174.2	290.1	79.1	369.2	2025
2026	103.7	25.1	128.8	132.2	32.7	164.9	137.4	36.8	174.2	269.6	69.5	339.1	2026
2027	108.8	20.0	128.8	138.8	26.1	164.9	130.6	34.2	164.8	269.4	60.3	329.7	2027
2028	104.3	14.5	118.8	135.7	19.1	154.8	134.6	26.2	160.8	270.3	45.3	315.6	2028
2029	65.6	9.3	74.9	81.4	12.3	93.7	246.8	10.4	257.2	328.2	22.7	350.9	2029
2030	53.7	6.3	60.0	70.3	8.5	78.8	22.9	1.9	24.8	93.2	10.4	103.6	2030
2031	48.2	3.6	51.8	65.7	5.0	70.7	24.2	0.6	24.8	89.9	5.6	95.5	2031
2032	47.9	1.2	49.1	66.2	1.7	67.9	0.0		0.0	66.2	1.7	67.9	2032
Total	3,951.2	2,730.6	6,681.8	4,829.3	3,364.9	8,194.2	3,615.0	1,559.2	5,174.2	8,444.3	4,924.1	13,368.4	
Sinking Fund Assets Held by Fiscal Agent	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Available City Sinking Fund Assets	318.2	7.2	325.4	318.2	7.2	325.4	0.0	0.0	0.0	318.2	7.2	325.4	
Net Debt	\$ 3,633.0	\$ 2,723.4	\$ 6,356.4	\$ 4,511.1	\$ 3,357.7	\$ 7,868.8	\$ 3,615.0	\$ 1,559.2	\$ 5,174.2	\$ 8,126.1	\$ 4,916.9	\$ 13,043.0	

NOTES:

- (a) Included in this amount is \$1.8 million issued for Port purposes which has been reclassified as Tax-Supported due to the sale of the Port Corporation.
- (b) Of this amount, Bonds have been issued for the following major purposes: Water and Sewer, \$11.5 million; Airport, \$7.7 million; Veterans Stadium, \$4 million and Subways, \$2.5 million. Issues for five other purposes account for the balance of \$7 million.
- (c) Interest on \$94.6 million Water and Sewer Variable Rate Bonds is based on the estimated short-term interest rate of 2.8241%.
- (d) In addition to the \$161.6 million available in Sinking Fund Assets, \$136.3 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 \$64.4 million available in 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.

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 2003-2008 contemplates a total expenditure of \$4,211,894 billion, of which \$1,658,979 billion is to be provided from Federal, Commonwealth, and other sources and the remainder through City funding. The following table shows the amounts anticipated to be spent each year from various sources of funds for capital projects. City Council adopted the Capital Improvement Program for Fiscal Years 2003-2008 on May 2, 2002.

Table 18
City of Philadelphia
Fiscal Years 2003-2008
Capital Improvement Program

(Amounts in Thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Total</u>
City Funds – Tax Supported							
New Loans	89,946	81,604	67,931	58,847	51,340	48,343	398,011
Operating Revenue	20,912	5,375	4,650	4,650	4,650	4,650	44,887
Carry Forward	208,098						208,098
Prefinanced Loans	3,500	1,000	1,000	1,000	1,000	1,000	8,500
PICA-Prefinanced Loans	42,298	0	0	0	0	0	42,298
Tax-Supported Total	<u>364,754</u>	<u>87,979</u>	<u>73,581</u>	<u>64,497</u>	<u>56,990</u>	<u>53,993</u>	<u>659,496</u>
City Funds – Self-Sustaining							
New Loans	219,919	264,193	464,359	153,490	121,141	133,558	1,356,660
Operating Revenue	59,496	16,487	16,687	16,887	17,087	17,287	143,931
Carry Forward	372,328	0	0	0	0	0	1,872,919
Self-Sustaining Total	<u>65,1743</u>	<u>280,680</u>	<u>481,046</u>	<u>170,377</u>	<u>138,228</u>	<u>150,845</u>	<u>1,872,919</u>
Other City Funds							
Revolving Funds	10,000	2,500	2,000	2,000	2,000	2,000	20,500
Total City Funds	<u>10,000</u>	<u>2,500</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>20,500</u>
Other Than City Funds							
Federal	189,980	41,234	32,568	66,108	19,670	13,210	362,770
Federal Off Budget	67,343	162,038	165,614	136,958	92,525	62,000	686,478
State	45,881	4,363	2,442	10,362	3,880	2,690	69,618
State Off Budget	29,666	50,130	49,424	58,583	46,013	33,860	267,676
Private	73,479	12,395	11,090	1,475	70	20	98,529
Other Governments/Agencies	151,610	18,000	0	0	0	0	169,610
Other Governments/Agencies Off-Budget	124	941	995	828	795	615	4,298
Other Than City Funds total	<u>558,083</u>	<u>289,101</u>	<u>262,133</u>	<u>274,314</u>	<u>162,953</u>	<u>112,395</u>	<u>1,658,979</u>
TOTAL ALL FUNDS	<u>1,584,580</u>	<u>660,260</u>	<u>818,760</u>	<u>511,188</u>	<u>360,171</u>	<u>319,233</u>	<u>4,211,894</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 resulting from general and special litigation claims was \$30.2 million for Fiscal Year 2001 and \$30.0 million for Fiscal Year 2002. The City’s Five-Year Plan dated January 2003 includes estimates of settlements and judgments from the General Fund of \$26.1 million, \$28.4 million, \$29.8 million, \$30.6 million and \$32.1 million for the Fiscal Years 2003 through 2007, 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 from the General Fund for settlements and judgments have averaged \$31.3 million over the past five years.

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/or appealed and adverse final outcomes of such litigation could have a substantial or long-term adverse effect on the City’s General Fund. These proceedings involve: (i) environmental-related actions and proceedings in which it has been or may be alleged that the City is liable for damages, including but not limited to property damage and bodily injury, or that the City should pay fines or penalties or the costs of response or remediation, because of the alleged generation, transport, or disposal of toxic or otherwise hazardous substances by the City, or the alleged disposal of such substances on or to City-owned property; (ii) a class action suit alleging that the City failed to properly oversee management of funds in the deferred compensation plan of City employees; (iii) various civil rights claims; (iv) a labor arbitration award holding that the City should have used union employees rather than outside contractors since 1997 to provide home inspections for first time home buyers subsidized by the City’s Office of Housing and Community Development; (v) a mandamus action to compel the Mayor to provide free trash collection to all condominiums and cooperatives; (vi) a claim made by a Philadelphia sports franchise alleging damages for the cancellation of a professional exhibition game allegedly because the field at Veterans’ Stadium was not in playable condition.

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 2002 which resulted from these claims and lawsuits was \$3.7 million. The estimated loss for Fiscal Year 2003 is \$3.5 million. The Water Department's budget for Fiscal Year 2003 contains an appropriation for Water Department claims in the amount of \$6.5 million. The Water Fund is the first source of payment for any of the claims against the Water Department.

APPENDIX A

CITY SOCIOECONOMIC INFORMATION

Introduction

The City includes within its boundaries an area of approximately 130 square miles and a resident population of approximately 1.52 million people. The City is in the heart of a nine-county metropolitan area with approximately 5.1 million residents. Air, rail, highway, and water routes provide easy access to the City.

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

Quality of Life

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

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

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

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

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

Demographics

During the ten year period between 1990 and 2000, the population of the City decreased from 1,585,577 to 1,517,550. During the same period, the population of the Philadelphia PMSA increased by 5.0%, less than one-half the national rate of increase.

Table A-1
Population
City, PMSA & Nation

	1990	2000	% Change 1990-2000
Philadelphia	1,585,577	1,517,550	-4.3%
Philadelphia PMSA*	4,856,881	5,100,931	5.0%
United States	249,632,692	281,421,906	12.7%

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 A-2
Population Age Distribution

Age	Philadelphia				Pennsylvania			
	1990	% of Total	2000	% of Total	1990	% of Total	2000	% of Total
0-24	563,816	35.6	551,308	36.3	4,021,585	33.8	3,877,729	32.3
25-44	490,224	30.9	444,774	29.3	3,657,323	30.8	3,515,421	29.3
45-64	290,803	18.3	307,746	20.2	2,373,629	20.0	2,701,930	22.5
65-84	217,913	13.7	186,383	12.3	1,657,270	13.9	1,666,641	13.9
85 & up	22,801	1.4	27,339	1.8	171,836	1.4	232,295	1.9
Total	1,585,577	100.0	1,517,550	100.0	11,881,643	100.0	11,994,016	100.0

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

Age	United States			
	1990	% of Total	2000	% of Total
0-24	90,342,198	36.3	99,437,266	35.3
25-44	80,754,835	32.5	885,040,251	30.2
45-64	46,371,009	18.6	61,952,636	22.0
65-84	28,161,666	11.3	330,752,166	11.0
85 & Up	3,080,165	1.2	44,239,587	1.5
Total	248,709,873	100.0	281,421,906	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.

Table A-3
Office Rental Rates in Cities
Throughout the United States

(In \$ Per Square Foot)

	June, 1997	June, 1998	Sept, 1999	Sept, 2000	March 2001	March 2002
Atlanta	19.50	20.07	20.00	20.20	22.08	21.60
Chicago	19.05	21.77	25.99	28.16	24.03	24.02
Dallas	17.54	19.43	19.99	20.87	18.51	19.77
Denver	15.78	16.98	18.50	19.70	18.27	16.58
Houston	14.53	17.28	21.09	22.61	16.30	18.20
Los Angeles	18.12	20.04	20.16	20.64	27.30	27.42
New York	30.10	34.88	33.08	43.10	53.26	47.20
Philadelphia	18.50	19.50	19.80	21.28	23.49	22.16
Phoenix	17.62	18.15	19.81	20.28	21.57	21.11
Portland	16.29	17.93	20.25	21.50	20.50	20.00
San Francisco	33.79	43.93	47.00	78.21	61.80	30.20
St. Louis	19.15	19.88	19.09	19.35	17.97	17.83
Tampa	14.50	14.65	18.20	20.25	18.93	18.89
Washington, D.C.	24.20	24.68	32.90	35.76	30.52	30.63

Source: Insignia/ESG Commercial Market Report, National Market Overview.

Employment

The employment and unemployment rates and the total number of jobs within the City are reflected in Tables A-4 and A-5, respectively.

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 City saw several major closure actions in the 1990's, including the Philadelphia Navy Shipyard and Naval Station ("Navy Yard"), the Philadelphia Naval Hospital and the former Defense Supply Center Philadelphia. At the time of their closures, these facilities employed in excess of 20,000 people.

Since these closure actions and the subsequent transfer of property from the federal government, the City has seen substantial progress in the revitalization of these assets and rebuilding the lost employment base. Most significant, employment at the former Navy Yard complex has begun to climb. In March 2000, PAID took ownership of more than 1,000 acres at the site and has begun to implement aggressive redevelopment activities. To date, 47 companies have leased or purchased in excess of 2 million square feet of facilities at the complex, now known as the Philadelphia Naval Business Center ("PNBC"). In addition to this employment, the Navy has retained more than 2 million square feet of facilities. Together the private and Navy facilities employ more than 5,500 people. Long term plans call for more than 10 million square feet of industrial and commercial space at PNBC, with employment targeted between 15,000-20,000.

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Table A-4
Labor Force Data Annual Average
Based On Residency

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994^(a)</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Philadelphia (000)											
Labor Force	689.6	682.2	677.0	657.0	644.2	641.4	643.0	640.0	644.2	628.7	639.8
Employment	628.6	618.0	612.9	604.6	594.4	596.1	598.3	600.4	606.9	590.1	599.1
Unemployment	60.9	61.0	64.1	52.5	49.8	45.3	44.7	39.6	36.8	38.6	40.7
Unemployment Rate (%)	8.8	9.4	9.4	8.0	7.7	7.1	7.0	6.2	5.8	6.1	6.4
Philadelphia PMSA (000)											
Labor Force	2,473.8	2,467.2	2,446.7	2,428.5	2,428.5	2,464.2	2,502.1	2,493.1	2,515.4	2,503.2	2,534.8
Employment	2,300.7	2,273.0	2,272.8	2,280.5	2,286.3	2,334.1	2,380.5	2,385.5	2,412.9	2,403.5	2,425.1
Unemployment	173.1	194.2	173.9	148.0	142.2	130.1	121.6	107.6	104.6	99.8	109.7
Unemployment Rate (%)	7.0	7.9	7.1	6.1	5.9	5.3	4.9	4.3	4.1	4.0	4.3
United States (000,000)											
Labor Force	126.3	128.1	129.2	131.1	132.3	133.9	136.3	137.7	139.4	140.9	141.9
Employment	117.7	118.5	120.3	123.1	124.9	126.7	129.6	131.5	133.5	135.2	134.2
Unemployment	8.6	9.6	8.9	8.0	7.4	7.2	6.7	6.2	5.9	5.7	7.7
Unemployment Rate (%)	6.8	7.5	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.0	5.4

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.

(a) 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 A-5
Philadelphia
Total Monthly Employment And Monthly Unemployment Rates
Based On Residency
1997 – 2001

<u>Month</u>	<u>Total Employment</u>					<u>Unemployment Rate %</u>				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
January	585.3	592.3	589.6	582.3	589.3	6.9	6.6	5.8	6.1	6.2
February	588.7	592.2	590.5	581.7	588.9	6.8	6.3	5.9	6.1	6.4
March	591.4	594.4	595.6	583.6	592.8	6.8	6.2	5.8	5.9	6.1
April	592.8	595.4	598.0	585.3	593.4	6.8	6.1	5.6	5.5	5.7
May	593.1	595.2	600.1	586.6	596.8	7.3	6.6	6.0	6.1	6.4
June	603.7	603.4	606.7	595.2	605.6	6.9	6.3	6.3	6.2	6.6
July	607.2	609.0	611.8	598.8	609.9	7.3	6.5	6.5	6.4	6.6
August	605.4	608.3	609.9	596.9	606.0	7.0	6.2	6.2	6.1	6.5
September	596.2	598.4	600.0	586.8	600.1	7.7	6.6	6.7	6.9	6.7
October	601.9	603.8	607.7	592.4	601.1	7.2	6.1	6.0	6.5	6.7
November	606.6	605.1	608.9	594.7	602.1	7.0	6.0	6.0	6.5	6.6
December	608.6	607.2	613.1	597.0	602.9	5.7	4.9	5.0	5.3	5.8

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

Table A-6
Philadelphia City
Non-Farm Payroll Employment*

(Amounts In Thousands)

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000**</u>
Total Employment	689.8	681.3	678.5	665.9	676.2	681.2	674.3	679.2	693.4
Manufacturing	68.9	66.0	64.5	61.1	60.4	60.2	57.7	56.6	57.0
Non-Manufacturing	620.9	615.3	614.0	604.8	615.8	621.0	616.6	622.6	636.5
Construction & Mining	11.4	10.7	11.8	10.5	10.2	10.1	10.8	10.3	12.5
Transportation & Public Utilities	37.4	37.9	38.0	33.4	32.6	33.1	34.1	35.8	35.7
Wholesale & Retail Trade	119.9	117.0	114.3	114.8	113.9	117.2	112.5	112.3	118.4
Finance, Insurance & Real Estate	59.8	57.7	58.0	56.0	53.9	55.2	52.3	51.3	49.5
Services	263.5	265.8	271.6	272.1	278.0	279.5	291.8	293.1	297.7
Government	135.1	131.8	132.1	128.5	127.2	125.9	115.1	113.2	122.7

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

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

** Figures are based on estimate

Table A-7
City of Philadelphia
Largest Non-Governmental Employers In Philadelphia
December 31, 2002

Albert Einstein Medical

Aramark Food & Support Services Group

Cardone Industries, Inc.

Children's Hospital of Philadelphia

Delaware Management Business Trust

Drexel University

Everen Capital Corporation

Frankford Hospital

Independence Blue Cross

PA. Hospital of Univ of Penn Health Systems

Philadelphia Gas Works

Philadelphia Newspapers, Inc.

SEPTA

Smith Kline Beecham Corporation

Sunoco, Inc.

Temple University

Temple University Hospital Inc.

Tenet Health System Philadelphia Inc.

Tenet Phila Health & Ed (MCP Hahnemann)

Thomas Jefferson University

Thomas Jefferson University Hospitals

Towers, Perrin, Forster & Crosby, Inc.

University of Pennsylvania Hospital

University of Pennsylvania

Verizon Services Corporation

Source:

Philadelphia Department of Revenue

Table A-8
Fortune 500
Largest Corporations
With Headquarters In Philadelphia, 2001

Corporation	Type of Industry	Ranking	Revenues (\$ Millions)
Cigna	Health Care	102	\$19,994.0
Sunoco	Petroleum Refining	154	\$12,664.0
Comcast	Telecommunications	233	\$ 8,218.6
Crown Cork & Seal	Metal Products	250	\$ 7,289.0
ARAMARK	Diversified Outsourcing Services	253	\$ 7,262.9

Source: Fortune Magazine, April 28, 2001.

Table A-9
Fortune 500
Largest Service Corporations
With Headquarters In Philadelphia, 2001

Corporation	Type of Industry	Ranking	Revenues (\$ Millions)
Cigna	Health Care	102	\$19,994.0
Comcast	Telecommunications	233	\$ 8,218.6
ARAMARK	Diversified Outsourcing Services	253	\$ 7,262.9
Lincoln National	Insurance: Life & Health	274	\$ 6,851.5

Source: Fortune Magazine, April 18, 2001.

Table A-10
Total Industry Employment By Establishment
Annual Averages

(Amounts In Thousands)

Philadelphia PMSA

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Non-Agricultural Employment	2,095.5	2,129.3	2,169.1	2,178.9	2,214.4	2,257.5	2,315.6	2,322.1	2,394.2
Goods Producing	386.7	390.9	392.7	386.0	384.9	393.0	396.2	387.0	398.6
Construction & Mining	73.7	77.0	79.2	77.9	79.1	87.8	90.4	86.3	99.1
Manufacturing	313.0	313.8	313.5	308.1	305.8	305.2	305.8	300.7	299.5
Durable Goods	149.9	148.5	149.0	148.9	146.6	146.0	147.4	143.7	142.8
Nondurable Goods	163.1	165.3	164.5	159.2	159.3	159.2	158.4	157.0	156.7
Service Producing	1,708.8	1,738.4	1,776.4	1,792.9	1,829.5	1,864.5	1,919.4	1,935.1	1,995.6
Transp. & Public Utilities	97.8	102.3	105.4	103.6	104.6	106.9	109.9	113.4	114.3
Wholesale & Retail Trade	486.9	468.8	479.5	487.2	493.3	498.3	506.8	503.2	526.3
Fin., Insurance & Real Estate	157.4	156.3	158.0	153.9	154.4	157.3	161.6	162.7	169.2
Services	685.0	708.9	729.1	744.1	774.8	806.6	848.5	859.0	886.0
Government	299.7	302.1	304.4	304.1	302.3	295.4	292.6	296.8	299.8
Federal Government	75.0	73.1	73.6	69.0	65.0	58.1	55.9	57.7	57.8
State & Local Government	224.7	229.0	230.8	235.1	237.4	237.3	236.7	239.1	242.1

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 A-11
Consumer Price Indices and Median Household Effective Buying Income

	<u>1990</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
CPI-U United States(a)	130.7	153.5	155.1	160.5	163.0	166.6
CPI-U Philadelphia PMSA(a)	135.8	158.7	164.3	166.5	168.2	171.9
Median Household Effective Buying Income(b)						
Philadelphia	\$24,880	\$27,542	\$28,557	\$29,561	\$30,127	\$31,621
Philadelphia PMSA	\$33,277	\$39,470	\$41,192	\$42,852	\$44,425	\$47,152
United States	\$27,912	\$32,238	\$33,482	\$34,618	\$35,377	\$37,233

Source:

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

(b) "2000 Survey of Buying Power"

Table A-12
Number of Households By Income Range In Philadelphia County

Income	Number of Households*		Percentage of Households*	
	1990	1980	1990	1980
Under \$5,000	59,823	127,401	9.9	20.5
\$5,000-9,999	76,512	116,931	12.7	18.8
\$10,000-14,999	59,331	98,540	9.9	15.9
\$15,000-24,999	108,405	150,851	18.1	24.3
\$25,000-49,999	190,237	112,508	31.7	18.1
\$50,000 and over	106,432	14,4508	17.57	2.35
Total	600,740	620,639	100.0%	100.0%

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

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

Number of Households By Income Range In United States

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

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

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

Retail Sales

The following table reflects taxable sales for Philadelphia from fiscal years 1994 to 2001.

Table A-13
Philadelphia
Taxable Retail Sales 1994-2001

(\$000's)

<u>Fiscal Year</u>	<u>Taxable Sales</u>
1994	8,366,567
1995	8,636,921
1996	10,249,166
1997	9,637,833
1998	8,276,083
1999	9,604,970
2000	10,432,800
2001	11,107,100

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 A-14
Retail Sales By Store Group (\$000)
2000

	<u>Philadelphia</u>	<u>PMSA</u>	<u>Pennsylvania</u>	<u>United States</u>
Total Retail Sales*	10,874,471	58,258,726	141,940,701	3,409,490,367
Food	1,948,678	8,858,582	20,734,966	464,261,976
Eating & Drinking	1,521,992	4,880,129	11,742,263	303,905,297
Gen. Merchandise	799,776	5,109,025	14,741,017	417,852,013
Furniture, Furnishings	448,056	2,805,614	5,779,514	179,178,997
Automotive	1,988,652	15,701,718	39,213,344	927,141,001

Source: Sales and Marketing Management, "2000 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 1999 was \$31,621, 67.1% of the PMSA median household effective buying income, and 84.9% of the U.S. median household effective buying income. In 1998 the Philadelphia metropolitan area had the nation's fifth largest total effective buying income. Effective buying income ("EBI") is defined as all personal income less personal taxes, non-tax payments (fines, fees and penalties), and contributions to social security. EBI is also commonly referred to as disposable or after-tax income.

Table A-15
City And PMSA Effective Buying Income
1999

	Total EBI (\$000)	Median Household EBI	% of Household EBI		
			\$20,000- 34,999	\$35,000- 49,999	\$50,000 and Over
Philadelphia (City)	\$ 22,002,926	\$31,621	20.9	16.2	29.6
Bucks Co.	14,517,150	58,281	13.7	15.7	59.6
Chester Co.	13,227,520	68,588	11.6	12.8	66.3
Delaware Co.	12,078,536	49,343	16.9	16.8	49.3
Montgomery Co.	20,793,236	56,963	14.8	15.7	57.7
Burlington Co., NJ	9,148,321	53,310	16.0	17.5	54.4
Camden Co., NJ	9,254,922	43,229	18.8	17.9	42.1
Gloucester Co., NJ	4,650,606	48,747	17.0	18.1	48.5
Salem Co., NJ	1,232,180	45,680	17.2	16.7	44.9
Pennsylvania	227,495,309	38,922	20.7	17.8	37.3
United States	4,877,786,658	37,233	22.0	18.0	36.4

Source: Sales and Marketing Management, "2000 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, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting Philadelphia to the other major cities and markets in the United States. More than 100 truck lines serve the Philadelphia area.

The City now has one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of I-95; the Vine Street Expressway (I-676), running east-to-west through the Central Business District between I-76 and I-95; and the "Blue Route" (I-476) in suburban

Delaware and Montgomery Counties which connects the Pennsylvania Turnpike and I-95 and thereby feeds into the Schuylkill Expressway (I-76) and thus into Center City Philadelphia.

The City owns Philadelphia International Airport (“PHL”), located eight miles southwest of Center City and a smaller reliever airport in Northeast Philadelphia. PHL is accessible by major highways within the City and from surrounding communities and SEPTA’s high speed train line. PHL provides its passengers with service on eleven domestic carriers and eleven regional and commuter carriers, while four foreign flag carriers and one U.S. carrier provide international service. In addition, there are eight all-cargo carriers. PHL serves as a key connecting hub for USAirways. PHL opened a new commuter terminal in 2001 and a new international terminal which opened in April 2003.

In 2002, PHL ranked 19th in the nation in terms of total passengers, up from 21st in 2001 according to data reported by Airports Council International.

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), to the Pennsylvania Suburban Corporation and the Bucks County Water and Sewer Authority. The City obtains approximately 56 percent of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 474,000 households through 3,300 miles of mains and provides fire protection through more than 27,800 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 number of accounts is approximately 474,000. The wastewater system contains three water pollution control plants, a biosolids processing facility, 16 pumping stations and approximately 2,960 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 waste from sources other than industrial or commercial institutions. Approximately 3,000 tons of solid waste per day is collected by the City. Municipal solid waste is disposed of at various landfills operated outside of the City limits. The City significantly reduced its waste disposal costs over the past eight years after entering into new contracts effective in July 1994 and again in July 1998 with private contractors for landfill space. The current disposal contracts were extended through June 2002 and may be extended further for up to three additional years.

Housing

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

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

Table A-16
Housing Affordability In Major Markets

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

MSA Name	1997 MIRS* Sample Conventionally Financed New Construction	Median Value Constructed 1994-1997	Average Value Constructed in 1994-1997	Year of AHS Survey
Atlanta, GA	\$133,500	\$139,146	\$154,420	96
Buffalo, NY	N/A	170,926	174,320	94
Charlotte, NC/SC	155,500	118,181	135,340	95
Chicago, IL	185,000	191,502	203,740	95
Cleveland, OH	203,000	194,787	207,660	96
Columbus, OH	N/A	145,018	155,800	95
Dallas, TX	160,354	121,613	138,850	94
Denver, CO	179,195	193,707	203,530	95
Detroit, MI	167,900	162,605	176,070	95
Forth Worth/Arlington., TX	148,473	147,684	155,980	94
Hartford, CT	153,000	197,534	201,620	96
Indianapolis, IN	147,758	139,085	150,400	96
Kansas City, MO/KS	167,248	148,990	159,780	95
Los Angeles/Long Beach, CA	222,665	N/A	198,840	95
Memphis, TN/ARMS	160,157	124,638	134,020	96
Miami/Ft. Lauderdale, FL	132,995	145,897	158,850	95
Milwaukee, WI	175,285	179,154	185,990	94
New Orleans, LA	N/A	113,277	120,340	95
New York/Nassau/Suffolk, NY	231,500	N/A	200,970	95
Newark, NJ	195,000	145,873	176,940	95
Oklahoma City, OK	121,102	121,968	130,200	96
Orange County, CA	251,000	250,053	N/A	94
Philadelphia/PA, NJ	191,815	157,881	174,500	95
Phoenix, AZ	154,671	137,881	153,450	94
Pittsburgh, PA	169,000	174,180	173,800	95
Portland, OR	161,275	181,465	191,340	95
Riverside/San Bernadino, CA	169,440	138,327	151,660	94
Sacramento, CA	185,475	172,890	185,230	96
St. Louis, MO/IL	161,786	143,477	155,150	96
San Antonio, TX	124,990	116,069	125,150	95
San Diego, CA	235,000	226,279	N/A	94
Seattle/Everett, WA	180,000	209,419	210,190	96

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

* 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.

Table A-17
Characteristics of Housing Units

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
Total Housing Units				
City of Philadelphia	673,524	685,629	674,899	661,959
Philadelphia PMSA	1,536,872	1,554,651	1,491,310	1,565,641
Pennsylvania	3,924,757	4,597,412	4,938,140	5,249,750
Percent Owner Occupied				
City of Philadelphia	59.7%	61.0%	62.0%	59.3%
Philadelphia PMSA	67.1%	63.4%	68.5%	68.4%
Median Value of Owner Occupied Housing				
City of Philadelphia	\$10,600	N/A	\$48,400	N/A
Philadelphia PMSA	14,900	\$41,700	96,700	N/A
Pennsylvania	13,600	39,100	67,900	N/A
Number of Persons per Housing Unit				
City of Philadelphia	2.50	2.66	2.63	2.65

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 A-18
Construction Authorized By Building Permit
Declared Valuation

(Millions of Dollars)

	<u>Residential</u>	<u>Commercial</u>	<u>Other *</u>	<u>Total</u>	<u>Housing Units</u>
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	262
1995	82.5	298.6	53.7	434.8	253
1996	124.5	457.6	163.2	745.3	636
1997	101.9	382.2	176.7	660.9	509
1998	316.2	753.9	196.3	1266.5	594

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

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

In calendar years 2000 and 2001, 12,335 and 12,014 building permits, respectively, were issued. The total estimated cost of construction of housing units in calendar years 2000 and 2001 were \$1,147 million and \$1,441 million, respectively for 817 units and 934 units, respectively.

Economic Development

The last decade found the City riding one of the biggest development waves since the development of the Center City office towers in the mid-1980's. The City's economic development policies are being strategically driven under the auspices of an initiative called the Economic Stimulus Program, which began in 1994 as a \$2.2 billion project, and was extended in 1997 for three years and continued in 2000 by the administration of Mayor John Street.

The gains of the Program are evident in a series of economic development accomplishments that include:

- A. a hotel construction boom that has given the City more than 4,000 new hotel rooms, all within walking distance of the Pennsylvania Convention Center, in the last three years;
- B. the \$500 million Pennsylvania Convention Center;
- C. the Avenue of the Arts complex capped off by the \$255 million Regional Performing Arts Center;
- D. the creation of economic development zones to enhance existing economic development efforts already underway; and
- E. the ongoing conversion of closed military installations to commercial use including the transformation of the former Philadelphia Naval Base into a world class commercial and industrial park with the most modern shipbuilding operation in North America.

Philadelphia International Airport

Philadelphia International Airport is ranked 19th among the nation's airports in terms of passenger traffic, serving 23.9 million passengers in calendar year 2002. In June 1998 a \$135 million renovation of terminals B and C was completed. A year later, construction began on a new \$440 million development project to construct new international and regional terminals, funded by a 1998 Airport Revenue Bond issue. An additional \$225 million in bond financing was provided for the project in July 2001. Construction of the regional terminal was completed in June 2001 and the new international terminal was completed in April 2003. The Parking Authority completed in the fall of 2002 construction of two new Airport parking garages, which will provide a total of 5,000 additional parking spaces. Upon completion in 2003, Airport improvements are expected to have an economic impact of more than \$2 billion over the first twenty (20) years of operation.

Hospitality and Tourism

One of the most encouraging trends for the City's economy has been the continuing growth in the hospitality and tourism industry. As one of the cornerstones of the City's economic development efforts in the 1990s, the hospitality and tourism sector continues to represent a significant growth opportunity for the City.

Pennsylvania Convention Center

At the center of the hospitality and tourism industry is the Pennsylvania Convention Center. In 1998, for the second year in a row, Philadelphia hosted more major conventions than any other city in the Northeast and more than Boston and Washington combined. The existence of the Center, one of the

largest in the east and the attendant development of hotels within walking distance of it, have positioned the City to attract some of the largest conventions and shows in the country. This includes the annual Flower Show with an estimated \$25 million economic impact as well as the American Library Association (an estimated \$7 million economic impact) and SAP (an estimated \$12 million economic impact). In 2000, the Republican National Convention was held in Philadelphia at the First Union Center, bringing significant revenues to the local economy.

The Convention Center Authority has crafted a \$460 million proposal that would enlarge the center from 440,000 square feet to 685,000 square feet of exhibit space, making it the 8th largest convention facility in the United States. No action has yet been taken with respect to this proposal.

Center City Hotel Development

Part of the strategy of developing Philadelphia as a destination city to support its burgeoning hospitality industry and attracting the largest conventions was to add at least 2,000 hotel rooms within walking distance of the Pennsylvania Convention Center by the year 2000. That goal has been met and exceeded.

The hotels within walking distance of the Convention Center, which have opened since 1998 are:

Hotel	Approximate Total Program Cost	Number of Rooms	Completion Date
Hawthorne Suites/1100 Vine Street	\$24 million	294	Opened 1998
Alexander/12th and Spruce	N/A	48	Opened 1998
Sheraton/Rittenhouse Regency	\$24 million	192	Opened 1999
Bed & Breakfast/Rittenhouse Square	\$1.25 million	10	Opened 1999
Marriott/Reading Terminal Headhouse	\$40 million	213	Opened 1999
Union League Conversion	\$8.13 million	65	Opened 1999
Warwick Conversion	\$43.75 million	350	Opened 1999
Windsor Conversion	\$18.75 million	150	Opened 1999
Marriott Courtyard/City Hall Annex	\$77 million	500	Opened 1999
Club Quarters/17th and Chestnut	\$37.5 million	300	Opened 1999
Loews Hotel/PSFS Building Hotel	\$100 million	580	Opened 2000
Ritz Carlton/Two Mellon Center	\$88 million	330	Opened 2000
Hilton Gardens/Gallery Garage	\$35 million	280	Opened 2000
Sofitel/Stock Exchange Building	\$34.63 million	277	Opened 2000
Hyatt Regency/Penn's Landing	\$60 million	350	Opened 2001
Hampton Inn/13th and Race	\$33.75 million	270	Opened 2001
TOTALS	\$625.76 million	4,209	

Source: City of Philadelphia Five-year Financial Plan Fiscal Year 2001-Fiscal Year 2005.

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 performing arts and culture district. It consists of 14 different projects including a \$31 million High School for Creative and Performing Arts which opened in September 1997.

The last major project on the Avenue of the Arts is the Regional Performing Arts Center ("RPAC"), an approximately \$255 million project which opened in the Fall of 2001. Designed by a

world-class team of architects, RPAC is the home for the Philadelphia Orchestra, Concerto Soloists Chamber Orchestra, Philadanco and the Philadelphia Chamber Music Society.

Penn's Landing Waterfront

The City and Penn's Landing issued a Request for Qualification in December 2002. A short list of developers will be selected to compete for development rights to the site, with the expectation that a developer will be in place by the spring 2003, to ensure that development will be complete by 2005. The \$200 million complex will include retail and entertainment attractions, ice rinks, a 3000-seat outdoor amphitheater, a multi-screen movie theater, a new home for the Philadelphia Please Touch Museum and an aerial tram that will connect Philadelphia to the entertainment venues along Camden, New Jersey's waterfront.

New Stadium and Ballpark

A new stadium for the Philadelphia Eagles football franchise and a new ballpark for the Philadelphia Phillies baseball franchise are currently under construction and are expected to be completed in August 2003 and April 2004, respectively. The total cost of constructing both the stadium and the ballpark, including site acquisition and construction of parking facilities, is estimated to be approximately \$1 billion.

New Center City Skyscrapers

Liberty Property Trust has announced that it expects to begin the construction of a \$390 million project that will include two office buildings containing 1.1 million square feet as well as a glass enclosed winter garden and public plaza. The structures will be the first major Center City office development in more than ten years.

TJ Maxx Distribution Center

TJ Maxx has completed a new distribution facility in Northeast Philadelphia which will bring 1,100 new jobs to the City.

Special Economic Development Zones

Between 1995 and 2000, three special "zones" were created in Philadelphia to promote revitalization and economic development. They are the Federal Empowerment Zone, the target areas of Frankford/Port Richmond known as the Urban Industry Initiative and the Keystone Opportunity Zone. These zones represent initiatives over and above day-to-day economic development activity.

Federal Empowerment Zone. In 1994 the City was named, along with Camden, New Jersey, as a bi-state federal empowerment zone. Since 1995, the City has received \$79 million in federal funds allocated to its three target areas: the American Street corridor of North Philadelphia, North Central Philadelphia and West Philadelphia. In the first seven years of existence of the zones, a number of achievements can be documented. In addition to the creation of lending and governance institutions in each of the zones and the provision of capital and technical assistance, 426 new businesses opened, 1790 jobs were created, and another 2,840 were retained. Highlights occurring in each of the three zones include:

Westside Park. Ground has been broken and a developer chosen for a 100,000 square foot retail center that will house a supermarket and other retail operations on a site assembled on North 52nd Street in West Philadelphia.

American Street. Asia Foods, a new \$4 million 60,000 square foot state-of-the-art warehouse facility and office building opened on the site of the former Sovereign Oil factory. The abandoned facility was demolished and environmental problems remediated to make way for the thriving business.

Keystone Opportunity Zones (“KOZ”). A state-wide program that exempts companies locating in designated areas from paying a variety of taxes until the year 2011, the Keystone Opportunity program in Philadelphia has attracted companies from outside the City and helped local companies stay and expand.

Philadelphia has 12 KOZ sub-zones located throughout the City from industrial parks in Northeast Philadelphia to portions of the Philadelphia Naval Business Center at the base of Broad Street in South Philadelphia. The sub-zones comprise approximately 1500 acres. CompuData, a Philadelphia computer company on the verge of leaving the City, was the first company in the Commonwealth to construct a building using the KOZ program when it built a new headquarter in the Byberry East Industrial Park.

By the end of 2000, 47 companies had made use of the KOZ program involving \$133 million in capital investment creating 1,993 new jobs and retaining 1,370 additional jobs.

Keystone Opportunity Expansion Zones (“KOEZ”). Under the second round of KOZ zones, called Keystone Opportunity Expansion Zones, the City applied to the Commonwealth to designate a parcel of land as a KOEZ and received Commonwealth approval. As with the KOZ zones, the KOEZ zones are designed primarily for vacant industrial/commercial properties with no existing businesses.

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 venture of 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) offering of fully improved parcels of land for sale in more than a dozen designated industrial parks and districts across the City; and (iv) offering of development assistance and project management to a range of Philadelphia’s development and non-profit corporations.

Urban Industry Initiative

Urban Industry Initiative (“UII”) is a demonstration project created in 1996 through a grant from the Pew Charitable Trusts (“Pew”) and operated by PIDC to strengthen neighborhood-based manufacturing in lower Northeast Philadelphia. The area has 330 manufacturing businesses and nearly 12,000 manufacturing jobs.

The strategy of the program is to build a network of relationships among manufacturers, between manufacturers and the UII staff and between manufacturers and the rest of the community. Outcomes to date include creation of a micro-loan fund which has provided 14 loans totaling more than \$850,000 and leveraging an additional \$2.3 million in private financing and equity and a new product development forum, in conjunction with the Ben Franklin Technology Center. The program has been extended through 2002 with additional funds from Pew and new funds from the First Union Foundation.

The Office of Defense Conversion Activities

The Office of Defense Conversion within PIDC serves as the City's point of contact for issues related to the acquisition and redevelopment of former military facilities. The City, as the only city in the country adversely affected by all four rounds of base closures, finds itself at the forefront of cities in converting former military installations to commercial and related uses.

The largest of the City's closed facilities is the PNBC. PAID acquired these assets from the Navy in March 2000. The PNBC totals in excess of 1,000 acres and includes four discreet development zones capable of supporting all forms of industrial and commercial development. These zones include the Shipyard, the Girard Point Industrial Park, the Commerce Center and the Intermodal Yard.

With the acquisition of the PNBC in 2000 after nearly a decade of closure actions, lawsuits and negotiations, PAID has established a strong industrial presence at the site. Forty-seven private companies currently occupy in excess of 2 million square feet of facilities. In addition, the Navy also occupies 2 million square feet of research, office and industrial facilities within the campus. Total employment is currently in excess of 5,500.

The largest and most significant project at the PNBC has been the development of a state-of-the-art commercial shipbuilding facility. In partnership with local, state and federal government, Kvaerner ASA has constructed the world's most modern and technologically advanced shipyard. With construction of the \$250 million facility completed, Kvaerner Philadelphia Inc. now employs in excess of 900 workers on the site and has its first two container ships under construction. With its recent merger of its shipbuilding businesses with Aker Maritime Group, Kvaerner has reaffirmed its corporate commitment to shipbuilding worldwide and regained its position as Europe's leading shipbuilder.

PAID has also made significant gains in the acquisition and redevelopment of other closed military sites. In April 2000, PAID acquired the 50 acre former Philadelphia Naval Hospital. PAID entered into a lease with the Philadelphia Eagles football franchise for the eastern half of that site, where the Eagles have developed a new practice facility, team offices and an outpatient physical rehabilitation center. On the balance of the site, PAID recently completed the demolition of the massive hospital structure and constructed an interim parking lot to support the adjacent construction of two new sports stadiums. Upon completion of the stadiums, this portion of the site will be made available for private development.

The final major military closure site in the City was the former Defense Supply Center Philadelphia ("DSCP"), located at 20th Street and Oregon Avenue. PAID has completed the acquisition of this 85 acre site from the Army. Given the existence of a major underground plume of oil that is being remediated, the acquisition was structured to allow PAID to take title to the property's air rights initially with the ground rights to follow upon completion of the remediation project. In addition, PAID has entered into the following agreements with private entities: (1) sold approximately 1 million SF of buildings to Brite Star Manufacturing where more than 300 people are employed in the manufacturing, warehousing and distribution of holiday decorations; (2) sold an additional 750,000 SF of buildings to a private real estate developer to be renovated and marketed for commercial and warehousing space; (3) entered into an Agreement of Sale for the development of a new ACME supermarket on the site of a 3.5 acre parking lot; and (4) entered into an Agreement of Sale for a 45 acre parcel that will result in the development of an \$80 million retail center that will employ in excess of 1,000 people. Both the supermarket and retail developments began construction in 2002.

Hospitals and Medical Centers

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

Table A-19
City of Philadelphia
Hospitals and Medical Centers
(as of 1999)

Institution	Beds
Albert Einstein Medical Center	701
Belmont Center for Treatment	146
Charter Fairmont Institute	136
Chestnut Hill Hospital	189
Children's Hospital of Philadelphia	304
Children's Seashore House	77
Episcopal Hospital	218
Fox Chase Cancer Center	74
Frankford Hospital	490
Friedman Hospital of the Home for the Jewish Aged	566
Friends Hospital	192
Germantown Hospital and Community Services ⁽¹⁾	158
Graduate Hospital, main campus	198
Hahnemann Hospital	540
City Avenue Hospital ⁽²⁾	195
Parkview Hospital ⁽³⁾	165
Jeanes Hospital	206
John F. Kennedy Memorial	141
Kensington Hospital	45
Magee Rehabilitation Hospital	96
Medical College of Pennsylvania Hospital ⁽⁴⁾	369
Nazareth Hospital	222
Temple East, Newmann Medical Center ⁽⁵⁾	166
North Philadelphia Health System	315
Northeast Hospital	166
Pennsylvania Hospital	346
Presbyterian Medical Center of the University of Pennsylvania Health System ⁽⁶⁾	325
Roxborough Memorial Hospital	129
Saint Agnes Medical Center	172
Shriners Hospital for Crippled Children	59
St. Christopher's Hospital	130
Temple University Hospital	398
Thomas Jefferson University Hospital	992
University of Pennsylvania Medical Center	659
Veterans Affairs Medical Center	656

Source: AHA Guide to Hospital Statistics, 2000 Edition.

(1) Formerly Known as Germantown Hospital & Medical Center

(2) Formerly Known as Graduate Hospital, City Avenue

(3) Formerly Known as Graduate Hospital, Parkview

(4) Formerly Known as Medical College Hospitals, main campus

(5) Formerly Known as Neuman Medical Center

(6) Formerly Known as Presbyterian Medical Center of Philadelphia

Children's Hospital Expansion. Children's Hospital of Philadelphia recently announced a five-year \$650 million expansion program that began construction in February 2001 and will add more than one million square feet of treatment and research space at the Hospital's campus in West Philadelphia.

University of Pennsylvania/Civic Center. The University of Pennsylvania and Children's Hospital of Philadelphia are constructing a cancer research and treatment center on the former Civic Center site in West Philadelphia.

Additional Projects Under Construction

The following table lists additional projects that were under construction in the City as of the close of 2001. Construction has been completed on several of the projects.

Table A-20
Projects Under Construction

Project	Estimated Cost
Philadelphia International Airport Terminals	\$680,000,000
University of Pennsylvania/Civic Center	450,000,000
Philadelphia Eagles Stadium	395,000,000
Philadelphia Phillies Ballpark	346,000,000
City Hall Tower Restoration	200,000,000
Networks (High Tech Center)	85,000,000

Source: City of Philadelphia, Five-Year Financial Plan Fiscal Year 2003-FY2008.

APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following sets forth the definitions of certain terms used in the Indenture and a brief summary of certain provisions of the Indenture. Certain other provisions of the Indenture relating to the 2003 Bonds are summarized in the Official Statement under the section captioned "THE 2003 BONDS." Reference should be made to the Indenture for a complete statement of all of these provisions and other provisions which are not summarized in the Official Statement. Copies of the Indenture may be obtained from the Trustee.

DEFINITIONS OF CERTAIN TERMS

"Act" means the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended, as such act may be amended from time to time.

"Additional Bonds" means bonds or notes, other than the 1996 Bonds, the 1999 Bonds and the 2003 Bonds, authorized to be issued under the Indenture.

"Affiliate" means any person or company directly or indirectly controlling, controlled by or under common control with the Authority.

"Alternate Liquidity Facility" means a Liquidity Facility provided in accordance with Section 310 of the Third Supplement to the Amended and Restated Indenture (other than (a) the Initial Liquidity Facility or (b) a Renewal Liquidity Facility), including, without limitation, a letter of credit or line of credit of a commercial bank or a credit facility from a financial institution, a standby bond purchase agreement, surety bond or like collateralization, or a combination thereof, which provides security for payment of the purchase price of 2003 Bonds delivered or deemed delivered in accordance with Article III of the Third Supplement to the Amended and Restated Indenture (referred to in this definition as "liquidity support"); provided that at all times while any of the 2003 Bonds bear interest at a Variable Rate or a Flexible Rate such 2003 Bonds (other than Bank Bonds) shall be entitled to liquidity support. Any amendment of a Liquidity Facility which is not a Renewal Liquidity Facility shall be an Alternate Liquidity Facility.

"Authority" means the Pennsylvania Intergovernmental Cooperation Authority, a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth under and by virtue of the Constitution and laws of the Commonwealth.

"Authority Bonds" means any 2003 Bonds of which ownership is registered in the name of the Authority or any Affiliate, other than Bank Bonds.

"Authority Representative" means the person or persons at the time designated to act on behalf of the Authority by written certificate furnished to the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Authority by its duly authorized agent. Such certificate may designate an alternate or alternates.

"Authorized Denomination" means (i) during any Daily Rate Period, Weekly Rate Period or Flexible Rate Period, \$100,000 and \$5,000 multiples in excess thereof, and (ii) during any Term Rate Period or Fixed Rate Period, \$5,000 and integral multiples thereof.

"Bank" means any bank or other financial institution issuing any Liquidity Facility, and initially means JPMorgan Chase Bank.

"Bank Bonds" means Tendered Bonds purchased with moneys drawn under the Liquidity Facility and registered in the name of the Bank in accordance with the Liquidity Facility.

"Bank Rate" means the per annum rate of interest payable on any Bank Bonds as determined pursuant to the Liquidity Facility (or any reimbursement agreement entered into with respect to a letter of credit that is a Liquidity Facility).

"Board" means the governing board of the Authority.

"Bond" or **"Bonds"** means all bonds authorized to be issued pursuant to authorizing resolutions previously adopted by the Authority and executed and delivered under and pursuant to such authorizing resolutions and the Indenture or the

Original Indenture, as the same was amended and supplemented from time to time, including any bonds issued in substitution therefor, and any Additional Bonds issued pursuant to the Indenture.

"Bond Counsel" means any firm of nationally recognized bond counsel acceptable to the Authority.

"Bondholder" or **"Holder"** means the registered owner of any Bond.

"Bond Insurance Policy" means, with respect to the 1996 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1996 Bonds that guarantees payment of principal of and interest on the 1996 Bonds; with respect to the 1999 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1999 Bonds that guarantees payment of principal of and interest on the 1999 Bonds; with respect to the 2003 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1996 Bonds that guarantees payment of principal of and interest on the 2003 Bonds; and with respect to any other Series shall have the meaning defined in the Supplemental Indenture authorizing such Series.

"Bond Insurer" means, (i) with respect to the 1996 Bonds and the 1999 Bonds, Financial Guaranty Insurance Company, a New York stock insurance company ("FGIC"), or any successor thereto; (ii) with respect to the 2003 Bonds, Ambac Assurance Corporation; and (iii) with respect to any other Series, shall have the meaning specified in the Supplemental Indenture authorizing such Series.

"Bond Purchase Fund" means the trust fund so designated which is created and established pursuant to Section 308 of the Third Supplement to the Amended and Restated Indenture.

"Bond Redemption Fund" means the separate fund of such name established under the Indenture.

"Bond Register" means the list of the names and addresses of Bondholders and the principal amounts and numbers of the Bonds held by them maintained by the Registrar on behalf of the Authority.

"Bond Year" for any Series of Bonds means each one-year period (or shorter period from the date of issue) that ends at the close of business on the date in the calendar year that is elected by the Authority as permitted under the Code.

"Business Day" means a day other than a Saturday, Sunday or holiday on which the Trustee or any applicable Credit Facility Issuer are authorized or required to be closed under applicable state or federal law, and, with respect to the 2003 Bonds, any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in Philadelphia, Pennsylvania or in any other city in which the Principal Office of the Trustee or the designated office of the Tender Agent, the Remarketing Agent or the Bank is located are required or authorized by law (including executive order) to close or on which the Principal Office of the Trustee, or the designated office of the Tender Agent, the Remarketing Agent or the Bank is closed for reasons not related to financial condition or (iii) a day on which the New York Stock Exchange is closed.

"Capital Projects Fund" means the separate fund of such name established under the Indenture.

"City" means the City of Philadelphia, Pennsylvania.

"City Account" means the account of such name created under the Act and the Disbursement Agreement.

"City Obligations" means any direct obligations of the City, including tax and revenue anticipation notes of the City, or any obligations guaranteed by the City, the investment in which shall have been approved by the Authority in accordance with Section 311(b) of the Act.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor legislation, and the regulations and published rulings promulgated thereunder or applicable thereto.

"Commonwealth" means the Commonwealth of Pennsylvania.

"Conversion Date" means each Fixed Rate Conversion Date, Flexible Rate Conversion Date and Variable Rate Conversion Date.

"Credit Facility" means the Municipal Bond Debt Service Reserve Fund Policy issued by Financial Guaranty Insurance Company, and any other letter of credit, bond insurance policy, other than the Bond Insurance Policy, or other credit facility meeting the requirements of, and delivered to the Trustee in accordance with, the Indenture in connection with the issuance of Additional Bonds to satisfy the Debt Service Reserve Requirement for the Debt Service Reserve Fund.

"Credit Facility Issuer" means Financial Guaranty Insurance Company and each issuer of a Credit Facility then in effect, and its successors. Reference to the Credit Facility Issuer shall be read to mean each issuer of a Credit Facility.

"Daily Rate Period" means, with respect to the 2003 Bonds, each period from and commencing on a Business Day and including and ending on the first day preceding the first Business Day thereafter.

"Debt Service Fund" means the separate fund of such name established under the Indenture.

"Debt Service Requirement" means for a specified period the principal of (whether at maturity or pursuant to mandatory redemption) and interest (other than capitalized interest) on Outstanding Bonds payable during the period. If any Series bears interest at a variable interest rate, the interest thereon shall be deemed to be an amount calculated using an interest rate equal to the maximum interest rate permitted for such Series under the authorizing Supplemental Indenture. If the repayment obligation of the Authority under a Credit Facility with respect to a particular Series is secured on a parity with the Bonds and provides for a different rate of interest or amortization period than such Series, the principal and interest during a period for such Series of Bonds for purposes of computing the Debt Service Requirement shall be based upon the maximum interest rate and amortization provisions of the Credit Facility if they result in a higher Debt Service Requirement. If an interest rate exchange agreement, interest rate cap and floor agreement or other similar agreement permitted by Section 304(10) of the Act is in effect with respect to a Series of Bonds and the unguaranteed debt of the obligated counter-party is rated in one of the two highest rating categories by S&P and Moody's and no default exists under such agreement, the principal and interest payable during a period for such Series of Bonds for purposes of computing the Debt Service Requirement for such period shall be determined by reference to the net amount payable by the Authority under or after giving effect to such agreement.

"Debt Service Reserve Fund" means the separate fund of such name established under the Indenture.

"Debt Service Reserve Requirement" means with respect to the Bonds, an amount equal to the lesser of (i) the Maximum Annual Debt Service Requirement with respect to all Bonds outstanding under the Indenture, and (ii) the maximum amount permitted by the Code.

"Deficit Fund" means the separate Fund of such name established under the Indenture.

"Department" means the Department of Revenue of the Commonwealth.

"Depository" means Wachovia Bank, National Association, successor to First Union National Bank, a national banking association organized and existing under the laws of the United States, as Depository under the Disbursement Agreement, and its successors and assigns.

"Disbursement Agreement" means the City Account Deposit and Disbursement Agreement dated as of December 6, 1991 between the Authority and the Depository and acknowledge and agreed to by the City as the same may be amended, modified or supplemented and in effect from time to time.

"Encumbered Funds Account" means the separate account of such name created pursuant to the Encumbered Funds Account Agreement between Wachovia Bank, National Association, successor to First Union National Bank, and the Authority, as amended and restated.

"Event of Default" means any event specified as such in Section 8.01 of the Indenture.

"Favorable Opinion" means an opinion of nationally recognized bond counsel addressed to the Authority and the Trustee to the effect that (i) the action proposed to be taken is authorized or permitted by the Act and the Indenture and (ii) such action will not adversely affect the exclusion from gross income of interest on the 2003 Bonds for purposes of federal income taxation.

"Fitch" means Fitch IBCA, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns and if such corporation shall for any reason no longer perform the actions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority. Whenever rating categories of Fitch are specified in the Indenture, such categories shall be irrespective of gradations within a category.

"Fixed Rate" means the rate to be borne by the 2003 Bonds from and after the Fixed Rate Conversion Date, which shall be the lowest rate which, in the judgment of the Remarketing Agent, is necessary to enable the 2003 Bonds to be remarketed at the

principal amount thereof, plus accrued interest, if any, on the Fixed Rate Conversion Date.

"Fixed Rate Conversion Date" means the date on which the 2003 Bonds begin to bear interest at the Fixed Rate.

"Fixed Rate Period" means the period of time commencing on the Fixed Rate Conversion Date and ending on the Maturity Date.

"Flexible Rate" means the lowest annual rate of interest, expressed as a percentage and rounded to the nearest one thousandth of one percent, determined by the Remarketing Agent on a Flexible Rate Adjustment Date, which would, in the judgment of the Remarketing Agent, enable a particular Bond to be remarketed at the principal amount thereof on such Flexible Rate Adjustment Date given the applicable Interest Period for such 2003 Bond (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in the Third Supplement to the Amended and Restated Indenture).

"Flexible Rate Adjustment Date" means a Business Day on which a Flexible Rate and an Interest Period for a particular Bond commence.

"Flexible Rate Conversion Date" means a date on which the 2003 Bonds begin to bear interest at Flexible Rates.

"Flexible Rate Period" means any period of time commencing on a Flexible Rate Conversion Date and ending on a Variable Rate Conversion Date, a Fixed Rate Conversion Date or on the Maturity Date.

"Government Obligations" means any of the following which are noncallable and which at the time of investment are legal investments under the Act for the moneys proposed to be invested therein:

- (a) direct general obligations of, or obligations the payment of principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America ("Direct Obligations");

- (b) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FHMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs") guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; and guaranteed Title XI financings of the U.S. Maritime Administration; or

- (c) upon the approval of the Bond Insurer for the 1996 Bonds, which approval will not be unreasonably withheld, obligations issued by the Resolution Funding Corporation pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (the "FIRRE Act"), (i) the principal of which obligations is payable when due from payments of the maturing principal of noninterest bearing direct obligations of the United States of America which are issued by the Secretary of the Treasury and deposited in the Funding Corporation Principal Fund established pursuant to the FIRRE Act, and (ii) the interest on which obligations, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to the FIRRE Act.

"Immediate Notice" means notice by telephone, telex, telecopier or email to such address as the addressee shall have directed in writing, promptly followed by written notice by first class mail, postage prepaid.

"Income Tax" means the 1.5 % tax on salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City pursuant to Section 601(a)(3) of the Act.

"Indenture" means the Amended and Restated Indenture of Trust dated as of December 1, 1994, between the Authority and the Trustee, as amended and supplemented by the First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996, the Second Supplement to the Amended and Restated Indenture of Trust dated as of March 1 1999, and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003, between the Authority and the Trustee and as further amended or supplemented from time to time in accordance with the terms thereof.

"Initial Bank" means JPMorgan Chase Bank, in its capacity as issuer of the Initial Liquidity Facility.

"Initial Liquidity Facility" means the transferable Standby Bond Purchase Agreement dated as of June 1, 2003, entered into between the Authority and the Initial Bank concurrently with the original issuance of the 2003 Bonds.

"Interest Component" means the maximum amount stated in the Liquidity Facility (as reduced and reinstated from time to time in accordance with the terms thereof) which may be drawn for the payment of the portion of the purchase price of Tendered Bonds corresponding to interest accrued on the Tendered Bonds.

"Interest Coverage Period" means the number of days for 2003 Bonds bearing interest in a particular interest mode which is used to determine the Interest Component, determined in accordance with the requirements of Section 310(h) of the Third Supplement to the Amended and Restated Indenture in a manner consistent with the periods utilized in calculating interest accrued on 2003 Bonds in such interest mode.

"Interest Coverage Rate" means the rate which is used to determine the Interest Component, initially 12% per annum for 2003 Bonds in the Weekly Rate Period secured by the Initial Liquidity Facility, and shall be specified for 2003 Bonds bearing interest in each subsequent mode by the Remarketing Agent in writing to the Trustee at the time such 2003 Bonds commence bearing interest in accordance with such mode, as such rate may be changed from time to time by the Remarketing Agent subject to compliance with Section 310(h) of the Third Supplement to the Amended and Restated Indenture. Notwithstanding the foregoing, the maximum Interest Coverage Rate that may be established with respect to the 2003 Bonds shall be 12% per annum.

"Interest Payment Date" means, with respect to the 1996 Bonds, December 15, 1996 and each June 15 and December 15 thereafter so long as any 1996 Bonds remain Outstanding, with respect to the 1999 Bonds, December 15, 1999 and each June 15 and December 15 thereafter so long as any 1999 Bonds remain Outstanding, with respect to the 2003 Bonds during a Daily or Weekly Rate Period, the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of each calendar month, each Mandatory Tender Date, the Maturity Date and for 2003 Bonds called for redemption, the applicable redemption date, and with respect thereto and with respect to any other Series shall have the meaning specified in the Supplemental Indenture authorizing such Series.

"Intergovernmental Cooperation Agreement" means the Intergovernmental Cooperation Agreement between the Authority and the City dated January 8, 1992, as the same may be amended, supplemented or otherwise modified and in effect from time to time.

"Investment Earnings" means all interest and income received from the investment of funds held under the Indenture, losses suffered by reason of such investment, and any interest paid by the Trustee or any other depository of any fund established under the Indenture, and any net profits or losses resulting from the sale of securities.

"Investment Securities" means any of the following obligations or securities to the extent legal for investment of Authority funds:

- (a) Government Obligations;
- (b) federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States (which may include the Trustee and the Registrar) having a combined capital and surplus of not less than \$50,000,000, which at the time of purchase has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by S&P, and, in the case of a branch office of a foreign bank, a legal opinion is received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank;
- (c) deposits of any bank or savings and loan association which has combined capital surplus and undivided profits of not less than \$3,000,000, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;
- (d) (i) direct obligations of or (ii) obligations the principal of and interest on which are unconditionally guaranteed by any state of the United States of America or the District of Columbia, or any political subdivision or agency thereof, other than the City, or upon the approval of the Bond Insurer for the 1996 Bonds, the Commonwealth of Puerto Rico, or any political subdivision or agency thereof, whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P;

(e) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P;

(f) repurchase agreements collateralized by Government Obligations with a bank, insurance company or other financial institution whose letters of credit, other credit facilities or long-term unsecured obligations are rated in one of the three highest rating categories by Moody's and S&P, provided: (i) a master repurchase agreement or specific written repurchase agreement governs the transaction; (ii) the securities are held by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (1) a Federal Reserve Bank; (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50,000,000; or (3) a bank approved in writing for such purpose by each Bond Insurer, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. §306.1 *et seq.* or 31 C.F.R. §350.0 *et seq.* in such securities is created for the benefit of the Trustee; (iv) the repurchase agreement has a term of ten years or less, or, so long as any 1996 Bonds, 1999 Bonds or 2003 Bonds are Outstanding, such shorter term as the respective Bond Insurer may require, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (v) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, or, so long as any 1996 Bonds, 1999 Bonds or 2003 Bonds are Outstanding, such higher collateral requirement as the respective Bond Insurer may require;

(g) money market mutual fund shares issued by a fund having assets not less than \$100,000,000 (including any such fund from which the Trustee or any of its affiliates may receive compensation) which invests in securities of the types specified in clauses (a) or (e) of this definition and is rated "AAAm" or "AAAm-G" by S&P; and

(h) guaranteed investment contracts with a bank, insurance company or other financial institution whose letters of credit, other credit facilities or unsecured obligations are rated in one of the three highest rating categories by Moody's and S&P and which guaranteed investment contracts are either insured by a municipal bond insurance company rated in the highest rating category by Moody's and S&P or fully collateralized at all times with securities of the type described in clause (a) of this definition which have a fair market value at all times equal to the value of the guaranteed investment contract, provided that: (i) a written agreement governs the transaction; (ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (1) a Federal Reserve Bank or (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50,000,000; (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. §306.1 *et seq.* or 31 C.F.R. §350.0 *et seq.* in such securities is created for the benefit of the Trustee; (iv) interest is paid at least semiannually during the entire term of the agreement; (v) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day's notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date); (vi) the Trustee receives an opinion of counsel for the issuer of such agreement that such agreement is an enforceable obligation of the issuer; and (vii) so long as any 1996 Bonds, 1999 Bonds or 2003 Bonds are Outstanding, the respective Bond Insurer approves such use in writing.

"Letter of Representations" means, the Blanket Letter of Representations from the Authority to The Depository Trust Company ("DTC"), pursuant to the terms of which all payments of the principal of, premium or interest on the 2003 Bonds shall be made to DTC or its nominee, as the Bondholder of 2003 Bonds.

"Liquidity Facility" means the Initial Liquidity Facility, or any Renewal Liquidity Facility or Alternate Liquidity Facility at the time in effect.

"Mandatory Tender Date" means any date on which a 2003 Bondholder is required to tender any 2003 Bond for purchase in accordance with Sections 302, 303 or 304 of the Third Supplement to the Amended and Restated Indenture.

"Mandatorily Tendered Bonds" means the 2003 Bonds required to be tendered for purchase on a Mandatory Tender Date.

"Maturity Date" means, with respect to the 2003 Bonds, June 15, 2022 or, with respect to each 2003 Bond bearing interest at a Fixed Rate which has been assigned a specific maturity date pursuant to Section 205(d) of the Third Supplement to

the Amended and Restated Indenture, "Maturity Date" means the date so assigned.

"Maximum Annual Debt Service Requirement" means the maximum Debt Service Requirement in any subsequent fiscal year of the Authority on Bonds expected to be Outstanding at the time of such calculation.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority. Whenever rating categories of Moody's are specified in the Indenture, such categories shall be irrespective of gradations within a category.

"1993A Bonds" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A.

"1996 Bonds" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996.

"1996 Term Bonds" means the 1996 Bonds scheduled to mature on June 15 in the years 2016 and 2020.

"1999 Bonds" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999.

"1999 Term Bonds" means the 1999 Bonds scheduled to mature on June 15 in the years 2021 and 2023.

"No-Call Period" means the period of time (measured from the Conversion Date) during which the 2003 Bonds in the Fixed Rate Period or the Term Rate Period may not be called for optional redemption as set forth in Section 401(a)(ii) of the Third Supplement to the Amended and Restated Indenture.

"Optional Tender Date" means the date specified by a 2003 Bondholder in a Tender Notice for purchase of any 2003 Bond during a Variable Rate Period in accordance with Section 301 of the Third Supplement to the Amended and Restated Indenture.

"Optionally Tendered Bonds" means the 2003 Bonds tendered or deemed tendered for purchase on an Optional Tender Date.

"Original Indenture" means the Indenture of Trust dated as of June 1, 1992, between the Authority and Wachovia Bank, National Association, as successor to CoreStates Bank, N.A.

"Outstanding" or **"Bonds Outstanding"** means all Bonds which have been authenticated and delivered under the Indenture or the Original Indenture, as the same was amended and supplemented from time to time, except:

(a) Bonds cancelled after purchase in the open market or because of payment or redemption prior to maturity;

(b) Bonds for the payment or redemption of which funds shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee, and provided that all such deposits shall have been made in accordance with the provisions of the Indenture; and

(c) Bonds in lieu of which others have been authenticated and delivered under the Indenture.

Bonds paid with the proceeds of any Credit Facility shall be Outstanding until the Credit Facility Issuer has been reimbursed for the amount of the payment or has presented the Bonds for cancellation.

In addition, the term "Outstanding" means, with respect to the 2003 Bonds, as of any given date, all 2003 Bonds which have been duly authenticated and delivered under the Indenture, except:

(a) 2003 Bonds canceled after purchase in the open market or because of payment at or redemption prior to the Maturity Date;

(b) 2003 Bonds for the payment or redemption of which cash or Government Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the Maturity Date or redemption date of any such 2003 Bonds) in accordance with Article VII of the Amended and Restated Indenture, as amended by Section 704 of the Third Supplement to the Amended and Restated Indenture; provided that if such Bonds are to be redeemed prior to the Maturity Date thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(c) 2003 Bonds in lieu of which others have been authenticated under Section 207 or 208 of the Amended and Restated Indenture;

(d) after any Optional Tender Date, any Bond for which a Tender Notice was given in accordance with Section 301 of the Third Supplement to the Amended and Restated Indenture and which was not so tendered;

(e) after any Mandatory Tender Date, any 2003 Bond which was required to be tendered on such a Mandatory Tender Date in accordance with Sections 302, 303 or 304 of the Third Supplement to the Amended and Restated Indenture and which was not so tendered; and

(f) after the Fixed Rate Conversion Date, for the purpose of all consents, approvals, waivers and notices required to be obtained or given under the Third Supplement to the Amended and Restated Indenture, 2003 Bonds held or owned by the Authority or any Affiliate thereof.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, an unincorporated organization, a regulatory body, any political subdivision, municipality or municipal authority or any other group or entity.

"PICA Tax Disbursement Agreement" means the letter agreement between the Authority and the State Treasurer pursuant to which the Authority has designated the Trustee as the Trustee for the funds required or permitted to be established pursuant to Chapter 3 of the Act for the security and payment of the 1996 Bonds, the 1999 Bonds, the 2003 Bonds and all other Series of Bonds issued under the Indenture and the State Treasurer has acknowledged and agreed to the terms of such letter agreement.

"PICA Tax Ordinance" means the ordinance (Bill No. 1437) of the City approved June 12, 1991 enacting the Income Tax.

"PICA Taxes" means the Income Tax and any other taxes which may be enacted hereafter by the City pursuant to the Act for the exclusive purposes of the Authority and which are pledged by the Authority to secure the Bonds in a Supplemental Indenture.

"Pledged Revenues" means all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes and all moneys and securities held by the Trustee under the Indenture, together with any earnings thereon, except moneys and securities, together with any earnings thereon, held in the Rebate Fund.

"Principal Office" means, with respect to the 2003 Bonds, (i) the corporate trust office of the Trustee responsible for the administration of the Third Supplement to the Amended and Restated Indenture, as designated in Section 11.07 of the Amended and Restated Indenture, as amended by Section 709 of the Third Supplement to the Amended and Restated Indenture, and (ii) the respective offices of the Bank, the Tender Agent and the Remarketing Agent designated to receive notices required by the Third Supplement to the Amended and Restated Indenture, as set forth in Section 709 of the Third Supplement to the Amended and Restated Indenture.

"Proposed Fixed Rate Conversion Date" means the date indicated in the written notice of the Authority given pursuant to Section 205 of the Third Supplement to the Amended and Restated Indenture on which the Authority intends to effect a conversion of the interest rate on the 2003 Bonds to the Fixed Rate.

"Rating Agency" means each nationally recognized securities rating agency then maintaining a rating on the Bonds at the request of the Authority, which at the time of issuance of the 2003 Bonds includes S&P, Moody's and Fitch.

"Rebate Amount" shall have the meaning set forth in the Tax Compliance Agreement.

"Rebate Fund" means the separate fund of such name established under the Indenture.

"Record Date" means with respect to the 1996 Bonds and the 1999 Bonds, the last day (whether or not a Business Day) of the calendar month next preceding any Interest Payment Date or any redemption date, and with respect to the 2003 Bonds while the 2003 Bonds bear interest during a Daily Rate Period or a Weekly Rate Period, the close of business on the last Business Day preceding an Interest Payment Date.

"Registrar" means the Registrar appointed in accordance with the provisions of the Indenture. "Principal Office" of the Registrar means the office thereof designated in writing to the Authority and the Trustee.

"Remarketing Agent" means Raymond James & Associates, St. Petersburg, Florida, and its successor for the time being in such capacity as provided in Section 502 of the Third Supplement to the Amended and Restated Indenture.

"Remarketing Agreement" means the Remarketing Agreement dated as of June 1, 2003 between the Authority and the Remarketing Agent or any subsequent remarketing agreement executed by the Authority and any subsequent Remarketing Agent appointed pursuant hereto.

"Renewal Date" means the Interest Payment Date next preceding the Stated Expiration Date of the Liquidity Facility at the time in effect (or the next preceding Business Day if such day is not a Business Day).

"Renewal Liquidity Facility" means a Liquidity Facility provided in accordance with Section 310 of the Third Supplement to the Amended and Restated Indenture which has been issued with terms and conditions identical to, and by the same provider of, the Liquidity Facility in substitution for which the Renewal Liquidity Facility is to be provided, except for:

- (a) an extension of the Stated Expiration Date;
- (b) an increase or decrease in the Interest Coverage Rate or the Interest Coverage Period;
- (c) an increase or decrease in the Interest Component;
- (d) an increase or decrease in the portion of the Liquidity Facility designated to pay premium upon purchase of 2003 Bonds to the extent required or permitted by Section 310(h) of the Third Supplement to the Amended and Restated Indenture;
- (e) changes in the business covenants contained in, the fees payable pursuant to and the interest rate on advances made under the Liquidity Facility; or
- (f) any combination of (a), (b), (c), (d) and (e).

"Revenue Fund" means the separate fund of such name established under the Indenture.

"S&P" means Standard & Poor's Ratings Group, a Division of McGraw Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority. Whenever rating categories of S&P are specified in the Indenture, such categories shall be irrespective of the gradations within a category.

"Series" or "Series of Bonds" means all of the Bonds designated as being of the same series at the time of issuance thereof in one transaction and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture, as the same shall be amended and supplemented from time to time.

"Special Payment Date" means with respect to Outstanding Bonds the date set for the payment of interest or principal that was not paid when due on any Interest Payment Date or on any date that principal is due, which date shall be fixed by the Trustee whenever moneys become available for the payment of such interest or principal.

"Special Record Date" means the date (whether or not a Business Day) which is the fifteenth day prior to any Special Payment Date.

"State Treasurer" means the State Treasurer of the Commonwealth.

"Stated Expiration Date" means the stated date of expiration or termination of the Liquidity Facility, including any extensions thereof.

"Supplemental Indenture" means any indenture of the Authority amending or supplementing the Indenture for any purpose, in accordance with the terms of the Indenture.

"2003 Bonds" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003.

"Tax Collection Agency Agreement" means the agreement between the Department and the City, acting through its Revenue Department and its Law Department, which sets forth the manner in which the Revenue Department and the Law Department of the City shall collect Income Tax on behalf of the Department and in which amounts collected shall be transferred to the Commonwealth account designated by the Department.

"Tax Compliance Agreement" means each respective agreement executed by the Authority and the City regarding compliance with provisions of the Code to assure that interest on a Series of Bonds which is intended to be excluded from gross income for federal income tax purposes is so excludable.

"Tender Agent" means that Person appointed pursuant to Section 501 of the Third Supplement to the Amended and Restated Indenture to perform those functions with respect to the 2003 Bonds related to the registration of transfers and exchanges, tenders, redemptions, notices and purchases thereof and payments thereon prior to the commencement of a Fixed Rate Period.

"Tendered Bonds" means Optionally Tendered Bonds and Mandatorily Tendered Bonds.

"Tender Notice" means the notice from a 2003 Bondholder to the Tender Agent of an Optional Tender Date in accordance with the provisions set forth in the Third Supplement to the Amended and Restated Indenture.

"Tender Price" means with respect to each Tendered Bond, 100% of the principal amount of any such Tendered Bond plus, if an Optional Tender Date is not an Interest Payment Date, interest accrued and unpaid thereon to, but not including, the Optional Tender Date with respect to such 2003 Bond.

"Term Rate Period" means any Variable Rate Period from and commencing on the fifteenth (15th) day of a calendar month (or the next succeeding Business Day if the fifteenth is not a Business Day) to but not including the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of the twelfth (or any integral multiple of 12) succeeding calendar month.

"Trustee" means Wachovia Bank, National Association, as successor to Meridian Bank, a national banking association organized and existing under the laws of the United States, as the Trustee under the Indenture, its successors in trust under the Indenture and its assigns. "Principal Office" of the Trustee means the principal corporate trust office of the Trustee, which office at the date of acceptance by the Trustee of the duties and obligations imposed on the Trustee by the Indenture is located at the address specified in the Indenture.

"Variable Rate" means, with respect to the then effective Variable Rate Period, the lowest interest rate which, in the judgment of the Remarketing Agent, would enable the 2003 Bonds to be remarketed at the principal amount thereof, plus accrued interest thereon, if any, on the Variable Rate Adjustment Date with respect thereto (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in the Third Supplement to the Amended and Restated Indenture).

"Variable Rate Adjustment Date" means the first day of each Variable Rate Period.

"Variable Rate Conversion Date" means a date on which the 2003 Bonds begin to bear interest at a Variable Rate for (i) a particular Variable Rate Period which is of a different type than the preceding Variable Rate Period, (ii) a Term Rate Period which is of a different length than the preceding Term Rate Period except when shorter by reason of the Maturity Date or (iii) any Variable Rate Period which succeeds a Flexible Rate Period.

"Variable Rate Period" means each Daily Rate Period, Weekly Rate Period and Term Rate Period.

"Weekly Rate Period" means any Variable Rate Period from and commencing on Thursday of any calendar week and including and ending on the Wednesday of the next calendar week; provided, however, that any Weekly Rate Period which does not follow another Weekly Rate Period shall commence on the Variable Rate Conversion Date with respect thereto and end on the first or second Wednesday thereafter, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and any Weekly Rate Period which is not followed by another Weekly Rate Period shall commence on the last or second to last

Thursday of a calendar month, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and end on the day preceding the final Interest Payment Date for such Weekly Rate Period.

"Yield Reduction Amount" means an amount with respect to a Series of Bonds which may be paid to the United States in accordance with Treasury Regulations Section 1.148-5(c).

Words importing singular number shall include the plural number, and vice versa, words importing persons shall include firms and corporations and the masculine shall include the feminine, and vice versa, wherever the context requires.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Pledge and Assignment

Under the Indenture, the Authority assigns, pledges and grants to the Trustee a security interest in the following property (the "Trust Estate"): all of the Authority's right, title and interest in and to the Pledged Revenues; all right, title and interest of the Authority in and to all moneys and securities from time to time held by the Trustee under the terms of the Indenture, except for moneys and securities held in the Rebate Fund; and any and all other property rights and interests of every kind or nature as the Authority may from time to time assign, pledge and grant to the Trustee as additional security under the Indenture, in trust for the equal and proportionate benefit, security and protection of all present and future Holders of Bonds to secure the payment of the principal of, premium, if any, and interest on the Bonds, without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds, except in the case of funds held for the benefit of particular Bonds, to the extent provided in the Indenture, for the performance and observance of the covenants contained in the Indenture and in the Bond, and for the benefit of any Credit Facility Issuer to the extent provided in the Indenture.

Redemption of the Bonds

The 2003 Bonds are subject to redemption as described under "THE 2003 BONDS" in the Official Statement. The 1996 Bonds and the 1999 Bonds are subject to redemption as described in the Indenture. Each other Series may be subject to such redemption as specified in the Supplemental Indenture authorizing such Series.

Creation of Funds

The Indenture creates the following funds: Deficit Fund, Capital Projects Fund, Revenue Fund, Debt Service Fund, Debt Service Reserve Fund, Bond Redemption Fund, Rebate Fund and Settlement Fund. Each of these funds is to be held in trust by the Trustee under the Indenture and, except for the Rebate Fund, which shall not be subject to any security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder, any Credit Facility Issuer or any other Person, such funds are pledged to secure the obligations to Bondholders and each Credit Facility Issuer under the Indenture. The Trustee shall establish accounts in each fund (other than the Debt Service Reserve Fund) to identify the Series of Bonds providing the source of money in such account or in respect of which money in such account is available to pay debt service. Moneys in accounts in respect of a particular Series shall only be available to pay debt service or the redemption price of the Bonds of such Series, except as may otherwise be provided in the Indenture or in the Supplemental Indenture adopted at or prior to the time of issuance of such Series. References in the following discussion of the various funds to transfers from certain funds to other funds are to be read to refer to transfers from the several accounts of the respective funds to the corresponding accounts of the other funds relating to the same Series of Bonds.

Deficit Fund

At the time of issuance of each Series of Bonds, there shall be deposited in the Deficit Fund such amount as shall be specified in the Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds. Amounts in the Deficit Fund constituting proceeds of any Series of Bonds shall be applied as provided in the Indenture or the Supplemental Indenture authorizing such Series of Bonds. If there are insufficient amounts in the Debt Service Fund to make any payment of principal of or interest due on the Bonds and there are no available amounts in the Debt Service Reserve Fund or the Capital Projects Fund for such purpose, the Trustee shall transfer amounts from the Deficit Fund to the Debt Service Fund to the extent necessary to eliminate such deficiency. In addition, if any provision of Section 202 of the Act is held invalid by a court of competent jurisdiction, the Trustee shall not transfer any amounts from the Deficit Fund to the City unless it receives an Order from the Supreme Court of Pennsylvania permitting such transfer.

Capital Projects Fund

At the time of issuance of each Series of Bonds, there shall be deposited in the Capital Projects Fund such amount as shall be specified in the Indenture or in the Supplemental Indenture authorizing the issuance of such Series of Bonds. Amounts in the account in the Capital Projects Fund derived from proceeds of a Series of Bonds shall be disbursed only for costs of the capital projects identified in the Indenture or in the Supplemental Indenture authorizing the issuance of such

Series of Bonds. The capital projects to be funded from the Capital Projects Fund may be revised by the Authority, with the consent of the City, upon delivery to the Trustee of, among other things, an opinion of Bond Counsel to the effect that such revision is permitted under the Act and will not adversely affect the excludability of interest on any Bonds from gross income for federal tax purposes. Such revision shall not require execution of a Supplemental Indenture and shall not be considered an amendment requiring consent of any Bond Insurer or Bondholders.

The Trustee shall transfer amounts in the applicable account in the Capital Projects Fund to the Encumbered Funds Account upon receipt of a requisition signed by the Authority accompanied by a notice (in the form prescribed in the Indenture) of the City to the Authority to the effect that the City is prepared to award a contract for or commence work on an approved capital project or projects, which notice shall identify in reasonable detail: (i) the capital project or projects, (ii) the amount of the contract to be awarded or the cost of work to be encumbered, and (iii) the proposed date of award of such contract or the proposed date of commencement of the work. The Trustee shall not transfer amounts from the Capital Projects Fund to the Encumbered Funds Account at any time when a suspension of payment from the Commonwealth to the City is in effect as a result of the Authority certifying that the City is not in compliance with an approved financial plan pursuant to provisions of the Act and the Trustee has notice of such suspension. In addition, the Trustee shall not transfer amounts from the Capital Projects Fund to the Encumbered Funds Account if any provision of Section 202 of the Act is held invalid by a court of competent jurisdiction, unless the Trustee receives an order of the Supreme Court of Pennsylvania permitting such transfer. Upon completion, termination or abandonment of any capital project with respect to which moneys shall have been disbursed to the Encumbered Funds Account, any unspent moneys deposited therein for such capital project shall, to the extent not approved by the Authority for application to other capital projects being funded from the Encumbered Funds Account, be deposited, at the direction of the Authority and the City, in the Capital Projects Fund.

Amounts remaining in any account in the Capital Projects Fund after completion, termination or abandonment of the capital project or projects to be financed with the proceeds of the related Series of Bonds shall be transferred at the direction of the Authority to the Debt Service Fund for the payment of principal next becoming due on the applicable Series of Bonds or to the Bond Redemption Fund for redemption of Bonds of such Series at the earliest practicable date that Bonds of such Series can be redeemed without a premium unless the Trustee is directed by the Authority at the request of the City to apply such excess for a purpose permitted under the Act and receives an opinion of Bond Counsel that such use is permitted under the Act and will not adversely effect the excludability of interest on any Bonds from gross income for Federal income tax purposes.

To the extent that amounts in the Debt Service Fund are insufficient to make any payment of principal of or interest due on the Bonds after all available amount in the Debt Service Reserve Fund have been used, the Trustee shall transfer amounts from the Capital Projects Fund to the Debt Service Fund to the extent necessary to eliminate such deficiency.

Revenue Fund

All payments of PICA Taxes made to the Trustee by the State Treasurer shall be received by the Trustee and deposited by the Trustee in the Revenue Fund. The Trustee shall transfer sums from the Revenue Fund to other funds as provided in the Indenture and as more particularly described in the Official Statement under "SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS - Authority Tax." Any moneys remaining in the Revenue Fund after all such transfers have been made shall be transferred by the Trustee to the Depositary for deposit to the City Account.

Debt Service Fund

On the date of settlement for each Series of Bonds, there shall be deposited in the Debt Service Fund an amount equal to the accrued interest, if any, on such Series of Bonds to the date of settlement therefor and any capitalized interest in respect of such Series. Amounts received by the Trustee pursuant to an interest rate exchange agreement or other agreement permitted by Section 304(10) of the Act in respect of a Series of Bonds shall be credited to the accounts in respect of such Series of Bonds.

Moneys in the Revenue Fund shall be transferred to the Debt Service Fund to the extent necessary to cause the aggregate amount deposited therein in each month to equal the sum of (i) the aggregate for all Series of Bonds paying interest semiannually of 1/6 (such fraction to be increased or decreased, as appropriate, for a Series to account for any initial or final interest period shorter or longer than six months) of the amount of interest that will be due and payable on each such Series of Bonds on the next succeeding Interest Payment Date for the respective Series, (ii) the aggregate for all Series of Bonds paying interest at an interval other than semiannually of an amount equal to the interest that will be due and payable or otherwise accrue on each such Series of Bonds during such month (assuming that interest due on such Bonds will be payable at the maximum interest rate applicable to such Bonds, and taking into account (A) any amounts received from the counterparty to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the 2003 Bonds Swap, deposited directly into the Debt Service Fund, and (B) any amounts remaining in the Debt Service Fund from prior months' transfers from the Revenue Fund in excess of the amount actually paid or accrued as interest on

such Bonds for such prior months), (iii) the aggregate for all Series of Bonds of 1/12 (such fraction to be increased, as appropriate, for a Series to account for any initial or final principal payment period shorter than 12 months) of the amount of principal that will become due and payable on each Series of Bonds (whether upon maturity or mandatory redemption) on the next succeeding principal payment date (whether upon maturity or mandatory redemption) for the respective Series occurring within the next year following the date of such transfer, (iv) any deficiency in deposits required to be made in prior months under the preceding clauses (i), (ii) and (iii) which has not been eliminated and (v) any amount owed to any Credit Facility Issuer in respect of payments made for principal and interest on Bonds. The Trustee shall use the moneys in the Debt Service Fund to pay the principal of and mandatory sinking fund installments and interest on the Bonds as it becomes due and payable and to pay any amount owed to the Credit Facility Issuer in respect of payments made for principal and interest on Bonds.

The Trustee shall establish as part of the Debt Service Fund a 1996 Bonds Sinking Fund Account, a 1999 Bonds Sinking Fund Account and a 2003 Bonds Sinking Fund Account for the retirement of certain of the 1996 Term Bonds, 1999 Term Bonds and 2003 Term Bonds, respectively. Certain of the 2003 Term Bonds are subject to mandatory sinking fund redemption on the dates and in the amounts set forth in the Official Statement under "THE 2003 BONDS -- Mandatory Sinking Fund Redemption". The Trustee shall transfer moneys from the Debt Service Fund to the Sinking Fund Accounts in the amounts required to retire the 1996 Term Bonds, the 1999 Term Bonds and the 2003 Term Bonds on the dates and in amounts so described. Notwithstanding the foregoing, the Indenture permits the Trustee, at the direction of the Authority prior to May 1 of each year in which 1996 Term Bonds, 1999 Term Bonds or 2003 Terms Bonds are subject to mandatory sinking fund redemption, to apply amounts deposited in the Sinking Fund Accounts to the purchase of as many 1996 Term Bonds, 1999 Term Bonds and 2003 Terms Bonds as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not exceeding the principal amount thereof, plus interest accrued to such date (which interest shall be paid from amounts in the Debt Service Fund).

Debt Service Reserve Fund

There shall be maintained in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement for the Bonds. In lieu of such deposit, at the time of issuance of a Series, subject to approval of the Bond Insurer, if any, there may be provided a Credit Facility in such amount issued by a Credit Facility Issuer whose credit facilities are such that bonds secured by such credit facilities are rated in one of the three highest rating categories by Moody's and S&P. To the extent that additional amounts are required to be deposited in the Debt Service Reserve Fund, such moneys shall come from sources other than the proceeds of the Bonds. Moneys in the Revenue Fund shall be transferred to the Debt Service Reserve Fund to the extent necessary to eliminate a deficiency therein. To the extent that there is an excess amount in the Debt Service Reserve Fund as of the date any valuation is required to be made as provided in the Indenture, unless otherwise provided in the Supplemental Indenture authorizing the issuance of such Series, the excess (other than any Investment Earnings) shall be transferred, at the written direction of the Authority, to the Debt Service Fund or the Bond Redemption Fund as provided in the Indenture, or, subject to an approving opinion of Bond Counsel, as directed in writing by the Authority.

Investment Earnings from investments of amounts in the Debt Service Reserve Fund shall be applied by the Trustee as follows:

- (a) the Trustee shall retain in the Debt Service Reserve Fund the amount necessary to eliminate deficiency therein;
- (b) the Trustee shall transfer to the Rebate Fund in respect of each Bond Year such amount as is certified by the Authority to the Trustee pursuant to the applicable Tax Compliance Agreement as the Rebate Amount and Yield Reduction Amount, if any, for such Bond Year with respect to the 1996 Bonds, the 1999 Bonds, the 2003 Bonds and such additional amount for each other Series of Bonds as may be specified in the Supplemental Indenture authorizing the Series;
- (c) the Trustee shall transfer to the Authority the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made (together with transfers from the Revenue Fund), to equal the total operating expenses of the Authority for such fiscal year as set forth in the certificate of the Authority filed with the Trustee in respect of such fiscal year; and
- (d) the Trustee shall transfer any remaining amount to the Revenue Fund.

If there are insufficient moneys to pay the Debt Service Requirement on any Series of Bonds on any Interest Payment Date or maturity date of such Series of Bonds, the Trustee shall transfer from the Debt Service Reserve Fund to the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund.

In the event any application of funds in the Debt Service Reserve Fund in accordance with the preceding paragraph causes the amount in the Debt Service Reserve Fund to be less than the Debt Service Reserve Requirement, the Trustee shall promptly notify the Authority.

The Trustee shall value the Investment Securities, if any, held in the Debt Service Reserve Fund at the end of each Bond Year for such Series and six months after the end of each such Bond Year. Investments in the Debt Service Reserve Fund, other than guaranteed investment contracts, shall be valued at fair market value. Guaranteed investment contracts shall be valued at the amortized cost thereof plus accrued interest. If the value of such Investment Securities plus any moneys in the Debt Service Reserve Fund (other than Investment Earnings which have not yet been transferred as described above) falls below the Debt Service Reserve Requirement, the Trustee shall promptly notify the Authority. Such deficiency shall be eliminated as indicated above and if necessary by the transfer from the Revenue Fund described in the Indenture.

Upon a redemption or final maturity of all of the Bonds of a Series, moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement shall be applied as discussed above.

Bond Redemption Fund

The Trustee shall deposit in the Bond Redemption Fund amounts received from any source for redemption of Bonds other than mandatory sinking fund payments.

Moneys deposited into the Bond Redemption Fund shall be used to redeem Bonds or, at the request of the Authority in writing, to purchase Bonds in the open market at a price not in excess of the principal amount thereof plus accrued interest thereon (or, in the case of zero coupon bonds, original issue price plus accrued original issue discount). Upon such deposit, to the extent such moneys are to be used to redeem Bonds, the Trustee shall promptly select and call Bonds for redemption.

Rebate Fund

Amounts shall be deposited in the Rebate Fund in order to comply with rebate requirements of Section 148 of the Code and shall not be subject to any security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder, any Credit Facility Issuer or any other Person. The provisions of the Indenture regarding the Rebate Fund may be amended upon receipt by the Trustee and the Authority of an opinion of Bond Counsel that such amendment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any moneys released from the Rebate Fund as a result of any such amendment shall be applied by the Trustee as required or permitted (in which case such application shall be at the written direction of the Authority) by such opinion of Bond Counsel.

The Authority is required to determine the Rebate Amount and Yield Reduction Amount, if any, in respect of each Series of Bonds or cause the same to be determined within 30 days after the end of each Bond Year and upon the retirement of the last Bond of a particular Series and to give written notification of such amounts to the Trustee. Following receipt of such notification, the Trustee is required to transfer first from Investment Earnings on the Debt Service Reserve Fund and then from the Revenue Fund to the Rebate Fund such amount as may be necessary so that the amount in the Rebate Fund shall be equal to the Rebate Amount and Yield Reduction Amount, if any, as of the computation date. In the event that as of the first day of any Bond Year in respect of each Series of Bonds, the amount on deposit in the Rebate Fund exceeds the Rebate Amount and Yield Reduction Amount, if any, the Trustee, at the direction of the Authority, shall transfer such excess amount into the Revenue Fund. If any amount shall remain in the Rebate Fund after the Trustee has made the final payment to the United States in respect of each Series of Bonds pursuant to the Indenture, such amount shall be transferred to the Revenue Fund.

Pledged Revenues

The Pledged Revenues, which secure the payment of amounts due in respect of the Bonds, consist of all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes and all moneys and securities held by the Trustee under the Indenture, together with any earnings thereon, except moneys and securities held in the Rebate Fund.

Pledge of Pledged Revenues and Fund

The Pledged Revenues are trust funds and shall not be subject to lien (other than that of the Indenture or any lien thereon granted to secure the payment of any subordinated indebtedness of the Authority in accordance with the terms of the Indenture) or attachment by any creditor of the Authority.

Investment of Funds

Moneys in the funds established under the Indenture shall, to the extent permitted by law and at the direction of the Authority, be invested and reinvested in Investment Securities or City Obligations, except that moneys in the Debt Service Fund, the Revenue Fund and the Rebate Fund shall be invested only in Government Obligations with maturities which will

assure the availability of money at the time when needed, and moneys in the Debt Service Reserve Fund shall only be invested in Investment Securities with a maturity of not more than five years; provided, however, that if moneys are invested in a guaranteed investment contract or a repurchase agreement which allows the full principal of and interest on the investment to be withdrawn at par on any principal or interest payment date for the Bonds, such guaranteed investment contract or repurchase agreement may have a maturity longer than five years but not longer than ten years. Investment Earnings shall be added or charged to the Revenue Fund when earned or realized, subject to the provisions of the Indenture in the case of defeasance, and provided that (i) Investment Earnings from investment of amounts in the Debt Service Reserve Fund shall be applied as described under "Debt Service Reserve Fund" above; (ii) Investment Earnings from investment of amounts in the Rebate Fund shall remain in the Rebate Fund and become a part thereof, to be disbursed as described under "Rebate Fund" above; and (iii) Investment Earnings from investment of amounts in the Capital Projects Fund shall remain in the Capital Projects Fund so long as costs of capital projects are to be paid therefrom.

Covenants of the Authority

The Authority covenants, among other things, that it will promptly pay or cause to be paid, but only from the Pledged Revenues, the principal of, premium, if any, and interest on all Bonds, and that it shall do and perform or cause to be done or performed all acts and things required to be done or performed by it under the Act and that it shall comply with all valid acts, rules, regulations, orders and directions applicable to the Indenture. The Authority has covenanted not to enter into any interest rate exchange agreement, interest rate cap and floor agreement or other similar agreement permitted by the Act if entering into such agreement would materially adversely affect any rating of the Bonds by Moody's, S&P or Fitch. The Authority also covenants at all times, to the extent permitted by law, to defend, preserve and protect the assignment and pledge of, and security interest in, the Trust Estate under the Indenture and all the rights of the Bondholders and all Credit Facility Issuers under the Indenture against all claims and demands of all persons whomsoever.

The Authority covenants with the Holders from time to time of the Bonds and the Authority shall cause the City to covenant with the Authority and Trustee that they will not make any investment or other use of the proceeds of the Bonds which would cause the Bonds the interest on which, when such Bonds were issued, was intended to be excluded from gross income for federal income tax purposes to be "arbitrage bonds" (as that term is defined in Section 148 of the Code and all applicable regulations promulgated thereunder), and that they will comply with the requirements of such Code section and regulations throughout the term of all such Bonds.

The Authority shall deliver to the Trustee and to Moody's, S&P, Fitch and any Credit Facility Issuer within 120 days after the end of each fiscal year, on the basis of an audit conducted by independent certified public accountants, financial statements of the Authority at the end of such fiscal year together with notes and exhibits thereto (which shall include exhibits showing (i) all Bonds of the Authority then Outstanding, (ii) a summary of total annual debt service requirements and (iii) a statement of debt service coverage), which financial statements shall be audited by a firm of independent certified public accountants in accordance with generally accepted auditing standards. The Trustee is authorized to deliver copies of such financial statements to Bondholders and to any other Person who requests such financial statements.

Defaults and Remedies

Each of the following events constitutes an Event of Default under the Indenture:

- (a) Default in the due and punctual payment of interest on any Bond after such payment has become due and payable; or
- (b) Default in the due and punctual payment of the principal or mandatory sinking fund installment of any Bond, whether at the stated maturity thereof or upon proceedings for redemption thereof; or
- (c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Authority contained in the Indenture, any Supplemental Indenture or in the Bonds; or
- (d) Failure by the City to perform any of its covenants or agreements contained in the PICA Tax Ordinance or in any other ordinance of the City enacting PICA Taxes; or
- (e) Failure by the State Treasurer or the Department in the performance of any of their duties under the Act or covenants or agreements contained in the PICA Tax Disbursement Agreement or the Tax Collection Agency Agreement;
- (f) If payment of the purchase price of any 2003 Bond tendered pursuant to Article III of the Third Supplement to the Amended and Restated Indenture is not made when it becomes due and payable;

provided, however, that a default under (c) or (e) shall not constitute an Event of Default unless the Authority, the State Treasurer or the Department, as applicable, shall have had thirty (30) days after receipt of notice of such default from the Trustee or from the Bondholders of not less than twenty-five percent (25%) in aggregate principal amount of all Outstanding Bonds to correct said default or cause said default to be corrected and shall not have corrected said default or caused said default to be corrected within such period; provided that, if said default is such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority, the State Treasurer or the Department, as applicable, within the applicable period and diligently pursued until the default is corrected, subject to each Bond Insurer's approval of the grace period for the taking of such corrective action; provided, further, that the period to cure any of such defaults shall be only seven (7) days in the case of a default in the payment of money and shall be such shorter period as may be specified in the notice of such default in the case of any default which would have a material adverse effect on the tax exempt status of the 1996 Bonds, the 1999 Bonds or the 2003 Bonds if not cured sooner than the period specified in the notice. In determining whether a payment default has occurred or whether a payment on any Series of Bonds has been made, no effect shall be given to payments made under the applicable Bond Insurance Policy.

Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity, including, without limitation, enforcement of the rights of the Trustee and the Bondholders under the PICA Tax Ordinance or the Tax Compliance Agreement, the remedies provided in Section 305 of the Act and the rights of enforcement provided in Section 310 of the Act, to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, the performance by the Authority of its obligations under the Indenture and the performance by the Department and by the State Treasurer of their obligations under the Act. Notwithstanding the foregoing, there shall be no right to accelerate the time for payment of the Bonds. Without limiting the generality of the foregoing, if at any time the Trustee shall not receive the Pledged Revenues for transfer to the Debt Service Fund at the times and on the dates required by the Act and the Indenture, the Trustee shall promptly enforce the pledge of, security interest in and lien and charge on the Pledged Revenues against all government agencies (as defined in the Act) in possession of any of such Pledged Revenues at any time and shall send notice to the Department and the State Treasurer requesting that they take appropriate corrective actions.

If an Event of Default shall have occurred and be continuing and if directed in writing by the Bondholders of 25% in aggregate principal amount of Outstanding Bonds and upon being indemnified as provided in Section 9.01 of the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers specified in the preceding paragraph, as directed, provided such direction shall not be otherwise than in accordance with law and the provisions of the Indenture and the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would prejudice Bondholders not parties to such direction.

No waiver of any Event of Default under the Indenture, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture. The Trustee shall not be required to follow any direction from the Bondholders in the absence of indemnification of the Trustee, in accordance with the Indenture, in form and substance satisfactory to the Trustee.

Limitation on Actions by Bondholders

Under certain circumstances set forth in the Indenture, Bondholders may direct proceedings with respect to an Event of Default; however, no Bondholder shall have the right to pursue any remedy under the Indenture unless (a) the Trustee has been notified of an Event of Default as provided in the Indenture, (b) the Bondholders of not less than 25% of the aggregate principal amount of Outstanding Bonds shall have made written request to the Trustee and shall have offered it reasonable opportunity either to exercise the powers with respect to remedies granted under the Indenture or to pursue such remedy in their name or names, (c) the Trustee shall have been offered security and indemnity satisfactory to it against costs, expenses and liabilities and (d) the Trustee shall have failed or refused to comply with such request. Notwithstanding the foregoing, nothing in the Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest on each of the Bonds to and for the equal benefit of all Bondholders at the time and place, from the source and in the manner expressed in the Bonds. For purposes of actions by Bondholders, the respective Bond Insurer, if any, shall be deemed to be the sole holder of the Bonds which it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy relating to such Bonds.

Waivers of Events of Default

The Trustee may at its discretion waive any Event of Default under the Indenture and its consequences, and shall do so upon the written request of the Bondholders of (1) not less than 66-2/3% in aggregate principal amount of all Outstanding Bonds in respect of which default in the payment of principal or interest, or both, exists or (2) not less than a majority in aggregate principal amount of all Outstanding Bonds in the case of any other Event of Default; provided, however, that there shall not be waived any Event of Default in the payment of the principal of or interest on any Outstanding Bonds unless, prior to such waiver, or rescission, all arrears of principal and interest, and all expenses of the Trustee in connection with such Event of Default shall have been paid or provided for and, in the case of any Bonds to which a Credit Facility applies, any amount drawn under the Credit Facility shall have been reinstated (if applicable) or the Credit Facility Issuer shall have been reimbursed. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee, the Credit Facility Issuer and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon. The foregoing notwithstanding, so long as a Credit Facility applies to the Bonds and the Credit Facility Issuer has not wrongfully failed to honor a drawing thereunder, the consent of the Credit Facility Issuer must be obtained prior to any such waiver with respect to the Bonds. Also, notwithstanding the foregoing, the consent of the Bond Insurer of the Series of Bonds as to which such Event of Default exists must be obtained prior to any such waiver becoming effective.

Modifications of Indenture

The Authority and the Trustee may enter into Supplemental Indentures, without the consent of or notice to, the Bondholders, for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Indenture;
 - (b) To grant to or confer upon the Bondholders or the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee;
 - (c) To subject to the Indenture additional revenues or collateral;
 - (d) To modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States;
 - (e) To provide for the adoption of a book-entry registration of any Series of Bonds;
 - (f) To evidence the appointment of a separate or co-Trustee or the succession of a new Trustee;
 - (g) To authorize the issuance and establish the terms of Additional Bonds and to effect an interest rate swap agreement, an interest rate cap or floor agreement or other similar agreement permitted under the Act;
 - (h) To make any other change in the Indenture, including changes in connection with the Authority's issuance of subordinated debt, which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Bondholders;
 - (i) To secure or maintain the rating for the Bonds from S&P and/or Moody's and/or Fitch;
 - (j) To cure any defects in the Indenture which would, if not cured, cause the interest on Bonds which at the time of issuance was intended to be excluded from gross income for federal income tax purposes not to be so excluded;
 - (k) To make any change permitted under Section 5.09 of the Indenture (relating to the Rebate Fund);
- or
- (l) To make any other change in the Indenture which is approved by the Credit Facility Issuer if at the time of such change a Credit Facility is in effect and there has been no failure by the Credit Facility Issuer to make any payment under the Credit Facility or, if a new Credit Facility is being obtained, which is requested by the new Credit Facility Issuer and is to be effective only at, the time the new Credit Facility becomes effective, except a

change specified in the Indenture as requiring the consent of the Holders of all Outstanding Bonds or a change which would affect the rights of the Authority unless the Authority approves of such change; or

(m) With respect to the 2003 Bonds, to increase or decrease the maximum interest rate used to compute (i) the Interest Coverage Rate, as defined in Section 103 of the Third Supplement to the Amended and Restated Indenture, and (ii) the maximum rate at which the 2003 Bonds may be remarketed, as set forth in Section 310(h) of the Third Supplement to the Amended and Restated Indenture; provided, however, that the Trustee shall have first obtained the written consent for such amendment from the Bond Insurer insuring the 2003 Bonds.

In exercising its discretion, the Trustee shall not unreasonably withhold its consent to any Supplemental Indenture for any of the foregoing purposes. The Trustee shall have the right to require an opinion of counsel that such Supplemental Indenture is authorized and permitted under the Indenture.

Except for the foregoing Supplemental Indentures and subject to the provisions of the Indenture, the Bondholders of not less than a majority in aggregate principal amount of the Outstanding Bonds which would be adversely affected thereby shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such other Supplemental Indentures as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing in the Indenture shall permit, or be construed as permitting, without the consent of the Holders of all Bonds Outstanding which would be adversely effected thereby, (a) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture, (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or a change in the terms of redemption of the Bonds, (c) a privilege or priority of any Bond or Bonds over any Outstanding Bond or Bonds, (d) a reduction in the aggregate principal amount of the Bonds required for consent to Supplemental Indentures, (e) the creation of any lien ranking prior to or on a parity with the lien of the Indenture on the Trust Estate or any part thereof, except as expressly permitted in the Indenture, (f) the deprivation of the Bondholder of any Outstanding Bond of the lien created on the Trust Estate or (g) an adverse effect on the interest of the Bondholders in any Credit Facility; and further provided that no such amendment shall be permitted without the consent of the Credit Facility Issuer so long as the Credit Facility Issuer has not wrongfully failed to honor a drawing under the Credit Facility or otherwise defaulted thereunder.

No amendment or supplement shall be effective unless the prior written consent of each Bond Insurer to such amendment or supplement is obtained; provided, however, that each Bond Insurer may not unreasonably withhold its consent to an amendment or supplement pursuant to clause (j) in the third preceding paragraph.

Discharge of Indenture

If the Authority shall pay or cause to be paid, or there shall otherwise be paid or provision be made for payment, to the Holders of the Bonds the principal of, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein, and all fees, expenses and other amounts due to the Trustee, each Registrar and each Credit Facility Issuer, then the Trust Estate and the rights granted under the Indenture shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the Indenture, and execute and deliver to the Authority such instruments in writing as shall be requisite to release the Indenture, and reconvey, release, assign and deliver unto the Authority any and all of the Trust Estate and all right, title and interest in and to any and all rights conveyed, assigned or pledged to the Trustee or otherwise subject to the Indenture, except amounts held in or payable to the Rebate Fund for payment to the United States and amounts held by the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds. Notwithstanding the foregoing, Bonds paid with the proceeds of any Credit Facility shall be Outstanding until the Credit Facility Issuer has been reimbursed for the amount of the payment.

Any Bond shall be deemed paid as described above for all purposes under the Indenture when payment of the principal of, premium, if any, and interest on such Bond to the due date thereof either (i) shall have been made or caused to be made in accordance with the terms of the Indenture, or (ii) shall have been provided for by the irrevocable deposit with the Trustee of (A) moneys sufficient to make such payment and/or (B) Government Obligations of the types described in clause (a) of such definition, Refcorp interest strips, CATS, TIGRS, STRPS or defeased municipal bonds rated "AAA" by S&P or "Aaa" by Moody's, in each case maturing as to principal and interest in such amount and such time as will insure the availability of sufficient moneys to make such payment. At such time as a Bond shall be deemed to be paid as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Government Obligations.

If any advance refunding of the 2003 Bonds is accomplished prior to the Fixed Rate Conversion Date, (i) moneys held to defease such 2003 Bonds shall be invested only in Government Obligations with maturity dates on or prior to the next Flexible Rate Adjustment Date or Variable Rate Adjustment Date, as the case may be, for the 2003 Bonds, the 2003 Bonds shall be

redeemed on or prior to such Flexible Rate Adjustment Date or Variable Rate Adjustment Date and the 2003 Bonds which have been advance refunded prior to maturity shall no longer be subject to any optional or mandatory tender or (ii) the Trustee shall have received written evidence from each Rating Agency then rating the 2003 Bonds that the rating borne by such 2003 Bonds immediately prior to such refunding will not be withdrawn or reduced by reason of such advance refunding.

Duties of the Trustee

The Indenture provides that, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the Trustee undertakes to perform only such duties as are set forth in the Indenture. In case an Event of Default has occurred which has not been cured or waived, the Trustee is obligated to exercise such of the rights and powers vested in it by the Indenture and to the same degree of care and skill in the exercise of such rights and powers as a prudent man would exercise under the circumstances in the conduct of his own affairs. In general, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants or agreements on the part of the City, the Department or the State Treasurer, but the Trustee may require of the Authority full information and advice as to the performance of such covenants and agreements. Notwithstanding the foregoing, if there is a deficit in the amount deposited in the Debt Service Fund in excess of one month's required deposit, the Trustee shall make inquiry to determine whether there has been an Event of Default by reason of the failure of the City to perform its covenants and agreements in the PICA Tax Ordinance or other ordinance of the City enacting PICA Taxes or of the State Treasurer or the Department to perform their duties under the Act or covenants or agreements contained in the PICA Tax Disbursement Agreement or the Tax Collection Agency Agreement. The Trustee may act upon the opinion or advice of any attorney approved by the Trustee in the exercise of reasonable care and shall not be responsible for any loss or damage resulting from any action or inaction in good faith in reliance upon such opinion or advice received in writing. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, invested, withdrawn or transferred in accordance with the provisions of the Indenture or for any loss resulting from any such investment or the sale or disposition of any such investment in accordance with the provisions of the Indenture. The Trustee is not required under the Indenture to give any bond or surety to the performance of its obligations as Trustee.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

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KLETT ROONEY LIEBER & SCHORLING

A PROFESSIONAL CORPORATION

TWO LOGAN SQUARE, 12TH FLOOR
PHILADELPHIA, PENNSYLVANIA 19103
TELEPHONE (215) 567-7500
FACSIMILE (215) 567-2737

June __, 2003

Re: Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue
Refunding Bonds (City of Philadelphia Funding Program), Series of 2003

To the Purchasers of the Above-Captioned Bonds

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$_____ aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "2003 Bonds") pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the "Act"), and an Amended and Restated Indenture of Trust dated as of December 1, 1994, (the "Amended and Restated Indenture"), between the Authority and Wachovia Bank, National Association, as successor to Meridian Bank, as Trustee (the "Trustee"), as amended pursuant to the First Supplement to the Amended and Restated Indenture dated as of May 15, 1996 (the "First Supplement to the Amended and Restated Indenture"), the Second Supplement to the Amended and Restated Indenture dated as of April 1, 1999 (the "Second Supplement to the Amended and Restated Indenture") and a Third Supplement to the Amended and Restated Indenture dated as of June 1, 2003 (the "Third Supplement to the Amended and Restated Indenture," and together with the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Amended and Restated Indenture, the "Indenture").

The proceeds of the 2003 Bonds will be used, together with other available monies, to (i) currently refund the aggregate outstanding balance of the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") and (ii) pay the costs of issuing the 2003 Bonds (collectively, the "Refunding Project").

As Bond Counsel, we have reviewed the Act, the relevant provisions of the Constitution and such statutes of the Commonwealth of Pennsylvania (the "Commonwealth") and such resolutions of the Authority and ordinances of the City of Philadelphia (the "City") and proceedings relating thereto as are contained in the transcripts of proceedings for the 1993A and 2003 Bonds. We have also reviewed and relied upon the proceedings authorizing the issuance of the 2003 Bonds and certain certifications and 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, agreements, certificates and opinions, all as executed and delivered in connection with the issuance of the 2003 Bonds. We have also reviewed a specimen of the 2003 Bonds and have relied on the certification of the Trustee as to its authentication of the 2003 Bonds.

As expressly stated in the form of the 2003 Bonds and in the Indenture, the 2003 Bonds are limited obligations of the Authority payable solely from the Pledged Revenues (as defined in the Indenture). The 2003 Bonds do not otherwise constitute a pledge of the general credit of the Authority. Further, the 2003 Bonds do not constitute a pledge of the credit of the Commonwealth or any political subdivision thereof (including the City), nor do the 2003 Bonds constitute a pledge of the taxing power of the Commonwealth or any political subdivision thereof (including the City). The Authority has no taxing power. Neither the

June __, 2003

Page 2

Commonwealth nor any political subdivision thereof (including the City) is liable for the payment of the principal of, redemption premium, if any, or interest on, the 2003 Bonds.

As to questions of fact material to our opinion, we have relied upon the representations of the Authority contained in the proceedings relating to the issuance of the 2003 Bonds and other certifications furnished to us without undertaking to verify the same by independent investigation.

Based and in reliance upon the foregoing, our attendance at the closing held this day and subject to the caveats, qualifications, exceptions and assumptions set forth herein, it is our opinion that, as of the date hereof, under existing law:

1. The Authority is a body corporate and politic validly existing under the laws of the Commonwealth, and has the full power and authority under the Act to undertake the Refunding Project, to execute and deliver the Third Supplement to the Amended and Restated Indenture and to issue the 2003 Bonds.

2. The Third Supplement to the Amended and Restated Indenture has been duly authorized, executed and delivered by the Authority and the obligations of the Authority under the Third Supplement to the Amended and Restated Indenture constitute legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms.

3. The 2003 Bonds have been duly authorized, executed, issued and delivered by the Authority and are the legal, valid and binding limited obligations of the Authority, entitled to the benefit and security of the Indenture, and are enforceable against the Authority in accordance with their terms.

4. The Indenture creates a valid pledge to the Trustee for the benefit of the holders of the 2003 Bonds of, and a valid and binding security interest in, the Pledged Revenues (as defined in the Indenture) which it purports to create.

5. Under existing law, interest on the 2003 Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference within the meaning of Section 57 of the Code, for purposes of the alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest and accruals are taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. The opinion set forth in the preceding sentence is subject to the condition that the Authority comply with all the requirements of the Code that must be satisfied subsequent to the issuance of the 2003 Bonds in order that interest on the 2003 Bonds be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the 2003 Bonds to be included in gross income retroactively to the date of issuance of the 2003 Bonds. The Authority has covenanted in the Indenture to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the 2003 Bonds.

6. Under the laws of the Commonwealth as presently enacted and construed, the interest on the 2003 Bonds is exempt from Commonwealth personal income tax and Commonwealth corporate net income tax and the 2003 Bonds are exempt from personal property taxes in the Commonwealth; provided, however, under the laws of the Commonwealth as presently enacted and

June __, 2003

Page 3

construed, any profits, gains or income derived from the sale, exchange or other disposition of the 2003 Bonds, shall be subject to state and local taxation within the Commonwealth.

It is to be understood that the rights of the owners of the 2003 Bonds and the enforceability of the 2003 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is rendered solely for the benefit of the addressee hereof in connection with the initial issuance of the 2003 Bonds. The addressee may not rely on this opinion letter for any other purpose and no other person may rely on this opinion letter for any purpose without the express written consent of the undersigned. This opinion letter is limited to the matters set forth herein. This opinion is subject to future changes in applicable law and we do not undertake any obligation to update any of the opinions expressed in this letter. No opinion may be inferred or implied beyond the matters expressly stated herein, and our opinions expressed herein must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth herein. The law covered by the opinions expressed herein is limited to the laws of the Commonwealth and the federal law of the United States of America.

Very truly yours,

KLETT ROONEY LIEBER & SCHORLING
A Professional Corporation

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APPENDIX E

SPECIMEN COPY OF FINANCIAL GUARANTY INSURANCE POLICY

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Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

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

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

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

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

President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

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APPENDIX F

CERTAIN INFORMATION CONCERNING THE BANK

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APPENDIX F

CERTAIN INFORMATION CONCERNING THE BANK

JPMorgan Chase Bank is a wholly owned bank subsidiary of J.P. Morgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. JPMorgan Chase Bank is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. Its business is subject to examination and regulation by Federal and New York State banking authorities. As of March 31, 2003, JPMorgan Chase Bank had total assets of \$621.7 billion, total net loans of \$183.4 billion, total deposits of \$300.1 billion, and total stockholder's equity of \$36.3 billion. As of December 31, 2002, JPMorgan Chase Bank had total assets of \$622.4 billion, total net loans of \$180.6 billion, total deposits of \$300.6 billion, and total stockholder's equity of \$35.5 billion.

Additional information, including the most recent Form 10-K for the year ended December 31, 2002 of J.P. Morgan Chase & Co., the 2002 Annual Report of J.P. Morgan Chase & Co. and additional annual, quarterly and current reports filed with the Securities and Exchange Commission by J.P. Morgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, J.P. Morgan Chase & Co., 270 Park Avenue, New York, New York 10017.

The information contained in this Appendix relates to and has been obtained from JPMorgan Chase Bank. This data has been taken from the Consolidated Reports of Condition and Income filed with the Board of Governors of the U.S. Federal Reserve System compiled in accordance with regulatory accounting principles. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of JPMorgan Chase Bank since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

The Authority makes no representation as to the accuracy of the information contained in this Appendix.

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In the opinion of Bond Counsel, under existing law, and subject to continuing compliance by the Authority with certain covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), interest on the 2003 Bonds is excluded from gross income for Federal income tax purposes and is not an item of tax preference for purposes of Federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as corporations are 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. The 2003 Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2003 Bonds is exempt from Pennsylvania corporate net income tax and from personal income taxation by the Commonwealth of Pennsylvania (See “TAX EXEMPTION” herein).

\$165,550,000

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)
SERIES OF 2003**

Dated: June 16, 2003**Due: June 15, 2022**

The 2003 Bonds are being issued pursuant to an Amended and Restated Indenture of Trust (the “1994 Indenture”), between the Pennsylvania Intergovernmental Cooperation Authority (the “Authority”), a body corporate and politic organized and existing pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the “Act”), as a public authority and instrumentality of the Commonwealth of Pennsylvania (the “Commonwealth”), and Wachovia Bank, National Association, Philadelphia, Pennsylvania (successor in interest to Meridian Bank), as trustee (the “Trustee”), as amended and supplemented by three supplements thereto (as so amended and supplemented, the “Indenture”), between the Authority and the Trustee. The 2003 Bonds will initially bear interest at a Variable Rate for a Weekly Rate Period. The interest rate on the 2003 Bonds may thereafter be converted to another Variable Rate, a Flexible Rate or a Fixed Rate. The 2003 Bonds are issuable only as fully registered bonds, without coupons, in the denominations of \$100,000 and integral multiples of \$5,000 in excess thereof while bearing interest at a Variable Rate. The Interest Payment Dates for interest accruing on the 2003 Bonds during a Daily Rate Period or a Weekly Rate Period is the fifteenth day of each month and the Regular Record Date therefor is the close of business on the Business Day preceding such Interest Payment Date. Interest on the 2003 Bonds is payable, by check or draft mailed or under certain conditions by wire transfer, to the persons in whose names the 2003 Bonds are registered at the close of business on the Regular Record Date. The principal of, and redemption premium, if any, on the 2003 Bonds will be payable at the corporate trust office of the Trustee in Philadelphia, Pennsylvania.

Any 2003 Bond bearing interest at a Variable Rate during a Daily Rate Period or a Weekly Rate Period that is tendered or deemed tendered for purchase and not remarketed by the purchase date will be purchased (subject to certain conditions described herein) pursuant to a Standby Bond Purchase Agreement by JPMorgan Chase Bank.



The 2003 Bonds are subject to optional and mandatory tender and optional and mandatory sinking fund redemption prior to maturity as described herein. The 2003 Bonds are not subject to acceleration upon the occurrence of an Event of Default (as defined in the Indenture).

The proceeds from the sale of the 2003 Bonds, together with the other available funds of the Authority, will be used to (i) currently refund the Authority’s Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993A maturing on and after June 15, 2004 in the aggregate principal amount of \$163,185,000, and (ii) pay the costs of issuing the 2003 Bonds. See “PLAN OF FINANCE” herein.

The 2003 Bonds, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2003 Bonds. Purchases of beneficial ownership interests in the 2003 Bonds will be made in book-entry-only form. So long as DTC or its nominee, Cede & Co., is the registered owner, principal of, redemption premium, if any, and interest on, and purchase price of, the 2003 Bonds is payable directly to Cede & Co., for redistribution to DTC Participants and in turn to the beneficial owners as described herein. Purchasers of 2003 Bonds will not receive physical delivery of certificates representing their ownership interests in the 2003 Bonds. See “THE 2003 BONDS—Book-Entry-Only System” herein.

THE 2003 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY ISSUED PURSUANT TO THE ACT AND THE INDENTURE AND ARE PAYABLE SOLELY FROM REVENUES OF THE AUTHORITY DERIVED FROM (i) A ONE AND ONE-HALF PERCENT (1.5%) TAX ON THE SALARIES, WAGES, COMMISSIONS AND OTHER COMPENSATION EARNED BY RESIDENTS OF THE CITY OF PHILADELPHIA (THE “CITY”) AND ON NET PROFITS EARNED IN BUSINESS, PROFESSIONS AND OTHER ACTIVITIES CONDUCTED BY RESIDENTS OF THE CITY, WHICH TAX IS IMPOSED BY THE CITY PURSUANT TO THE ACT AND AN ORDINANCE ADOPTED BY THE COUNCIL OF THE CITY OF PHILADELPHIA AND APPROVED BY THE MAYOR EXCLUSIVELY FOR THE PURPOSES OF THE AUTHORITY, AND (ii) CERTAIN MONEYS AND SECURITIES, AND INVESTMENT EARNINGS THEREON, HELD BY THE TRUSTEE IN CERTAIN FUNDS ESTABLISHED UNDER THE INDENTURE. THE ACT PROVIDES THAT THE REVENUES FROM THE FOREGOING TAX ARE THE REVENUES AND PROPERTY OF THE AUTHORITY AND ARE NOT THE REVENUES AND PROPERTY OF THE CITY. SEE “SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS” HEREIN.

In addition, payment of the principal of and interest on the 2003 Bonds will be insured by an insurance policy to be issued simultaneously with the delivery of the 2003 Bonds by Ambac Assurance Corporation.



NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE UPON TENDER OF, THE 2003 BONDS. THE 2003 BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, AND NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS LIABLE FOR THE PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR THE PURCHASE PRICE OF THE 2003 BONDS. THE AUTHORITY HAS NO TAXING POWER.

The 2003 Bonds are offered when, as and if issued by the Authority and delivered to and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the receipt of the approving opinion of Klett Rooney Lieber & Schorling, A Professional Corporation, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by Reed Smith LLP, Philadelphia, Pennsylvania, General Counsel to the Authority, for the Underwriters by Dilworth Paxson LLP and Obermayer Rebmann Maxwell & Hoppel LLP, both of Philadelphia, Pennsylvania, co-counsel to the Underwriters, for the Bank by their co-counsel King & Spaulding LLP, New York, New York and Klett Rooney Lieber & Schorling, A Professional Corporation, Harrisburg, Pennsylvania and for the City by the Office of the City Solicitor and by Blank Rome LLP, Philadelphia, Pennsylvania, special counsel to the City. It is anticipated that the 2003 Bonds in definitive form will be available for delivery to DTC in New York, on or about June 16, 2003.

Raymond James & Associates, Inc.

Arthurs, LeStrange & Company, Inc.

RBC Dain Rauscher

Commerce Capital Markets, Inc.

UBS Financial Services Inc.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

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Lauri A. Kavulich, Esquire
William J. Leonard, Esquire
Gregg R. Melinson, Esquire
Michael A. Karp
Kenneth I. Trujillo, Esquire

Chairperson
Vice Chairperson
Treasurer/Secretary
Member
Member

Michael J. Masch
Ex-Officio Representative
of the Commonwealth

Janice D. Davis
Ex-Officio Representative
of the City

AUTHORITY STAFF

Executive Director
Joseph C. Vignola

Deputy Executive Director
Uri Z. Monson

Director of Capital Analysis and Operations
John S. Daly

Authority General Counsel
Reed Smith LLP

Bond Counsel
Klett Rooney Lieber & Schorling, A Professional Corporation

Financial Advisors
Hopkins & Company
Calhoun Baker, Inc.
Penn Capital Advisors

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2003 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2003 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE OF THE OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

This Official Statement does not constitute an offer to sell the 2003 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, broker, salesman or other person has been authorized by the Authority, the City of Philadelphia or the Underwriters to give any information or to make any representation other than that contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Official Statement nor the sale of any of the 2003 Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the 2003 Bonds. All summaries of statutes and documents are made subject to the provisions of such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The information set forth herein has been provided by the Authority, the City of Philadelphia, Ambac Assurance Corporation, JPMorgan Chase Bank and by other sources which the Authority believes are reliable, but it is not guaranteed as to its accuracy or completeness, and it not to be construed as a representation by the Underwriters or, as to information provided by sources other than the Authority, by the Authority. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. No representation, warranty or guarantee is made by the Financial Advisors as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Authority, the City, the Underwriters or the Financial Advisors.

This Official Statement contains forecasts, projections and estimates by the City of Philadelphia that are based on current expectations or assumptions. In light of the important factors that may materially affect the amount of Authority Tax received, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the Authority or the City of Philadelphia that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the amount of Authority Tax received include, among others, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the Authority and the City. These forward-looking statements include, but are not limited to, certain statements contained in the information contained under the captions "ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX" and such statements speak only as of the date of this Official Statement. The Authority and the City disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Authority's or the City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The 2003 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2003 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

TABLE OF CONTENTS

INTRODUCTION.....	1	FINANCIAL ADVISORS.....	38
General.....	1	CERTAIN RELATIONSHIPS.....	38
The Authority.....	1	FINANCIAL STATEMENTS.....	38
Authority's Outstanding Indebtedness.....	2	MISCELLANEOUS.....	38
Authorization to Issue the 2003 Bonds.....	2	Negotiable Instruments.....	38
Plan of Finance.....	3	Certain References.....	39
Financial Condition of the City.....	3	No Continuing Disclosure Undertaking.....	39
Description of the 2003 Bonds.....	3		
Sources of Payment and Security for the 2003 Bonds.....	4	APPENDIX A: AUDITED FINANCIAL STATEMENTS OF THE	
Additional Bonds.....	5	AUTHORITY AS OF JUNE 30, 2002	
Bond Insurance.....	5	APPENDIX B: CERTAIN INFORMATION CONCERNING THE CITY	
Miscellaneous.....	5	OF PHILADELPHIA	
PLAN OF FINANCE.....	6	APPENDIX C: DEFINITIONS OF CERTAIN TERMS AND SUMMARY	
General.....	6	OF CERTAIN PROVISIONS OF THE INDENTURE	
Estimated Sources and Uses.....	7	APPENDIX D: PROPOSED FORM OF OPINION OF BOND COUNSEL	
THE 2003 BONDS.....	7	APPENDIX E: .. SPECIMEN COPY OF FINANCIAL GUARANTY	
General.....	7	INSURANCE POLICY	
Interest.....	8	APPENDIX F: CERTAIN INFORMATION CONCERNING THE BANK	
Purchase of Tendered 2003 Bonds.....	10		
Remarketing.....	11		
Redemption.....	12		
Notice of Redemption.....	13		
Transfers and Exchanges of 2003 Bonds.....	13		
Book-Entry-Only System.....	14		
Discontinuation of Book-Entry Only System.....	16		
SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS.....	16		
General.....	16		
Authority Tax.....	16		
Debt Service Reserve Fund.....	19		
Additional Bonds.....	20		
Certain Remedies of Bondholders.....	21		
Limitation of Remedies.....	21		
CERTAIN DERIVATIVES ACTIVITIES OF THE AUTHORITY.....	21		
BOND INSURANCE.....	23		
Payment Pursuant to Financial Guaranty Insurance Policy.....	23		
Ambac Assurance Corporation.....	24		
Available Information.....	24		
Incorporation of Certain Documents by Reference.....	24		
THE STANDBY AGREEMENT.....	25		
General.....	25		
Conditions Precedent to Purchase of Tendered Bonds.....	25		
Conditions Causing a Mandatory Tender.....	26		
Expiration of Commitment to Purchase Tendered 2003 Bonds.....	26		
CERTAIN INFORMATION CONCERNING THE BANK.....	27		
DEBT SERVICE REQUIREMENTS.....	27		
ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX.....	27		
THE AUTHORITY.....	29		
Organization and Purpose.....	29		
Board of Authority.....	29		
Authority Staff.....	31		
Financing Program.....	31		
Oversight Functions of the Authority.....	31		
Intergovernmental Cooperation Agreement.....	32		
Financial Plan.....	32		
Contracts and Collective Bargaining Agreements of the City.....	34		
Powers of the Authority to Promote Compliance.....	34		
Operating History.....	36		
LITIGATION.....	36		
LEGAL INVESTMENT.....	37		
TAX EXEMPTION.....	37		
Federal Tax Exemption.....	37		
Pennsylvania Tax Exemption.....	37		
RATINGS.....	37		
CERTAIN LEGAL MATTERS.....	38		
UNDERWRITING.....	38		

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OFFICIAL STATEMENT

Relating to

\$165,550,000

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA FUNDING PROGRAM) SERIES OF 2003

INTRODUCTION

General

This Official Statement, including the cover page, table of contents and the attached appendices, sets forth information with respect to the issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$165,550,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "2003 Bonds"). This introduction is a brief description of certain matters described in this Official Statement and is qualified by reference to the entire Official Statement. Persons considering the purchase of any of the 2003 Bonds should read this Official Statement, including the cover page, tables and all appendices, in its entirety. Capitalized terms used in this Official Statement and not otherwise defined herein shall have the respective meanings set forth in APPENDIX C hereto or in the Indenture (as defined herein).

The Authority

The Authority, a body corporate and politic, was organized and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), 53 P.S. 12720.101 et seq., as amended (the "Act"). Pursuant to the Act, the Authority was established to provide financial assistance to cities of the first class in the Commonwealth of Pennsylvania (the "Commonwealth"). The City of Philadelphia (the "City") currently is the only city of the first class in the Commonwealth. See "THE AUTHORITY" herein.

The Act provides that, upon the request by the City to the Authority for financial assistance and for so long as any bonds of the Authority remain outstanding, the Authority shall have certain financial and oversight functions. First, the Authority shall have the power, subject to satisfaction of certain requirements in the Act, to provide financial assistance to the City. Second, the Authority also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify noncompliance by the City with its then-existing five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth to cause certain payments due to the City from the Commonwealth to be withheld by the Commonwealth).

Under the Act, the Authority is no longer permitted to issue bonds for the purpose of financing a capital project of the City or a deficit of the City, including a cash flow deficit. The Authority does, however, have the power to issue bonds to refund outstanding bonds issued under the Act.

Authority's Outstanding Indebtedness

The Authority has previously issued six Series of Bonds. Three Series of Bonds remain Outstanding: Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") issued in the original aggregate principal amount of \$178,675,000, of which \$163,185,000 will be Outstanding on the date of issuance of the 2003 Bonds; Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 issued in the original aggregate principal amount of \$343,030,000 (the "1996 Bonds"), of which \$105,070,000 are currently Outstanding, and Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 issued in the original aggregate principal amount of \$610,005,900, of which \$567,325,000 are currently Outstanding. Three series of bonds, Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 Bonds") in the original aggregate principal amount of \$474,555,000, Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 Bonds") in the original aggregate principal amount of \$643,430,000, and Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") in the original aggregate principal amount of \$122,020,000, are no longer Outstanding.

The 1992 Bonds were issued to provide funds to make grants to the City to fund the Fiscal Year 1991 General Fund cumulative deficit and the projected Fiscal Year 1992 and 1993 General Fund deficits of the City, fund the costs of certain capital projects to be undertaken by the City and provide other financial assistance to the City to enhance productivity in the operation of City government. The 1993 Bonds were issued to provide funds to make grants to the City to (i) pay the costs of certain capital projects to be undertaken by the City, (ii) pay the costs of certain capital improvements to the City's criminal justice and correctional facilities, and (iii) provide for the defeasance of certain general obligation bonds of the City. The 1993A Bonds were issued to provide funds to advance refund a portion of the 1992 Bonds, in the aggregate principal amount of \$136,670,000. The 1994 Bonds were issued to provide funds to make grants to the City to pay the costs of certain capital projects to be undertaken by the City. The 1996 Bonds were issued to provide funds to advance refund the Outstanding 1992 Bonds and the Outstanding 1994 Bonds. The 1999 Bonds were issued to provide funds to advance refund the Outstanding 1993 Bonds. The proceeds of the 2003 Bonds will be applied to the current refunding of the 1993A Bonds.

Since the issuance of the 1992 Bonds in June, 1992, the Authority has devoted its primary attention to the assessment, approval and oversight of each of the City's five-year financial plans prepared in accordance with the requirements of the Act (each, a "Financial Plan"), the City's compliance therewith, the evaluation of City financial reporting, the analysis of City financial and budgetary practices and programs and the oversight of the expenditures of funds for the capital projects and productivity enhancements for which the Authority has made grants to the City with a portion of the proceeds from the sale of the 1992 Bonds, the 1993 Bonds and the 1994 Bonds. See "THE AUTHORITY - Operating History" herein.

Authorization to Issue the 2003 Bonds

The Authority is authorized to issue and sell the 2003 Bonds pursuant to the provisions of the Act and pursuant to a resolution of the Authority adopted March 25, 2003. The 2003 Bonds will be issued pursuant to and secured under an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "Amended and Restated Indenture"), between the Authority and Wachovia Bank, National Association (successor in interest to Meridian Bank), as trustee (the "Trustee"), as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "First Supplement"), a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "Second Supplement") and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplement" and, together with the Amended and Restated Indenture, the First Supplement and the Second Supplement, the "Indenture"). The Amended and Restated Indenture amended and restated an Indenture of Trust dated as of June 1, 1992, as amended and supplemented (the "Original Indenture") between the Authority and Meridian Bank (successor trustee by assignment from CoreStates Bank, N.A., the initial trustee). For a summary of certain provisions of the Indenture, see "APPENDIX C - DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" hereto.

The 1992 Bonds, the 1993 Bonds and the 1993A Bonds were issued pursuant to the Original Indenture. The 1994 Bonds, the 1996 Bonds and the 1999 Bonds were issued pursuant to the Amended and Restated Indenture. The Indenture provides that the 1996 Bonds, the 1999 Bonds, the 2003 Bonds and any Additional Bonds issued pursuant thereto (sometimes referred to herein collectively as, the "Bonds") are to be equally and ratably secured under the Indenture (except as otherwise described herein and in the Indenture).

For a discussion of the issuance by the Authority of additional bonds, including Additional Bonds issued under the Indenture, and the limitations on such issuance, see "SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS - Additional Bonds" herein.

Plan of Finance

The proceeds from the sale of the 2003 Bonds will be used to (i) currently refund the 1993A Bonds maturing on and after June 15, 2004 in the aggregate principal amount of \$163,185,000, and (ii) pay the costs of issuing the 2003 Bonds. See "PLAN OF FINANCE" herein.

Financial Condition of the City

The City has reported that it ended Fiscal Year 2002 on June 30, 2002 with a General Fund balance of \$139.0 million, a decrease of \$91.0 million from the Fiscal Year 2001 year-end General Fund balance. No deficit elimination grants from the Authority were made during Fiscal Years 1993 through 2002. The City's Fiscal Year 2003 General Fund Budget was adopted by City Council on May 2, 2002 and approved by the Mayor on May 15, 2002 and the City's Five Year Plan for the fiscal years ending June 30, 2003 through June 30, 2007 was approved by resolution of City Council on May 2, 2002. The Authority approved the City's Fiscal Year 2003 General Fund budget on June 18, 2002. The Fiscal Year 2003 General Fund Budget was adopted by Philadelphia City Council and approved by the Mayor without a grant from the Authority. The City's Fiscal Year 2004 budget was approved by City Council on May 29, 2003 and does not anticipate a grant from the Authority for Fiscal Year 2004. For additional information regarding the City's financial condition, see "APPENDIX B — CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA" hereto.

Although the 2003 Bonds are not obligations of the City, financial developments with respect to the City may affect the market for, and the market prices of, the 2003 Bonds. Further, economic and demographic conditions in the City may affect the levels of collections of the Authority Tax (as defined herein). See "ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX" herein. For a more detailed discussion of the City's financial affairs, see "APPENDIX B — CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA" hereto.

Description of the 2003 Bonds

The 2003 Bonds will be issued as fully registered bonds, without coupons, will be dated June 16, 2003, and will mature on June 15, 2022. The 2003 Bonds are subject to optional and mandatory redemption prior to scheduled maturity as described herein. See "THE 2003 BONDS—Optional Redemption" and "THE 2003 BONDS—Mandatory Sinking Fund Redemption" herein. The 2003 Bonds may bear interest at (i) a Variable Rate, with a Daily Rate Period, a Weekly Rate Period or a Term Rate Period, (ii) a Flexible Rate, or (iii) the Fixed Rate. The 2003 Bonds will initially bear interest at a Variable Rate with a Weekly Rate Period until converted to another Rate Period. The 2003 Bonds will continue to bear interest from the date of their initial delivery at a Variable Rate for a Weekly Rate Period, as determined from time to time by the Remarketing Agent as described herein until the Conversion Date, as described in the Third Supplement. The 2003 Bonds will be issuable in authorized denominations; the authorized denominations for 2003 Bonds during any Daily Rate Period or Weekly Rate Period are \$100,000 and any whole multiple of \$5,000 in excess thereof. THE BONDS OF THE AUTHORITY WHICH ARE OUTSTANDING UNDER THE INDENTURE, INCLUDING THE 2003 BONDS, ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT.

The Interest Payment Date for interest accrued on the 2003 Bonds during a Daily Rate Period or a Weekly Rate Period is the fifteenth day (or the next succeeding Business Day if the fifteenth day is not a Business Day) of each calendar month and the Regular Record Date therefor is the close of business on the Business Day preceding such Interest Payment Date.

The principal of 2003 Bonds during a Daily Rate Period or a Weekly Rate Period shall be payable at the Principal Office of the Trustee, upon presentation and surrender of such 2003 Bonds, which presentation and surrender can be made at the Principal Office of Wachovia Bank, National Association, as tender agent (the "Tender Agent").

Interest payments on a 2003 Bond (other than with respect to defaulted interest) shall be made to the registered owner thereof appearing on the bond register as of the close of business of the Trustee as bond registrar on the Record Date. Interest on the 2003 Bonds shall, except as hereinafter provided, be paid during a Daily Rate Period or a Weekly Rate Period, (i) by check or draft of the Tender Agent mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the bond

register or at such other address furnished in writing by such registered owner to the Tender Agent, (ii) by wire transfer sent on the Interest Payment Date to the registered owner upon written notice to the Tender Agent from the registered owner containing the wire transfer address (which shall be in the continental United States) to which the registered owner wishes to have such wire directed which written notice is received not later than the Business Day prior to the first Interest Payment Date to which it relates, it being understood that such notice may refer to multiple interest payments; or (iii) on or prior to the Fixed Rate Conversion Date, in such other fashion as is agreed upon between the registered owner and the Tender Agent, including, without limitation, by wire transfer upon such prior notice as may be satisfactory to the Tender Agent.

The 2003 Bonds, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository under a book-entry-only system for the 2003 Bonds. See "THE 2003 BONDS – Book-Entry-Only System" herein.

The 2003 Bonds are subject to optional and mandatory tender as described herein. The obligation to purchase 2003 Bonds will be funded from the proceeds of the remarketing of such 2003 Bonds by Raymond James & Associates, Inc., as remarketing agent (the "Remarketing Agent") and, except under certain circumstances described herein, purchases of 2003 Bonds under a standby bond purchase agreement dated as of June 1, 2003 (the "Standby Agreement") provided in respect of the 2003 Bonds by JPMorgan Chase Bank (the "Bank"). The obligation of the Authority to pay the purchase price of any 2003 Bonds upon optional or mandatory tender is limited to proceeds of the remarketing of such 2003 Bonds by the Remarketing Agent and to moneys provided under the Standby Agreement.

Sources of Payment and Security for the 2003 Bonds

The 2003 Bonds are limited obligations of the Authority and the principal of, redemption premium, if any, and interest on, and purchase price upon tender of, the 2003 Bonds are payable, together with the 1996 Bonds, the 1999 Bonds and any Additional Bonds issued pursuant to the Indenture, solely from (i) the revenues pledged and assigned by the Authority for such payment under the Indenture, including revenues received by the Authority from a one and one-half percent (1.5%) tax (the "Authority Tax") imposed by the City, pursuant to the Act and an ordinance adopted by City Council and approved by the Mayor on June 12, 1991 (Bill No. 1437, effective July 1, 1991) (the "Authority Tax Ordinance"), exclusively for the purposes of the Authority, on the salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City, and (ii) certain moneys and securities and investment earnings thereon, together with a Debt Service Reserve Fund Policy (described herein), all held by the Trustee in certain funds established under the Indenture. In connection with the enactment of the Authority Tax Ordinance and the adoption of the Fiscal Year 1992 operating budget of the City, the City enacted an ordinance reducing the rate of the City's tax on the salaries, wages, commissions and other compensation earned by, and net profits earned in business, professions and other activities conducted by, City residents by one and one-half percent (1.5%).

The Act provides that the Commonwealth will not reduce, and will not authorize any government agency levying such tax to reduce, the rate of any tax, including the Authority Tax, imposed exclusively for the purposes of the Authority and pledged by the Authority as security for the payment of principal of, and interest on, bonds issued by the Authority, including without limitation the 2003 Bonds, until all of the principal of, and interest on, the bonds so secured is paid in full or provided for. The Authority Tax presently is the only tax imposed exclusively for the purposes of the Authority and pledged by the Authority as security for the payment of its bonds.

The Act prohibits the City from reducing the rate of the Authority Tax or repealing the Authority Tax Ordinance while bonds of the Authority secured by the Authority's pledge of the Authority Tax are outstanding. The City, as required by the Act, has pledged and agreed in the Authority Tax Ordinance with each and every obligee of the Authority secured by an Authority pledge of the Authority Tax that the City will not reduce the rate of, or repeal, the Authority Tax until the principal of, and interest on, all bonds so secured are paid in full or provision for such payment is made. In an Intergovernmental Cooperation Agreement, dated January 8, 1992 (the "Cooperation Agreement"), between the Authority and the City, the City has made a similar pledge to, and agreement with, the Authority and its obligees.

The Act requires that the Authority Tax be collected by the Department of Revenue of the Commonwealth (the "Pennsylvania Revenue Department") for deposit in the Pennsylvania Intergovernmental Cooperation Authority Tax Fund (the "PICA

Tax Fund") established under the Act and held by the Treasurer of the Commonwealth (the "State Treasurer"), as custodian. The State Treasurer is required by the Act to transfer all amounts in the PICA Tax Fund at least weekly to or upon the order of the Authority. Concurrently with the issuance of the 1992 Bonds, the Authority directed the State Treasurer to transfer all such amounts to the Trustee for deposit in the Revenue Fund established under the Indenture in accordance with the requirements of the Act and for so long as any 1992 Bonds are Outstanding under the Indenture. Similar instructions were given in connection with the issuance of the 1993 Bonds, the 1993A Bonds, the 1994 Bonds, the 1996 Bonds and the 1999 Bonds. In connection with the issuance of the 2003 Bonds, similar instructions will be given relating to the 1996 Bonds, the 1999 Bonds and the 2003 Bonds so long as any of such bonds are Outstanding under the Indenture. The Act authorizes the Pennsylvania Revenue Department to appoint agents for the collection and enforcement of the Authority Tax. Pursuant to such authority, a letter dated June 28, 1991 from the Pennsylvania Revenue Department and the Pennsylvania Intergovernmental Cooperation Authority Income Tax Collection Agency Agreement, dated as of June 1, 1992 (the "Tax Collection Agreement"), by and between the Commonwealth and the City, the Revenue Department of the City ("City Revenue Department") and the Law Department of the City have been appointed agents of the Pennsylvania Revenue Department for the collection and enforcement of the Authority Tax. The procedures for the collection and transfer of the Authority Tax are prescribed in the Act and are further delineated in the Authority Tax Ordinance and the Tax Collection Agreement.

NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE UPON TENDER OF, THE 2003 BONDS. THE 2003 BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, AND NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS LIABLE FOR THE PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, OR PURCHASE PRICE UPON TENDER OF, THE 2003 BONDS. THE AUTHORITY HAS NO TAXING POWER.

Additional Bonds

The Authority has the power under the Act, and subject to the limitations set forth therein, to issue additional bonds for various purposes. Under the Act as currently in effect, however, the Authority may only issue refunding bonds. Subject to the terms of the Act and the Indenture, such additional bonds may be issued by the Authority under the Indenture on a parity with the 1996 Bonds, the 1999 Bonds and the 2003 Bonds. For a discussion of the issuance by the Authority of additional bonds, including Additional Bonds issued under the Indenture, and the limitations on such issuance, see "SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS - Additional Bonds" herein.

Bond Insurance

Payment of the principal of and interest on the 2003 Bonds will be insured in accordance with the terms of a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") to be issued by Ambac Assurance Corporation ("Ambac Assurance ") simultaneously with the issuance and delivery of the 2003 Bonds. See "BOND INSURANCE" herein and a specimen copy of the Financial Guaranty Insurance Policy in APPENDIX E hereto.

Miscellaneous

Brief descriptions of the Act, the Authority, the 2003 Bonds, the Indenture, the Cooperation Agreement, the Tax Collection Agreement, the Authority Tax Ordinance, the Standby Agreement and the Financial Guaranty Insurance Policy are included in this Official Statement. The summaries of the Act and of other documents contained herein do not purport to be complete, comprehensive or definitive and are qualified in their entirety by reference to the entire text of the Act and such documents, and the description herein of the 2003 Bonds is qualified in its entirety by reference to the text thereof and the information with respect thereto included in the aforesaid documents. All such descriptions are further qualified in their entirety by reference to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights. Copies of the Indenture, the Authority Tax Ordinance, the Cooperation Agreement, the Standby Agreement and the Tax Collection Agreement may be obtained from the Authority and, after initial delivery of the 2003 Bonds, at the corporate trust office of the Trustee in Philadelphia, Pennsylvania.

Certain information concerning the City has been furnished by the City and is included as APPENDIX B hereto. THE AUTHORITY MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION INCLUDED AS APPENDIX B HERETO.

Certain information concerning Ambac Assurance and the Financial Guaranty Insurance Policy has been furnished by Ambac Assurance and is included under the caption "BOND INSURANCE" herein. A specimen copy of the Financial Guaranty Insurance Policy has been furnished by Ambac Assurance and is included as APPENDIX E hereto. THE AUTHORITY MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION FURNISHED BY AMBAC ASSURANCE INCLUDED HEREIN OR OF THE SPECIMEN COPY OF THE FINANCIAL GUARANTY INSURANCE POLICY FURNISHED BY AMBAC ASSURANCE INCLUDED AS APPENDIX E HERETO.

This Official Statement, including the appendices (except APPENDIX A, consisting of the audited financial statements of the Authority, which speak as of June 30, 2002), speaks only as of the date of this Official Statement printed on the cover hereof. The information contained herein is subject to change.

PLAN OF FINANCE

General

In December, 2001, the Authority and JPMorgan Chase Bank (in this capacity, the "Swap Counterparty") entered into an interest rate swap transaction dated December 6, 2001 (the "1993A Bonds Swaption") with respect to the 1993A Bonds as a means of effecting a synthetic refunding of the 1993A Bonds. Under the 1993A Bonds Swaption, the Swap Counterparty made a payment to the Authority on the date of execution of the 1993A Bonds Swaption in exchange for an option to cause the Authority to enter into an interest rate exchange or swap transaction (the "Swap") with the Swap Counterparty. The Swap Counterparty has given notice to the Authority that it intends to exercise its option on June 16, 2003. The terms of the Swap require the payment (i) by the Swap Counterparty to the Authority of an amount (the "Floating Rate Amount") on the 15th day of each month, commencing July 15, 2003, equal to the interest payable on the agreed upon principal amount (the "Notional Amount") computed on the basis of a floating rate equal to 67% of one month LIBOR and (ii) by the Authority to the Swap Counterparty of an amount (the "Fixed Rate Amount") on each June 15 and December 15, commencing December 15, 2003, equal to the interest payable on the Notional Amount computed on the basis of a fixed rate essentially equal to the fixed rates payable on the 1993A Bonds. The Notional Amount on which such Floating Rate Amount and Fixed Rate Amount is computed is initially equal to \$163,185,000 and declines on June 15 of each year, commencing June 15, 2004, through its termination date of June 15, 2022. See "CERTAIN DERIVATIVES ACTIVITIES OF THE AUTHORITY" herein for a discussion of the interest rate "swaption" transactions entered into by the Authority, including the 1993A Bonds Swaption.)

The Swap Counterparty has given notice to the Authority that it intends to exercise its option on June 16, 2003. As a result of the Swap Counterparty's election to exercise its option to cause the Authority to enter into the Swap, the Authority has determined to issue the 2003 Bonds. The proceeds from the sale of the 2003 Bonds will be used to (i) provide for the current refunding of all of the Outstanding 1993A Bonds maturing after June 15, 2003, in the aggregate principal amount of \$163,185,000 (the "Refunded 1993A Bonds"), and (ii) pay the costs of issuing the 2003 Bonds.

A portion of the net proceeds of the sale of the 2003 Bonds shall be held by the Trustee in a separate account in the Bond Redemption Fund and immediately applied to the payment of the redemption price of the Refunded 1993A Bonds which have been called for redemption on June 15, 2003, at a redemption price of 100% of the principal of the Refunded 1993A Bonds then Outstanding, plus accrued interest to the redemption date. In accordance with the Indenture, as June 15, 2003 is not a business day, payment of the redemption price of the 1993A Bonds will be made on June 16, 2003. Upon deposit of the necessary funds with the Trustee, the Refunded 1993A Bonds will no longer be deemed to be Outstanding under the Indenture.

Estimated Sources and Uses

The estimated sources and uses of funds relating to the 2003 Bonds are as follows:

Sources of Funds:	
Principal Amount of 2003 Bonds	\$165,550,000
Uses of Funds:	
Current Refunding of 1993A Bonds	\$163,185,000
Costs of Issuance*	2,365,000
Total	<u>\$165,550,000</u>

*Includes legal, accounting, financial advisory and liquidity facility fees and expenses, printing, bond insurance premium, rating fees, underwriters' fee, contingency and miscellaneous fees and expenses.

THE 2003 BONDS

General

The 2003 Bonds are being issued in the principal amount and are stated to mature on the date shown on the cover of this Official Statement. The 2003 Bonds may bear interest at (i) a Variable Rate, with a Daily Rate Period, a Weekly Rate Period or a Term Rate Period, (ii) a Flexible Rate, or (iii) the Fixed Rate. The 2003 Bonds will initially bear interest at a Variable Rate with a Weekly Rate Period until converted to another Rate Period. The 2003 Bonds will continue to bear interest from the date of their initial delivery at a Variable Rate for a Weekly Rate Period, as determined from time to time by the Remarketing Agent as described herein until the Conversion Date, as described in the Third Supplement.

The following is a summary of certain provisions of the 2003 Bonds while such Bonds bear interest at a Variable Rate for a Daily Rate Period or a Weekly Rate Period. Reference is made to the 2003 Bonds and to the Third Supplement for the detailed provisions of the 2003 Bonds, including provisions relating to the Flexible Rate Period, the Term Rate Period and the Fixed Rate Period.

The Authority anticipates that a remarketing memorandum or other new or supplemental disclosure document will be prepared in the event the 2003 Bonds are converted to bear interest at the Flexible Rate or the Fixed Rate, or to a Variable Rate for a Term Rate Period.

The 2003 Bonds will be issuable in fully registered form, without coupons, in the authorized denominations for each Interest Rate Period. The authorized denomination for 2003 Bonds is \$100,000 and any whole multiple of \$5,000 in excess thereof during any Daily Rate Period or Weekly Rate Period.

The Interest Payment Date for interest accrued on the 2003 Bonds during a Daily Rate Period or a Weekly Rate Period is the fifteenth day (or the next succeeding Business Day if the fifteenth day is not a Business Day) of each calendar month and the Regular Record Date therefor is the close of business on the Business Day preceding such Interest Payment Date.

The principal of and premium, if any, on 2003 Bonds during a Daily Rate Period or a Weekly Rate Period shall be payable at the Principal Office of the Trustee, upon presentation and surrender of such 2003 Bonds, which presentation and surrender can be made at the Principal Office of the Tender Agent. Payment of principal of any 2003 Bond shall be made to any owner of \$1,000,000 or more in aggregate principal amount of 2003 Bonds by wire transfer to such owner on the principal payment date for said 2003 Bonds upon written notice from such owner containing the wire transfer address within the continental United States to which such owner wishes to have such wire directed, which written notice is received not later than the tenth (10th) day next preceding the principal payment or maturity date applicable to such 2003 Bonds, provided that such wire transfer shall only be made upon presentation and surrender of such 2003 Bonds at the designated office of the Trustee or Tender Agent, as applicable, on the principal payment date.

Interest payments on a 2003 Bond (other than with respect to defaulted interest) shall be made to the registered owner thereof appearing on the bond register as of the close of business of the Trustee as bond registrar on the Record Date. Interest on the 2003 Bonds shall, except as hereinafter provided, be paid during a Daily Rate Period or a Weekly Rate Period, (i) by check or draft of the Tender Agent mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the bond register or at such other address furnished in writing by such registered owner to the Tender Agent, (ii) by wire transfer sent on the Interest Payment Date to the registered owner upon written notice to the Tender Agent from the registered owner containing the wire transfer address (which shall be in the continental United States) to which the registered owner wishes to have such wire directed which written notice is received not later than the Business Day prior to the first Interest Payment Date to which it relates, it being understood that such notice may refer to multiple interest payments; or (iii) on or prior to the Fixed Rate Conversion Date, in such other fashion as is agreed upon between the registered owner and the Tender Agent, including, without limitation, by wire transfer upon such prior notice as may be satisfactory to the Tender Agent.

Under certain circumstances as described herein, the beneficial owner of a 2003 Bond bearing interest at a Variable Rate for a Daily Rate Period or a Weekly Rate Period will have the right to tender to the Tender Agent a 2003 Bond (or any portion thereof in an Authorized Denomination) for purchase at a price (the "Tender Price") equal to 100% of the principal amount thereof, plus accrued interest. Payment for 2003 Bonds so tendered is required to be made in immediately available funds on the purchase date specified by the owner if the notice and tender requirements described herein and as set forth in the Third Supplement have been strictly complied with. Subject to the provisions described below under "THE 2003 BONDS - Purchase of Tendered Bonds - Optional Tender," notices of tender are to be delivered to the Tender Agent by the beneficial owner.

Raymond James & Associates, Inc. has been appointed Remarketing Agent for the 2003 Bonds. The Remarketing Agent is to remarket 2003 Bonds tendered for purchase and is to perform certain rate-setting functions in connection with the 2003 Bonds as described herein under "THE 2003 BONDS—Remarketing" pursuant to a Remarketing Agreement to be dated June 16, 2003 (the "Remarketing Agreement"), between the Authority and the Remarketing Agent. See "THE 2003 BONDS—Remarketing."

Wachovia Bank, National Association has been appointed Tender Agent for the 2003 Bonds. The Tender Agent shall perform those functions with respect to the 2003 Bonds related to the registration of transfers and exchanges, tenders, redemption, notices and purchases thereof and payments thereon prior to the commencement of a Fixed Rate Period.

DTC will serve as securities depository under a book-entry-only system for the 2003 Bonds. Unless such system is discontinued, the provisions described under "Book-Entry-Only System" below (including provisions regarding payments to and transfers by the owners of beneficial interests in the 2003 Bonds) will be applicable to the 2003 Bonds. If such system is discontinued, the provisions described under "Discontinuance of Book-Entry-Only System" below will be applicable.

So long as DTC, or its partnership nominee, Cede & Co., is the registered owner of the 2003 Bonds, payments of the principal of and interest on the 2003 Bonds, and payments of the purchase price of any 2003 Bonds subject to optional or mandatory tender, are to be made by the Tender Agent directly to Cede & Co. Disbursements of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC. Disbursements of such payments to the owners of beneficial interests in the 2003 Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). See "BOOK-ENTRY ONLY SYSTEM " below.

THE 2003 BONDS ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT

Interest

General. Upon initial issuance, and until a Conversion Date, the 2003 Bonds will bear interest at a Variable Rate for a Weekly Rate Period. During Daily Rate Periods and Weekly Rate Periods, the Remarketing Agent shall determine the interest rate as described below. The 2003 Bonds may be converted from one Variable Rate Period to another, from a Term Rate Period of one length to a Term Rate Period of a different length, to a Flexible Rate Period or to a Fixed Rate Period, as elected by the Authority, following which the 2003 Bonds will bear interest at the interest rate determined by the Remarketing Agent for the new Rate Period. Such conversion will result in the mandatory tender for purchase of the 2003 Bonds as described below under "Purchase of Tendered 2003

Bonds - Mandatory Tender." When 2003 Bonds bear interest at a Variable Rate for a Daily Rate Period or a Weekly Rate Period, interest will be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed. Determination of interest rates when the 2003 Bonds bear interest at the Flexible Rate, the Fixed Rate or at a Variable Rate during a Term Rate Period are described in the Third Supplement.

Weekly Rate. When the 2003 Bonds bear interest at a Variable Rate during a Weekly Rate Period, the interest rate on the 2003 Bonds for a particular Weekly Rate Period shall be the rate established by the Remarketing Agent no later than 10:00 a.m. on the commencement date of such Weekly Rate Period, or, if such preceding day is not a Business Day, on the preceding Business Day. The initial Weekly Rate for the 2003 Bonds will be established not later than the date preceding the date they are issued and delivered. The initial Weekly Rate Period shall commence on the date of issuance and delivery of the 2003 Bonds and end on June 25, 2003. Each subsequent Weekly Rate Period shall commence on a Thursday and continue through the following Wednesday; provided, however, that any Weekly Rate Period which does not follow another Weekly Rate Period shall commence on the Variable Rate Conversion Date with respect thereto and end on the first or second Wednesday thereafter, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and any Weekly Rate Period which is not followed by another Weekly Rate Period shall commence on the last or second to last Thursday of a calendar month, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and end on the day preceding the final Interest Payment Date for such Weekly Rate Period.

Daily Rate. When the 2003 Bonds bear interest at a Variable Rate during a Daily Rate Period, the interest rate on the 2003 Bonds during such Daily Rate Period shall be the rate established by the Remarketing Agent no later than 10:30 a.m. on such Business Day. For any day which is not a Business Day, the interest rate on the 2003 Bonds shall be the interest rate in effect for the next preceding Business Day. Each Daily Rate established for the 2003 Bonds will remain in effect through the day preceding the Business Day following the day on which that Daily Rate was established. The Remarketing Agent is required to make each determination of the interest rate on the respective date described above for each Daily Rate Period and Weekly Rate Period (each a "Rate Determination Date"). "Maximum Interest Rate" for the 2003 Bonds means twelve percent (12%) per annum.

If for any reason the Remarketing Agent fails to determine or notify the Tender Agent of the Variable Rate for any Daily Rate Period or Weekly Rate Period, the interest rate for any 2003 Bonds in a Daily Rate Period or a Weekly Rate Period shall be equal to 135% of the BMA Municipal Swap Index published for that Variable Rate Period by Munifacts Wire System, Inc. (or a replacement publisher of the BMA Municipal Swap Index designated in writing by the Authority to the Trustee and the Remarketing Agent), or if the BMA Municipal Swap Index is not published on the day the Variable Rate is to be set, 125% of an comparable index selected by the Authority).

Conversion of Interest Rate Mode. The Authority is permitted to effect conversions of 2003 Bonds among the various interest rate modes as provided in the Third Supplement. In the case of conversions between Variable Rate Periods or to a Flexible Rate Period or a Fixed Rate Period, the Authority must deliver notice to the Remarketing Agent, the Trustee, the Tender Agent and the Bank not less than 7 days prior to the date on which the Tender Agent is required to notify Bondholders of the conversion. If the proposed conversion is from a Daily Rate Period or a Weekly Rate Period, the Conversion Date must be a regularly scheduled Interest Payment Date. In the case of a conversion of 2003 Bonds bearing interest at a Variable Rate during a Daily Rate Period or a Weekly Rate Period, the Authority must cause to be delivered to the Trustee and the Tender Agent an opinion of bond counsel stating that the proposed conversion is permitted by the Third Supplement and will not adversely affect the exclusion from gross income of interest on the 2003 Bonds for federal income tax purposes; provided, however, no such opinion shall be required with respect to a conversion to a Daily Rate Period or Weekly Rate Period or to a Term Rate Period with a duration of twelve months if the immediately preceding period was a Daily Rate Period, Weekly Rate Period or a Term Rate Period with a duration of twelve calendar months.

Notwithstanding the Authority's delivery of notice of its exercise of the option to effect a conversion, such conversion shall not take effect if (1) the Remarketing Agent fails to determine the interest rate for the new interest rate mode, (2) if all the 2003 Bonds being converted are not remarketed on the proposed Conversion Date, or (3) if the opinion of bond counsel referred to in the preceding paragraph is not confirmed as of the Conversion Date. See "Purchase of Tendered 2003 Bonds - Mandatory Tender" below. In addition, in connection with any conversion to or from a Variable Rate Period or a Flexible Rate Period or a conversion to a Fixed Rate Period, in addition to the other conditions to conversion set forth in the Indenture, the Trustee must have received written evidence from each Rating Agency then maintaining a rating on the 2003 Bonds that such rating will not be reduced or withdrawn due to such conversion (other than a withdrawal of a short term rating upon a remarketing into a Fixed Rate Period) and the

Remarketing Agent shall have received firm commitments for the purchase of all 2003 Bonds being converted to bear interest in such new rate period on or before such Conversion Date.

Notice to Bondowners. The Tender Agent is required to give written notice to holders of the 2003 Bonds being converted at least 14 days prior to the Conversion Date in the case of conversions from a Daily Rate Period or a Weekly Rate Period to another Variable Rate or a Flexible Rate Period, and at least 30 days in all other cases.

Effect of Determination. Each designation of a Rate Period, each determination of the duration of a Rate Period and each determination of a Variable Rate by the Remarketing Agent, shall be conclusive and binding upon the owners of the 2003 Bonds, the Trustee, the Authority, the Tender Agent, and the Remarketing Agent.

Purchase of Tendered 2003 Bonds

Optional Tender. An owner of a 2003 Bond will have the right to tender its 2003 Bonds (or portions thereof in authorized denominations) for purchase while the 2003 Bonds bear interest at a Variable Rate during a Daily Rate Period or a Weekly Rate Period, on the purchase dates and with prior notice and delivery as described below, at the Tender Price, payable from and to the extent of proceeds of the remarketing of such 2003 Bonds, moneys paid to it by the Bank for the purchase of 2003 Bonds pursuant to the Liquidity Facility and any other moneys provided by the Authority.

Payment for 2003 Bonds so tendered is required to be made in immediately available funds by 3:00 p.m. on the Optional Tender Date specified by the Bondowner for purchase.

So long as DTC is the registered owner of the 2003 Bonds, a Beneficial Owner (as hereinafter defined) of 2003 Bonds is required to give notice to elect to have its 2003 Bonds purchased or tendered, through its Participant (as hereinafter defined), to the Tender Agent and shall effect delivery of such 2003 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2003 Bonds, on DTC's records, to the Tender Agent.

Weekly Rate Period. During a Weekly Rate Period, 2003 Bonds may be tendered for purchase on any Business Day upon oral or written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day not less than seven (7) days prior to the Optional Tender Date. In the case of a written notice, such notice shall be delivered to the Tender Agent at its designated office and be in form satisfactory to the Tender Agent. Such notice, whether delivered orally or in writing, shall state (i) the name and address of such bondholder and the principal amount of the 2003 Bond to which the notice relates, (ii) that the Bondholder irrevocably demands purchase of such 2003 Bond or a specified portion thereof in an Authorized Denomination, (iii) the Optional Tender Date on which such 2003 Bond or portion is to be purchased, and (iv) the payment instructions with respect to the Tender Price.

Daily Rate Period. During a Daily Rate Period, 2003 Bonds may be tendered for purchase on any Business Day upon oral or written notice of tender given to the Tender Agent not later than 10:00 a.m., New York City time, on the Optional Tender Date. In the case of a written notice, such notice shall be delivered to the Tender Agent at its Principal Office and be in form satisfactory to the Tender Agent. Such notice, whether delivered orally or in writing, shall state (i) the name and address of such bondholder and the principal amount of the 2003 Bond to which the notice relates, (ii) that the Bondholder irrevocably demands purchase of such 2003 Bond or a specified portion thereof in an Authorized Denomination, (iii) the Optional Tender Date on which such 2003 Bond or portion is to be purchased, and (iv) the payment instructions with respect to the Tender Price.

The determination of the Tender Agent as to whether a notice of tender has been properly delivered pursuant to the Third Supplement will be conclusive and binding upon the owner of the 2003 Bonds.

In accepting a notice of tender pursuant to the Third Supplement, the Tender Agent and the Remarketing Agent may conclusively assume that the person providing the notice of tender is the Beneficial Owner of the 2003 Bonds and therefore entitled to tender them. The Tender Agent and the Remarketing Agent assume no liability to anyone in accepting a notice of tender from a person whom it reasonably believes to be a Beneficial Owner of the 2003 Bonds.

Mandatory Tender. The owners of 2003 Bonds will be required to tender, and in any event will be deemed to have tendered, their 2003 Bonds to the Tender Agent for purchase at the Tender Price, payable from and to the extent of proceeds of the remarketing of such 2003 Bonds, moneys paid to it by the Bank for the purchase of 2003 Bonds pursuant to the Liquidity Facility, and any other moneys provided by the Authority in its sole discretion, (1) on each Variable Rate Conversion Date, Flexible Rate Conversion Date or Fixed Rate Conversion Date, and (2) on the regularly scheduled Interest Payment Date preceding the effective date of any substitution of the Liquidity Facility with an Alternate Liquidity Facility, on any Renewal Date if by the tenth day preceding such Renewal Date the Trustee has not received a Renewal Liquidity Facility, and (3) on the 15th day (or the next preceding Business Day if such day is not a Business Day) after receipt by the Trustee of notice from the Bank of the occurrence of a default under the Liquidity Facility and that such Liquidity Facility shall be terminated, and with respect to the initial Liquidity Facility only, the occurrence of either of the events described under “THE STANDBY AGREEMENT—Conditions Causing a Mandatory Tender” herein.

The Tender Agent is required to give notice of mandatory tender, as provided in the Third Supplement, to each owner of the 2003 Bonds by first-class mail as follows: (i) at least 30 days' written notice in the event of a conversion to a Fixed Rate, (ii) at least 15 days' written notice in the event of a substitution of the Liquidity Facility or a non-renewal of the Liquidity Facility, and (iii) in the event of the occurrence of an event of default under the Liquidity Facility, on the Business Day following receipt by the Trustee of such notice from the Bank. The owners of the 2003 Bonds shall have no right to elect to retain 2003 Bonds that are subject to mandatory tender.

Undelivered Bonds. ANY 2003 BOND (OR PORTION THEREOF) FOR WHICH NOTICE OF OPTIONAL OR MANDATORY TENDER HAS BEEN GIVEN IN ACCORDANCE WITH THE PROVISIONS OF THE THIRD SUPPLEMENT, BUT THAT IS NOT TENDERED FOR PURCHASE BY THE REQUIRED TIME, WILL BE DEEMED TO HAVE BEEN TENDERED AND SOLD ON THE DESIGNATED PURCHASE DATE AND, UPON DEPOSIT IN THE BOND PURCHASE FUND ESTABLISHED UNDER THE THIRD SUPPLEMENT OF AN AMOUNT SUFFICIENT TO PAY THE PURCHASE PRICE OF SUCH 2003 BOND ON SUCH PURCHASE DATE, THE OWNER OF SUCH 2003 BOND WILL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST ACCRUED SUBSEQUENT TO SUCH DATE) IN RESPECT THEREOF OTHER THAN THE PURCHASE PRICE FOR SUCH 2003 BOND AND ACCRUED INTEREST AS OF THE PURCHASE DATE. SUCH 2003 BOND WILL NO LONGER BE ENTITLED TO THE BENEFIT OF THE INDENTURE, EXCEPT FOR THE PURPOSE OF PAYMENT OF SUCH PURCHASE PRICE AND, EXCEPT AS DESCRIBED ABOVE, ACCRUED INTEREST AS OF THE PURCHASE DATE.

Purchase of 2003 Bonds Upon Tender. The obligation to purchase 2003 Bonds will be funded from the proceeds of the remarketing of such 2003 Bonds by the Remarketing Agent and, except under certain circumstances described herein, purchases of the 2003 Bonds under the Standby Agreement. The obligation of the Authority to pay the purchase price of any 2003 Bonds upon optional or mandatory tender is limited to proceeds of the remarketing of such 2003 Bonds by the Remarketing Agent and to moneys provided under the Standby Agreement.

Bank Bonds. Any 2003 Bonds purchased with proceeds of a drawing on the Liquidity Facility (“Bank Bonds”) shall be registered in the name of the provider of the Liquidity Facility and shall bear interest at the rate determined in accordance with the provisions of the Liquidity Facility.

Remarketing

The Authority and the Remarketing Agent are entering into the Remarketing Agreement pursuant to which the Authority will agree to pay to the Remarketing Agent a fee for its services as Remarketing Agent and the Remarketing Agent will agree, among other things, to perform the duties of the Remarketing Agent set forth in the Third Supplement for so long as any of the 2003 Bonds bear interest at a Variable Rate or a Flexible Rate. The Authority and the Remarketing Agent anticipate that separate fee arrangements will be made for remarketing 2003 Bonds being converted to bear interest at the Fixed Rate. The Remarketing Agreement may be amended by the Authority and the Remarketing Agent without the consent of the Trustee or the owners of the 2003 Bonds.

The Remarketing Agreement provides that the Remarketing Agent may be removed by the Authority at any time or may resign, in either instance upon 30 days prior notice. In addition, under certain circumstances the Remarketing Agent may cease reoffering and selling the 2003 Bonds with immediate effect.

Redemption

(a) Optional Redemption.

(i) Flexible Rate Period or a Variable Rate Period. During a Flexible Rate Period or a Variable Rate Period, the 2003 Bonds shall be subject to redemption prior to maturity at the option of the Authority, in whole or in part (and if in part in an Authorized Denomination) on any Repurchase Date applicable thereto during a Flexible Rate Period or on any Interest Payment Date during a Variable Rate Period (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot), at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

(ii) Term Rate Period. On or prior to the Fixed Rate Conversion Date, 2003 Bonds in a Term Rate Period may be redeemed by the Authority, in whole or in part (and, if in part, by the redemption of any Bank Bonds first and thereafter by lot in such manner as shall be determined by the Trustee), (A) at any time on and after the No-Call Period described below, at a redemption price of 100% of the principal amount of 2003 Bonds called for redemption, plus accrued interest to the date fixed for redemption, and (B) on the day after the end of each Term Rate Period at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption:

Length of Term Rate Period

Greater than or equal to 15 years

Less than 15 years and greater than or equal to 10 years

Less than 10 years and greater than or equal to 8 years

Less than 8 years

Commencement of Redemption Period

10th Anniversary of the commencement of the Term Rate Period

8th Anniversary of the commencement of the Term Rate Period

6th Anniversary of the commencement of the Term Rate Period

Not subject to optional redemption until commencement of next Term Rate Period

Notwithstanding the foregoing, the No-Call Periods specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2003 Bonds to a Term Rate Period is to the effect that such change will not have an adverse effect on the validity of the 2003 Bonds or any exemption from federal income taxation to which interest on the 2003 Bonds would otherwise be entitled.

(iii) Fixed Rate. After the Fixed Rate Conversion Date, the 2003 Bonds may be redeemed by the Authority in whole on any date, or in part on any Interest Payment Date (and, if in part, by lot in such manner as shall be determined by the Trustee), after the No-Call Period described below at a redemption price of 100% of the principal amount of 2003 Bonds called for redemption, plus accrued interest to the date fixed for redemption:

Length of Fixed Rate Period

Greater than or equal to 15 years

Less than 15 years and greater than or equal to 10 years

Less than 10 years and greater than or equal to 8 years

Less than 8 years

Commencement of Redemption Period

10th Anniversary of the commencement of the Fixed Rate Period

8th Anniversary of the commencement of the Fixed Rate Period

6th Anniversary of the commencement of the Fixed Rate Period

Not subject to optional redemption

Notwithstanding the foregoing, the No-Call Periods and redemption prices specified above may be changed by the Remarketing Agent upon the written request of the Authority if the Favorable Opinion required to be delivered in connection with the conversion of the interest rate on the 2003 Bonds to a Fixed Rate is to the effect that such change will not have an adverse effect on the validity of the 2003 Bonds or any exemption from federal income taxation to which interest on the 2003 Bonds would otherwise be entitled.

(b) Special Optional Redemption. Any 2003 Bonds which are Bank Bonds shall be subject to redemption in whole or in part prior to the Maturity Date at the option of the Authority out of amounts deposited in the Debt Service Fund, on any Business Day while such 2003 Bonds are Bank Bonds at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

(c) Mandatory Sinking Fund Redemption. The 2003 Bonds are subject to mandatory redemption prior to maturity in part by lot, as selected by the Trustee, on June 15 of each year as set forth below, in the respective principal amounts listed

opposite each such year from moneys in the Debt Service Fund, at a redemption price equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date to the redemption date.

Redemption Date (June 15)	Principal Amount	Redemption Date (June 15)	Principal Amount
2004	\$5,460,000	2013	\$ 8,420,000
2005	5,720,000	2104	8,835,000
2006	5,995,000	2015	9,270,000
2007	6,290,000	2016	9,725,000
2008	6,605,000	2017	10,205,000
2009	6,950,000	2018	10,710,000
2010	7,290,000	2019	11,245,000
2011	7,650,000	2020	11,795,000
2012	8,025,000	2021	12,375,000
		2022	12,985,000*

*Stated Maturity

In the event of any partial optional redemption of the 2003 Bonds or any special optional redemption of 2003 Bonds that are Bank Bonds, the mandatory sinking fund redemption payments shall be reduced in such order as the Authority shall elect prior to such redemption or, if no such election is made, in the inverse order thereof. The Trustee shall (in such manner as it in its sole discretion shall choose) adjust the amount of each such reduction in required mandatory redemption payment, so that each such required mandatory sinking fund redemption payment is made in Authorized Denominations.

Notice of Redemption

When the Authority shall determine to redeem 2003 Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of 2003 Bonds to be redeemed, or whenever the Trustee shall be required to redeem 2003 Bonds from moneys in the 2003 Bonds Sinking Fund Account, without action on the part of the Authority, the Trustee, at the Authority's expense, shall cause a notice of redemption to be mailed to the Bondholders. Such notice shall specify the redemption date, the redemption price, the place and manner of payment and that from the redemption date interest will cease to accrue on the 2003 Bonds which are the subject of such notice. If at the time of mailing of any notice of redemption, other than with respect to a mandatory sinking fund redemption, the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the 2003 Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption moneys with the Trustee not late than the opening of business on the redemption date and shall be of no effect unless such moneys are so deposited.

During a Daily Rate Period or a Weekly Rate Period, the notice to Bondholders shall be deposited by the Trustee in the United States mail, postage prepaid, at least fifteen (15) days, but not more than thirty (30) days, prior to the redemption date, addressed to the Holders of the 2003 Bonds called for redemption at the addresses appearing upon the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any 2003 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other 2003 Bonds.

So long as DTC or its nominee is the sole Bondholder under the book-entry-only system, redemption notices shall be sent by the Trustee only to DTC or its nominee and any failure on the part of DTC or a DTC Participant (as defined below) to notify the Beneficial Owner (as defined below) of a 2003 Bond called for redemption shall not affect the validity of the redemption.

Transfers and Exchanges of 2003 Bonds

Upon presentation for transfer and exchange of any 2003 Bond entitled to registration of exchange or registration of transfer at the corporate trust office of Wachovia Bank, National Association, Philadelphia, Pennsylvania (the "Registrar"), the Registrar will register the exchange or register the transfer of such 2003 Bond in the bond registration books, under such reasonable regulations as the Registrar may prescribe. The Registrar will make all necessary provisions to permit the exchange or registration of transfer of the 2003 Bonds at its corporate trust office in Philadelphia, Pennsylvania. Until the discontinuance of the book-entry-only system, as

described above, one fully registered 2003 Bond in the aggregate principal amount of the 2003 Bonds will be registered in the name of Cede & Co., as nominee for DTC.

The transfer of any 2003 Bond shall be registered in the registration books of the Registrar at the written request of the Bondholder thereof or his attorney duly authorized in writing, upon surrender and cancellation thereof at the corporate trust office of the Registrar in Philadelphia, Pennsylvania, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Bondholder or his duly authorized attorney. Upon the registration of transfer of any such 2003 Bond or Bonds, the Authority shall issue in the name of the transferee, in authorized denominations permitted by the Indenture, a new fully registered 2003 Bond or new fully registered 2003 Bonds in the same aggregate principal amount and of like tenor as the surrendered 2003 Bond or Bonds.

The Authority, the Trustee and the Registrar may deem and treat the registered owner of any 2003 Bond as the absolute owner of such 2003 Bond, whether such 2003 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on 2003 Bonds and for all other purposes, and the Authority, the Trustee and the Registrar shall not be affected by any notice to the contrary. All such payments so made to any such holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such 2003 Bond to the extent of the sum or sums so paid.

Any 2003 Bond, upon surrender thereof at the corporate trust office of the Registrar in Philadelphia, Pennsylvania, may, at the option of the Bondholder thereof, be exchanged for an equal aggregate principal amount of any authorized denominations of the 2003 Bonds of the same maturity, and having the same interest rate and other provisions, as the surrendered 2003 Bond.

In all cases in which the privilege of exchanging 2003 Bonds or registering the transfer of 2003 Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver 2003 Bonds in accordance with the provisions of the Indenture.

For every such exchange or registration of transfer of the 2003 Bonds, whether temporary or definitive, the Authority, the Registrar or the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, which sum or sums shall be paid by the person requesting such exchange or registration of transfer as a condition precedent to the exercise of the privilege of making such exchange or registration of transfer.

The Registrar shall not be required to transfer or exchange any 2003 Bond during the period from a Record Date, as described below, through the next Interest Payment Date, inclusive, nor to transfer or exchange any 2003 Bond selected for redemption in whole or in part.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry only system have been obtained from DTC. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Underwriters believe to be reliable; however, the Authority and the Underwriters take no responsibility for the accuracy thereof and make no representation as to the accuracy of such information.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2003 Bonds. The 2003 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2003 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-

owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: “AAA”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2003 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2003 Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2003 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2003 Bonds, except in the event that use of the book-entry system for the 2003 Bonds is discontinued.

To facilitate subsequent transfers, all 2003 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2003 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2003 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2003 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2003 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2003 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indentures. For example, Beneficial Owners of 2003 Bonds may wish to ascertain that the nominee holding the 2003 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the 2003 Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2003 Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts 2003 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal or redemption price of and interest on the 2003 Bonds will be paid to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Authority or the Trustee, as applicable, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, as applicable, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the 2003 Bonds, as nominee of DTC, references herein to the bondholders or registered owners of the 2003 Bonds means Cede & Co., not the Beneficial Owners of the 2003 Bonds.

THE AUTHORITY, TRUSTEE AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE 2003 BONDS (i) PAYMENTS OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2003 BONDS, OR (ii) CONFIRMATION OF OWNERSHIP INTERESTS IN THE 2003 BONDS, OR (iii) REDEMPTION OR OTHER NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE AUTHORITY, THE TRUSTEE, THE REMARKETING AGENT OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OF THE 2003 BONDS WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (ii) THE PAYMENT BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OF, OR INTEREST ON, ANY 2003 BONDS, (iii) THE DELIVERY OF ANY NOTICE BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2003 BONDS, OR (v) ANY OTHER ACTION TAKEN BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT.

Discontinuation of Book-Entry Only System

DTC may determine to discontinue providing its service with respect to the 2003 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS

General

The 2003 Bonds are limited obligations of the Authority payable solely from certain pledged revenues of the Authority and certain other funds held by the Trustee for such purpose. The 2003 Bonds are payable from and are equally and ratably secured under the Indenture, together with the 1996 Bonds, the 1999 Bonds and with certain Additional Bonds that may be issued thereunder, by an assignment, pledge and grant to the Trustee of all of the Authority's right, title and interest in and to (i) the Authority Tax, and (ii) moneys and securities held by the Trustee under the Indenture (including proceeds of the Authority Tax) and any interest or income earned thereon, including amounts deposited into the Deficit Fund, Capital Projects Fund, Revenue Fund, Debt Service Fund, Debt Service Reserve Fund and the Bond Redemption Fund, but excluding moneys held in trust for the United States in the Rebate Fund (collectively, the "Pledged Revenues"), subject to the terms and conditions of the Indenture. The Indenture provides that moneys in accounts established by the Trustee in respect of a particular Series of Bonds shall only be available to pay debt service or the redemption price of Bonds of such Series, except as may otherwise be provided in the Indenture or in a Supplemental Indenture adopted at or prior to the time of issuance of such Series. The Debt Service Reserve Fund will secure, equally and ratably, all Bonds outstanding under the Indenture, including the 1996 Bonds, the 1999 Bonds and the 2003 Bonds.

Authority Tax

As permitted by the Act, and pursuant to the Authority Tax Ordinance, the City has imposed, exclusively for the purposes of the Authority, a one and one-half percent (1.5%) tax on the salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City. As described above, the Authority Tax has been pledged by the Authority to the Trustee, as permitted by the Act and pursuant to the Indenture, as

security for the payment of principal of, redemption premium, if any, and interest on, the Bonds, including the 1996 Bonds, the 1999 Bonds and the 2003 Bonds.

The Act requires that the Authority Tax be collected by the Pennsylvania Revenue Department for deposit in the PICA Tax Fund held by the State Treasurer, as custodian. The Act authorizes the Pennsylvania Revenue Department to appoint agents for the collection and enforcement of the Authority Tax and, pursuant to such authority, a letter dated June 28, 1991 from the Pennsylvania Revenue Department and the Tax Collection Agreement, the City Revenue Department and the Law Department of the City have been appointed agents for the collection and enforcement of the Authority Tax.

In accordance with the applicable provisions of the Act and the Tax Collection Agreement, all receipts from the Authority Tax are deposited into a special account separate and apart from all City accounts. Based on historical trends in revenues collected by the City from taxes imposed for City purposes by the City on salaries, wages, commissions and other compensation earned by, and net profits earned in business, professions and other activities conducted by, City residents (see "APPENDIX B-CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA"), the City and the Pennsylvania Revenue Department currently attribute 63.0% of wage tax remittances, 77.1% of earnings tax remittances, and 44.0% of net profit tax remittances to City residents. Pursuant to the Tax Collection Agreement, the Pennsylvania Revenue Department shall determine the timing and the method of recalculation of the foregoing percentages. Moneys in an amount equal to each daily amount of the Authority Tax collected (calculated as set forth above) are deposited on the day of receipt in immediately available funds in a segregated account (the "Custodial Account") established by the City, as agent for the Pennsylvania Revenue Department, for remittance on the following day to a general Commonwealth demand deposit account established by the State Treasurer. Upon the transfer of Authority Tax collections to the custody of the State Treasurer, such moneys are held with other Commonwealth funds. Pursuant to the Tax Collection Agreement, the City is required to reconcile the daily deposits to the Custodial Account with actual Authority Tax collections on a monthly basis. Pursuant to the Act, the Authority Tax paid to the State Treasurer shall be transferred by the State Treasurer not less frequently than every two weeks to the PICA Tax Fund, a special fund established by the Act and held in the custody of the State Treasurer. Pursuant to the Act, proceeds of the Authority Tax and amounts on deposit in the PICA Tax Fund are at all times the sole property and revenues of the Authority, and are not subject to appropriation by either the City or the Commonwealth.

The Act requires that the State Treasurer make at least weekly payments of all amounts in the PICA Tax Fund to or upon the order of the Authority. Concurrently with the issuance of the 1992 Bonds, the Authority directed the State Treasurer to transfer all such amounts to the Trustee for deposit in the Revenue Fund established under the Indenture in accordance with the requirements of the Act and for so long as any 1992 Bonds were Outstanding under the Indenture. Similar instructions were given in connection with the issuance of the 1993 Bonds, the 1993A Bonds, the 1994 Bonds, the 1996 Bonds and the 1999 Bonds. In connection with the issuance of the 2003 Bonds, similar instructions will be given relating to the 1996 Bonds, the 1999 Bonds and the 2003 Bonds so long as any of such Bonds are Outstanding under the Indenture. Promptly after deposit of moneys in the Revenue Fund, the Trustee shall transfer any money in the Revenue Fund to the following funds in the following order and priority:

(a) to the Debt Service Fund, the amount necessary to cause the aggregate amount therein in each month to equal the sum of (i) the aggregate for all Series of Bonds Outstanding paying interest semiannually of 1/6 (such fraction to be increased or decreased, as appropriate, for a Series of Bonds to account for any initial or final interest period longer or shorter than six months) of the amount of interest that will be due and payable on each Series of Bonds Outstanding on the next succeeding Interest Payment Date for the respective Series, (ii) the aggregate for all Series of Bonds paying interest at an interval other than semiannually of an amount equal to the interest that will be due and payable on each such Series of Bonds during such month (assuming that interest due on such Bonds will be payable at the maximum interest rate applicable to such Bonds, and taking into account (A) any amounts received from the counterparty to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the 1993 Bonds Swaption, deposited directly into the Debt Service Fund, and (B) any amounts remaining in the Debt Service Fund from prior months' transfers from the Revenue Fund), (iii) the aggregate for all Series of Bonds Outstanding of 1/12 (such fraction to be increased for a Series to account for any initial or final principal payment period shorter than 12 months) of the amount of principal that will become due and payable on each Series of Bonds Outstanding, including the 2003 Bonds (whether upon maturity or mandatory redemption), on the next succeeding principal payment date (whether upon maturity or mandatory redemption) for the respective Series occurring within the next year following the date of such transfer, (iv) any deficiency in deposits required to be made in prior months under the preceding clauses (i), (ii) and (iii) which has not been eliminated, and (v) any amount owed to any Credit Facility Issuer in respect of payments made for principal and interest on Bonds;

(b) to the Debt Service Reserve Fund, the amount necessary to eliminate any deficiency therein (a deficiency being the amount by which the Debt Service Reserve Requirement exceeds the amount in such Fund);

(c) to any Person entitled to payment pursuant to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the Swap Counterparty, an amount equal to the net amount then required to be paid to such person by the Authority pursuant to such an agreement; provided, however, with respect to certain interest rate swap agreements or similar hedge agreements, the Authority may elect to establish a separate account in the Revenue Fund and cause the Trustee to deposit on a monthly basis such amount as is necessary to cause the aggregate amount deposited therein in each month to equal a monthly portion of the amount that will be due to the relevant counterparty on the next payment date;

(d) as directed in a certificate of the Authority delivered to the Trustee, to the trustees or other depositories in respect of subordinated debt, if any, payable from Pledged Revenues, the amount necessary to cause the aggregate amount paid in respect of such subordinated debt from all sources to equal the amount then required to be paid in respect of each issue of subordinated debt;

(e) to the Authority, the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made to equal the operating expenses of the Authority for such fiscal year as set forth in a certificate of the Authority delivered to the Trustee with respect to such fiscal year, to the extent that the amounts transferred from the Debt Service Reserve Fund pursuant to the applicable provisions of the Indenture are not sufficient for such purpose; and

(f) to the Rebate Fund, the amounts required to be deposited therein pursuant to the applicable provisions of the Indenture, to the extent that the transfers from the earnings in the Debt Service Reserve Fund pursuant to the applicable provisions of the Indenture are insufficient for such purpose.

Notwithstanding the foregoing order of priority, the Indenture requires that to the extent the Trustee is required to make payment of the Rebate Amount or Yield Reduction Amount to the United States of America pursuant to the Indenture and there are insufficient amounts in the Rebate Fund on the date which is thirty (30) days prior to the due date of such payment, the Trustee shall thereafter transfer moneys from the Revenue Fund to the Rebate Fund prior to making any other transfers of moneys to any other funds until the amount in the Rebate Fund equals the required Rebate Amount and Yield Reduction Amount. Any moneys remaining in the Revenue Fund after all transfers required by paragraphs (a), (b), (c), (d), (e) and (f) have been made shall be transferred by the Trustee to Wachovia Bank, National Association, for deposit to a special account (the "City Account"), in trust for the exclusive benefit of the City, established and created under the Act and the City Account Deposit and Disbursement Agreement, dated as of December 6, 1991, as amended, between the Authority and First Union National Bank (now Wachovia Bank, National Association), Philadelphia, Pennsylvania, as depository. The City Account Deposit and Disbursement Agreement has been acknowledged and agreed to by the City.

The Bonds, including the 2003 Bonds, are not secured by, and the owners of the Bonds, including the 2003 Bonds, are not and shall not be entitled to, any moneys transferred by the Trustee, as required by the Act and the Indenture, to the City Account.

The Act provides that, for so long as any of the Authority's bonds, including the 2003 Bonds, remain Outstanding, the Commonwealth (i) will not limit or alter the rights vested in the Authority by the Act in any manner inconsistent with the obligations of the Authority to its obligees, and (ii) will not reduce, nor will it authorize any government agency (which term includes, without limitation, the City) levying such tax to reduce, the rate of any tax, including the Authority Tax, imposed exclusively for the purposes of the Authority and pledged by the Authority to secure its bonds, including the 2003 Bonds. Pursuant to the requirements of the Act, the City has included a pledge to the effect set forth in clause (ii) above in the Authority Tax Ordinance.

In the Authority Tax Ordinance and the Cooperation Agreement, the City has pledged and agreed, for so long as any of the Authority's bonds remain outstanding, with the Authority and each and every obligee of the Authority secured by an Authority pledge of the Authority Tax, that the City will not reduce the rate of, or repeal in whole or in part, the Authority Tax until the principal amount of all bonds of the Authority, including the 2003 Bonds, secured by a pledge of the Authority Tax, together with interest thereon, is fully paid or provision for such payment is made in accordance with the terms of the Indenture or other agreement pursuant to which such bonds were issued. The City further has acknowledged and agreed in the Authority Tax Ordinance and the Cooperation Agreement that, as provided in the Act, (i) all revenues from the Authority Tax are revenues and property of the Authority and not

revenues or property of the City, (ii) such revenues may be freely pledged by the Authority to secure payment of bonds of the Authority, and (iii) such revenues are not subject to appropriation by City Council.

Debt Service Reserve Fund

The Debt Service Reserve Fund will, upon issuance of the 2003 Bonds, be maintained in an amount equal to the Debt Service Reserve Requirement, and will secure, equally and ratably, all Bonds Outstanding under the Indenture, including the 1996 Bonds, the 1999 Bonds and the 2003 Bonds.

Under the Indenture the term "Debt Service Reserve Requirement" means, with respect to all Bonds, an amount equal to the lesser of (i) the Maximum Annual Debt Service Requirement with respect to all Bonds Outstanding under the Indenture, and (ii) the maximum amount permitted by the Code. The amount to be deposited into the Debt Service Reserve Fund as a result of each additional Series of Bonds will be specified in the Supplemental Indenture executed in connection with the issuance of each additional Series of Bonds, and will be that amount sufficient to satisfy the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture. The Indenture provides that in lieu of a deposit at the time of issuance of a series of Bonds, the Authority may cause a Credit Facility to be provided to the Trustee. See "APPENDIX C—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE-Debt Service Reserve Fund." Upon the issuance of the 2003 Bonds, amounts on deposit in the Debt Service Reserve Fund will satisfy the Debt Service Reserve Requirement with respect to all Bonds Outstanding under the Indenture. Initially, the Debt Service Reserve Requirement will be satisfied with existing monies derived from the prior accounts of the Debt Service Reserve Fund and the Debt Service Reserve Fund Policy (the "Reserve Fund Policy") issued by Financial Guaranty Insurance Company ("Financial Guaranty") and delivered to the Trustee in connection with the issuance of the 1999 Bonds.

The Reserve Fund Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Authority, provided that the aggregate amount paid under the Reserve Fund Policy may not exceed the maximum amount set forth in the Reserve Fund Policy. Financial Guaranty will make such payments to the Trustee on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from the Trustee of the nonpayment of such amount by the Authority. The term "nonpayment" in respect of a Bond includes any payment of principal or interest made to an owner of a Bond 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.

If there are insufficient moneys to pay the debt service requirements on any Series of Bonds on any Interest Payment Date, mandatory sinking fund redemption date or maturity date of such Series of Bonds, the Trustee shall transfer from the Debt Service Reserve Fund to the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund. All cash and investments in the Debt Service Reserve Fund shall be utilized for making required transfers to the Debt Service Fund for payment of principal of, or interest on, the Bonds before making any draws on the Reserve Fund Policy. Repayment of any draws, expenses and interest thereon with respect to the Reserve Fund Policy shall be made prior to replenishment of the Debt Service Reserve Fund. Draws on the Reserve Fund Policy and any other similar policies on which there is available coverage shall be made on a pro rata basis (calculated by reference to coverage then available under each such policy) after applying available cash and investments in the Debt Service Reserve Fund. Holders of Bonds will have equal and ratable rights or claims to all funds, including the Reserve Fund Policy, held by the Trustee in the Debt Service Reserve Fund.

The Reserve Fund Policy is non-cancelable and the premium has been fully paid. The Reserve Fund Policy covers failure to pay principal of the Bonds on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Reserve Fund Policy terminates on the scheduled final maturity date of the 1999 Bonds.

Generally, in connection with its issuance of a Reserve Fund Policy, Financial Guaranty requires, among other things, (i) that, so long as it has not failed to comply with its payment obligations under the Reserve Fund Policy, it be granted the power to exercise any remedies available at law or under the authorizing document other than (A) acceleration of the Bonds or (B) remedies

which would adversely affect holders in the event that the Authority fails to reimburse Financial Guaranty for any draws on the Reserve Fund Policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its issuance of the Reserve Fund Policy are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Authority is required to provide additional or substitute credit enhancement, and related matters.

The Reserve Fund Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of December 31, 2002, the total capital and surplus of Financial Guaranty was approximately \$978 million. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

Additional Bonds

Pursuant to the Indenture and the Act, the Authority is authorized to issue Additional Bonds under the Indenture, so long as no Event of Default has occurred and is continuing under the Indenture. The Additional Bonds may be equally and ratably secured with the 1996 Bonds, the 1999 Bonds and the 2003 Bonds, except for moneys otherwise specifically pledged under the Indenture. Pursuant to the Act, additional bonds, including Additional Bonds issued under the Indenture, may be issued only for the purpose of refunding any outstanding bonds issued by the Authority under the Act.

In connection with the issuance of Additional Bonds under the Indenture, the Indenture provides that the Authority must execute a certificate, the calculations of which shall be "verified" by a certified public accountant, showing that (1) the PICA Taxes (as defined in the Indenture), including the Authority Tax, collected with respect to any twelve (12) consecutive months during the fifteen (15) month period immediately preceding the date of issuance of such Additional Bonds equaled at least one hundred seventy-five percent (175%) of the Maximum Annual Debt Service Requirement on Bonds to be Outstanding after the issuance of the Additional Bonds and (2) the PICA Taxes projected to be collected during the twelve (12) months following issuance of the Additional Bonds, which projection may be based on the PICA Taxes projected in the City's most recent Financial Plan approved by the Authority, equal at least one hundred seventy-five (175%) of the Debt Service Requirement during such twelve (12) month period on Bonds to be Outstanding after the issuance of the Additional Bonds. In connection with the issuance of the 2003 Bonds, the Authority has selected the twelve (12) consecutive month period commencing April, 2002 and ending March, 2003 for the purpose of satisfying the test set forth in clause (1) of the preceding sentence. In determining the amount of PICA Taxes, retroactive effect shall be given to any PICA Tax which was not in effect (including for this purpose any increase in the rate of an existing tax) during the relevant period, but which has been imposed prior to the issuance of the Additional Bonds, provided that new PICA Taxes shall not be included in the calculation unless Financial Guaranty Insurance Company, as the issuer of municipal bond new issue insurance policy for the 1996 Bonds (so long as any of the 1996 Bonds are Outstanding), the 1999 Bonds (so long as any of the 1999 Bonds are Outstanding), and Ambac Assurance Corporation, as the issuer of the Financial Guaranty Insurance Policy (so long as any of the 2003 Bonds are Outstanding), consent to the inclusion. The certificate referenced in this paragraph shall not be required, in the case of Additional Bonds issued to refund Outstanding Bonds where the Maximum Annual Debt Service Requirement for such Additional Bonds and the total principal and interest payable on such Additional Bonds for the term thereof do not exceed the comparable amounts for the Bonds being refunded.

The Authority may at any time, without the request or approval of the City, issue bonds to refund its outstanding bonds, including the 2003 Bonds, so long as the maturity date of such refunding bonds will not extend to a maturity date which could not have been included in the original issue of the bonds being refunded. The 2003 Bonds satisfy this requirement.

Certain Remedies of Bondholders

Upon the occurrence of any Event of Default (as defined in the Indenture) and subject to certain rights of Ambac Assurance (see "BOND INSURANCE" herein), the Indenture provides that the Trustee, if requested to do so by the holders of twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding and upon being indemnified as provided in the Indenture, shall pursue any available remedy at law or in equity, including, without limitation, the right to enforce the pledge of, security interest in and lien and charge on all revenues pledged by the Authority as security under the Indenture against all Commonwealth and local public officials in possession of any such taxes and revenues at any time and the performance by the Authority of its obligations under the Indenture; provided, however, that there is no right to accelerate the payment of the principal of the Bonds. See "APPENDIX C - DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" hereto.

Limitation of Remedies

THE 2003 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE PLEDGED REVENUES. THE 2003 BONDS DO NOT OTHERWISE CONSTITUTE A PLEDGE OF THE GENERAL CREDIT OF THE AUTHORITY. FURTHER, THE 2003 BONDS DO NOT CONSTITUTE A PLEDGE OF THE CREDIT OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE CITY), NOR DO THE 2003 BONDS CONSTITUTE A PLEDGE OF THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE CITY). THE AUTHORITY HAS NO TAXING POWER. NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE CITY) IS LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE 2003 BONDS.

THE 2003 BONDS SHALL NOT BE SECURED BY, AND ARE NOT PAYABLE FROM, AND THE OWNERS OF THE 2003 BONDS SHALL NOT BE ENTITLED TO, ANY MONEYS TRANSFERRED BY THE TRUSTEE, AS REQUIRED BY THE ACT AND THE INDENTURE, TO THE CITY ACCOUNT OR TO THE ENCUMBERED FUNDS ACCOUNT.

THE 2003 BONDS ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF AN EVENT OF DEFAULT.

The rights and remedies of Bondholders could be limited by the provisions of the Federal Bankruptcy Code, as now or hereafter enacted (the "Bankruptcy Code"), or by other laws or legal or equitable principles which may affect the enforcement of creditors' rights. Chapter 9 of the Bankruptcy Code permits, under prescribed circumstances, a political subdivision of a state to commence a voluntary bankruptcy proceeding and to file a plan of adjustment in the repayment of its debts, if such political subdivision is generally not paying its debts as they became due (unless such debts are the subject of a bona fide dispute), or is unable to pay its debts as they become due. Under the Bankruptcy Code, an involuntary petition cannot be filed against a political subdivision.

In order to proceed under Chapter 9 of the Bankruptcy Code, state law must authorize the political subdivision to file a petition under the Bankruptcy Code. THE ACT PROHIBITS BOTH THE AUTHORITY AND THE CITY FROM FILING A PETITION UNDER THE BANKRUPTCY CODE WHILE ANY BONDS OF THE AUTHORITY ARE OUTSTANDING.

CERTAIN DERIVATIVES ACTIVITIES OF THE AUTHORITY

The Authority and the Swap Counterparty have entered into interest "swaption" transactions with respect to each of the 1993A Bonds, the 1996 Bonds and the 1999 Bonds. These swaption transactions are documented under standard ISDA documents including a Master Agreement, dated as of December 6, 2001 (the "Master Agreement"); a U.S. Municipal Counterparty Schedule to said Master Agreement, dated as of December 6, 2001; a Credit Support Annex to said Schedule, dated as of December 6, 2001 (the "Credit Support Annex"); a transaction confirmation, dated December 6, 2001, with respect to the swaption relating to the 1993A Bonds (the "1993A Bonds Swaption"); a transaction confirmation, dated December 6, 2001, with respect to the swaption relating to the 1996 Bonds (the "1996 Bonds Swaption"); and a transaction confirmation, dated May 1, 2002, with respect to the swaption relating to the 1999 Bonds (the "1999 Bonds Swaption").

The 1993A Bonds Swaption involved the purchase by the Swap Counterparty of an “American” option, exercisable by the Swap Counterparty at any time after June 15, 2003 upon at least 90 days notice, to cause an interest rate swap to become effective. Under this interest rate swap, the Authority will pay to the Swap Counterparty a fixed rate (as specified in the related confirmation, but essentially equal to the fixed rates payable on the 1993A Bonds from time to time, ranging from 5.01077% to 5.00%), and the Swap Counterparty will pay to the Authority a floating rate (equal to 67% of one month LIBOR), on an amortizing notional amount equal to the principal amount of the 1993A Bonds as originally scheduled to be outstanding each year from June 15, 2003 to maturity. The termination date of this interest rate swap is June 15, 2022.

The 1996 Bonds Swaption involved the purchase by the Swap Counterparty of an “American” option, exercisable by the Swap Counterparty at any time after June 15, 2006 upon at least 90 days notice, to cause an interest rate swap to become effective. Under this interest rate swap, the Authority will pay to the Swap Counterparty a fixed rate (as specified in the related confirmation, but essentially equal to the fixed rates payable on the 1996 Bonds from time to time, ranging from 5.48419% to 5.50%), and the Swap Counterparty will pay to the Authority a floating rate (equal to 67% of one month LIBOR), on an amortizing notional amount equal to the principal amount of the 1996 Bonds as originally scheduled to be outstanding each year from June 15, 2006 to maturity. The termination date of this interest rate swap is June 15, 2020.

The 1999 Bonds Swaption involved the purchase by the Swap Counterparty of an “American” option, exercisable by the Swap Counterparty at any time after June 15, 2009 upon at least 90 days notice, to cause an interest rate swap to become effective. Under this interest rate swap, the Authority will pay to the Swap Counterparty a fixed rate (as specified in the related confirmation, but essentially equal to the fixed rates payable on the 1999 Bonds from time to time, ranging from 5.1221% to 4.75%), and the Swap Counterparty will pay to the Authority a floating rate (equal to 62% of one month LIBOR), on an amortizing notional amount equal to the principal amount of the 1999 Bonds as originally scheduled to be outstanding each year from June 15, 2009 to maturity. The termination date of this interest rate swap is June 15, 2023.

In addition, the Authority and the Swap Counterparty are entering into a “basis cap” transaction (the “1993A Bonds Basis Cap”) relating to the 1993A Bonds and the 1993A Bonds Swaption. The 1993A Bonds Basis Cap would be an additional “Transaction” under the Master Agreement, Schedule and Credit Support Annex described above. Under the 1993A Bonds Basis Cap, the Swap Counterparty would pay to the Authority a fixed rate each month, starting July 15, 2003 of 0.40% per annum, and the Authority would pay to the Swap Counterparty each month, starting July 15, 2003, an amount equal to the greater of (a) the average of the BMA Index for the monthly period divided by the one-month LIBOR rate less 70%, multiplied by the one-month LIBOR rate, times the notional amount times the day count fraction, and (b) zero. The notional amount and term of the 1993A Bonds Basis Cap mirror the notional amount and term of the interest rate swap that is the subject of the 1993A Bonds Swaption.

Under each of these transactions, the Authority has the right at its option to terminate the related interest rate swap or basis cap, either before or after the related option has been exercised by the Swap Counterparty, and any such termination will be treated as an “Additional Termination Event” under the Master Agreement that will result in a termination payment, calculated under the “Market Quotation, Second Method” basis, either owing by the Authority to the Swap Counterparty or owing by the Swap Counterparty to the Authority. Other “Additional Termination Events” under the Master Agreement that may entitle the Authority to terminate the related interest rate swap transactions include (i) if the Swap Counterparty ceases to have an unsecured and unenhanced senior long-term debt rating of at least “A3” by Moody’s Investors Service, Inc. (“Moody’s”) and “A-” by Standard & Poor’s Ratings Services (“S&P”) and the Swap Counterparty fails to post collateral as required by the Credit Support Annex within 15 days, and (ii) if the unsecured and unenhanced senior long-term debt rating of the Swap Counterparty by Moody’s or S&P is suspended or withdrawn or if the Swap Counterparty ceases to have an unsecured and unenhanced senior long-term debt rating of at least “Baa2” by Moody’s and “BBB” from S&P.

Under the documentation for these interest rate swaptions and basis cap, the liability of the Authority to make any payment is limited to the amounts available for such payment in the Revenue Fund after all required transfers have been made to the Debt Service Fund and the Debt Service Reserve Fund pursuant to the Indenture (and also after payment of any amounts owing to the issuer of any municipal bond debt service reserve fund policy on deposit in the Debt Service Reserve Fund). The Swap Counterparty’s rights are expressly subordinated to payment by the Authority on the Authority’s bonds issued under the Indenture and amounts required to be deposited into the Debt Service Reserve Fund (including payments to the issuer of a reserve fund policy as aforesaid), and the Authority has not granted to the Swap Counterparty any lien, charge, security interest or other encumbrance in or on the Pledged

Revenues or any of other revenues or assets to secure payment or performance of any of the Authority's obligations under the swaption transaction and basis cap.

BOND INSURANCE

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance Corporation (the "Ambac Assurance") has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the 2003 Bonds effective as of the date of issuance of the 2003 Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the 2003 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority. Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the 2003 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 2003 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding 2003 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding 2003 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the 2003 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a 2003 Bond which has become Due for Payment and which is made to a bondholder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Financial Guaranty Insurance Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of 2003 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 2003 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of bondholder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the 2003 Bonds, appurtenant coupons, if any, or right to payment of principal or interest on such 2003 Bonds and will be fully subrogated to the surrendering bondholders' rights to payment.

The Financial Guaranty Insurance Policy does not insure against loss relating to payments of the purchase price of 2003 Bonds upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of 2003 Bonds upon tender by a registered owner thereof.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$6,362,000,000 (unaudited) and statutory capital of approximately \$3,945,000,000 (unaudited) as of March 31, 2003. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service, Inc. and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Authority of the 2003 Bonds.

Ambac Assurance makes no representation regarding the 2003 Bonds or the advisability of investing in the 2003 Bonds and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by Ambac Assurance and presented under the heading "Bond Insurance".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Current Report on Form 8-K dated January 23, 2003 and filed on January 24, 2003;
2. The Company's Current Report on Form 8-K dated February 25, 2003 and filed on February 28, 2003;
3. The Company's Current Report on Form 8-K dated February 25, 2003 and filed on March 4, 2003;
4. The Company's Current Report on Form 8-K dated March 18, 2003 and filed on March 20, 2003;
5. The Company's Current Report on Form 8-K dated March 19, 2003 and filed on March 26, 2003;
6. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and filed on March 28, 2003;
7. The Company's Current Report on Form 8-K dated March 25, 2003 and filed on March 31, 2003;
8. The Company's Current Report on Form 8-K dated April 17, 2003 and filed on April 21, 2003; and
9. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2003 and filed on May 15, 2003.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

THE STANDBY AGREEMENT

General

The initial Liquidity Facility with respect to the 2003 Bonds will be provided pursuant to the Standby Bond Purchase Agreement dated as of June 1, 2003 by and among the Bank, the Trustee and the Authority (the “Standby Agreement”). The following is a summary of certain provisions of the Standby Agreement. The following summary does not purport to be a full and complete statement of the provisions of the Standby Agreement and the Standby Agreement should be read in full for a complete understanding of all the terms and provisions thereof. Copies of the Standby Agreement may be obtained from the Trustee upon request.

Under the Standby Agreement, the Bank will agree (subject to certain conditions described below) to advance moneys to enable the Trustee to purchase for the Bank any 2003 Bonds bearing interest at the Daily Rate or the Weekly Rate, that are duly tendered or deemed tendered for optional or mandatory purchase pursuant to the Third Supplement if the Remarketing Agent is unable to remarket such 2003 Bonds pursuant to the Remarketing Agreement. See “The 2003 Bonds — Purchase of Tendered 2003 Bonds.” The obligation of the Bank to advance moneys to the Trustee for the purchase of the 2003 Bonds is limited to the aggregate outstanding principal amount of such 2003 Bonds plus the actual amount of interest accrued on such 2003 Bonds to but not including the date of purchase; provided that if the applicable purchase date is an Interest Payment Date, the interest component amount shall be reduced by the interest payable on each such 2003 Bond on such Interest Payment Date. The 2003 Bonds purchased by the Bank will be Bank Bonds, and will bear interest at the rate determined in accordance with the Standby Agreement. The Bank may sell Bank Bonds to certain investors subject to the terms and conditions set forth in the Standby Agreement.

Conditions Precedent to Purchase of Tendered Bonds

The Bank’s obligation to advance moneys to the Trustee to purchase any 2003 Bonds pursuant to the Standby Agreement is subject to the following conditions: receipt by the Bank of required notice from the Trustee, and that none of the following events shall have occurred:

- (a) any principal or interest due on any 2003 Bond is not paid by the Authority when due and such principal or interest is not paid by Ambac Assurance when, as, and in the amounts required to be paid pursuant to the terms of the Financial Guaranty Insurance Policy; or
- (b) an officer of Ambac Assurance shall in writing claim that the Financial Guaranty Insurance Policy, with respect to the payment of principal or interest on the 2003 Bonds, is not valid and binding on Ambac Assurance, and repudiate the obligations of Ambac Assurance under the Financial Guaranty Insurance Policy with respect to payment of principal of and interest on the 2003 Bonds, or Ambac Assurance shall initiate any legal proceeding to seek an adjudication that the Financial Guaranty Policy, with respect to the payment of principal of or interest on the 2003 Bonds, is not valid and binding on Ambac Assurance; or
- (c) (i) the issuance, under the laws of the state of incorporation or organization of Ambac Assurance, of an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution of Ambac Assurance; (ii) the commencement by Ambac Assurance of a voluntary case or other proceeding seeking an order for relief, liquidation, rehabilitation, conservation, reorganization or dissolution with respect to itself or its debts under the laws of the state of incorporation or organization of Ambac Assurance or any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (iii) the consent of Ambac Assurance to any relief referred to in the preceding clause (ii) in an involuntary case or other proceeding commenced against it; (iv) the making by Ambac Assurance of an assignment for the benefit of creditors; (v) the failure of Ambac Assurance to generally pay its debts or claims as they become due; or (vi) the initiation by Ambac Assurance of any actions to authorize any of the foregoing; or
- (d) Ambac Assurance shall default in any payment or payments of amounts payable by it under any bond insurance policy or policies (other than the Financial Guaranty Insurance Policy) when due and such default shall continue for a period of 10 days (it being understood by the Bank that default, for the purposes of this clause (d), shall not mean a situation whereby Ambac Assurance contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder).

In the case of an Event of Default as described in (a), (c) or (d) above or the occurrence of a Final Suspension Event (as defined below) (each, an “Automatic Termination Event”), the obligation of the Bank to purchase 2003 Bonds under the Standby Agreement shall immediately terminate without notice or demand to any person, and thereafter the Bank shall be under no obligation to purchase 2003 Bonds. Promptly after the Bank receives written notice of an Automatic Termination Event, the Bank shall give written notice of the same to the Trustee, Ambac Assurance, the Authority and the Remarketing Agent; provided that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice, and such failure shall in no way affect the termination of the Bank's commitment and its obligation to purchase 2003 Bonds pursuant to the Standby Agreement.

In the case of an Event of Default described in (b) above (an “Automatic Suspension Event”), the Bank’s obligation to purchase 2003 Bonds under the Standby Agreement shall immediately be suspended without notice or demand to any person and thereafter the Bank shall be under no obligation to purchase 2003 Bonds until its obligation to purchase 2003 Bonds is reinstated as described below. Promptly upon an Event of Default specified in (b) above the Bank shall notify the Authority, the Trustee and the Remarketing Agent of such suspension in writing. With respect to an Event of Default specified in (b), if (i) a court with jurisdiction to rule on the validity of the Financial Guaranty Insurance Policy shall thereafter enter a final, nonappealable judgment that the Financial Guaranty Insurance Policy is not valid and binding on Ambac Assurance or (b) a period of two years elapses since the commencement of the suspension thereunder, then the obligation of the Bank under the Standby Agreement will immediately terminate and the Bank shall be under no further obligation to purchase 2003 Bonds (a “Final Suspension Event”). If with respect to such an Event of Default a court with jurisdiction to rule on the validity on the Financial Guaranty Insurance Policy shall find or rule that the Financial Guaranty Insurance Policy is valid and binding on Ambac Assurance, then upon such ruling or termination, as applicable, the Bank’s obligation under the Standby Agreement shall be automatically reinstated and the terms of the Standby Agreement will continue in full force and effect (unless the Standby Agreement shall otherwise have terminated by its terms) as if there had been no such suspension.

Conditions Causing a Mandatory Tender

Upon the occurrence and continuance of each of the following events, the Bank may terminate its commitment under the Standby Agreement, but must provide notice to the Authority, the Trustee, Ambac Assurance and the Remarketing Agent, specifying the date on which the Standby Agreement and the obligation of the Bank to advance funds for the purchase of the 2003 Bonds shall terminate (the “Noticed Termination Date”), which shall be not less than twenty-five (25) days from the date of receipt of such notice by the Trustee and, on and after the Noticed Termination Date, the Bank shall be under no further obligation to purchase the 2003 Bonds:

- (a) nonpayment, in whole or in part, of any commitment fees payable under the Standby Agreement within fifteen (15) business days after the Authority and Ambac Assurance shall receive written notice from the Bank that the same were not paid when due; or
- (b) the financial strength ratings assigned to Ambac Assurance by Moody's, S&P and Fitch shall fall below “Aa3”, “AA-” and “AA-”, respectively, and such financial strength ratings shall remain below “Aa3”, “AA-” and “AA-”, respectively, for a period of 90 consecutive days.

Expiration of Commitment to Purchase Tendered 2003 Bonds

The obligation of the Bank to purchase the 2003 Bonds ends on the earliest of (i) 5:00 p.m. on June 14, 2004 (or such later date as may be agreed to by the Bank and the Authority in accordance with the terms of the Standby Agreement), (ii) the date on which no 2003 Bonds are Outstanding, (iii) 5:00 p.m. on the business day on which the Trustee notifies such Bank that an Alternate Liquidity Facility has been delivered in replacement of the Standby Agreement and is effective, (iv) the business day immediately succeeding the date on which all of the 2003 Bonds are converted to a rate other than the Daily Rate or the Weekly Rate, (v) the close of business on the Noticed Termination Date, and (vi) the close of business on the date the available commitment is reduced to zero or terminated pursuant to the terms of the Standby Agreement. If the Standby Agreement terminates and is not replaced, the 2003 Bonds will be subject to mandatory tender for purchase. See “The 2003 Bonds — Purchase of Tendered 2003 Bonds.” The Bank will be obligated to purchase the 2003 Bonds subject to mandatory tender only if the conditions described above under “Conditions Precedent to Purchase of Tendered Bonds” are satisfied.

CERTAIN INFORMATION CONCERNING THE BANK

Certain information concerning the Bank is set forth in Appendix F hereto.

DEBT SERVICE REQUIREMENTS

The following table shows the annual debt service requirements on the 1996 Bonds and the 1999 Bonds as of the date of this Official Statement, the annual principal or sinking fund requirements on the 2003 Bonds, interest payments on the 2003 Bonds at an assumed rate described in footnote 2 below and the total debt service requirements on the 1996 Bonds, the 1999 Bonds and the 2003 Bonds. The following table does not reflect the debt service requirements on the Refunded 1993A Bonds which will no longer be outstanding following redemption by the Authority as described in "PLAN OF FINANCE" herein.

Year Ending (June 15)	1996 Bonds Debt Service Requirements	1999 Bonds Debt Service Requirements	Total Debt Service Requirements on 1996 Bonds and 1999 Bonds	2003 Bonds Sinking Fund Requirements ²	Interest Relating to 2003 Bonds ²	Total Estimated Debt Service Relating to 2003 Bonds ²	Total Debt Service Requirements ²
2003 ¹	\$6,330,366	\$42,290,125	\$48,620,490.00	-	-	-	
2004	9,224,376	53,655,500	62,879,876.00	\$5,460,000	\$8,176,825	\$13,636,825	\$76,516,701.00
2005	9,308,976	63,157,000	72,465,976.00	5,720,000	7,918,087	13,638,087	86,104,063.00
2006	9,385,576	63,226,800	72,612,376.00	5,995,000	7,641,130	13,636,130	86,248,506.00
2007	9,383,576	63,228,050	72,611,626.00	6,290,000	7,344,692	13,634,692	86,246,318.00
2008	9,382,176	57,566,550	66,948,726.00	6,605,000	7,027,195	13,632,195	80,580,921.00
2009	9,384,136	48,940,550	58,324,686.00	6,950,000	6,687,000	13,637,000	71,961,686.00
2010	9,387,916	42,112,300	51,500,216.00	7,290,000	6,345,750	13,635,750	65,135,966.00
2011	9,381,916	38,455,375	47,837,291.00	7,650,000	5,987,500	13,637,500	61,474,791.00
2012	9,385,516	38,435,513	47,821,029.00	8,025,000	5,611,250	13,636,250	61,457,279.00
2013	9,381,556	38,428,175	47,809,731.00	8,420,000	5,216,250	13,636,250	61,445,981.00
2014	9,383,150	38,404,425	47,787,575.00	8,835,000	4,801,500	13,636,500	61,424,075.00
2015	9,388,400	38,386,637	47,775,038.00	9,270,000	4,366,000	13,636,000	61,411,038.00
2016	9,383,850	38,360,875	47,744,725.00	9,725,000	3,908,750	13,633,750	61,378,475.00
2017	9,383,950	38,338,725	47,722,675.00	10,205,000	3,428,750	13,633,750	61,356,425.00
2018	9,382,325	29,215,987	38,598,312.00	10,710,000	2,924,750	13,634,750	52,233,063.00
2019	9,382,875	20,490,487	29,873,363.00	11,245,000	2,395,500	13,640,500	43,513,863.00
2020	9,384,225	20,492,413	29,876,638.00	11,795,000	1,839,500	13,634,500	43,511,138.00
2021	-	20,490,413	20,490,413.00	12,375,000	1,256,000	13,631,000	34,121,413.00
2022	-	20,491,162	20,491,163.00	12,985,000	643,250	13,628,250	34,119,413.00
2023	-	20,489,100	20,489,100.00	-	-	-	
TOTAL³	\$165,624,863	\$834,656,163	\$1,000,281,026	\$165,550,000	\$93,519,680	\$259,069,680	\$1,190,241,115

(1) Does not reflect interest payments made on December 15, 2002 with respect to the 1996 Bonds and the 1999 Bonds

(2) The interest payments relating to the 2003 Bonds are based on the payments due by the Authority under the Swap, not the floating rate of interest on the 2003 Bonds and, as such, are based on the principal amortization of the 1993A Bonds, not the principal amortization of the 2003 Bonds, and interest rates ranging from 5.01077% to 5.00%. See "CERTAIN DERIVATIVES ACTIVITIES OF THE AUTHORITY." The Authority will have an additional interest obligation relating to the 2003 Bonds if the floating rate of interest payable by the Swap Counterparty pursuant to the Swap is less than the interest rate on the 2003 Bonds.

(3) Numbers may not add due to rounding.

ANNUAL COLLECTION OF THE CITY TAX AND THE AUTHORITY TAX

In connection with the enactment of the ordinance levying the Authority Tax of 1.5% and the adoption of the Fiscal Year 1992 operating budget of the City, the City enacted an ordinance approved on June 12, 1991 (effective July 1, 1991) reducing the rate of the City's tax on the salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by City residents (the "City Tax") by 1.5% from 4.96% to 3.46%. Further reductions in the rate of the City Tax were implemented in each of the City's fiscal years 1996 through 2003. The current rate is 3.0% which, when added to the Authority Tax, results in a tax rate of 4.5%.

Legislation passed by City Council in 2002 will continue reductions in the rate of the City Tax through fiscal year 2007. In addition, such legislation stipulates that if combined tax receipts ("Tax Receipts") from the City Tax, the Authority Tax and the Non-resident Tax (hereinafter defined) grow by at least 3.5% over the previous year, the size of the reduction in the rate of the City Tax will increase. If the Tax Receipts grow at 3.5% in each year of the planned tax rate reduction, the rate of the City Tax would drop to 2.48% in fiscal year 2007. If Tax Receipts do not grow at 3.5% in any year of the plan, the rate of the City Tax would be 2.85% in fiscal year 2007.

The City Tax is imposed pursuant to authority granted to the City by the Sterling Act (Act of August 5, 1932, Sp. Sess., P.L. 45, No. 45), which was enacted by the Pennsylvania General Assembly in 1932 and permits the City to levy any tax not specifically preempted by the Commonwealth. The City has imposed a wage, earnings and net profits tax since 1939. For a discussion of historical data with respect to collection of the City Tax, see "APPENDIX B - CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA" herein.

Under state law at least sixty percent (60%) of a taxpayer's tax liability based upon net income under the Business Privilege Tax levied by the City under the First Class City Business Tax Reform Act must be allowed as a credit against such taxpayer's liability under any tax based upon net profits or gain levied by the City pursuant to the Sterling Act (such as the City Tax and the Authority Tax). The Act requires that such credit be applied and exhausted against the City Tax before such credit can be applied and charged against similar liability of a taxpayer under the Authority Tax. The City currently allows the minimum sixty percent (60%) credit required by law, but is permitted to increase that credit above sixty percent (60%).

The City also levies a tax on the salaries, wages, commissions and other compensation and on net profits earned in business, professions and other activities of non-residents employed in the City ("Non-resident Tax"). The Non-resident Tax rate is different from the City Tax rate.

The amount of the Authority Tax remitted to the Authority by the Commonwealth in Fiscal Years 1999, 2000, 2001 and 2002 totaled \$243,588,074, \$259,325,800, \$274,935,589 and \$276,834,389, respectively. The following table sets forth Authority Tax receipts from the Commonwealth for the periods indicated below.

**Authority Tax Receipts
April, 2002 to March, 2003**

<u>Month</u>	<u>Amount</u>	<u>Month</u>	<u>Amount</u>
April 2002	\$25,714,298	October	\$ 25,975,486
May	29,314,839	November	22,737,281
June	20,921,915	December	19,654,462
July	24,771,495	January 2003	25,258,231
August	23,919,839	February	22,639,499
September	19,078,853	March	20,446,637
		Total	<u>\$280,432,835</u>

Historical Revenues and Debt Service Coverage Ratios

The revenues of the Authority available for debt service from the Authority Tax for Fiscal Years 1999, 2000, 2001 and 2002 and the debt service coverage ratios for Fiscal Years 1999, 2000, 2001 and 2002 are shown in the following table:

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues Available for Debt Service	\$243,588,074	\$259,325,800	\$274,935,589	\$276,834,389
Actual Debt Service	\$87,226,415	\$107,071,149	\$106,998,376	\$107,298,475
Debt Service Coverage Ratio*	2.79	2.42	2.57	2.58

* Based on Maximum Annual Debt Service Requirement of the Bonds Outstanding as of June 30 of such Fiscal Years.

In its current Financial Plan, the City estimates that the amount of the Authority Tax to be collected in Fiscal Years 2003 and 2004 will be approximately \$285.7 and \$295.7 respectively. There is no assurance that the City Revenue Department and the Law Department of the City, acting as agents for the Pennsylvania Revenue Department, will actually collect such estimated amount of Authority Tax or that the amount of the Authority Tax collected in future years will equal or exceed such estimated amount. Authority Tax receipts collected in the first eleven (11) months of Fiscal Year 2003 totaled \$256.04 million. See "APPENDIX B - CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA" herein.

THE AUTHORITY

Organization and Purpose

The Authority is a body corporate and politic constituting a public authority and an instrumentality of the Commonwealth exercising public powers of the Commonwealth as an agency and instrumentality thereof which was created pursuant to the Act for the purpose of providing financial assistance to, and exercising certain powers of oversight over the budgetary practices and fiscal affairs of, cities of the first class in the Commonwealth. The City currently is the only city of the first class in the Commonwealth. The Act and the Cooperation Agreement provide that, upon the request by the City to the Authority for financial assistance and for so long as any bonds of the Authority remain outstanding, the Authority shall have certain powers. In its financial assistance capacity, the Authority had the power to issue its bonds to grant or lend the proceeds thereof to the City. Such power to issue debt for such purposes has expired; however, the Authority remains authorized under the Act to refund any of its Outstanding Bonds. The Authority also has an oversight role, and in this capacity it has the power to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve Financial Plans to be revised at least annually by the City and to certify any noncompliance by the City with its then-existing Financial Plan, which certification would require the Secretary of the Budget of the Commonwealth to cause certain payments due to the City from the Commonwealth to be withheld by the Commonwealth and disbursements to the City from the City Account to be suspended pending compliance with the Act and the then-existing Financial Plan. For a discussion of the operating history of the Authority, see "THE AUTHORITY - Operating History" herein.

Board of Authority

Under the Act, the Authority is administered by a governing Board consisting of five voting members and two ex officio non-voting members. The Governor, the President pro tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives each appoints one voting member of the Board. Each Board member serves at the pleasure of his or her appointing authority for a term extending not more than sixty days beyond the current term of office of the appointing authorities from the House of Representatives or until a successor member is appointed, whichever occurs first. The maximum term of office of the appointing authorities from the House of Representatives is two (2) years. The current term of office of the appointing authorities from the House of Representatives ends on November 30, 2004.

Members of the Board shall not be liable personally on the 2003 Bonds and shall not be subject to any personal liability or accountability by reason of the issuance thereof.

The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of the Board. The ex officio members have no voting rights, are not counted for purposes of establishing a quorum and may designate in writing a representative of their respective offices to attend Board meetings on their behalf.

The present members of the Board are as follows:

LAURI A. KAVULICH, Chair. Ms. Kavulich was appointed to serve as a member of the Board by the Minority Leader of the Senate of the Commonwealth in 1998. Ms. Kavulich is the Managing Attorney of the Philadelphia office of the law firm Reger and Rizzo. She is a member of the Bar of the Supreme Courts of Pennsylvania and New Jersey. She is also a member of the Committee of Seventy. Ms. Kavulich holds a Bachelor of Sciences degree from the University of Scranton and a Juris Doctor from Villanova University School of Law.

WILLIAM J. LEONARD, Vice-Chair. Mr. Leonard was appointed to serve as a member of the Board by the Minority Leader of the House of Representatives of the Commonwealth in 1998. Mr. Leonard is a partner with the Philadelphia-based law firm of Obermayer Rebmann Maxwell & Hoppel LLP. He was previously associated with the law firm of Dilworth Paxson LLP. His areas of concentration include general complex commercial litigation with experience in antitrust, construction and intellectual property matters. He graduated from Drexel University in 1981 with a degree in Business Administration. In 1984 he graduated from the Dickinson School of Law where he was the winner of the Law Review Writing Competition for Outstanding Casenote.

GREGG R. MELINSON, Treasurer/Secretary. Mr. Melinson was appointed to serve as a member of the Board by the President Pro Tempore of the Senate of the Commonwealth of Pennsylvania in 1999. Mr. Melinson is a partner with the Philadelphia-based law firm of Drinker Biddle & Reath LLP. He has previously served as Deputy General Counsel to Governor Tom Ridge of Pennsylvania. He is currently a member of his firm's litigation department and labor and employment group. Mr. Melinson initially joined his firm in 1990 after serving a one-year judicial clerkship with the Honorable Edward R. Becker of the United States Court of Appeals for the Third Circuit. Between 1990 and 1994, Mr. Melinson practiced in the Labor and Employment Group, where he represented the firm's clients in labor disputes, employment discrimination litigation, wrongful discharge lawsuits, and other employment-related matters. In early 1995, Governor Ridge appointed Mr. Melinson Deputy General Counsel. In that capacity, he represented the Governor of Pennsylvania and other administration officials in federal and state court litigation, provided legal counseling to several cabinet secretaries, and oversaw the legal work of attorneys in a variety of state agencies. He graduated magna cum laude from LaSalle University in 1986 with a degree in English. In 1989, he graduated from the Duke University School of Law where he served as Senior Editor of the Alaska Law Review and was awarded the Bidlake Award for excellence in legal writing.

MICHAEL A. KARP. Mr. Karp was appointed to serve as a member of the Board by the Speaker of the House of Representatives in 2000 and reappointed in 2003. His prior government service includes service as a member of the Board of Education of the School District of Philadelphia. He is the founder of University City Housing and is active in the civic affairs of the University City community in West Philadelphia.

KENNETH I. TRUJILLO. Mr. Trujillo was appointed to serve as a member of the Board by the Governor of the Commonwealth in 2003. Mr. Trujillo is a founding member of Trujillo Rodriguez & Richards, LLC. He returned to the firm after serving as the City Solicitor of Philadelphia for the first two years of the administration of Mayor John F. Street. A substantial portion of Mr. Trujillo's work is in the area of complex litigation. Mr. Trujillo is also a former Assistant U.S. Attorney. In addition to his professional activities, Mr. Trujillo is active in a wide range of non-profit boards and professional associations. Most recently, Mr. Trujillo served Governor Rendell as Deputy Counsel of Governor Rendell's Transition Team. He is also the President of the Board of Directors of Congreso de Latinos Unidos, Inc. and the Secretary/Treasurer of the National Council of La Raza Board of Directors.

JANICE D. DAVIS, Ex Officio. Ms. Davis is the Director of Finance of the City.

MICHAEL J. MASCH, Ex Officio. Mr. Masch is the Secretary of the Budget of the Commonwealth.

Authority Staff

The Board appoints a staff to execute the functions of the Authority. Currently, the staff of the Authority is comprised of six (6) individuals, including the Executive Director, Deputy Executive Director, one (1) financial analysis specialist and three (3) clerical assistants. The Act provides that the Executive Director serves at the pleasure of the Board for a term ending sixty days beyond the current term of office of the appointing authorities from the House of Representatives or until his or her successor is retained, whichever occurs first. The staff of the Authority is currently supervised by:

JOSEPH C. VIGNOLA, Executive Director. Mr. Vignola was Chair of the Philadelphia Board of City Commissioners from 1981 to 1983. He was elected and reelected Controller of the City and County of Philadelphia in 1983 and 1985 and served in that office from 1983 to 1987. From 1987 to 1992, he established a law practice in Pennsylvania and New Jersey. In 1991, he was elected to the City Council of Philadelphia for the 1st Councilmanic District and served in that position until he resigned to become PICA's Executive Director in April 1995.

URI Z. MONSON, Deputy Executive Director. Mr. Monson served as Director of Budgetary Analysis for PICA until October 16, 2001. From 1998 to 2000, he served as an Assistant Budget Director for the City of Philadelphia. From 1995 to 1998, he worked for the U.S. Department of Education in Washington, D.C. as a congressional liaison, policy analyst, and as manager of the Javits Graduate Fellowship Program and co-manager of the National Resource Center program. Mr. Monson is a graduate of the Presidential Management Internship Program, serving as a program analyst at the U.S. Department of Education, and working in the Office of the Vice President of the United States and the New York City Office of the Superintendent for Alternative High School Programs. He has a Masters Degree in Public Policy, with a concentration in education policy, from the Columbia University School of International and Public Affairs. He also has a BA in Political Science from Columbia University, as well as a BA in Midrash from the Jewish Theological Seminary of America. Mr. Monson serves on the Boards of Camp Ramah in the Poconos and the Philadelphia Academy for Law, Criminal Justice and Public Administration as well as a Vice President of the Philadelphia Committee on City Policy.

Financing Program

The Authority was established and organized by the Commonwealth in June, 1991 pursuant to the Act. The Authority has not issued any short- or long-term debt obligations other than the 1992 Bonds, the 1993 Bonds, the 1993A Bonds, the 1994 Bonds, the 1996 Bonds and the 1999 Bonds. Only the 1993A Bonds, the 1996 Bonds and the 1999 Bonds are currently Outstanding. In addition to its currently outstanding obligations and the 2003 Bonds, the Authority may from time to time, subject to the limitations prescribed in the Act, enter into refinancing transactions for Authority obligations previously issued. Each additional refinancing transaction may be a separate obligation of the Authority issued under a trust indenture separate from the Indenture or may be an obligation of the Authority issued under a supplemental indenture to the Indenture and secured on an equal and ratable (except for moneys otherwise specifically pledged under the Indenture) or subordinate basis with the 1996 Bonds, the 1999 Bonds and the 2003 Bonds.

Under the Act, the City is required to fulfill and comply with certain requirements in order to receive financial assistance from the Authority. Such requirements include, but are not limited to, (i) adoption of an intergovernmental cooperation agreement between the City and the Authority, which must be approved by a Qualified Majority (as defined in the Act) of the Board, and (ii) the development and revision at least annually by the City, in consultation with the Authority, of, and compliance with, a Financial Plan. "Qualified Majority" is defined in the Act to mean a majority of the Board which includes any four voting members.

Oversight Functions of the Authority

The Act establishes a statutory framework for financial oversight of the City by the Authority. Generally, in order to receive financial assistance from the Authority, and for so long as any bonds of the Authority remain Outstanding, the City must comply with certain requirements set forth in the Act and in certain documents and agreements, such as the Cooperation Agreement, contemplated by the Act. In addition, the Act and certain documents and agreements contemplated by the Act, such as the Cooperation Agreement, grant to the Authority certain powers to review City financial information and to take certain actions to monitor and to promote the City's compliance with its obligations under the Act and under certain documents and agreements contemplated by the Act, such as the Cooperation Agreement. See "THE AUTHORITY - Powers of the Authority to Promote Compliance" herein.

Intergovernmental Cooperation Agreement

On January 8, 1992, the City and the Authority entered into the Cooperation Agreement. In addition to detailing the preparation, approval and effect of the City's Financial Plan as described below, the Cooperation Agreement provides, in general, for the initial issuance of bonds by the Authority to provide financial assistance to the City, and sets forth certain terms governing the City Account. The Cooperation Agreement also requires the City to provide to the Authority certain financial and other information and grants to the Authority certain inspection and audit rights.

Financial Plan

Upon the request by the City to the Authority for financial assistance, and for so long as any bonds of the Authority remain Outstanding, the Act requires that the City submit and the Authority approve at least annually a Financial Plan conforming to certain standards specified in the Act and in the Cooperation Agreement. The Act and the Cooperation Agreement require that each Financial Plan include financial information concerning projected revenues and expenditures of the principal operating fund or funds of the City specified in the Cooperation Agreement, including primarily the City's General Fund, General Capital Fund and Grants Revenue Fund, for the current fiscal year and the next four fiscal years. All projections of the revenues and expenditures in each Financial Plan must be based on assumptions and methods of estimation determined to be reasonable and appropriate by the Authority, such assumptions and methods to be consistently applied. All cash flow projections in each Financial Plan must be based upon assumptions as to sources and uses of cash determined to be reasonable and appropriate by the Authority. Revenue and appropriation estimates must be on a modified accrual basis; any deviation from the statutory standards for estimating revenues and expenditures must be approved by a Qualified Majority of the Board.

Each Financial Plan must specify practices by which the City shall (i) eliminate any projected deficit of the City for the then-current fiscal year and for the subsequent fiscal years covered by such Financial Plan; (ii) restore to special fund accounts of the City moneys from those accounts used for purposes other than those specifically authorized; (iii) balance the then-current fiscal year budget and subsequent budgets of the City covered by the Financial Plan through sound budgetary practices, including, but not limited to, reductions in expenditures, improvements in productivity, increases in revenues, or a combination of such steps; (iv) provide procedures to avoid a City fiscal emergency condition in the future; and (v) enhance the ability of the City to regain access to the short- and long-term credit markets.

Pursuant to the Act, the City was required to submit an initial Financial Plan to the Authority for its approval prior to the Authority rendering certain financial assistance to the City. The City submitted an initial Financial Plan to the Authority prior to the issuance of the 1992 Bonds. In addition, the Act and the Cooperation Agreement require the City to submit a revised Financial Plan at least one hundred (100) days prior to the beginning of each fiscal year (or such other date as the Authority may approve at the request of the City), so long as any bonds of the Authority are outstanding. Each such revised Financial Plan is required to include projected revenues and expenditures of the General Fund, the General Capital Fund, the Grants Revenue Fund and any other principal operating fund of the City which becomes a member of the City's Consolidated Cash Account (collectively, the "Covered Funds") for five fiscal years of the City, consisting of the fiscal year of the City beginning on the July 1 next following the date such revised Financial Plan is required to be submitted to the Authority and the next four fiscal years thereafter.

The Act and the Cooperation Agreement also require that the City, simultaneously with the submission of each Financial Plan, submit to the Authority, among other things, the following:

(a) a schedule of debt service payments due or projected to become due in respect of all indebtedness of the City and all indebtedness of others supported in any manner by the City (by guaranty, lease, service agreement or otherwise) during each fiscal year of the City until the final scheduled maturity of such indebtedness, such schedule to set forth such debt service payments separately according to the general categories of direct general obligation debt, direct revenue debt, lease obligations, service agreement obligations and guaranty obligations;

(b) a schedule of payments for legally mandated services included in the Financial Plan and due or projected to be due during the fiscal years of the City covered by the Financial Plan;

(c) a statement describing, in reasonable detail, the significant assumptions and methods of estimation used in arriving at the projections contained in the Financial Plan;

(d) the Mayor's proposed operating budget and capital budget for each of the City's principal operating funds for the next fiscal year of the City, which budgets shall be consistent with the first year of the Financial Plan and which budgets shall be prepared in accordance with the Philadelphia Home Rule Charter, as amended;

(e) a statement by the Mayor that the budgets described in (d) above:

(i) are consistent with the Financial Plan;

(ii) contain funding adequate for debt service payments, legally mandated services and lease payments securing bonds of other government agencies or of any other entities; and

(iii) are based on reasonable and appropriate assumptions and methods of estimation;

(f) a cash flow forecast for the City's consolidated cash account for the first fiscal year of the City covered by the Financial Plan;

(g) an opinion or certification of the City Controller, prepared in accordance with generally accepted auditing standards, with respect to the reasonableness of the assumptions and estimates in the Financial Plan; and

(h) a schedule setting forth the number of authorized employee positions (filled and unfilled) for the first year covered by such Financial Plan for each board, commission, department or office of the City.

The Act and the Cooperation Agreement require the Authority promptly to review the Financial Plan and the proposed operating and capital budgets. The Act and the Cooperation Agreement also require the Authority, within thirty (30) days of the submission of the Financial Plan and proposed operating and capital budgets, to determine whether such Financial Plan projects balanced budgets for the principal operating fund or funds of the City, based upon reasonable assumptions, for each year of the Financial Plan and whether such proposed operating and capital budgets are consistent with the Financial Plan.

If the Authority determines that the Financial Plan and the proposed operating and capital budgets fulfill the applicable requirements of the Act and the Cooperation Agreement, the Act and the Cooperation Agreement require the Board to approve the Financial Plan by a Qualified Majority. If the Authority fails to take any action within thirty (30) days of the submission of a proposed Financial Plan, such Financial Plan shall be deemed to have been approved; provided, however, that if during such thirty (30) day period a written request by two (2) members of the Board for a meeting and vote on the question of approval of the proposed Financial Plan has been submitted to the Chairperson of the Board and a meeting and vote does not take place, then the Financial Plan shall be deemed to have been disapproved. The Financial Plan also shall be deemed to have been disapproved if such meeting and vote are held and the Financial Plan is approved by anything less than a Qualified Majority. The Act and the Cooperation Agreement provide that the Authority shall not be bound by any opinions or certifications of the City Controller issued pursuant to the Act or the Cooperation Agreement in making any determination regarding the Financial Plan.

If the Financial Plan is disapproved by the Board, the Act and the Cooperation Agreement require the Authority to notify the City thereof and to state in writing in reasonable detail the reasons for such disapproval, including the amount of any estimated budget imbalance in a principal operating fund or funds of the City. The City must then submit a revised Financial Plan to the Authority, eliminating the budget imbalance, within fifteen (15) days of such disapproval. Such revised Financial Plan must be reviewed and voted upon by the Board within fifteen (15) days of its submission. If the Authority determines that the revised Financial Plan fulfills the applicable requirements of the Act and the Cooperation Agreement, the Board must approve the revised Financial Plan by a Qualified Majority. If the Authority does not so approve the revised Financial Plan, the Authority shall certify the City's noncompliance with the Financial Plan to the Secretary of the Budget of the Commonwealth. See "THE AUTHORITY - Powers of the Authority to Promote Compliance" herein.

The Act and the Cooperation Agreement provide that the City may, during any fiscal year, submit proposed revisions to its then-existing Financial Plan. The Act provides that the City shall submit such a proposed revision after, and the Cooperation Agreement provides that the City shall submit a proposed revision within fifteen (15) days after, any amendment to the City's operating or capital budget becomes effective. The Act and the Cooperation Agreement also require the Mayor, within ninety (90) days of assuming office, to certify to the Authority that the Mayor adopts the then-existing Financial Plan or to propose to the Authority revisions to the then-existing Financial Plan. When a proposed revision is submitted, the Authority is required to review the revision within twenty (20) days and to approve the proposed revision if, based on assumptions deemed to be reasonable by the Authority, it does not cause the Financial Plan to become imbalanced. Proposed revisions become part of the Financial Plan upon the approval of a Qualified Majority, unless a Qualified Majority of the Board adopts some other method of approval in its rules and regulations. If the Authority fails to take action on a proposed revision within twenty (20) days, such revision will be deemed to have been approved, unless two (2) members of the Board request in writing submitted to the Chairperson of the Board a meeting and vote on the revision and no such meeting and vote takes place, in which event such revision will be deemed to have been disapproved. The Financial Plan shall also be deemed to have been disapproved if such meeting and vote are held and the Financial Plan is approved by anything less than a Qualified Majority.

In the event that the City Council adopts a budget inconsistent with an approved Financial Plan, the Act and the Cooperation Agreement require the City to submit the enacted budget to the Authority (pursuant to the terms of the Cooperation Agreement, within twenty (20) days after such budget has been so enacted) as a proposed revision to the Financial Plan. The Authority shall have thirty (30) days to review such proposed revision.

Contracts and Collective Bargaining Agreements of the City

The Act and the Cooperation Agreement provide that the City shall execute contracts and collective bargaining agreements which are in compliance with the Financial Plan. The Act and the Cooperation Agreement provide that if the City executes a contract or collective bargaining agreement or receives an arbitration award (other than with respect to police officers or firefighters as described in the next following sentence) which is not in compliance with the Financial Plan, such contract, collective bargaining agreement or arbitration award shall not be void or voidable solely by reason of such noncompliance, but the City shall as soon as practicable but in no event later than fifteen (15) days after the execution or receipt thereof by the City, submit to the Authority a proposed revision to the Financial Plan which demonstrates to the reasonable satisfaction of the Authority that revenues sufficient to pay the costs of the contract or collective bargaining agreement or arbitration award will be available in the affected fiscal years of the Financial Plan. In addition, Section 209(k) of the Act provides that a board of arbitration must take into consideration and accord substantial weight to the Financial Plan when making an award which increases the wages or fringe benefits of any police officers or firefighters employed by the City. The Act and the Cooperation Agreement provide that if such an arbitration award, after the exhaustion of all appeals, is not in compliance with the Financial Plan, such an arbitration award shall not be void or voidable solely by reason of such noncompliance, but the City shall not later than twenty (20) days after the date of such award, submit to the Authority a proposed revision to the Financial Plan which demonstrates that revenues sufficient to pay the costs of the arbitration award will be available in the affected fiscal years of the Financial Plan. (It should be noted, however, that Act No. 230 of 2002, signed into law by the Governor of the Commonwealth on December 30, 2002, purports to repeal Section 209(k) of the Act. The City has filed suit against the Commonwealth and certain other relevant parties seeking declaratory relief to declare Act 230 of 2002 unconstitutional. Such case is currently pending before the Pennsylvania Supreme Court.) The Cooperation Agreement provides that the Authority has certain rights to receive information concerning collective bargaining agreements of the City and to express views as to the financial impact on the City of such collective bargaining agreements. The Cooperation Agreement also provides that the Authority has certain rights of review, comment, and recommendation with respect to certain other contracts or agreements to which the City is a party or under or on account of which the City may be or become obligated, directly or indirectly, pursuant to which the City will or may incur a financial obligation or confer a financial benefit upon another, in either case in excess of \$1,000,000 during any fiscal year of the City during the term of such contract or agreement, or in excess of \$5,000,000 in the aggregate during the term of such contract or agreement. The Authority has agreed with the City to keep certain information and communications relating to collective bargaining agreements and such other contracts confidential until such agreements or contracts are executed.

Powers of the Authority to Promote Compliance

In the event the City fails to submit the required revisions to the Financial Plan as discussed above, the Authority may exercise certain powers to promote compliance, as described below.

Power to Require Production of Records and Information and to Act Thereon

The Act and the Cooperation Agreement require the City to furnish, and the Authority to receive and review, certain financial reports and other information in order to enable the Authority to determine whether the City is complying with the then-existing Financial Plan. Under the Cooperation Agreement, within forty-five (45) days of the end of each fiscal quarter of the City, and also monthly (within thirty (30) days after the end of the previous month) if a Variance (as hereinafter defined) from the then-current Financial Plan has been determined by the Authority to have occurred, the Mayor is required to provide to the Authority a report describing actual, or current estimates of, revenues, expenditures and cash flows by Covered Fund (excepting the Grants Revenue Fund) compared to budgeted revenues, expenditures and cash flows by Covered Funds (excepting the Grants Revenue Fund) for such previous quarterly or monthly period, as the case may be, and for the year-to-date period from the beginning of the then-current fiscal year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any Variance existing as of such last day. If the City fails to file with the Authority any Financial Plan, revision to a Financial Plan, report or other information required to be filed with the Authority pursuant to the Act or the Cooperation Agreement, the Act and the Cooperation Agreement authorize the Authority to bring, on ten (10) days' notice, a mandamus action to compel production of the same.

The Authority is required to determine, based on its review of the aforementioned information or upon such independent audits, examinations or studies of the City finances as may be conducted by or on behalf of the Authority, whether a Variance from the Financial Plan has occurred.

Under the Cooperation Agreement, a "Variance" is deemed to have occurred as of the end of a reporting period described above if (i) a net adverse change in the fund balance of a Covered Fund of more than one percent (1%) of the revenues budgeted for such Covered Fund for that fiscal year is reasonably projected to occur, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year, or (ii) the actual net cash flows of the City for a Covered Fund are reasonably projected to be less than ninety-five percent (95%) of the net cash flows of the City for such Covered Fund for that fiscal year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year.

If the Authority determines that a Variance exists, it is required to notify the City in writing, whereupon the City is required, within ten (10) days after request by the Authority, to provide the Authority such additional information as the Authority deems necessary to explain the Variance. The Authority may not take action with respect to the City as a result of Variances from the Financial Plan in any fiscal quarter of the City if the City (i) within thirty (30) days provides a written explanation of the Variance that the Authority deems reasonable, (ii) within forty-five (45) days proposes remedial action that the Authority believes will restore overall compliance with the Financial Plan, (iii) provides information in the immediately succeeding quarterly financial report required to be delivered to the Authority demonstrating to the reasonable satisfaction of the Authority that the City is taking the remedial action and otherwise complying with the Financial Plan, and (iv) submits monthly supplemental reports in accordance with the Act and the Cooperation Agreement.

Power to Initiate Withholding of Certain Payments to the City by the Commonwealth

The Act and the Cooperation Agreement require the Authority to certify to the Secretary of the Budget of the Commonwealth the City's noncompliance with the then-existing Financial Plan during any period when the Authority, by a Qualified Majority, determines that the City (i) has not adhered to the then-existing Financial Plan and (ii) has not taken adequate remedial action during the next fiscal quarter following such departure from the Financial Plan to cure such noncompliance.

In addition, the Act and the Cooperation Agreement require the Authority to certify to the Secretary of the Budget of the Commonwealth that the City is not in compliance with the then-existing Financial Plan if the City (a)(i) has failed to file a Financial Plan or has no Financial Plan approved by the Authority, both as required by the Act and the Cooperation Agreement, or (ii) has failed to file mandatory revisions to an approved Financial Plan or reports as required by the Act and the Cooperation Agreement and (b) has not been compelled to file a Financial Plan, a mandatory revision to a Financial Plan or a report pursuant to the Authority's power to institute a mandamus action under the Act and the Cooperation Agreement.

Withholding of Commonwealth Payments to City; Exemptions Therefrom

In the event the Authority certifies the City's noncompliance with an approved Financial Plan, the Act requires the Secretary of the Budget of the Commonwealth to notify the City of such certification and to inform the City that each grant, loan, entitlement or payment from the Commonwealth or any of its agencies to the City (except as provided below), including payments from the City Account, shall be suspended until such time as the City complies with the then-existing Financial Plan. The Act also requires payments from the City Account to be retained in that account, and all other payments to be held in escrow by the Commonwealth until such time as the Board, by a Qualified Majority, determines that the conditions causing the City's noncompliance with the Financial Plan have ceased to exist. At the time the Authority makes such determination, the Act requires the Authority promptly to notify the Secretary of the Budget of the Commonwealth, who is required to release all funds held in escrow, along with interest and income earned thereon during the escrow period, and the disbursements to the City from the City Account shall then resume.

The Act and the Cooperation Agreement specifically provide that, other provisions of the Act and the Cooperation Agreement notwithstanding, the following funds may not be withheld by the Commonwealth from the City for noncompliance with a Financial Plan: (i) funds for capital projects under contracts in progress; (ii) funds granted or allocated to the City directly from an agency of the Commonwealth, or from the federal government for distribution by the Commonwealth after the declaration of a disaster resulting from a catastrophe; (iii) pension fund payments required by law; (iv) funds administered by the City's Department of Human Services or Department of Health that provide benefits or services to recipients; (v) funds that the City has pledged to repay bonds or notes issued under The First Class City Revenue Bond Act (Act of October 18, 1972, P.L. 955, No. 234); and (vi) funds appropriated by the Commonwealth for the City's court system or correctional programs. The Act also provides that funds will not be withheld from the City if the City's noncompliance with a Financial Plan is due to the Commonwealth's failure to pay funds due to the City from moneys appropriated by the General Assembly of the Commonwealth. However, the Cooperation Agreement provides that such failure by the Commonwealth to pay any such money shall not be as a result of any fault of the City.

Operating History

Since the issuance of the 1992 Bonds, the Authority has devoted its primary attention to the assessment, approval and oversight of the City's Financial Plans, the City's compliance therewith, the evaluation of City financial reporting, the analysis of City financial and budgetary practices and programs and oversight of the expenditure of funds for capital projects and productivity enhancements for which the Authority made and expects to make grants to the City with a portion of the proceeds from the sale of the 1992 Bonds, 1993 Bonds and 1994 Bonds.

The City's original Financial Plan, which covered Fiscal Years 1992-1996, was prepared by the Mayor, approved by City Council on April 29, 1992 and approved by the Authority on May 18, 1992. In November 1992 the Authority began receiving quarterly Financial Plan reports from the City addressing the status of the City's compliance with its original Financial Plan and any associated achievement of City initiatives. The Authority determined a Variance to exist with respect to the quarterly Financial Plan report for the first quarter of Fiscal Year 1993, which projected a Variance in the Financial Plan through June 30, 1993 of \$57 million of the budgeted revenues of the General Fund. The Mayor proposed Variance correction measures for Fiscal Year 1993, a revised Financial Plan for Fiscal Years 1994-1998 and a Fiscal Year 1994 general fund and capital budget, which were enacted or approved by the City Council. The revised Financial Plan for Fiscal Years 1994-1998 and Variance correction proposals were submitted to the Authority and were approved by the Authority on April 14, 1993, at which time the Authority determined that a Variance no longer existed with respect to the Financial Plan. Subsequent quarterly Financial Plan reports have not projected Variances from the Financial Plans applicable to such reports. The Authority approved five subsequent Financial Plans including most recently the Financial Plan for Fiscal Years 2003-2007. The Financial Plan for Fiscal Years 2004-2008 was approved by City Council on May 29, 2003, and is currently being considered by the Board of the Authority.

LITIGATION

There is no litigation of any nature now pending or threatened seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2003 Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2003 Bonds or the existence or powers of the Authority.

LEGAL INVESTMENT

The Act provides that the 2003 Bonds are legal investments, in which all government agencies, all insurance companies, trust companies, banking associations, banking corporations, savings banks, investment companies, executors, trustees of any retirement, pension or annuity fund or system of the Commonwealth or of a city, trustees and other fiduciaries may properly and legally invest funds, including capital, deposits or other funds in their control or belonging to them. Under the Act, the 2003 Bonds may properly and legally be deposited with and received by any government agency for any purpose for which the deposit of bonds or other obligations of the Commonwealth now or hereafter may be authorized by law.

TAX EXEMPTION

Federal Tax Exemption

Bond Counsel is expected to issue its opinion that under existing law, the interest on the 2003 Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference within the meaning of Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the alternative minimum tax imposed by Section 55 of the Code on individuals and corporations: however, it should be noted, with respect to 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 by Section 55 of the Code on such corporations. The opinion set forth in the preceding sentence is subject to the condition that the Authority complies with all the requirements of the Code that must be satisfied subsequent to the issuance of the 2003 Bonds in order that interest on the 2003 Bonds be (or continues to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the 2003 Bonds to be included in gross income retroactively to the date of issuance of the 2003 Bonds. The Authority has covenanted to comply with all such requirements.

Ownership of the 2003 Bonds may give rise to collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2003 Bonds. Bond Counsel expresses no opinion as to any such collateral federal income tax consequences. Purchasers of the 2003 Bonds should consult their own tax advisors as to such collateral federal income tax consequences.

Pennsylvania Tax Exemption

In the opinion of Bond Counsel, under existing law, the 2003 Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2003 Bonds is exempt from Pennsylvania personal income tax and corporate net income tax.

RATINGS

Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings, which have assigned the 2003 Bonds ratings of "Aaa", "AAA" and "AAA", respectively, have done so with the understanding that, upon delivery of the 2003 Bonds, the Financial Guaranty Insurance Policy will be issued by Ambac Assurance. Moody's Investors Service, Inc., Standard & Poor's Rating Services and Fitch Ratings have also assigned underlying ratings of "A1", "A+", and "A" to the 2003 Bonds based on the unenhanced credit of the Authority. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; Standard & Poor's Ratings Services, 25 Broadway, New York, New York 10004; Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2003 Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the 2003 Bonds are subject to the approval of Klett Rooney Lieber & Schorling, a Professional Corporation, Philadelphia, Pennsylvania, Bond Counsel. The proposed form of opinion of Bond Counsel is appended hereto as APPENDIX D. Certain legal matters will be passed upon for the Authority by Reed Smith LLP, Philadelphia, Pennsylvania, General Counsel to the Authority, for the Underwriters by Dilworth Paxson LLP and Obermayer Rebmann Maxwell & Hoppel LLP, both of Philadelphia, Pennsylvania, Co-counsel to the Underwriters, for the Bank by their co-counsel, King & Spaulding LLP, New York, New York and Klett Rooney Lieber & Schorling, A Professional Corporation, Harrisburg, Pennsylvania, and for the City by the Office of the City Solicitor and by Blank Rome LLP, Philadelphia, Pennsylvania, special counsel to the City.

The various legal opinions to be delivered concurrently with the delivery of the 2003 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, an attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction. In addition, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

UNDERWRITING

The 2003 Bonds are being purchased for reoffering by the underwriters shown on the cover page hereof (the "Underwriters") at an aggregate purchase price of par. The Authority has agreed to pay the Underwriters an underwriting fee of \$579,425. The initial public offering prices of the 2003 Bonds may be changed from time to time by the Underwriters without notice. The Underwriters may offer and sell the 2003 Bonds to certain dealers (including dealers depositing 2003 Bonds into investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) and others at prices lower than the offering prices set forth on the cover page hereof. The purchase contract for the 2003 Bonds provides that the Underwriters' obligation to purchase the 2003 Bonds is subject to certain conditions and that the Underwriters are obligated to purchase all of the 2003 Bonds, if any 2003 Bonds are purchased.

FINANCIAL ADVISORS

Hopkins & Company, Calhoun Baker, Inc. and Penn Capital Advisors have served as co-financial advisors to the Authority with respect to the issuance and sale of the 2003 Bonds. Hopkins & Company, Calhoun Baker, Inc. and Penn Capital Advisors have assisted in the preparation of this Official Statement (excluding the Appendices hereto) and in other matters relating to the planning, structuring, and issuance of the 2003 Bonds.

CERTAIN RELATIONSHIPS

William J. Leonard, Esquire, a Board member of the Authority, is a partner at Obermayer Rebmann Maxwell & Hoppel LLP, co-counsel to the Underwriters. Klett Rooney Lieber & Schorling, A Professional Corporation, Bond Counsel for the 2003 Bonds, is also acting as co-counsel to the Bank solely for the purpose of rendering an opinion as to the enforceability of the Standby Agreement under Pennsylvania law.

FINANCIAL STATEMENTS

The financial statements of the Authority as of June 30, 2002 included in APPENDIX A to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in APPENDIX A.

MISCELLANEOUS

Negotiable Instruments

The Act provides that bonds of the Authority shall have all the qualities of negotiable instruments under the Uniform Commercial Code of the Commonwealth.

Certain References

All summaries of the provisions of the 2003 Bonds and the security therefor, the Act and the Indenture set forth herein, and all summaries and references to other documented material not purported to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions. Reference is made hereby to the complete documents relating to such matters for the complete terms and provisions thereof, or for the information contained therein. Copies of the Indenture are on file at the corporate trust office of the Trustee in Philadelphia, Pennsylvania. Insofar as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are made merely as such and not as representations of fact.

The City has furnished the information relating to the City and its affairs contained in APPENDIX B to this Official Statement and has reviewed and approved all other information relating to the City appearing in this Official Statement. The Authority makes no representations as to the accuracy or completeness of such information.

This Official Statement has been duly authorized, executed and delivered by the Authority. Neither any advertisement for the 2003 Bonds nor this Official Statement is to be deemed or construed as constituting a contract among the Authority, the City and the purchasers of the 2003 Bonds.

No Continuing Disclosure Undertaking

The Authority is not required to provide continuing financial or other information for the benefit of the owners of the 2003 Bonds so long as the 2003 Bonds bear interest at a Variable Rate during a Daily Rate Period or a Weekly Rate Period.

If the interest rate on the 2003 Bonds is converted to a Term Rate or to another interest rate mode for which the interest rate period is longer than nine months, the Authority must either provide the Trustee, the issuer of the Liquidity Facility, Ambac Assurance and the Remarketing Agent with an opinion of Bond Counsel stating that Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission provides an exemption with respect to the 2003 Bonds or enter into a written undertaking at the time of such conversion covenanting to provide continuing information with respect to the 2003 Bonds required by the Rule. It should be noted, however, that as a result of prior contractual commitments in respect of the 1996 Bonds and the 1999 Bonds, the Authority has filed annual reports with nationally recognized municipal securities information repositories in the past and expects to file such reports in the future so long as any 1996 Bonds or 1999 Bonds, scheduled to mature in 2019 and 2022, respectively, remain outstanding.

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

By: /s/ Lauri A. Kavulich
Chairperson

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY AS OF JUNE 30, 2002

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Pennsylvania Intergovernmental Cooperation Authority

*Management Discussion and Analysis, Financial
Statements and Supplemental
Schedules as of and for the
Year Ended June 30, 2002 and
Independent Auditors' Report*

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

TABLE OF CONTENTS

	Page
MANAGEMENT DISCUSSION AND ANALYSIS	i-vi
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AS OF JUNE 30, 2002 AND FOR THE YEAR THEN ENDED:	
Statement of Net Assets	2
Statement of Activities	3
Balance Sheet - Governmental Funds	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Notes to Financial Statements	6-19
SUPPLEMENTAL SCHEDULES FOR THE YEAR ENDED JUNE 30, 2002:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -General Fund	20
Schedules of Cash Activity:	
General Fund	21
Special Revenue Fund	22

Management Discussion of Financial Operations

The Board of the Pennsylvania Intergovernmental Cooperation Authority (the Authority) offers the following narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2002.

Financial Highlights

- The total net assets of the Authority at the close of the fiscal year were (\$694,478,230) representing an increase in net assets of \$39,353,757 over the prior year.
- At the close of the current fiscal year, the Authority's General Fund unreserved balance increased by over \$981,000 to \$2,221,612 from the prior fiscal year. All Administration costs in during fiscal year 2002 were funded from the Authority's earnings on its General Fund and on its Debt Service Reserve Fund.
- The Authority's outstanding long-term debt decreased by \$61,175,000 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, and 2) governmental funds financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net assets changed during the fiscal year ended June 30, 2002. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements can be found on pages 2-3 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the functions as reported as governmental activities in the government-wide financial statements. However, unlike the

government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The basic governmental fund financial statements can be found on pages 4-5 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 6-18 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, liabilities exceeded assets by \$694,478,230 at the close of fiscal year 2002.

By far the largest portion of the Authority's net deficit reflects its bonds payable. Proceeds from the PICA tax as well as the corresponding interest earned are in part utilized to fund such debt service requirements. The Authority's bonds payable activity for the year ended June 30, 2002 is summarized as follows:

	Amount (in thousands)
Outstanding Debt at July 1, 2001	\$901,850
Debt Retired	<u>61,175</u>
Outstanding Debt at June 30, 2002	<u>\$840,675</u>

The Authority's long-term investments make up the largest portion of the total assets. Such investments are derived from the proceeds of bond issuances of year's past and the related investment income and are used to provide grants to the City of Philadelphia for various capital projects. During fiscal year 2002, the Authority granted approximately \$201.5 million to the City of Philadelphia.

Governmental activities decreased the Authority's net deficit by \$39,353,757, thereby

accounting for the total growth in assets during fiscal year 2002. Asset growth was due primarily to the retirement of long-term debt as well as better than budgeted operating fund results during fiscal year 2002.

Governmental Funds Financial Analysis

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of approximately \$146 million, a decrease of approximately \$21.8 million in comparison with the prior year. Approximately 60 percent of this total amount (\$87.4 million) constitutes fund balances reserved for debt service. Approximately 37 percent of the total (\$54.6 million) constitutes fund balances that are reserved for the benefit of the City of Philadelphia. The remainder of the reserved fund balances is reserved primarily for the administration of the Authority. Approximately \$2.2 million constitutes unreserved fund balance, which is available for spending at the Authority's discretion.

General Fund. All fiscal year 2002 administration expenses of the Authority were funded from the Authority's earnings on its General Fund and on its Debt Service Reserve Fund (established from proceeds of the Authority's bond issues) and residual balances of similar earnings from prior fiscal years. No City of Philadelphia or Commonwealth of Pennsylvania tax revenues were used to pay any portion of the Authority's administrative costs in fiscal year 2002, nor are any expected to be used in fiscal year 2003 for such purpose.

The PICA Act allows the Authority several sources of income to support its operations. The statute specifically provides that the Authority may draw earnings from the various funds and accounts created pursuant to its Trust Indenture, and also directly from the proceeds of PICA Taxes to the extent investment income is insufficient. The latter allowable revenue source has never been utilized by the Authority.

The PICA Act requires that the Authority adopt an annual budget (for the fiscal year commencing July 1) before March 1 of each year and also stipulates the format thereof, and information to be provided therewith to the Governor and General Assembly of the Commonwealth of Pennsylvania. The Authority's annual General Fund budgets, since its inception, have all produced surpluses.

Details as to anticipated and actual fund balances as of June 30, 2002 and as to the fiscal year 2002 budget are as follows:

Anticipated Residual Fund Balance:

Fund Balance at June 30, 2001	\$1,311,341
Less: Utilization of Fund Balance	<u>71,709</u>
Anticipated Fund Balance at June 30, 2002	<u><u>\$1,239,632</u></u>

Fund Balance at June 30, 2002 (Anticipated/Actual):

Anticipated Unreserved Fund Balance at June 30, 2002	\$1,239,632
Add: Net FY02 "Better than Budget" Operating Results	<u>981,980</u>
Actual Unreserved Fund Balance at June 30, 2002	<u><u>\$2,221,612</u></u>

General Fund Budget for FY03:

Revenues - General Fund Interest Earnings	\$ 53,050
Other Financing Sources - Transfer from	
Bond Issue Investment Earnings	
("Reserved for subsequent Authority Administration"	
in the Debt Service Reserve Fund at June 30, 2002)	1,832,483
Utilization of portion of FY02 fund balance	0
Total Estimated Expenditures	<u>\$1,885,533</u>

The Authority's fiscal year 2003 budget recognizes the possibility that the Authority may be requested to become involved in oversight matters pertinent to the School District of Philadelphia; and provides funding to study and/or implement such a role.

The philosophy underlying the Authority's general fund operations remains that the Authority should maintain a personnel and expenditure level sufficient to permit it to respond to the demands placed upon it, but not so large as to present an opportunity either for the City of Philadelphia to use the Authority's resources to bypass the re-creation of its own management systems or to establish a permanent Authority structure that would develop its own reason for continued existence.

Special Revenue Fund. The Authority's Special Revenue Fund receives PICA taxes, interest earnings on such collections, and net interest earnings on bond issue funds other than Capital Projects Funds (the earnings on Capital Projects Funds are restricted to use for grants to the City of Philadelphia for PICA approved capital projects). The Special Revenue Fund receipts are utilized to provide, monthly, from the first available funds in that month, one-sixth of the next semi-annual interest requirement on PICA bonds outstanding and one-twelfth of the next annual principal requirement on PICA bonds outstanding, in a manner calculated to provide the total required semi-annual interest and the total required annual principal at the close of the month prior to such required date. After provision of monthly debt service requirements, the residual balances in PICA's Special Revenue Fund are paid to City of Philadelphia as grants to the City's General Fund.

The Special Revenue Fund received in excess of \$156,000 on its invested balances during fiscal year 2002, and also received in excess of \$5,361,000 of net interest earnings transferred in from other bond issue provided funds. Thus, PICA grants to the City of Philadelphia's General Fund during fiscal year 2002 exceeded the equation (PICA taxes minus provision for PICA Debt Service divided by the monthly basis equals PICA grants to the City) by in excess of \$5,518,000.

Debt Service Funds. The Debt Service Funds account for the accumulation of financial resources for the payment of principal and interest on PICA's long-term debt.

Debt Service Reserve Fund. This fund is used to hold assets for debt service reserve purposes as required by the Trust Indenture. Current year investment earnings were transferred to pay current year debt service requirements and to aid in paying for the general fund's administration expenditures.

Rebate Fund. This fund is maintained in order to fund future potential rebates and/or debt service requirements. The only activity that occurred during the current fiscal year was the increase from investment earnings.

At June 30, 2002, the Fund Balances held in the combined Debt Service Funds, by individual fund groups, consisted of:

Debt Service Fund -- Current assets held for interest due 12/15/02 and principal due 6/15/03	\$ 6,977,415
Debt Service Reserve Fund -- Current assets held for debt service reserve purposes as required by the Trust Indenture	76,840,350
Rebate Fund -- Current assets held for future potential rebate/debt service purposes	<u>3,562,787</u>
Amount Reserved for Debt Service	\$87,380,552
Debt Service Reserve Fund -- Current assets held for subsequent PICA administration purposes (Debt Service Reserve Fund earnings held for PICA FY03 operations – per adopted budget)	<u>1,832,483</u>
Fund Balances at June 30, 2002-- Combined Debt Service Funds	<u>\$89,213,035</u>

Expendable Trust/Capital Projects Funds. Expendable trust funds include amounts held separately, by bond issue from which such funds were provided, for purposes of grants to the City of Philadelphia for specific PICA approved capital projects. The PICA Act restricts City of Philadelphia use of PICA provided capital projects dollars to specific "emergency" and "productivity" projects approved by the PICA Board and, where necessary, by specified Commonwealth of Pennsylvania elected officials.

PICA, in connection with its three new-money bond issues, approved specific City capital projects totaling approximately \$426 million, while providing bond issue funds of approximately \$400.8 million for such projects. The difference, \$25.2 million, as anticipated, has been raised from investment earnings of funds dedicated to capital projects. At June 30, 2002, sufficient PICA controlled capital projects funds were available to complete all of the initially approved PICA projects, to complete \$16.3 million of additional projects subsequently approved by the PICA Board, and an additional \$30.2 million of yet to be designated projects. Capital project funds held for PICA capital project grants to the City of Philadelphia totaled approximately \$54.6 million at June 30, 2002.

Additional information. In accordance with IRS regulations, certain funds already granted to the City of Philadelphia by PICA continue to be classified as PICA Arbitrage Reportable Funds until the City of Philadelphia expends such funds for the purpose for which they were provided. Accordingly, and also for oversight purposes, PICA tracks the uses/balances of such grant funds and interest earnings thereon as yet unexpended by the City of Philadelphia. As of June 30, 2002, such PICA provided funds as yet unexpended by the City of Philadelphia included:

	<u>Amount</u> <u>(in thousands)</u>
Indemnity Fund	\$ 1,757
'95 Indemnity Fund	\$11,427
'92 Capital Projects Encumbered Funds	\$16,764
'93 Capital Projects Encumbered Funds	\$10,010
'93 Criminal Justice Project Encumbered Funds	\$ 6,990
'94 Capital Projects Encumbered Funds	\$ 6,420

INDEPENDENT AUDITORS' REPORT

To the Board of the Authority:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") as of and for the year ended June 30, 2002, which collectively comprise the Authority's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, as of June 30, 2002.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Pennsylvania Intergovernmental Cooperation Authority as of June 30, 2002, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit such information and therefore, express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These supplemental schedules are the responsibility of the Authority's management. Such supplemental schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

DELOITTE & TOUCHE LLP
Philadelphia, Pennsylvania

September 13, 2002

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

STATEMENT OF NET ASSETS JUNE 30, 2002

ASSETS	Governmental Activities
CURRENT ASSETS:	
Cash and short-term investments	\$ 51,630,766
PICA Taxes receivable	6,796,803
Accrued interest receivable	<u>589,502</u>
Total current assets	59,017,071
LONG-TERM INVESTMENTS	121,030,421
OTHER ASSETS—Prepaid rent and security deposit	<u>12,257</u>
TOTAL	<u>\$ 180,059,749</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 106,612
Accrued payroll and taxes	289,979
Due to the City of Philadelphia	7,231,388
Deferred revenue	26,235,000
Bonds payable—current portion	<u>36,620,000</u>
Total current liabilities	70,482,979
BONDS PAYABLE—Long-term portion	<u>804,055,000</u>
Total liabilities	<u>874,537,979</u>
NET ASSETS (DEFICIT):	
Restricted for debt service	87,380,552
Restricted for benefit of the City of Philadelphia	54,589,741
Restricted for subsequent PICA administration	1,832,483
Unrestricted deficit	<u>(838,281,006)</u>
Total net assets (deficit)	<u>(694,478,230)</u>
TOTAL	<u>\$ 180,059,749</u>

See notes to financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2002

EXPENSES:

Grants to the City of Philadelphia	\$ 201,528,938
General management and support—	
General operations	1,046,327
Interest expense on long term debt	<u>46,123,475</u>
 Total program expenses	 <u>248,698,740</u>

PROGRAM REVENUES—

Interest	<u>11,218,108</u>
 Program revenues	 <u>11,218,108</u>
 Net program expenses	 <u>237,480,632</u>

GENERAL REVENUES:

PICA Taxes	276,677,775
Interest	<u>156,614</u>
 Total general revenues	 <u>276,834,389</u>

DECREASE IN NET DEFICIT	39,353,757
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NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(733,831,987)</u>
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NET ASSETS (DEFICIT), END OF YEAR	<u><u>\$(694,478,230)</u></u>
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See notes to financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

BALANCE SHEET-GOVERNMENTAL FUNDS

JUNE 30, 2002

	General	PICA Tax Revenue	Debt Service Fund			Debt Service Reserve Fund	Rebate Fund	Expendable Trust Funds Capital Projects Fund			Total Governmental Funds
			1993A	1996	1999			1992	1993	1994	
ASSETS											
CURRENT ASSETS:											
Cash and short-term investments	\$ 28,931,833		\$ 1,136,684	\$ 854,468	\$ 4,979,828	\$ 15,347,983	\$ 3,954	\$ 172,761	\$ 75,721	\$ 127,534	\$ 51,630,766
PICA Taxes receivable		\$ 6,796,803									6,796,803
Accrued interest receivable	81,495	1,015	1,174	980	4,281	433,570	5	19,564	6,028	41,390	589,502
Interfund receivable		433,570									433,570
Total current assets	29,013,328	7,231,388	1,137,858	855,448	4,984,109	15,781,553	3,959	192,325	81,749	168,924	59,450,641
LONG-TERM INVESTMENTS											
OTHER ASSETS—Prepaid rent and security deposit	12,257					63,324,850	3,558,828	18,013,190	3,584,254	32,549,299	121,030,421
											12,257
TOTAL	\$ 29,025,585	\$ 7,231,388	\$ 1,137,858	\$ 855,448	\$ 4,984,109	\$ 79,106,403	\$ 3,562,787	\$ 18,205,515	\$ 3,666,003	\$ 32,718,223	\$ 180,493,319
LIABILITIES AND FUND EQUITY											
CURRENT LIABILITIES:											
Accounts payable	\$ 106,612										\$ 106,612
Accrued payroll and taxes	289,979										289,979
Due to the City of Philadelphia		\$ 7,231,388									7,231,388
Deferred revenue	26,235,000										26,235,000
Interfund payable						\$ 433,570					433,570
Total current liabilities	26,631,591	7,231,388				433,570					34,296,549
FUND EQUITY:											
Fund balances:											
Unreserved	2,221,612										2,221,612
Reserved for debt service			\$ 1,137,858	\$ 855,448	\$ 4,984,109	76,840,350	\$ 3,562,787				87,380,552
Reserved for benefit of the City of Philadelphia								\$ 18,205,515	\$ 3,666,003	\$ 32,718,223	54,589,741
Reserved for subsequent PICA administration						1,852,485					1,852,485
Reserved for future swaption activity	172,382										172,382
Total fund equity	2,393,994		1,137,858	855,448	4,984,109	78,672,833	3,562,787	18,205,515	3,666,003	32,718,223	146,196,770
TOTAL	\$ 29,025,585	\$ 7,231,388	\$ 1,137,858	\$ 855,448	\$ 4,984,109	\$ 79,106,403	\$ 3,562,787	\$ 18,205,515	\$ 3,666,003	\$ 32,718,223	

Amounts reported for governmental activities in the statement of net assets are different due to:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds

Net assets of governmental activities

(840,675,000)

\$ (694,478,230)

See notes to financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2002

	General	PICA Tax Revenue	Debt Service Fund			Debt Service Reserve Fund	Rebate Fund	Expendable Trust Funds Capital Projects Fund			Total Governmental Funds
			1993A	1996	1999			1992	1993	1994	
REVENUES:											
PICA Taxes		\$ 276,677,775									\$ 276,677,775
Interest earned on investments	\$ 278,980	156,614	\$ 141,615	\$ 1,357,458	\$ 799,674	\$ 4,741,821	\$ 286,086	\$ 1,277,720	\$ 541,363	\$ 1,793,391	11,374,722
Total revenues	278,980	276,834,389	141,615	1,357,458	799,674	4,741,821	286,086	1,277,720	541,363	1,793,391	288,052,497
EXPENDITURES:											
Grants to the City of Philadelphia		177,093,803						9,000,000	12,744,410	2,690,725	201,528,938
Debt service:											
Principal			775,000	45,800,000	14,600,000						61,175,000
Interest			8,454,494	8,548,731	29,120,250						46,123,475
Administration:											
Operations	1,046,327										1,046,327
Total expenditures	1,046,327	177,093,803	9,229,494	54,348,731	43,720,250			9,000,000	12,744,410	2,690,725	309,873,740
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(767,347)	99,740,586	(9,087,879)	(52,991,273)	(42,920,576)	4,741,821	286,086	(7,722,280)	(12,203,047)	(897,334)	(21,821,243)
OTHER FINANCING SOURCES (USES)— Net operating transfers in (out)	1,850,000	(99,740,586)	9,443,805	49,222,927	43,983,192	(4,759,338)					
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,082,653		355,926	(3,768,346)	1,062,616	(17,517)	286,086	(7,722,280)	(12,203,047)	(897,334)	(21,821,243)
FUND BALANCES, JULY 1, 2001	1,311,341		781,932	4,623,794	3,921,493	78,690,350	3,276,701	25,927,795	15,869,050	33,615,557	168,018,013
FUND BALANCES, JUNE 30, 2002	\$ 2,393,994	\$ -	\$ 1,137,858	\$ 855,448	\$ 4,984,109	\$ 78,672,833	\$ 3,562,787	\$ 18,205,515	\$ 3,666,003	\$ 32,718,223	\$ 146,196,770
Reconciliation of change in fund balance to change in net assets:											
Change in fund balance		\$ (21,821,243)									
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		61,175,000									
Change in net assets		\$ 39,353,757									

See notes to financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Structure—The Pennsylvania Intergovernmental Cooperation Authority (the “Authority”), a body corporate and politic, was organized on June 5, 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (P.L. 9, No. 6) (the “Act”). Pursuant to the Act, the Authority was established to provide financial assistance to cities of the first class. The City of Philadelphia (the “City”) currently is the only city of the first class in the Commonwealth of Pennsylvania (the “Commonwealth”). Under the Act, the Authority is administered by a governing Board consisting of five voting members and two ex officio nonvoting members. The Governor, the President pro tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives each appoints one voting member of the Board.

The Act provides that, upon the request of the City to the Authority for financial assistance and for so long as any bonds of the Authority remain outstanding, the Authority shall have certain financial and oversight functions. First, the Authority shall have the power, subject to satisfaction of certain requirements in the Act, to issue bonds and grant or lend the proceeds thereof to the City. Second, the Authority also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City’s financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify noncompliance by the City with its then-existing five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth to cause certain payments due to the City from the Commonwealth to be withheld by the Commonwealth).

Adoption of GASB Statement 34 - The Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements- and Management’s Discussion and Analysis- for State and Local Governments*, as of June 30, 2002. The requirements of this new reporting model are described below.

Government-Wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are

recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements utilize a “modified accrual basis” of accounting. Under this basis, certain revenues (those susceptible to accrual, readily measurable and available as to amount and anticipated as being readily collectible) are recorded on the accrual basis. All other revenues are recognized only when received in cash. Expenditures, with the exception of interest requirements on long-term debt, are accounted for on the accrual basis of accounting.

The General Fund is used to account for the administrative operations of the Authority, for which a budget is adopted annually.

The Special Revenue Fund accounts for the proceeds of the PICA Tax (a tax levied on the wages and net profits of City of Philadelphia residents) remitted to the Authority via the Commonwealth. It is utilized to fund the debt service requirements of the Authority and to provide grants to the City. It encompasses the Revenue Fund established with the Trustee by the Trust Indenture (see Note 3).

Debt Service Funds account for the accumulation of financial resources for the payment of principal and interest on the Authority’s long-term debt. The Debt Service Reserve Fund holds assets for debt service reserve purposes as required by the Trust Indenture. The Rebate Fund is maintained in order to fund future potential rebates and/or debt service requirements. The Debt Service Funds also include the Bond Redemption Fund which has not yet been required.

The Expendable Trust Funds/Capital Projects Funds account for assets held by the Authority for expenditure for the benefit of the City. The principal and income of these funds must be expended for their designated purpose. These funds also utilize the modified accrual basis of accounting. The Expendable Trust Funds/Capital Projects Funds also include the Deficit and Settlement funds which completed their designated purposes in prior years and are presently inactive.

PICA Tax—The “PICA Tax” was enacted by an ordinance adopted by City Council and approved by the Mayor of the City of Philadelphia on June 12, 1991 (Bill No. 1437). The tax levy is one and one-half percent (1.5%) on the wages and net profits of City residents. The PICA Tax is collected by the Department of Revenue of the Commonwealth, utilizing the City Revenue and Law Departments (collectively) as its agent, and remitted to the Treasurer of the Commonwealth for disbursement to the Authority’s Trustee.

Compensated Absences—The Authority records all accrued employee benefits, including accumulated vacation, as a liability in the period benefits are earned. Accrued vacation at June 30, 2002 totaled \$115,622.

Investments—The Authority’s investments are stated at fair value.

2. CASH AND INVESTMENTS

Authority funds may be deposited in any bank that is insured by federal deposit insurance. To the extent that such deposits exceed federal insurance, the depositories must deposit (with their trust department or other custodians) obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Under Pennsylvania Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit with their institution.

Investments in the Special Revenue Fund, the Debt Service Funds, and the Expendable Trust Funds must be invested in accordance with the Trust Indenture (see Note 3). The Trust Indenture restricts investments to the following types of securities:

- (a) Obligations of the City of Philadelphia;
- (b) government obligations;
- (c) federal funds, unsecured certificates of deposits, time deposits or bankers' acceptances of any domestic bank having a combined capital and surplus of not less than \$50,000,000;
- (d) federally insured deposits of any bank or savings and loan association which has a combined capital, surplus and undivided profits of not less than \$3,000,000;
- (e) (i) direct obligations of, or (ii) obligations, the principal of and interest on which are unconditionally guaranteed by any state of the United States of America, the District of Columbia or the Commonwealth of Puerto Rico, or any political subdivision or agency thereof, other than the City, whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and Standard & Poor's (S&P);
- (f) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P;
- (g) repurchase agreements collateralized by direct obligations of, or obligations the payment of principal and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America; and direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association; participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association; guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing and Urban Development; and guaranteed Title XI financing of the U.S. Maritime Administration.
- (h) money market mutual fund shares issued by a fund having assets not less than \$100,000,000 (including any such fund from which the Trustee or any of its affiliates may receive compensation) which invests in securities of the types specified in clauses (b) or (f) above and is rated "AAAm" or "AAAm-G" by S&P;
- (i) guaranteed investment contracts (GICs) with a bank, insurance company or other financial institution that is rated in one of the three highest rating categories by Moody's and S&P and which GICs are either insured by a municipal bond insurance company or fully collateralized at all times with securities included in (b) above.

Investments in the Debt Service Reserve Fund may only be invested in the investments included in (b) through (i) above with a maturity of 5 years or less or GICs that can be withdrawn without penalty.

At June 30, 2002, the carrying amount of the Authority's deposits with financial institutions (including certificates of deposit and shares in U.S. Government money market funds) was \$38,116,186. The bank balance of \$38,154,667 was insured or collateralized as follows:

Insured	\$ 100,000
Uninsured and uncollateralized, but covered under the provisions of Act 72, as amended	<u>38,054,667</u>
Total deposits	<u>\$ 38,154,667</u>

The following is a schedule of investments of the Authority by type (other than certificates of deposit and shares in U.S. Government money market funds) showing the carrying value and categorization as to credit risk at June 30, 2002:

	Total	Fair Value		
		Credit Risk Category		
		(1)	(2)	(3)
Federal National Mortgage Loan Corporation discount note	\$ 13,514,580			\$ 13,514,580
Federal National Mortgage Association debenture	3,558,828			3,558,828
Repurchase agreements	<u>117,471,593</u>			<u>117,471,593</u>
Total investments	<u>\$ 134,545,001</u>			<u>\$ 134,545,001</u>

The three credit risk categories are defined as follows:

Category

- (1) Insured, registered or securities held by the entity or its agent (bank trust department) in the entity's name (name of the Authority).
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

During the year ended June 30, 2002, deposits and investments of the Authority were similar to those on hand at June 30, 2002 with respect to credit risk.

The Authority's deposits include bank certificates of deposit that have a remaining maturity at time of purchase of one year or less and shares in U.S. Government money market funds. U.S. Government Agency Investments with a remaining maturity of one year or less are classified as short-term investments.

3. SPECIAL TAX REVENUE BONDS

In the government-wide financial statements bonds are reported as liabilities in the statement of net assets. Through June 30, 2002, the Authority issued six series of Special Tax Revenue Bonds, as follows:

Series of	Amount Issued
1992	\$474,555,000
1993	643,430,000
1993A	178,675,000
1994	122,020,000
1996	343,030,000
1999	610,005,000

The following summary shows the changes in bonds payable for the year ended June 30, 2002:

Series of	Outstanding July 1, 2001	Retirements	Outstanding June 30, 2002
1993A	\$ 169,055,000	\$ 775,000	\$ 168,280,000
1996	150,870,000	45,800,000	105,070,000
1999	<u>581,925,000</u>	<u>14,600,000</u>	<u>567,325,000</u>
	<u>\$ 901,850,000</u>	<u>\$ 61,175,000</u>	840,675,000
Less current portion			<u>36,620,000</u>
Long-term portion			<u>\$ 804,055,000</u>

In conjunction with its 1992, 1993 and 1993A bond issues, the Authority entered into an Indenture of Trust dated as of June 1, 1992 which was subsequently amended and supplemented as of June 22, 1992, July 15, 1993 and August 15, 1993. An Amended and Restated Indenture of Trust dated as of December 15, 1994 was entered into in conjunction with the Authority's 1994 bond issue and replaced (amended and restated) the original indenture as amended and supplemented. The 1996 bonds were issued pursuant to the Amended and Restated Indenture of Trust dated as of December 15, 1994 (the "1994 Indenture") as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996. The 1999 bonds were issued pursuant to the Amended and Restated Indenture of Trust dated as of December 15, 1994 as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 and a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (together the "Trust Indenture") between the Authority and First Union National Bank as Trustee (the "Trustee"). The Trustee's responsibilities include ensuring that the proceeds of the PICA Tax (see Note 1) received by it are used to fund the debt service payments (bond principal and interest) required under the Trust Indenture.

Each series of bonds issued by the Authority are limited obligations of the Authority and the principal, redemption premium, if any, and interest thereon, are payable solely from a portion of the PICA Tax.

To issue additional bonds, the Trust Indenture requires that the Authority's collection of PICA Taxes in any twelve consecutive months during the fifteen-month period immediately proceeding the date of issuance of such additional bonds equals at least 175% of the maximum annual debt service requirement on the bonds outstanding after the issuance of the additional bonds. The PICA Taxes collected during the year ended June 30, 2002 (\$276,221,579) equaled approximately 349% of the maximum annual debt service (\$79,229,826) of the bonds outstanding at June 30, 2002 (the 1993A, 1996 and 1999 bonds).

Total annual debt service requirements (annual principal or sinking fund requirements and interest payments) on the outstanding bonds at June 30, 2002 are as follows:

Fiscal Year Ending	Total Debt Service Requirements
2003	\$ 79,229,826
2004	76,391,709
2005	85,979,061
2006	86,123,509
2007	86,121,324
2008	80,455,926
2009	71,836,686
2010	65,010,966
2011	61,349,791
2012	61,332,279
2013	61,320,981
2014	61,299,075
2015	61,286,038
2016	61,253,475
2017	61,231,425
2018	52,108,063
2019	43,388,863
2020	43,386,138
2021	34,001,413
2022	33,999,413
2023	20,489,100

Details as to the purpose of each of the respective series of bonds issued by the Authority to June 30, 2002 and as to bonds outstanding at that date follow.

A. Series of 1992

The proceeds from the sale of the Series of 1992 Bonds were to be used to (i) make grants to the City to fund the Fiscal Year 1991 General Fund cumulative deficit and the projected Fiscal Years 1992 and 1993 General Fund deficits, (ii) make grants to the City to pay the costs of certain emergency capital projects to be undertaken by the City and other capital projects to increase productivity in the operation of City government, (iii) make the required deposit to the Debt Service Reserve Fund, (iv) capitalize interest on a portion of the Series of 1992 Bonds through June 15, 1993, (v) repay amounts previously advanced to the Authority by the Commonwealth to pay initial operating expenses of the Authority, (vi) fund a portion of the Authority's first fiscal year operating budget, and (vii) pay the costs of issuing the Series of 1992 Bonds.

Series of 1992 Bonds in the aggregate principal amount of \$136,670,000, initially scheduled to mature June 15, 2006, 2012 and 2022 were advance refunded on September 14, 1993 (the “Refunded 1992 Bonds”) through an irrevocable trust created by using a portion of the proceeds of the Series of 1993A Bonds. Series of 1992 Bonds in the aggregate principal amount of \$304,160,000, initially scheduled to mature June 15, 1996, 1997, 1998, 1999, 2000 and 2002 were advance refunded on May 15, 1996 (also the “Refunded 1992 Bonds”) together with the Refunded 1994 Bonds (see Series of 1994 in this Note 3) through an irrevocable trust created by using the net proceeds of the Series of 1996 Bonds together with monies on deposit with the Trustee on account of the Refunded 1992 Bonds, monies on deposit with the Trustee on account of the Refunded 1994 Bonds and sums derived from certain forward purchase agreements entered into with respect to the irrevocable trust. The Refunded 1992 Bonds are no longer deemed to be outstanding under the Trust Indenture.

B. Series of 1993

The proceeds from the sale of the Series of 1993 Bonds were to be used to (i) make grants to the City to pay the costs of certain emergency capital projects (including capital improvements to the City’s Criminal Justice and Correctional Facilities) to be undertaken by the City and other capital projects to increase productivity in the operation of City government, (ii) make a grant to the City for refunding of certain of the City’s General Fund Obligation Bonds, (iii) make the required deposit to the Debt Service Fund, and (iv) to pay the costs of issuing the Series of 1993 Bonds.

Series of 1993 Bonds in the aggregate principal amount of \$610,730,000, initially scheduled to mature June 15, 1999 through 2009, 2015, 2016 and 2023 were advance refunded on April 1, 1999 (the “Refunded 1993 Bonds”) through an irrevocable trust created by using the net proceeds of the Series of 1999 Bonds together with monies on deposit with the Trustee on account of the refunded 1993 bonds. The Refunded 1993 Bonds are no longer deemed to be outstanding under the Trust Indenture (see Note 5).

C. Series of 1993A

The proceeds from the sale of the Series of 1993A Bonds were to be used to (i) provide for the advance refunding of a portion of the Authority’s Special Tax Revenue Bonds Series of 1992, in the aggregate principal amount of \$136,670,000, (ii) make the required deposit to the Debt Service Fund, and (iii) to pay the costs of issuing the Series of 1993A Bonds.

The details of Series of 1993A Bonds outstanding at June 30, 2002 are as follows:

Interest Rate	Maturing June 15	Amount
4.750	2003	\$ 5,095,000
4.850	2004	5,335,000
4.950	2005	5,595,000
5.050	2006	5,870,000
5.150	2007	6,165,000
5.250	2008	6,480,000
5.000	2013	12,000,000
5.000	2013	25,710,000
5.000	2022	<u>96,030,000</u>
Total		<u>\$ 168,280,000</u>

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1993A Bonds outstanding at June 30, 2002:

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
2003	\$ 5,095,000	\$ 8,418,845	\$ 13,513,845
2004	5,335,000	8,176,833	13,511,833
2005	5,595,000	7,918,085	13,513,085
2006	5,870,000	7,641,133	13,511,133
2007	6,165,000	7,344,698	13,509,698
2008	6,480,000	7,027,200	13,507,200
2009	6,825,000	6,687,000	13,512,000
2010	7,165,000	6,345,750	13,510,750
2011	7,525,000	5,987,500	13,512,500
2012	7,900,000	5,611,250	13,511,250
2013	8,295,000	5,216,250	13,511,250
2014	8,710,000	4,801,500	13,511,500
2015	9,145,000	4,366,000	13,511,000
2016	9,600,000	3,908,750	13,508,750
2017	10,080,000	3,428,750	13,508,750
2018	10,585,000	2,924,750	13,509,750
2019	11,120,000	2,395,500	13,515,500
2020	11,670,000	1,839,500	13,509,500
2021	12,255,000	1,256,000	13,511,000
2022	12,865,000	643,250	13,508,250

D. Series of 1994

The proceeds from the sale of the Series of 1994 Bonds were to be used to (i) make grants to the City to pay the costs of certain emergency capital projects to be undertaken by the City and other capital projects to increase productivity in the operation of City Government, (ii) make the required deposit to the Debt Service Reserve Fund, and (iii) pay the costs of issuing the Series of 1994 Bonds.

Series of 1994 Bonds in the aggregate principal amount of \$120,180,000 initially scheduled to mature on and after June 15, 1996 were advance refunded on May 15, 1996 (the "Refunded 1994 Bonds") together with the Refunded 1992 Bonds (see Series of 1992 earlier in this Note 3) through an irrevocable trust created by using the net proceeds of the Series of 1996 Bonds together with monies on deposit with the Trustee on account of the Refunded 1994 Bonds, monies on deposit with the Trustee on account of the Refunded 1992 Bonds and sums derived from certain forward purchase agreements entered into with respect to the irrevocable trust. The Refunded 1994 Bonds are no longer deemed to be outstanding under the Trust Indenture (see Note 4).

E. Series of 1996

The proceeds from the sale of the Series of 1996 Bonds were to be used, together with monies available in certain of the separate accounts established under the 1994 Indenture on account of the 1992 Bonds and the 1994 Bonds to (i) provide for the advance refunding of the Authority's Special Tax Revenue Bonds Series of 1992 outstanding as of May 15, 1996 in the aggregate principal amount of \$304,160,000 and the Authority's Special Tax Revenue Bonds Series of 1994 outstanding as of May 15, 1996 in the aggregate principal amount of \$120,180,000, (ii) pay the

premium for a Debt Service Reserve Fund Insurance Policy in the amount of \$35,004,944 to satisfy the Debt Service Reserve Fund Requirements in respect of the Series of 1996 Bonds which amount is equal to ten percent (10%) of the proceeds of the Series of 1996 Bonds, and (iii) pay the costs of issuing the Series of 1996 Bonds.

The details of Series of 1996 Bonds outstanding at June 30, 2002 are as follows:

Interest Rate	Maturing June 15	Amount
4.850	2003	\$ 3,430,000
6.000	2004	3,590,000
6.000	2005	3,890,000
6.000	2006	4,200,000
5.200	2007	4,450,000
5.300	2008	4,680,000
5.400	2009	4,930,000
5.500	2010	5,200,000
5.500	2011	5,480,000
5.600	2012	5,785,000
5.625	2013	6,105,000
5.500	2016	20,440,000
5.500	2020	32,890,000
Total		<u>\$ 105,070,000</u>

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1996 Bonds outstanding at June 30, 2002.

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
2003	\$ 3,430,000	\$ 5,800,731	\$ 9,230,731
2004	3,590,000	5,634,376	9,224,376
2005	3,890,000	5,418,976	9,308,976
2006	4,200,000	5,185,576	9,385,576
2007	4,450,000	4,933,576	9,383,576
2008	4,680,000	4,702,176	9,382,176
2009	4,930,000	4,454,136	9,384,136
2010	5,200,000	4,187,916	9,387,916
2011	5,480,000	3,901,916	9,381,916
2012	5,785,000	3,600,516	9,385,516
2013	6,105,000	3,276,556	9,381,556
2014	6,450,000	2,933,150	9,383,150
2015	6,810,000	2,578,400	9,388,400
2016	7,180,000	2,203,850	9,383,850
2017	7,575,000	1,808,950	9,383,950
2018	7,990,000	1,392,325	9,382,325
2019	8,430,000	952,875	9,382,875
2020	8,895,000	489,225	9,384,225

F. Series of 1999

The net proceeds from the sale of the Series of 1999 Bonds were to be used, together with other monies available in the Debt Service Fund of the 1993 Bonds, to (i) provide for the advance refunding of all of the Authority's Special Tax Revenue Bonds Series of 1993 outstanding as of April 1, 1999 and maturing June 15 of the years 1999 through 2009, 2015, 2016 and 2023, in the aggregate principal amount of \$610,730,000 (the "Refunded 1993 Bonds"), (ii) pay the premium for a Debt Service Reserve Fund Insurance Policy to help satisfy the Debt Service Reserve Requirements in respect of the 1993A, 1996 and 1999 bonds outstanding under the Indenture, equally and ratably, as per the amended provisions of the Trust Indenture with respect to "Debt Service Reserve Requirements," and (iii) pay the costs of issuing the Series of 1999 Bonds.

The details of Series of 1999 Bonds outstanding at June 30, 2002 are as follows:

Interest Rate	Maturing June 15	Amount
5.00	2003	\$ 28,095,000
5.00	2004	26,670,000
4.00	2005	37,505,000
5.00	2006	39,075,000
5.00	2007	41,030,000
5.00	2008	37,420,000
5.00	2009	30,665,000
5.25	2010	25,370,000
5.25	2011	23,045,000
5.25	2012	24,235,000
5.25	2013	25,500,000
5.25	2014	26,815,000
5.25	2015	28,205,000
5.25	2016	29,660,000
5.25	2017	31,195,000
5.00	2018	23,710,000
4.75	2019	16,170,000
5.00	2021	34,725,000
4.75	2023	38,235,000
Total		<u>\$ 567,325,000</u>

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 1999 Bonds outstanding at June 30, 2002.

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
2003	\$ 28,095,000	\$ 28,390,250	\$ 56,485,250
2004	26,670,000	26,985,500	53,655,500
2005	37,505,000	25,652,000	63,157,000
2006	39,075,000	24,151,800	63,226,800
2007	41,030,000	22,198,050	63,228,050
2008	37,420,000	20,146,550	57,566,550
2009	30,665,000	18,275,550	48,940,550
2010	25,370,000	16,742,300	42,112,300
2011	23,045,000	15,410,375	38,455,375
2012	24,235,000	14,200,513	38,435,513
2013	25,500,000	12,928,175	38,428,175
2014	26,815,000	11,589,425	38,404,425
2015	28,205,000	10,181,638	38,386,638
2016	29,660,000	8,700,875	38,360,875
2017	31,195,000	7,143,725	38,338,725
2018	23,710,000	5,505,988	29,215,988
2019	16,170,000	4,320,488	20,490,488
2020	16,940,000	3,552,413	20,492,413
2021	17,785,000	2,705,413	20,490,413
2022	18,675,000	1,816,163	20,491,163
2023	19,560,000	929,100	20,489,100

G. Series of 1993A, 1996, and 1999 Swaptions

During the fiscal year ended June 30, 2002, the Authority entered into three swaption agreements with JPMorganChase as the counterparty. These swaption agreements were entered into in order to affect a synthetic advance refunding of the Authority's 1993A, 1996, and 1999 bond issuances at some point in the future. The Authority received a total of \$26,235,000, recorded as deferred revenue, for the option to enter into interest rate swap agreements, the first may begin during the fiscal year 2003. At the time any of the interest rate swap agreements are to take effect, the notional amounts will represent the outstanding debt balance at that time. The Authority will pay an annual fixed interest rate, which represents the rate on its variable rate bonds for that time period, approximately 5.0%. In turn the Authority will receive a floating rate which will be a predetermined percentage of LIBOR. Both the Authority and the counterparty have the ability to end the interest rate swap agreements, with monetary consequences, before the interest rate swaps are set to begin.

4. REFUNDED 1994 BONDS - 1996 REFUNDED BONDS ESCROW FUND

Proceeds of the Series of 1996 Bonds, together with certain funds held by the Trustee on account the Series of 1994 Bonds and the proceeds of certain forward supply agreements entered into utilizing portions of the proceeding funds (the 1994 and 1996 proceeds supply agreements) were deposited into an irrevocable trust fund (the "1996 Refunded Bonds Escrow Fund") under and pursuant to the terms of an escrow deposit agreement, dated as of May 15, 1996 (the "Escrow Deposit Agreement") between the Authority and its "Escrow Agent." First Union National Bank became the Escrow Agent during the fiscal year ended June 30, 1997. The 1996 Refunded Bonds Escrow Fund is required to be invested in Government Obligations (as defined in the Trust Indenture). Moneys in the 1996 Refunded Bonds Escrow Fund shall be used to pay when due the principal of and interest on the 1994

Refunded Bonds as the same shall become due and payable from the date of the Escrow Deposit Agreement to and including June 15, 2005 (the “1994 Bonds Redemption Date”) and to pay on the 1994 Bonds Redemption Date the Redemption Price (100% of principal amount) of the outstanding 1994 Refunded Bonds maturing after that date plus accrued interest on that date.

The following sets forth the 1994 Refunded Bonds (\$104,185,000 aggregate amount) which remain advance refunded through establishment of the 1996 Refunded Bonds Escrow Fund:

Maturing June 15	Par Amount
2003	\$ 2,850,000
2004	3,025,000
2005 and thereafter	98,310,000 *

* Includes redemption of all Bonds maturing 2005 through 2021.

At June 30, 2002, the 1996 Refunded Bonds Escrow Fund held cash and United States Treasury Securities (at market) in the amount of \$123,970,379 for payment of its obligations after that date. The maturing principal and interest on the securities held in escrow have been verified as being sufficient to provide for the payment of the principal of, interest on and redemption price of the Refunded Bonds on their scheduled maturity and redemption dates.

5. REFUNDED 1993 BONDS—1993 BONDS ESCROW FUND

A portion of the proceeds of the Series of 1999 Bonds (\$616,677,050), together with moneys on deposit with the Trustee on account of the Refunded 1993 Bonds (\$19,817,995), were deposited into an irrevocable trust fund (the “1993 Bonds Escrow Fund”) established and held by First Union National Bank, an escrow agent (the “Escrow Agent”), under and pursuant to the terms of an escrow deposit agreement dated as of April 1, 1999 (the “Escrow Deposit Agreement”). The 1993 Bonds Escrow Fund is required to be invested in Government Obligations, as defined in the Trust Indenture. Moneys in the 1993 Bonds Escrow Fund shall be used to pay interest on and principal of the Refunded 1993 Bonds, as and when due to and including June 15, 2003 and to redeem and pay on June 15, 2003, at a redemption price of 100%, the principal of the Refunded 1993 Bonds then outstanding plus accrued interest to the redemption date.

The following sets forth the refunded 1993 Bonds (\$565,645,000 aggregate amount) which remain advance refunded through the 1993 Bonds Escrow Fund:

Maturing June 15	Par Amount
2003 and thereafter	565,645,000*

* Includes redemption of all bonds maturing 2003 through 2023.

At June 30, 2002, the 1993 Bonds Escrow Fund held cash and United States Treasury securities (at market) in the amount of \$574,787,510 for the previously stated purpose. The maturing principal and interest on the securities held in escrow have been verified as being sufficient to provide for the payment of the interest and redemption prices of the Refunded 1993 Bonds on their scheduled redemption dates.

6. DEFINED BENEFIT PENSION PLAN

Plan Description—The Authority covers all full-time employees in the State Employees’ Retirement System (the “System”) which was established as of June 27, 1923, under the provisions of Public Law 858, No. 331. The System is the administrator of a cost-sharing, multiple-employer defined

benefit retirement system established by the Commonwealth to provide pension benefits for employees of state government and certain independent agencies.

The System is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. The System also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Commonwealth of Pennsylvania, State Employees' Retirement Board, 30 North Third Street, P.O. Box 1147, Harrisburg, Pennsylvania 17108.

The System provides retirement, death and disability benefits. Retirement benefits vest after five years of credited service. Employees who retire with three years of service at age 60, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. Members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50, with at least three years of service. The general annual benefit is 2% of the member's highest three-year annual average salary times years of service times class of service multiplier. The Authority's total and annual covered payroll for the year ended June 30, 2002 was \$535,430.

Contributions Required—Covered employees are required to contribute to the System at a rate of 6.25% of their gross pay. The contributions are recorded in an individually identified account which is also credited with interest, calculated quarterly to yield 4% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

Participating agency contributions are also mandated by statute and are based upon an actuarially determined percentage of gross pay that is necessary to provide the System with assets sufficient to meet the benefits to be paid to System participants.

The Authority's contributions to the System for the years ended June 30, 2002, 2001 and 2000 were \$0, \$3,587, and \$23,745, respectively, and equal the required contribution for each year.

According to the retirement code, all obligations of the System will be assumed by the Commonwealth should the System terminate.

7. LEASE OBLIGATIONS

The Authority is obligated under various operating leases, including a lease for office space through December 31, 2007. The following is a schedule of all minimum lease payments:

Fiscal Year Ending June 30	Amount
2003	\$ 80,109
2004	76,725
2005	76,725
2006	75,443
2007	75,443
2008	<u>37,722</u>
	<u>\$422,167</u>

Rental expense for the year ended June 30, 2002 was \$77,345.

* * * * *

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

GENERAL FUND

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2002

	Budget	Actual	Over (Under) Budget
Revenues - interest earnings	\$ 62,671	\$ 278,980	\$ 216,309
Expenditures:			
Personnel—salaries and benefits	1,051,880	623,140	(428,740)
Professional services:			
Legal	35,000	21,195	(13,805)
Audit	45,000	45,500	500
Consulting/research	35,000	48,866	13,866
Interagency services	2,500		(2,500)
Trustee	76,500	126,500	50,000
Miscellaneous	45,000		(45,000)
Other:			
Rent	76,000	77,345	1,345
Computer software and minor hardware	14,000	12,982	(1,018)
Office supplies	6,500	1,504	(4,996)
Telephone	13,000	14,097	1,097
Subscriptions and reference services	6,000	8,499	2,499
Postage and express	7,500	6,055	(1,445)
Dues and professional education	10,000	436	(9,564)
Travel	8,000	3,112	(4,888)
General and administrative	15,000	13,095	(1,905)
Miscellaneous	2,500		(2,500)
Administration—operations	1,449,380	1,002,326	(447,054)
Capital outlay—furniture, fixtures and equipment	35,000	44,001	9,001
Additional oversight duties	500,000		(500,000)
Total—administration	1,984,380	1,046,327	(938,053)
Excess of expenditures over revenues	(1,921,709)	(767,347)	1,154,362
Other financing sources—transfers in— PICA draw for operations	1,850,000	1,850,000	
Excess of revenues and other financing sources over expenditures	(71,709)	1,082,653	1,154,362
FUND BALANCE, JULY 1, 2001	330,737	1,311,341	980,604
FUND BALANCE, JUNE 30, 2002	\$ 259,028	\$ 2,393,994	\$ 2,134,966

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

GENERAL FUND

SUPPLEMENTAL SCHEDULE OF CASH ACTIVITY YEAR ENDED JUNE 30, 2002

Cash receipts:	
Revenues collected—interest	\$ 261,117
Proceeds from swaption activity	26,235,000
Other financing sources—operating transfers in from interest earnings on Debt Service Funds	<u>1,850,000</u>
Total cash receipts	28,346,117
Cash disbursements—expenditures paid—administration	<u>1,165,185</u>
Excess of cash receipts over cash disbursements	27,180,932
CASH AND SHORT-TERM INVESTMENTS, JULY 1, 2001	<u>1,750,901</u>
CASH AND SHORT-TERM INVESTMENTS, JUNE 30, 2002	<u>\$ 28,931,833</u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SPECIAL REVENUE FUND

SUPPLEMENTAL SCHEDULE OF CASH ACTIVITY YEAR ENDED JUNE 30, 2002

Cash receipts:	
Revenues collected:	
PICA Taxes	\$ 276,221,579
Interest	158,181
Other financing sources—operating transfers in from interest earnings on Debt Service Funds	<u>5,129,635</u>
Total cash receipts	<u>281,509,395</u>
Cash disbursements:	
Expenditures paid—grants to the City of Philadelphia	176,549,973
Other financing uses—operating transfers out for debt service requirements	<u>104,959,422</u>
Total cash disbursements	<u>281,509,395</u>
Excess of cash receipts over cash disbursements	-
CASH AND SHORT-TERM INVESTMENTS, JULY 1, 2001	<u> </u>
CASH AND SHORT-TERM INVESTMENTS, JUNE 30, 2002	<u><u>\$ -</u></u>

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APPENDIX B

CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA

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APPENDIX B

DESCRIPTIVE, FINANCIAL, DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF PHILADELPHIA

TABLE OF CONTENTS

	<u>PAGE</u>		<u>PAGE</u>
THE GOVERNMENT OF THE CITY OF		Employee Benefits.....	32
PHILADELPHIA	1	Municipal Pension Fund (Related to All Funds).....	32
General	1	Purchase of Services	35
Elected and Appointed Officials.....	1	City Payments to School District.....	35
Government Services.....	5	City Loan to PGW	35
Local Government Agencies	5	City Payments to SEPTA.....	35
School District	6	DEBT OF THE CITY	36
PENNSYLVANIA INTERGOVERNMENTAL		Short-Term Debt.....	36
COOPERATION AUTHORITY	6	Long-Term Debt	36
General	6	Other Long-Term Debt Related Obligations	36
Source of Payment of PICA Bonds	8	CITY CAPITAL IMPROVEMENT PROGRAM.....	43
Five-Year Plans of the City	9	LITIGATION.....	44
CITY FINANCIAL PROCEDURES.....	9	Introduction	A-1
Independent Audit and Opinion of the City		Quality of Life	A-1
Controller.....	9	Demographics	A-2
Fund Structure	10	The Economy.....	A-3
Principal Operating Funds	10	Employment.....	A-4
Basis of Accounting.....	10	Income	A-9
Budget Procedure	11	Effective Buying Income and Household	
Awards.....	11	Income	A-12
CITY CASH MANAGEMENT AND		Transportation.....	A-12
INVESTMENT POLICIES	12	Water and Wastewater Systems.....	A-13
Consolidated Cash	12	Municipal Solid Waste Disposal.....	A-13
Investment Practices	12	Housing.....	A-14
General Fund Cash Flow	13	Economic Development.....	A-17
DISCUSSION OF FINANCIAL OPERATIONS.....	13	Philadelphia International Airport	A-17
Fiscal Year 2002 Results	13	Hospitality and Tourism	A-17
Fiscal Year 2003 Budget	14	Pennsylvania Convention Center.....	A-17
Fiscal Year 2003 First Three Quarters.....	14	Center City Hotel Development.....	A-18
Fiscal Year 2004 Budget	14	Avenue of the Arts.....	A-18
Quarterly Reporting to PICA.....	17	Penn's Landing Waterfront.....	A-19
REVENUES OF THE CITY	17	New Stadium and Ballpark	A-19
General	17	New Center City Skyscrapers	A-19
Major Revenue Sources of Principal Operating		TJ Maxx Distribution Center	A-19
Funds (Debt Related)	17	Special Economic Development Zones	A-19
Revenues from City-Owned Systems	20	Philadelphia Industrial Development	
Philadelphia Parking Authority	21	Corporation	A-20
Assessment and Collection of Real and		Urban Industry Initiative.....	A-20
Personal Property Taxes	22	The Office of Defense Conversion Activities.....	A-21
EXPENDITURES OF THE CITY.....	29	Hospitals and Medical Centers	A-22
Personal Services (Personnel).....	29	Additional Projects Under Construction	A-24
Labor Agreements	30		

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THE GOVERNMENT OF THE CITY OF PHILADELPHIA

General

The City was incorporated in 1789 by an Act of the Commonwealth of Pennsylvania General Assembly (predecessors of the City under charters granted by William Penn in his capacity as proprietor of the colony of Pennsylvania may date to as early as 1684). In 1854 the General Assembly, by an act commonly referred to as the Consolidation Act, made the City's boundaries coterminous with the boundaries of Philadelphia County (the same boundaries that exist today) (the "County"), abolished all governments within these boundaries other than the City and the County and consolidated the legislative functions of the City and the County. Article 9, Section 13 of the Pennsylvania Constitution abolished all county offices in the City and provides that the City performs all functions of county government and that laws applicable to counties apply to the City.

Since 1952, the City has been governed under a Home Rule Charter authorized by the General Assembly (First Class City Home Rule Act, Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City. The Home Rule Charter, as amended and supplemented to this date, provides, among other things, for the election, organization, powers and duties of the legislative branch (the "City Council"); the election, organization, powers and duties of the executive and administrative branch; and the basic rules governing the City's fiscal and budgetary matters, contracts, procurement, property and records. The Home Rule Charter, as amended, now also provides for the governance of the School District of Philadelphia (the "School District") as a home rule school district. Certain other constitutional provisions and Commonwealth statutes continue to govern various aspects of the City's affairs, notwithstanding the broad grant of powers of local self-government in relation to municipal functions set forth in the First Class City Home Rule Act.

Under the Home Rule Charter, as now in effect, there are today two principal governmental entities in Philadelphia: (1) the City, which performs ordinary municipal functions as well as traditional county functions; and (2) the School District, which has boundaries coterminous with the City and has responsibility for all public primary and secondary education.

The court system in Philadelphia, consisting of Common Pleas, Municipal and Traffic Courts, is part of the Commonwealth of Pennsylvania judicial system. Although judges are paid by the Commonwealth, most other court costs are paid by the City, with partial reimbursement from the Commonwealth.

Elected and Appointed Officials

The Mayor is elected for a term of four years and is eligible to succeed himself for one term. Each of the seventeen members of the City Council is also elected for a four-year term which runs concurrently with that of the Mayor. There is no limitation on the number of terms that may be served by members of the City Council. Of the members of the City Council, ten are elected from districts and seven are elected at-large, with a minimum of two of the seven representing a party or parties other than the majority party. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

The City Controller's responsibilities derive from the Home Rule Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow GAGAS, Generally Accepted Government Auditing Standards established by the federal General Accounting Office, and GAAS, Generally Accepted Auditing Standards promulgated by the

American Institute of Certified Public Accountants. As of June 30, 2002, the Office of the City Controller had 125 employees, including 73 auditors, 41 of whom are certified public accountants.

The City Controller post-audits and reports on the City's combined financial statements, federal assistance received by the City, the performance of City departments and the finances of the School District. The City Controller also conducts a pre-audit program of expenditure documents required to be submitted for approval, such as invoices, payment vouchers, purchase orders and contracts. Documents are selected for audit on a category and statistical basis. The Pre-Audit Division verifies that expenditures are authorized and accurate in accordance with the Charter and other pertinent legal and contractual requirements before any moneys are paid by the City Treasurer. The Pre-Audit Technical Unit, consisting of auditing and engineering staff, inspects and audits capital project design, construction and related expenditures. Other responsibilities of the City Controller include investigation of allegations of fraud, preparation of economic reports, certification of the City's debt capacity and the capital nature and useful life of the capital projects, and opining to the Pennsylvania Intergovernmental Cooperation Authority on the reasonableness of the assumptions and estimates in the City's five-year financial plans.

The principal officers of the City's government appointed by the Mayor are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), who is the chief financial and budget officer and is selected from three names submitted to the Mayor by a Finance Panel, the City Solicitor (the "City Solicitor"), who is head of the Law Department, and the City Representative and Director of Commerce (the "City Representative and Director of Commerce"). These officials, together with the Mayor and the other members of the Mayor's cabinet, constitute the major policy-making group in the City's government.

The Managing Director is responsible for supervising the operating departments and agencies of the City that render the City's various municipal services. The City Solicitor acts as legal advisor to the Mayor, the City Council, and all of the agencies of the City government. The City Solicitor is also responsible for all of the City's contracts and bonds, for assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council, and for the conduct of litigation involving the City. The City Representative and Director of Commerce is charged with the responsibility of giving wide publicity to any items reflecting the activities and accomplishments of the City, its inhabitants, and commerce and industry, and is charged with the responsibility of promoting and developing commerce and industry.

The Director of Finance is responsible for the financial functions of the City including development of the annual operating budget, the capital budget, and capital program; the City's program for temporary and long-term borrowing; supervision of the operating budget's execution; the collection of revenues through the Department of Revenue; purchasing and some aspects of property management through the Procurement Department; oversight of pension administration as Chairperson of the Board of Pensions and Retirement; and the appointment and supervision of the City Treasurer.

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

John F. Street, Mayor, was sworn in as Philadelphia's 97th mayor on January 3, 2000. Elected to Philadelphia City Council in 1979, Mayor Street took his City Council seat in 1980. For nearly 20 years he represented the City's Fifth Councilmanic District, distinguishing himself as a fighter for working people and neighborhoods. He was unanimously elected City Council President in 1992 and again in 1996. Mayor Street received his B.A. from Oakwood College in Huntsville, Alabama, and a J.D. from Temple University Law School.

Joyce S. Wilkerson, Chief of Staff, began practicing law as a legal service attorney first in California and later in Philadelphia. Ms. Wilkerson worked as Housing Counsel at the Philadelphia Redevelopment Authority where she represented the Redevelopment Authority in its capacity as issuer of housing bonds. More recently, Ms. Wilkerson served as Chief Staff Attorney to the City Council of Philadelphia. Ms. Wilkerson has a B.A. degree from the University of Pennsylvania and a J.D. degree from Boalt Hall School of Law at the University of California, Berkeley.

Janice D. Davis, Secretary of Financial Oversight and Director of Finance, served as Chief Financial Officer for the Dallas Independent School District for one and a half years prior to assuming her current position in May 2000. Prior to that, she served as the Director of Finance and Budget for the Dallas/Fort Worth International Airport. From 1992-1995, Ms. Davis served the City of Houston, first as the Director of General Accounting in the Controller's Office and, later as Deputy Director of Financial Services. She received a B. S. in Accounting from the University of New Orleans. She is a Certified Public Accountant and Government Financial Manager.

Nelson A. Diaz, is the City Solicitor, and was most recently a partner in the law firm of Blank, Rome, Comisky & McCauley LLP. He was previously appointed by President Clinton as the General Counsel for the United States Department of Housing and Urban Development, where he managed over 500 lawyers. Before that, he was a Judge in the Trial Division, Court of Common Pleas, First Judicial District of Pennsylvania, elected in 1981. On the Common Pleas Court, he was Administrative Judge of the Trial Division. He is the first person of Puerto Rican ancestry to be admitted to the Bar in Pennsylvania and the first Hispanic Judge in the Court of Common Pleas in Philadelphia. Judge Diaz was also Special Assistant to Vice President Walter F. Mondale, and prior to that a Public Defender. Judge Diaz was born and raised in Harlem, New York. He received a B.S. in accounting from St. Johns University in 1969, and a J.D. from Temple University School of Law in 1972. His professional memberships include the Philadelphia, Pennsylvania and American Bar Associations, the Bar of the Supreme Court of the United States, the National Hispanic Bar Association and others.

Philip R. Goldsmith, Managing Director, was appointed February 2003. Mr. Goldsmith served as the Acting Executive Director of Fairmount Park from September 2002 to January 2003. From November 2000 to December 2002, he served as Interim Chief Executive Officer for the School District of Philadelphia. Prior to his appointment as Interim CEO, Mr. Goldsmith served from 1997 to 2000 as the managing principal of Right Management Consultants where he was responsible for overseeing the company's Mid-Atlantic operations. From 1994 to 1997, Mr. Goldsmith was chief operating officer for Diversified Search Companies, an executive recruiting firm. Mr. Goldsmith gained extensive banking experience working for PNC Bank Corporation from 1982 through 1994, rising to the level of President of the credit card subsidiary and the head of consumer banking. He served from 1979 through 1982 as Deputy Mayor for Policy and Planning for the City, and previous to that was a journalist for *The Philadelphia Inquirer*. He served as Executive Director of the Philadelphia Bar Association from 1973 to 1976 and served as Chairman of the Greater Philadelphia First/Philadelphia School District Oversight Committee on Management and Productivity and currently serves on the Board of Philadelphia Futures. He graduated with a Juris Doctor from George Washington University Law School in 1969 and a Bachelor of Arts in accounting from Pennsylvania State University in 1966.

George R. Burrell, Jr., Secretary of External Affairs, was appointed in January 2000. While serving as a member of City Council, Mr. Burrell served as Chair of the Committees on Labor and Civil Service and Licenses and Inspections. In 1974, he began his law practice as a corporate attorney with Ragan Henry, Esquire. He later joined the law firm of Wolf, Block, Schorr and Solis-Cohen in 1977. In both firms, Mr. Burrell served as Chairman of their Governmental Relations Department. In 1985, before his election as an at-large member of the Philadelphia City Council, he founded Burrell, Waxman,

Donaghy, and Lee. Mr. Burrell graduated from the University of Pennsylvania Wharton School in 1969. He received a J.D. from the University of Pennsylvania Law School in 1974.

James Cuorato, Director of Commerce and City Representative, was appointed in July 2000. Prior to serving in his current position Mr. Cuorato served as Vice President of the Penn's Landing Corporation from 1994 – 2000. Mr. Cuorato also served the City of Philadelphia's Department of Commerce in the capacity of First Deputy Director from 1986 – 1994. Mr. Cuorato also spent 6 years with the Philadelphia Industrial Development Corporation. Mr. Cuorato holds a Master's Degree in Business Administration from Drexel University and a Bachelor's Degree from Saint Joseph's University.

Debra A. Kahn, Secretary of Education, has served as the Executive Director of Philadelphia Futures, Assistant to the President of Temple University, Vice President of Corporate Communications and Public Affairs at PNC Bank, and the Director of Policy and Planning for Mayor William J. Green. She has provided volunteer services for several civic and community organizations, including service as a founding board member for the Greater Philadelphia Food Bank. From 1991 to 1997, Ms. Kahn served as a member of the Philadelphia Board of Education. She received a B.A. in government from Franklin and Marshall College. She holds a masters degree in political science from the Eagleton Institute of Politics at Rutgers University.

Sylvester M. Johnson, Police Commissioner/Secretary of Public Safety. Mr. Johnson is a thirty-six year veteran of the Philadelphia Police Department. Prior to his current appointment, Mr. Johnson was, since April 1998, Deputy Commissioner of Operations under former Police Commissioner John F. Timoney. Mr. Johnson attended Philadelphia Community College, Temple University, the Senior Management Institute for Police at Harvard University, Pennwalt Corporation's Targeted Management Training, the United States Secret Service Dignitary Protection Training, the Federal Bureau of Investigation's ("FBI") National Academy Class 172 and the FBI National Executive Institute.

Maxine Griffith, Secretary of Strategic Planning and Initiatives/Executive Director of the City Planning Commission, was appointed in May 2001. Prior to serving in her current position, Ms. Griffith was the Senior Fellow for Community Planning and Development at the Regional Planning Association in New York. She also served in the Clinton administration in the Department of Housing and Urban Development ("HUD"), first as Secretary's Regional Representative for New York and New Jersey and then as the HUD's Assistant Deputy Secretary. From 1988-1996, Ms. Griffith was a principal of Griffith Planning and Design and from 1990-1996 served as a member of the New York City Planning Commission. She received a bachelor's degree from Hunter College and a master's of architecture degree from the University of California at Berkeley.

Dianah L. Neff, Chief Information Officer, was appointed in May 2001. Prior to that Ms. Neff served as deputy City Manager and Chief Information Officer for the City of San Diego, California. Before that she served as Chief Information Officer of the City of Bellevue, Washington. Ms. Neff has also Served as Director of Information Systems for the County of San Bernadino, California and Director of Information Resources for the City of Palo Alto, California, where she oversaw efforts to make Palo Alto the first city in the nation on the World Wide Web. Prior to her work in government, Ms. Neff had fourteen years experience in the private sector working for high-tech software and hardware firms in the Silicon Valley. Ms. Neff holds a bachelor's degree in marketing and economics from San Jose State University.

Corey Kemp, City Treasurer, was appointed in April 2002. Mr. Kemp served as the Deputy City Treasurer for the City of Philadelphia from June 2000 to April 2002. Prior to coming to the City of Philadelphia, Mr. Kemp served as the Finance Director and Treasurer for West Goshen Township, Pennsylvania for two and a half years. Mr. Kemp worked for the City of Reading, Pennsylvania from

1991 to 1997 where he served in various capacities, including Accounting Manager, Treasury Manager, and Acting Finance Director. Mr. Kemp holds a Bachelor of Business in Accounting from Alvernia College and a Masters in Business Administration from West Chester University.

Jonathan A. Saidel, City Controller, is serving his fourth term as Philadelphia's elected City Controller, an office independent of the Mayor. He is an attorney and certified public accountant, and received a Juris Doctor degree from the Delaware Law School of Widener University and a Bachelor of Business in Accounting degree from Temple University. In recent years, Mr. Saidel has been an adjunct professor in graduate programs at Drexel University, Saint Joseph's University and the University of Pennsylvania. Philadelphia: A New Urban Direction, a book offering analysis and recommendations for improving Philadelphia's competitive position, researched and written by Mr. Saidel and the staff of the Office of the City Controller, was published by Saint Joseph's University Press in 1999.

Government Services

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

Local Government Agencies

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

The Southeastern Pennsylvania Transportation Authority ("SEPTA"), which is supported by transit revenues and Federal, Commonwealth, and local funds, is responsible for developing and operating a comprehensive and coordinated public transportation system in the southeastern Pennsylvania region.

The Philadelphia Parking Authority is responsible for the construction and operation of parking facilities in the City and at the Philadelphia International Airport and, by contract with the City, for enforcement of on-street parking regulations.

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

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

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

The Philadelphia Industrial Development Corporation (“PIDC”) and its affiliate, the Philadelphia Authority for Industrial Development (“PAID”), coordinate the City’s efforts to maintain an attractive business environment and to attract new businesses to the City and retain existing ones.

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

School District

The School District was established by the Educational Supplement to the City’s Home Rule Charter to provide free public education to the City’s residents. Under the Home Rule Charter, its board is appointed by the Mayor and must submit a lump sum statement of expenditures to the City annually. Such statement is used by City Council in making its determination to authorize the levy of taxes on behalf of the School District. Certain financial information regarding the School District is included in the City’s Annual Financial Report. It has no independent taxing powers and may levy only the taxes authorized on its behalf by the City and the Commonwealth. Under the Home Rule Charter, the School District is managed by a nine-member Board of Education appointed by the Mayor from a list supplied by an Educational Nominating Panel that is chosen by the Mayor. In some matters, including the incurrence of short-term and long-term debt, both the City and the School District are governed primarily by the laws of the Commonwealth. The School District is a separate political subdivision of the Commonwealth and the City has no property interest in or claim on any revenues or property of the School District.

The School District was declared distressed by the Secretary of Education of the Commonwealth pursuant to Section 691(c) of the Public School Code of 1949, as amended (the “School Code”), on December 22, 2001. During a period of distress under Section 691(c) of the School Code, all of the powers and duties of the Board of Education granted under the School Code or any other law will be suspended and all of such powers and duties are vested in the School Reform Commission (the “School Reform Commission”) provided for under the School Code. The School Reform Commission is responsible for the operation, management and educational program of the School District during such period. It is also responsible for financial matters related to the School District. The School Code provides that the members of the Board of Education continue to serve during the time the School District is governed by the School Reform Commission, and that the establishment of the School Reform Commission shall not interfere with the regular selection of the members of the Board of Education. During the tenure of the School Reform Commission, the Board of Education will perform those duties delegated to it by the School Reform Commission.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

General

The Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was created on June 5, 1991 by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the “PICA Act”). PICA was established to provide financial assistance to cities of the first class. The City is the only city of the first class in the Commonwealth. The PICA Act provides that, upon request by the

City to PICA for financial assistance and for so long as any bonds issued by PICA remain outstanding, PICA shall have certain financial and oversight functions. Under the PICA Act, PICA no longer has the authority to issue bonds for new money purposes but may refund bonds previously issued by it. PICA has the power, in its oversight capacity, to exercise certain advisory and review procedures with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify non-compliance by the City with the then-existing five-year plan adopted by the City pursuant to the PICA Act. Under the PICA Act, such certification would require the Secretary of the Budget of the Commonwealth to withhold payments due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payment of the portion of the PICA Tax, hereinafter described, otherwise payable to the City). See "Source of Payment of PICA Bonds" below.

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

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

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

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

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

On April 15, 1999, PICA issued \$610,005,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999, the proceeds of which were used to advance refund \$610,730,000 principal amount of the 1993 PICA Bonds.

As of the close of business on June 30, 2002, the principal amount of PICA bonds outstanding was \$840,700,000.

Source of Payment of PICA Bonds

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

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

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

The PICA Act establishes a “Bond Payment Account” for PICA as a trust fund for the benefit of PICA bondholders and authorizes the creation of a debt service reserve fund for bonds issued by PICA. Since PICA has issued bonds secured by the PICA Tax, the PICA Act requires that the State Treasurer pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account, the debt service reserve fund created for bonds issued by PICA and the City Account.

The total amount of PICA Tax remitted to PICA by the State Treasurer for each of the Fiscal Years 1992 through 2002 is set forth below:

<u>Year</u>	<u>Amount</u>
1992	\$169.0 million
1993	185.1 million
1994	205.5 million
1995	209.6 million
1996	218.8 million
1997	218.2 million
1998	236.1 million
1999	245.8 million
2000	256.6 million
2001	273.6 million
2002	278.0 million

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

Five-Year Plans of the City

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

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

Plan	Plan Fiscal Years
Original Five-Year Plan	1992-1996
Second Five-Year Plan*	1994-1998
Third Five-Year Plan	1995-1999
Fourth Five-Year Plan	1996-2000
Fifth Five-Year Plan	1997-2001
Sixth Five-Year Plan	1998-2002
Seventh Five-Year Plan	1999-2003
Eighth Five-Year Plan	2000-2004
Ninth Five-Year Plan	2001-2005
Tenth Five-Year Plan	2002-2006
Eleventh Five-Year Plan	2003-2007
Twelfth Five-Year Plan	2004-2008

* Also included Fiscal Year 1993

The Twelfth Five-Year Plan was presented to City Council by the Mayor on January 28, 2003, and approved by City Council on May, 29, 2003, but has not yet been approved by City PICA. In the Twelfth Five-Year Plan, the City projects a balanced budget in each of the five years covered by the plan through a continued strategy based upon implementation of management initiatives, productivity improvements, cost containments, certain workforce restructurings, and revenue enhancements.

CITY FINANCIAL PROCEDURES

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

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the general purpose financial statements of The City of Philadelphia contained in the City's Comprehensive Annual Financial Report for Fiscal Year ended June 20, 2002. The City Controller has examined and expressed opinions on the City general purpose financial statements for all prior years.

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

Fund Structure

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

Collectively, the Principal Operating Funds (Debt Related and Non-Debt Related Funds) are referred to herein as the “Principal Operating Funds.”

Principal Operating Funds

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

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

Basis of Accounting

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

- A. Governmental Funds, Expendable Trust and Agency Funds account for their activities using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenue and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. Using modified accrual accounting means revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due. However, the expenditures may be accrued if they are to be liquidated with available resources.

Derived tax revenues, such as wage, business privilege, net profits and earnings taxes, are recognized when the underlying exchange transaction has occurred and the resources are available. Imposed nonexchange revenues such as real estate taxes are recognized when the enforceable legal claim arises and the resources are available. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the City.

- B. Proprietary Funds, Pension Trust Funds and Non-Expendable Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Propriety fund-type operating statements present increases (e.g. revenue) and decreases (e.g. expenses) in net total assets. These funds use the accrual basis of accounting where revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time liabilities are incurred. Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Activities," Propriety Funds will continue to follow FASB pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements and will follow FASB standards issued after that date which do not conflict with GASB standards. Water revenues, net of uncollectible accounts, are recognized as billed on the basis of scheduled meter readings. Aviation revenue from Passenger Facility Charges is reserved for capital purposes. Pension Trust Funds recognize employer and plan member contributions and benefits and refunds paid in the period in which they are due and payable.

Budget Procedure

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

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

The capital program is prepared annually by the City Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, Federal, and private) estimated to be required to finance each project. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon. See Table 18 for a summary of the City's capital improvement program for the Fiscal Years 2003 through 2008.

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

Awards

For the twenty first consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended

June 30, 2001. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

Consolidated Cash

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

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

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, the required advance is made from the Consolidated Cash Account, in the amount necessary to result in a zero balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a borrowing fund are applied in repayment of the advance.

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

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

Investment Practices

Cash balances in each of the City's funds are invested by the City Treasurer's Office through the use of money market mutual funds and professional money managers under contract with the City. The Director of Finance adopted a written Investment Policy (the "Policy") which went into effect in August 1994 and was revised most recently in April 2001.

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

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

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

General Fund Cash Flow

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

The timing imbalance referred to above results from a number of factors, principally the following: (1) real property, business privilege tax and certain other taxes are not due until the latter part of the fiscal year; (2) the City makes the majority of the employer's contribution to the Municipal Pension Fund in July of each year; and (3) the City experiences lags in reimbursement from other governmental entities for expenditures initially made by the City in connection with programs funded by other governments.

DISCUSSION OF FINANCIAL OPERATIONS

Fiscal Year 2002 Results

The City ended Fiscal Year 2002 with a fund balance in the General Fund of \$139.0 million; a decrease of \$91 million from the Fiscal Year 2001 fund balance.

One of the largest causes of the decreases was a delay in the receipt of \$45 million in reimbursements from the State government. If the City had received its reimbursement for those costs on time, its Fiscal Year 2002 fund balance would have been \$184 million, about \$7 million lower than the amount the City projected when it introduced the Fiscal Years 2003 -2007 Five-Year Financial Plan in January.

Changes on both the revenues and expenditures sides caused the decrease in fund balance. While revenues were declining, expenditures were increasing by about \$99 million from \$2.88 billion in Fiscal Year 2001 to \$2.98 billion in Fiscal Year 2002. The largest single increase in expenditures was the \$45 million contribution made to the School District as a result of the partnership entered into by the City and the State.

Excluding the contribution to the School District, the City's expenditures grew by under two percent from Fiscal Year 2001 to Fiscal Year 2002.

Fiscal Year 2003 Budget

The City's Fiscal Year 2003 budget was approved by City Council on May 2, 2002 and signed by the Mayor on May 15, 2002. This budget was prepared by the City in conjunction with the Eleventh Five-Year Plan. The Eleventh Five-Year Plan, which covers Fiscal Years 2003-2007, was approved by PICA on June 18, 2002. As of March 31, 2003, the City is projecting it will end Fiscal Year 2003 with a positive fund balance of \$116.2 million with revenue of \$3,115.0 million and obligations of \$3,162.8 million.

Fiscal Year 2003 First Three Quarters

On May 15, 2003, the City issued its Quarterly City Managers Report which reported Fiscal Year 2003 results through March 31, 2003. These results were determined to be in compliance with the Eleventh Five-Year Plan. Based upon conservative estimates of both revenues and appropriations, the City estimated that it will end Fiscal Year 2003 with a \$116.2 million fund balance in the General Fund. A copy of the most recent Quarterly City Managers report may be obtained from the Office of the City Treasurer.

Fiscal Year 2004 Budget

The City's Fiscal Year 2004 budget was approved by City Council on May 29, 2003 and signed by the Mayor on June 5, 2003. This budget was prepared by the City in conjunction with the Twelfth Five-Year Plan. The Twelfth Five-Year Plan, which covers Fiscal Years 2004-2008, is pending PICA approval. The City currently estimates that revenues will be \$3,151.8 million for Fiscal Year 2004 and that appropriations will be \$3,282.5 million. The Twelfth Five-Year Plan reflects a fund balance of \$4.1 million at the end of Fiscal Year 2008.

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Current Estimate 2003</u>	<u>Adopted Budget 2004</u>
REVENUES						
Real Property Taxes	\$ 342.6	\$ 353.6	\$ 363.4	\$ 373.6	356.6	364.6
Personal Property Taxes	0.0	0.0	0.8	0.0	0.0	0.0
Wage and Earnings Tax	934.3	973.0	1,047.2 ^(c)	1,006.0	1,020.9	1,044.8
Net Profits Tax	15.5	12.7	11.8	13.4	13.5	13.7
Business Privilege Tax	254.5	290.1	314.0 ^(c)	295.8	296.6	296.3
Sales Tax	101.4	103.7	111.3	108.1	110.8	113.6
Other Taxes ^(b)	118.3	123.5	130.0 ^(c)	148.2	153.5	148.8
Total Taxes	<u>1,766.6</u>	<u>1,856.6</u>	<u>1,977.7</u>	<u>1,945.4</u>	<u>1,951.9</u>	<u>1,981.8</u>
Locally Generated Non-Tax Revenue	193.1	194.9	204.5	207.1	212.9	210.8
Revenue from Other Governments	606.4	678.0	748.8	687.7	926.1	933.8
Receipts from Other City Funds	61.9	26.0	24.0	24.7	24.0	25.3
Total Revenue	<u>2,628.1</u>	<u>2,755.5</u>	<u>2,955.1</u>	<u>2,866.9</u>	<u>3,115.0</u>	<u>3,151.8</u>
OBLIGATIONS/APPROPRIATIONS						
Personal Services	1,018.4	1,071.8	1,173.3	1,188.3	1,246.8	1,279.1
Purchase of Services	794.0	848.9	871.8	920.5	1,030.5	1,078.6
Materials, Supplies and Equipment	85.2	79.7	84.0	80.0	77.3	75.7
Employee Benefits	488.1	493.8	483.4	485.8	547.4	579.5
Indemnities, Contributions and Grants	90.2	69.9	82.4	123.8	94.0	96.7
City Debt Service	84.2	91.5	88.2	101.8	107.3	112.6
Other	29.3	29.2	72.9	30.2	32.4	32.0
Payments to Other City Funds	27.1	26.4	25.5	50.7	27.2	28.2
Total Obligations/Appropriations	<u>2,616.6</u>	<u>2,711.2</u>	<u>2,881.5</u>	<u>2,981.1</u>	<u>3,162.8</u>	<u>3,282.5</u>
Operating Surplus for the Year	11.5	44.3	73.6	(114.2)	(47.8)	(130.7)
Net Adjustments – Prior Year	25.0	45.1	(138.7) ^(d)	23.2	28.0	28.0
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance Prior Year	<u>169.2</u>	<u>205.7</u>	<u>295.1</u>	<u>230.0</u>	<u>139.0</u>	<u>119.2</u>
Cumulative Adjusted Year End Fund Balance	<u>\$ 205.7</u>	<u>\$ 295.1</u>	<u>\$ 230.0</u>	<u>\$ 139.0</u>	<u>119.2</u>	<u>16.5</u>

(a) Final year of collection of Personal Property Taxes. See “REVENUES OF THE CITY-Assessment and Collection of Real and Personal Property Taxes.”

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

(c) Accounting accrual changes required by GASB #33 resulted in additional one-time tax revenue accruals in FY2001. (Wage Tax, \$50.4 million; Business Privilege, \$5.2 million; Other Taxes, \$4.3 million)

(d) Reflects GASB # 33’s impact on prior year accruals.

FIGURES MAY NOT ADD DUE TO ROUNDING

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

					Current Estimate	Adopted Budget
	1999	2000	2001	2002	2003	2004
REVENUES						
General Fund	\$2,628.1	\$2,755.5	\$2,955.1	\$2,866.9	3,115.0	3,151.8
Water Fund ^(a)	402.3	414.0	410.3	404.2	448.4	472.2
Aviation Fund ^(b)	147.5	154.3	180.6	184.2	266.4	313.3
Other Operating Funds ^(c)	25.3	24.5	29.1	35.8	39.5	40.4
Total Revenue	<u>3,203.2</u>	<u>3,348.3</u>	<u>3,575.1</u>	<u>3,491.1</u>	<u>3,869.3</u>	<u>3,977.8</u>
OBLIGATIONS/APPROPRIATIONS						
Personal Services	1,153.3	1,208.6	1,321.4	1,339.1	1,413.4	1,459.0
Purchase of Services	903.8	966.4	992.2	1,050.3	1,180.8	1,254.4
Materials, Supplies and Equipment	129.9	124.1	127.1	1,21.9	130.5	135.0
Employee Benefits	541.4	546.3	538.1	541.8	611.9	650.0
Indemnities, Contributions and Taxes	98.7	77.7	88.1	129.1	104.4	107.5
Debt Service ^(d)	273.0	289.8	296.2	330.7	380.4	391.4
Other	29.3	29.2	72.9	30.3	32.9	32.5
Payments to Other City Funds	64.3	70.6	75.5	97.5	82.5	111.2
Total Obligations/Appropriations	<u>3,193.8</u>	<u>3,312.7</u>	<u>3,511.5</u>	<u>3,640.7</u>	<u>3,936.8</u>	<u>4,141.0</u>
Operating Surplus (Deficit) for the Year	9.3	35.6	63.6	(149.6)	(67.5)	(163.2)
Net Adjustments Prior Year	43.6	58.7	(122.8)	43.1	45.1	45.1
Funding for Contingencies	0.0	0.0	(0.0)	0.0	0.0	0.0
Cumulative Fund Balance (Deficit) Prior Year End	197.9	250.9	330.3	289.6	183.1	160.8
Cumulative Adjusted Year End Fund Balance (Deficit)	<u>\$ 250.9</u>	<u>\$ 345.2</u>	<u>\$ 271.1</u>	<u>\$ 183.1</u>	<u>160.8</u>	<u>42.7</u>

(a) Revenues of the Water Fund are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied, and then only to the extent of \$4,994,000 per year, provided certain further conditions are satisfied. The City has determined that only \$4,138,000 per year shall be transferred from the Water Fund to the General Fund provided certain other conditions are met.

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

(c) Includes County Liquid Fuels Tax Fund, Special Gasoline Tax Fund and Water Residual Fund.

(d) Excludes PICA bonds.

FIGURES MAY NOT ADD DUE TO ROUNDING.

Quarterly Reporting to PICA

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

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

The City’s most recent quarterly report was submitted to PICA on May 15, 2003 and reported no adverse variance from the Eleventh Five-Year Plan.

REVENUES OF THE CITY

General

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

Major Revenue Sources of Principal Operating Funds (Debt Related)

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 for revenues by major source for Fiscal Years 1993-2003 and Table 4 for General Fund tax revenues for Fiscal Years 1997-2003. The following description does not take into account revenues in the Non-Debt Related Funds. See Table 5 for tax rates for Fiscal Years 1993 through 2002.

Real Property Taxes — A real estate tax on all taxable real property is levied at a rate of 82.64 mills on the assessed value of residential and commercial property located within the City's boundaries. From Fiscal Year 2003 onward, the City's portion of the rate is 34.74 mills and the School District's portion is 47.90 mills.

Philadelphia City Council passed three bills on November 21, 2002 that called for caps or deferrals on tax bills for the City's portion of real estate taxes. A bill that would cap real estate tax bill increases at four percent in a given year became law but requires action from the General Assembly to be enforceable. This action has not occurred as of June 9, 2003. A bill that allows homeowners to defer payment on tax increases of more than 15 percent was signed by the Mayor. The third bill, which would have capped real estate assessment increases at 10 percent annually, was vetoed by the Mayor and City Council sustained the veto.

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

In Fiscal Year 1992, the City reduced the City wage, earnings, and net profits tax on City residents by 1.5% and imposed the PICA Tax on wage, earnings and net profits at the rate of 1.5% on City residents. The following are the resident and non-resident wage and earnings tax rates for Fiscal Years 1992-2003.

<u>Fiscal Year</u>	<u>Resident Wage and Earnings Tax Rates*</u>	<u>Non-Resident Wage and Earnings Tax Rates</u>
1992	4.9600%	4.3125%
1993	4.9600	4.3125
1994	4.9600	4.3125
1995	4.9600	4.3125
1996	4.8600	4.2256
1997	4.8400	4.2082
1998	4.7900	4.1647
1999	4.6869	4.0750
2000	4.6135	4.0112
2001	4.5635	3.9672
2002	4.5385	3.9462
2003	4.5000	3.9127
2004	4.4625	3.8801

* Includes PICA Tax

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

The Business Privilege Tax is a composite tax. Tax rates vary according to business classification (regulated, non-regulated, persons registered under the Pennsylvania Securities Act of 1972, manufacturing, wholesale, or retail) and method of tax computation employed. The various methods of

tax computation are as follows: effective Fiscal Year 1989, all regulated industries, banks, trust companies, insurance companies, and public utilities, among others, were taxed at an annual rate of 3.25 mills on annual receipts not to exceed 6.5% of their net income. The tax on annual receipts and net income of all businesses, other than regulated industries, was levied at 3.25 mills and 6.5%, respectively, provided that persons registered under the Pennsylvania Securities Act of 1972 shall in no event pay a tax of less than 5.711 mills on all taxable receipts plus the lesser of 4.302% of net income or 4.302 mills on gross taxable receipts.

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

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

In Fiscal Year 1996, the City began a program of reducing the gross receipts portion of the Business Privilege Tax from its previous level of 3.25 mills.

<u>Fiscal Year</u>	<u>Business Privilege Tax/Gross Receipts</u>
1995	3.250 mills
1996	3.000 mills
1997	2.950 mills
1998	2.875 mills
1999	2.775 mills
2000	2.650 mills
2001	2.530 mills
2002	2.400 mills
2003	2.300 mills
2004	2.100 mills

In the Eleventh Five-Year Plan, the Mayor also proposed further reductions in this tax rate for each of Fiscal Years 2003-2007. The City proposes to accelerate the rate reductions for the gross receipts portion of the business privilege tax so that by Fiscal Year 2007, this tax will be only 50 percent of the rate that prevailed when the City began its tax cuts in 1996. There can be no assurance that the proposed reductions will be implemented.

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

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

The City Sales Tax is imposed in addition to, and on the same basis as, the Commonwealth's sales and use tax. The City Sales Tax became effective September 28, 1991 and is collected for the City by the Commonwealth Department of Revenue. The City collected the amount set forth below in Fiscal Years 1994 through 2002 and budgeted collection for Fiscal Year 2003 set forth below.

<u>Fiscal Year</u>	<u>City Sales Tax Collections</u>
1994	\$ 82.6 million
1995	86.1 million
1996	82.4 million
1997	91.4 million
1998	94.5 million
1999	101.4 million
2000	103.7 million
2001	111.3 million
2002	108.1 million
2003	110.8 million*
2004	113.6 million**

* Estimated tax collections for Fiscal Year 2003

** Budgeted tax collections for Fiscal Year 2004

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

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

Revenue From Other Governments — The City's Fiscal Year 2004 Adopted General Fund actual shows that approximately 29.6% of General Fund revenues will be received from other governmental jurisdictions, including: (1) \$316.4 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) \$333.9 million from the Federal government; and (3) \$37.8 million from other governments, in which revenues are primarily principal and interest payments on loans made by the City on SEPTA's behalf, the Convention Center Service Fee offset and rents paid to the City by PGW." In addition, the projected net collections of the PICA Tax of \$225.8 million are included in "Revenue from Other Governments." These amounts do not include the substantial amounts of revenues from other governments received by the Grants Revenue Fund, Community Development Fund, and other operating and capital funds of the City.

Revenues from City-Owned Systems

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

Effective June 1991, the revenues of the Water Department were required to be segregated from other funds of the City. Under the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "Water Ordinance"), an annual transfer may be made from the Water Fund to the City's General Fund in an amount not to exceed the lesser of (a) all Net Reserve Earnings, as defined below, or (b) \$4,994,000. Net Reserve Earnings means the amount of interest earnings during the fiscal

year on amounts in the Debt Reserve Account and Subordinated Bond Fund, as defined in the Water Ordinance. The \$4,994,000 amount was reduced to \$4,138,000 by administrative agreement that will be in effect through Fiscal Year 2003. No such transfer was made in Fiscal Year 1992; however, the transfer has been made in each subsequent year. For Fiscal Year 2004, the transfer has been increased to \$4,994,000.

The revenues of PGW are segregated from other funds of the City. Payments for debt service on Gas Works Revenue Bonds are made directly by PGW. PGW also makes an annual payment of \$18,000,000 to the City's General Fund. The Fiscal Year 2004 General Fund budget includes this annual receipt of \$18,000,000.

Philadelphia Parking Authority

The Philadelphia Parking Authority ("PPA") was established by City ordinance pursuant to the Pennsylvania Parking Authority Law, P.L. 458, No. 208 (June 5, 1947). Various statutes, ordinances, and contracts authorized PPA to plan, design, acquire, hold, construct, improve, maintain and operate, own or lease land and facilities for parking in the City, including such facilities at Philadelphia International Airport (the "Airport"), and to administer the City's on-street parking program through an Agreement of Cooperation ("Agreement of Cooperation") with the City.

Revenues under the Ground Lease with PPA – PPA owns and operates five parking garages at the Airport, as well as operating a number of surface parking lots at the Airport. The land on which these garages and surface lots are located is leased from the City, acting through the Department of Commerce, Division of Aviation, pursuant to a lease expiring in 2030 (the "Ground Lease"). The Ground Lease provides for payment of rent to the City, which is equal to gross receipts less operating expense, debt service on PPA's bonds issued to finance improvements at the Airport and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its Airport operations, if any. The amount that was transferred from the PPA to the Division of Aviation on June 29, 2002 was approximately \$16,863,000. The City anticipates a transfer in the approximate amount of \$10,000,000 on or about June 30, 2003.

One component of the operating expenses is PPA's administrative costs. In 1999, at the request of the Federal Aviation Administration ("FAA"), PPA and the City entered into a letter agreement (the "FAA" Letter Agreement") which contained a formula for calculating PPA's administrative costs and capped such administrative costs at 28% of PPA's total administrative costs for all of its cost centers. PPA owns and/or operates parking facilities at a number of non-Airport locations in the City. These parking facilities are revenue centers for purposes of the FAA Letter Agreement.

Act 22 Litigation – In 2001, the Commonwealth enacted a law ("Act 22") which, in part, requires PPA to transfer to the Philadelphia School District in PPA's fiscal year beginning April 1, 2001, that portion of PPA's retained earnings, not to exceed \$45,000,000, which will not jeopardize its ability to meet debt service payments or to retire outstanding bonds. Act 22 also provides that the board of PPA shall transfer the maximum amount it deems available for such purposes in subsequent fiscal years.

It is the City's position that Act 22 will not materially reduce the amount of revenue the City receives from PPA. The primary sources of the revenue are funds the City receives pursuant to the lease arrangements between the City and PPA (including the Ground Lease), and funds the City receives pursuant to the Agreement of Cooperation whereby PPA acts as the City's agent in administering much of the City's on-street parking program, which is a municipal function. It is the City's position that Act 22 does not affect the aforementioned leases or Agreement of Cooperation.

The City has filed a lawsuit in the United States District Court for the Eastern District of Pennsylvania seeking a ruling confirming that no such transfer of City revenues may occur because sums paid to, or retained by, PPA from revenues generated by PPA at the Airport are limited by the FAA Letter Agreement and Federal law (49 U.S.C. § 47107), which prohibits the diversion of airport revenues for non-airport purposes. This federal lawsuit has been stayed, and is currently expected to remain stayed pending the outcome of the state litigation described below.

The City filed a lawsuit in the Court of Common Pleas for Philadelphia County seeking a ruling invalidating Act 22. In this state court lawsuit, the City alleges, among other things, that Act 22 violates several provisions of the Pennsylvania Constitution and infringes upon certain statutory guarantees prohibiting changes in PPA's rights and authority. The state court lawsuit was transferred to the Pennsylvania Commonwealth Court for a decision on its merits. The Commonwealth Court sustained the defendant's preliminary objections, thus dismissing the lawsuit. The City has appealed the dismissal to the Pennsylvania Supreme Court. It is anticipated that briefing on the matter will be complete by the end of July, 2003.

Assessment and Collection of Real and Personal Property Taxes

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

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

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

Table 3
City of Philadelphia
Summary of
Principal Operating Funds (Debt Related)
Revenues By Major Source
Fiscal Years 1994-2004
(Legal Basis)

(Amounts in Millions of Dollars)

Fiscal Year	Real & Personal Property Taxes ^(a)	Wage Earnings & Net Profits Taxes ^(a)	Business Privilege Tax ^(a)	Sales and Use Tax ^{(a)(b)}	Other Taxes ^(c)	Total Taxes	Water & Wastewater Charges	Airport Charges	Other Locally Generated Charges	Total Local Revenue	Revenue from Other Gov'ts	Revenue from Other City Funds	Total Revenues
1994	346.0	840.8 ^(d)	221.6	82.6	78.3	1,569.3	288.1	114.7	199.9	2,172.0	587.0	38.7	2,797.7
1995	339.5	857.6 ^(d)	230.2	86.1	79.9	1,593.3	288.9	114.0	244.7	2,240.9	515.9	31.1	2,787.9
1996	346.6	877.5 ^(d)	237.5	82.4	77.7	1,621.8	296.2	123.8	250.4	2,292.2	565.1	33.2	2,890.5
1997	358.2	885.4 ^(d)	246.4	91.4	93.8	1,675.2	291.0	125.8	236.8	2,328.8	587.9	44.1	2,960.8
1998	333.9 ^(e)	926.9 ^(d)	237.4	94.5	122.1	1,714.8	288.8	126.6	253.7	2,383.9	620.7	46.1	3,050.7
1999	342.6	949.8 ^(d)	254.5	101.4	118.3	1,766.6	290.5	143.2	259.9	2,460.2	639.9	103.1	3,203.2
2000	353.6	985.7	290.1	103.7	123.5	1,856.6	296.1	149.4	258.0	2,560.1	708.3	79.9	3,348.3
2001	363.4	1,059.0 ^(f)	314.0 ^(f)	111.3	130.0 ^(f)	1,997.7	285.8	175.7	251.3	2,710.5	781.7	90.5	3,580.0
2002	376.8	1019.3	295.8	108.1	148.6	1,945.4	302.8	181.7	257.9	2,687.8	722.5	80.8	3,491.1
2003 (Cur.Est.)	356.6	1,034.4	296.6	110.8	153.5	1,951.9	323.9	263.0	294.4	2,833.2	961.5	74.6	3,869.3
2004 (Budget)	346.6	1,058.5	296.3	113.6	148.8	1,981.8	337.4	309.8	272.1	2,901.1	969.0	107.7	3,977.8

(a) See Table 5 for Tax Rates.

(b) Effective September 28, 1991.

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

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

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

(f) See Note (c) on Table 1.

FIGURES MAY NOT ADD DUE TO ROUNDING

Table 4
City of Philadelphia
General Fund
Tax Revenues ^(a)
Fiscal Years 1997-2003
(Amounts In Millions)

	<u>Actual</u> <u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Current</u> <u>Estimate</u> <u>2003</u>	<u>Adopted</u> <u>Budget</u> <u>2004</u>
REAL PROPERTY TAXES						
Current	\$ 311.9	\$ 315.9	\$ 325.8	\$ 333.2	\$326.1	334.1
Prior	30.7	37.7	37.6	40.4	30.5	30.5
Total	<u>\$ 342.6</u>	<u>\$ 353.6</u>	<u>363.4</u>	<u>\$ 373.6</u>	<u>356.6</u>	<u>364.6</u>
PERSONAL PROPERTY TAXES						
Current ^(b)	0.0	0.0	0.0	0.0	0.0	0.0
Prior	0.0	0.0	0.0	0.0	0.0	0.0
Total	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>0.0</u>
WAGE AND EARNINGS TAX ^(c)						
Current	916.2	949.6	1,023.1 ^(d)	981.8	997.9	1,021.8
Delinquent	18.1	23.4	24.1	24.2	23.0	23.0
Total	<u>\$ 934.3</u>	<u>\$ 973.0</u>	<u>\$ 1,047.2</u>	<u>\$ 1,006.0</u>	<u>1,020.9</u>	<u>1,044.8</u>
BUSINESS TAXES:						
Business Privilege						
Current	233.9	251.7	275.5	273.8	274.6	274.3
Delinquent	20.7	38.4	38.5	22.0	22.0	22.0
Sub-Total Business Privilege	<u>\$ 254.5</u>	<u>\$ 290.1</u>	<u>\$ 314.0</u>	<u>\$ 295.8</u>	<u>\$296.6</u>	<u>296.3</u>
Net Profits Tax						
Current	13.1	9.9	10.6	11.4	11.5	11.7
Delinquent	2.4	2.8	1.2	2.0	2.0	2.0
Sub-Total Net Profits Tax	<u>15.5</u>	<u>12.7</u>	<u>11.8</u>	<u>13.4</u>	<u>13.5</u>	<u>13.7</u>
Total Business Taxes	<u>\$ 270.0</u>	<u>\$ 302.8</u>	<u>\$ 325.8</u>	<u>\$ 309.2</u>	<u>310.1</u>	<u>310.0</u>
OTHER TAXES						
Sales and Use Tax	101.4	103.7	111.3	108.1	110.8	113.6
Amusement Tax	9.9	11.7	13.0 ^(d)	13.8	15.0	15.3
Real Property Transfer Tax	74.9	77.7	77.0	96.7	99.0	93.0
Parking Taxes	32.1	34.1	39.0 ^(d)	37.9	39.4	40.4
Other Taxes	1.4	0.0	0.5	.1	0.1	0.1
Sub-Total Other Taxes	<u>\$ 219.7</u>	<u>\$ 227.2</u>	<u>\$ 241.3</u>	<u>\$ 256.6</u>	<u>\$264.3</u>	<u>\$262.4</u>
TOTAL TAXES	<u>\$1,766.6</u>	<u>\$1,856.6</u>	<u>\$1,977.7</u>	<u>\$ 1,945.4</u>	<u>1,951.9</u>	<u>1,981.8</u>

(a) See Table 5 for Tax Rates.

(b) The City ceased levying the Personal Property Tax during the latter part of Fiscal Year 1997.

(c) Beginning in Fiscal Year 1992, the City reduced the resident Wage and Earnings and Net Profits Tax from 4.96% to 3.46% and levied the PICA Tax at a rate of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and the PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments.

(d) See Note (c) on Table 1.

FIGURES MAY NOT ADD DUE TO ROUNDING

Table 5
City of Philadelphia
Tax Rates and School District Real Estate Tax Rates
For the Ten-Year Period 1993 Through 2002

Tax Classification	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Real Property: (% on Assessed Valuation)										
City	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%
School District	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%
Assessment Ratio as Determined by Sales	25.10%	27.30%	27.00%	27.07%	26.44%	24.39%	23.00%	23.70%	25.46%	NA
Effective Tax Rate (Real Estate Tax Rate x Assessment Ratio)	2.074%	2.256%	2.231%	2.237%	2.185%	2.016%	1.901%	1.959%	2.104%	NA
Wage, Earnings and Net Profits Taxes:										
Residents (a)	4.96%	4.96%	4.96%	4.86%(b)	4.84%(c)	4.79%(h)	4.6869%(i)	4.6135%(j)	4.5630%(k)	4.5385%(s)
Non-Residents	4.3125%	4.3125%	4.3125%	4.2256%(b)	4.2082%(c)	4.1647%(h)	4.075%(i)	4.0112%(j)	3.9672%(k)	3.9462%(s)
Real Property Transfer Tax (l)	3.46%	3.23%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Personal Property Tax (% on Taxable Intangible Items) (m)	0.4%	0.4%	0.4%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Business Privilege Taxes										
(% on Gross Receipts)	0.325%	0.325%	0.325%	0.300%(b)	0.295%(c)	0.2875%(d)	0.2775%(e)	0.2650%(f)	0.2525%(g)	0.2400%(t)
(% on Net Income) (n)	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Sales and Use Tax	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Parking Lot Tax (% on Gross Receipts)	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Mechanical Amusement Device Tax(o)	\$100	-	-	-	-	-	-	-	-	-
Hotel Room Rental Tax	5.0%	6.0%(p)	6.0%	6.0%	6.0%	6.0%	6.0%	7.0%(r)	7.0%	7.0%
Vehicle Rental Tax(q)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%

NOTES:

(a) Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Taxes for City residents is 1.5%.

(b) Tax decrease effective January 1, 1996.

(c) Tax decrease effective January 1, 1997.

(d) Tax decrease effective January 1, 1998.

(e) Tax decrease effective January 1, 1999.

(f) Tax decrease effective January 1, 2000.

(g) Tax decrease effective January 1, 2001.

(h) Tax decrease effective July 1, 1997.

(i) Tax decrease effective July 1, 1998.

(j) Tax decrease effective July 1, 1999.

(k) Tax decrease effective July 1, 2000.

(l) Phased decreases effective July 1, 1990.

(m) The City ceased the collection of the Personal Property Tax during Fiscal Year 1997.

(n) 60% of Net Income Tax portion paid is credited against Net Profits Tax Payable.

(o) The City converted this tax to a Licensing Fee in Fiscal 1994.

(p) Tax Increase effective July, 1993.

(q) Effective July 1, 2000

(r) Tax increase effective July 1, 1999.

(s) Tax decrease effective July 1, 2001.

(t) Tax decrease effective January 1, 2002.

Table 6
City of Philadelphia
Assessed and Market Value of Taxable Realty in Philadelphia
For the Calendar Years 1993 Through 2002
(Amounts in Millions of Dollars)

Calendar Year	Assessed Value Adjusted to 6-30-2002(a)		Assessment Ratio of State Tax Equalization Board (b)	Market Value on Basis of STEB Ratio		Assessment Ratio as Determined by Sales (c)	Estimated Market Value Based on Sales	
	Amount	Percentage Increase (Decrease) Over Prior Year		Amount	Percentage Increase (Decrease) Over Prior Year		Amount	Percentage Increase (Decrease) Over Prior Year
1993	8,865	-0.66%	0.300	29,570	-0.66%	0.251	35,291	-0.46%
1994	9,008	1.61%	0.300	30,047	1.61%	0.273	33,057	-6.33%
1995	8,896	-1.24%	0.299	29,753	-0.98%	0.270	32,912	-0.44%
1996	8,896	0.00%	0.300	29,673	-0.27%	0.271	32,863	-0.15%
1997	8,968	0.81%	0.303	29,617	-0.19%	0.264	33,918	3.21%
1998	9,039	0.79%	0.302	29,940	1.09%	0.244	37,060	9.26%
1999	9,196	1.74%	0.304	30,300	1.20%	0.230	39,983	7.89%
2000	9,351	1.69%	0.304	30,811	1.69%	0.237	39,439	-1.36%
2001	9,615	2.82%	0.303	31,712	2.93%	0.255	37,765	-4.24%
2002(d)	9,911	3.08%	0.303	32,677	3.04%	NA	NA	NA
Total Increase 1993 - 2002	1,046	11.80%						
Compounded Annual Average Rate of Increase 1993 - 2002		1.25%						

NOTES:

- (a) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments.
- (b) The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth. The ratio is used for the purpose of equalizing certain state school aid distribution.
- (c) The Assessment Ratio as presented has not been adjusted to allow for the effects of large or unusual sales.
- (d) At June 30, 2002

Table 7
City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 1993 Through 2002
(Amounts in Millions of Dollars)

Calendar Year of Levy (a)	Original Assessed Value (b)	Assessed Value of Taxable Real Property Adjusted to 6-30-2001(c)	Amount Collectible in Year of Levy	Amount Collected in Year of Levy (d)	Collections Within Year of Levy as a Percent of Amount Collectible	Net Levy Adjusted to 6-30-2002	Net Collections of Delinquent Taxes Relating to Year of Levy	Total Collections	Total Collections as a Percent of Adjusted Amount Collectible
1993	9,676	8,865	337.2	307.1	91.1%	338.0	24.7	331.8	98.2%
1994	9,516	9,008	335.6	305.9	91.2%	337.0	22.5	328.4	97.5%
1995	9,410	8,896	338.5	307.1	90.7%	336.4	23.2	330.3	98.2%
1996	9,266	8,896	337.7	308.2	91.3%	338.5	19.5	327.7	96.8%
1997	9,275	8,968	336.2	310.8	92.4%	337.3	18.1	328.9	97.5%
1998	9,220	9,039	338.6	311.9	92.1%	341.2	18.2	330.1	96.8%
1999	9,273	9,196	343.6	316.2	92.0%	346.2	15.6	331.8	95.8%
2000	9,527	9,351	349.3	322.0	92.2%	352.1	12.8	334.8	95.1%
2001	9,867	9,615	356.6	326.7	91.6%	359.6	7.9	334.6	93.1%
2002	10,300	9,911	367.6	324.9(e)	88.4%	N/A	N/A	N/A	N/A

NOTES:

- (a) Real property tax bills are sent out in November and are payable at one percent discount until February 28, and the face amount is due on or before March 31, without interest or penalty.
- (b) Includes \$334.1 million in 1993, \$189.8 million in 1994, \$95.2 million in 1995, \$64.9 million in 1996, \$52.7 million in 1997, \$13.7 million in 1998, \$23.3 million in 1999, \$57.7 million in 2000, \$84.0 million in 2001 and \$68.1 million in 2002 classified as exempt under ordinance (Bill 1130) approved February 8, 1978 which provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill 982 (approved July 9, 1990) changed the exemption period from five years to three years. Also includes \$35.8 million in 1993, \$11.8 million in 1994, \$13.1 million in 1995, \$10.4 million in 1996, \$4.3 million in 1997, \$5.9 million in 1998, \$9.0 million in 1999, \$15.3 million in 2000, \$16.1 million in 2001 and \$26.9 million in 2002 classified as exempt under ordinance (Bill 1456-A) as approved January 28, 1983 which provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property; and Legislative Act 5020-205 as amended, approved October 11, 1984 which provides for a maximum thirty month tax abatement to developers of residential property. Includes \$2.3 million in 2000, \$9.0 million in 2001 and \$19.4 million in 2002 classified as exempt under ordinance (Bill #970274) approved July 1, 1997 which provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial, or other business property to commercial non-owner occupied residential property. Also includes, \$17.1 million in 2001 and \$26.7 million in 2002 classified as exempt under ordinance (Bill 980788A) approved December 30, 1998 which provides a maximum twelve year tax exemption, abatement, or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.
- (c) The adjustment reflects reductions or increases in assessments pursuant to established procedures for review of assessments.
- (d) Amounts shown as collected include amounts allowed as discounts for payments during the discount period.
- (e) Includes collections through June 30, 2002, while the other years include collection through December 31, of the year of the levy. It is estimated that approximately 91% of the net levy for Fiscal 2002 will be collected within the year of levy, resulting in approximately \$334.5 million by December 31, 2002.

Table 8
City of Philadelphia
Ten Largest Real Estate Assessments
January 1, 2002
(Amounts in Thousands of Dollars)

<u>Location</u>	<u>Owner</u>	<u>Assessments</u>	<u>Percentage of Total Assessments</u>
1650 Market Street	Phila. Liberty Place	\$ 64,320	0.63%
1500-42 Market Street	Center Square Partners	59,520	0.59%
1735 Market Street	Nine Penn Center Associates	51,968	0.51%
50 S. 16th Street	Two Liberty Place	51,840	0.51%
4301 Byberry Road	PMI Associates	48,096	0.47%
1717 Arch Street	Bell Atlantic	43,320	0.43%
1901-19 Market Street	PRU 1901 Market LLC	32,896	0.32%
2005 Market Street	Commerce Square Partners	32,320	0.32%
2001 Market Street	Maguire/Thomas	32,000	0.32%
1201 Market Street	Philadelphia Market Street	30,400	0.30%
		<hr/>	<hr/>
		\$ 446,680	4.40%
		<hr/>	<hr/>
Total Taxable Assessments		\$ 10,158,592	100.00%
		<hr/>	<hr/>

Table 9
Ten Largest Certified Market and Assessment Values
of Tax Abated Properties
January 1, 2001

Rank	Location	2001 Certified Market Value	Taxable Assessment Value	Assessment Value
1	1622-50 Arch Street	\$40,000,000	\$6,400,000	\$6,400,000
2	1701 Market Street	30,000,000	2,240,000	7,360,000
3	219-29 South 18th Street	20,859,700	2,988,711	3,686,393
4	1628-36 Chestnut Street	16,620,000	960,000	4,358,400
5	1500 Chestnut Street	14,800,000	294,400	4,441,600
6	1100 Vine Street	14,700,000	325,000	4,379,000
7	232-52 South 24th Street	12,500,000	539,456	3,460,544
8	1338-48 Chestnut Street	11,615,000	1,464,000	2,252,800
9	140 South Broad Street	11,500,000	2,080,000	1,600,000
10	9898 East Roosevelt Blvd.	10,255,100	2,683,520	598,112

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, 2002, the City employed 29,072 full-time employees with the salaries of 24,372 employees paid from the General Fund. Additional employment is supported by other funds, including the Water Fund and the Aviation Fund.

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

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

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

	At June 30 Actual				Current	Adopted
	1999	2000	2001	2002	Estimated 2003	Budget 2004
General Fund						
Police	7,789	7,812	7,807	7,800	8,017	7,843
Streets	2,137	2,130	2,141	2,080	2,050	2,043
Fire	2,478	2,468	2,500	2,458	2,586	2,519
Health	883	901	861	856	815	834
Courts	2,080	2,108	2,038	2,039	2,060	2,082
Other	9,024	9,257	9,306	9,289	9,400	9,585
Total General Fund	24,391	24,676	24,653	24,372	24,928	24,906
Other Funds	4,530	4,556	4,649	4,700	4,707	5,509
TOTAL	28,921	29,232	29,302	29,072	29,635	30,415

Labor Agreements

Four major bargaining units represent City employees for collective bargaining purposes. District Councils 33 and 47 of the American Federation of State County and Municipal Employees, AFL-CIO represents approximately 15,000 non-uniformed employees. The bargaining units for uniformed employees are the Fraternal Order of Police, Lodge 5 (the “FOP”) and the Philadelphia Fire Fighters Association, Local 22, International Association of Fire Fighters AFL-CIO (“Local 22”), which together represent approximately 9,400 employees. The non-uniformed employees bargain under Act 195 of 1972, which allows for the limited right to strike over collective bargaining impasses. The uniformed employees bargain under Pennsylvania Act 111 of 1968, which provides for final and binding interest arbitration to resolve collective bargaining impasses.

In July 2000, new collective bargaining agreements were reached with District Councils 33 and 47. These four-year contracts, expiring June 30, 2004, include a \$1,500 payment with no general wage increase in Fiscal Year 2001, an increase of 3% late in the second quarter of both Fiscal Years 2002 and 2003 and a 3% increase in Fiscal Year 2004. In addition, these agreements maintain the health benefit cost containment provisions, disability reforms, paid leave reductions and other reforms achieved in prior agreements.

The City is currently engaged in binding interest arbitration with Local 22. The arbitration panel will award modifications in the fire wage and benefits packages which will be effective July 1, 2002.

On July 25, 2002 the City concluded binding interest arbitration with the FOP. The panel awarded the FOP a 3% increase in wages effective July 1, 2002 and a 3.5% wage increase effective July 1, 2003. The two year award also granted significant increases in health and welfare benefits to the FOP. All other reforms achieved in prior agreements are maintained.

The following table presents employee wage increases for the Fiscal Years 1993 through 2004.

Table 11
City of Philadelphia
Employee Wage Increases
Fiscal Years 1993-2004

Fiscal Year	District Council No. 33		District Council No. 47		Fraternal Order of Police		International Association of Fire Fighters	
1993	No increase		No increase		No increase		No increase	
1994	No increase		No increase		No increase		No increase	
1995	2.0%		2.0%		2.0%		2.0%	
1996	3.0%		3.0%		3.0%		3.0%	
1997	No increase	(a)	No increase	(a)	4.0%	(b)	4.0%	(c)
1998	3.0%	(d)	3.0%	(d)	4.0%	(e)	4.0%	(f)
1999	3.0%	(g)	3.0%	(g)	3.0%	(h)	3.0%	(i)
2000	4.0%	(j)	4.0%	(j)	4.0%	(k)	4.0%	(l)
2001	No increase	(m)	No increase	(m)	3.0%		3.0%	
2002	3.0%	(n)	3.0%	(n)	4.0%		4.0%	
2003	3.0%	(o)	3.0%	(o)	3.0%		3.0%	
2004	3.0%		3.0%		3.5%		3.5%	

- (a) First year of a four year contract: received a cash bonus of \$1,100 in July 1996.
- (b) First year of a two year contract: 4% effective July 1, 1996.
- (c) First year of a four year contract: 4% effective July 1, 1996.
- (d) Second year of a four year contract: 3% effective December 15, 1997.
- (e) Second year of a two year contract: 4% effective September 15, 1997.
- (f) Second year of a four year contract: 4% effective September 15, 1997.
- (g) Third year of a four year contract: 3% effective December 15, 1998.
- (h) First year of a two year contract: 3% effective September 15, 1998.
- (i) Third year of a four year contract: 3% effective September 15, 1998.
- (j) Fourth year of a four year contract: 4% effective March 15, 2000.
- (k) Second year of a two year contract: 4% effective September 15, 1999.
- (l) Fourth year of a four year contract: 4% effective September 15, 1999.
- (m) First year of a four year contract: cash bonus of \$1,500 paid in August 2000.
- (n) Second year of a four year contract: 3% effective December 15, 2001.
- (o) Third year of a four year contract: 3% effective December 15, 2002.

Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 1997 through 2003 are shown in the following table.

Table 12
City of Philadelphia
General Fund Employee Benefit Expenditures
Fiscal Years 1997-2003

(Amounts in Millions)

	Actual				Current Estimate	Adopted Budget
	1999	2000	2001	2002	2003	2004
Pension Contribution	\$224.9	\$219.7	\$194.2	\$196.6	\$210.8	214.9
Health-Medical-Dental	162.1	172.2	186.7	187.6	255.5	251.1
Social Security	51.7	53.5	57.8	57.4	59.7	61.5
Other	49.4	48.4	44.6	44.2	51.4	51.5
Total	<u>\$488.1</u>	<u>\$493.8</u>	<u>\$483.3</u>	<u>\$485.8</u>	<u>\$547.4</u>	<u>579.5</u>

Municipal Pension Fund (Related to All Funds)

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

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

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

The July 1, 1980 unfunded liability, as amended by subsequent reports, will be amortized over 38 years through annual contributions which will closely approximate a level percent of payroll. The Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, enacted December 18, 1984 adopted changes in funding of municipal pensions that have been reflected in the valuation report for

July 1, 1985. In particular, this act generally requires that unfunded actuarial accrued liability be funded in annual level dollar payments. The City is permitted to amortize the July 1, 1985 unfunded actuarial accrued liability over 40 years ending in 2025.

Based on an actuarial schedule providing payments increasing at 5.0% per annum, the unfunded accrued liability of \$1.4 billion, as of July 1, 2001 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 2002.

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Table 13
City of Philadelphia
City Municipal Pension Fund
Comparative Schedule of Operations
For the Fiscal Years 1993 Through 2002

	1993		1994		1995		1996		1997		1998		1999		2000		2001		2002
	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>	%	<u>Amount</u>
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	48.0	6.7	49.2	2.5	50.2	7.4	49.3	14.1	50.1
Less: Refunds to Members	4.9	1.2	4.3	0.9	3.7	0.8	3.8	0.6	3.8	0.4	3.2	0.4	4.2	0.2	4.2	0.6	4.7	1.3	7.1
Net Members' Contributions	40.1	9.5	40.0	8.6	40.5	9.2	41.8	6.6	43.2	4.5	44.8	6.3	45.0	2.3	46.0	6.8	44.6	12.8	43.0
Employer's:																			
City of Philadelphia	174.3	41.3	233.7 (2)	50.5	212.8	48.5	222.5	35.3	237.0	24.8	252.0	35.3	1,506.8 (5)	77.7	179.5 (2)	26.6	163.5	46.9	174.2
Commonwealth of Pennsylvania																			
Through City of Philadelphia	35.1	8.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Quasi Governmental Agencies	3.6	0.9	2.8	0.6	4.6	1.0	4.8	0.8	5.2	0.5	5.0	0.7	4.9	0.3	4.5	0.7	4.1	1.3	4.0
Total Employer's Contributions	213.0	50.5	236.5	51.1	217.4	49.5	227.3	36.0	242.2	25.3	257.0	36.0	1,511.7	78.0	184.0	27.3	167.6	48.2	178.2
Commonwealth of Pennsylvania	6.5	1.5	2.7	0.6	1.3	0.3	4.5	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Contributions	259.6	61.6	279.2	60.4	259.2	59.0	273.6	43.4	285.4	29.8	301.8	42.3	1,556.6	80.3	230.0	34.1	212.2	61.0	221.2
Investment Earnings	161.6	38.3	182.9	39.5	178.9	40.8	356.4	56.5	669.9 (3)	70.1	411.8	57.6	383.0	19.7	445.0	65.9	135.8	39.0	111.4
Other	0.5	0.1	0.5	0.1	0.9	0.2	0.8	0.1	0.3	0.1	0.4	0.1	0.3	0.0	0.2	0.0	0.6	0.0	0.7
Total Revenue	421.7	100.0	462.6	100.0	439.0	100.0	630.8	100.0	955.6	100.0	714.0	100.0	1,939.9	100.0	675.2	100.0	348.6	100.0	333.3
Deductions:																			
For Pension Benefits	312.5		326.2		338.6		353.4		372.0		383.3		434.0		444.3		456.8		450.2
Net Decline in Fair Value of Investments	0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		422.8		359.5
For Other Purposes, Excluding Refunds	43.2 (1)		26.8 (1)		28.1 (1)		21.4 (1)		13.6		2.9 (4)		4.4		4.8		5.3		5.2
Total Deductions	355.7		353.0		366.7		374.8		385.6		386.2		438.4		449.1		884.9		814.9
Excess of Revenue Over Deductions	66.0		109.6		72.3		256.0		570.0		327.8		1,501.5		226.1		-536.3		-481.6
Net Assets: Opening	1,847.1		1,913.1		2,022.7		2,095.0		2,351.0		2,921.0		3,248.8		4,750.3		4,976.4		4,440.1
Closing	1,913.1		2,022.7		2,095.0		2,351.0		2,921.0		3,248.8		4,750.3		4,976.4		4,440.1		3,958.5
Increase (Decrease) During the Year	66.0		109.6		72.3		256.0		570.0		327.8		1,501.5		226.1		-536.3		-481.6
EXHIBIT:																			
1. Pension Benefits Paid as a Percent of																			
A. Net Contributions of Members		779.3		815.5		836.0		845.5		861.1		855.6		964.4		965.9		1,024.2	
B. Revenue		74.1		70.5		77.1		56.0		38.9		53.7		22.4		65.8		131.0	
C. Closing Net Assets		16.3		16.1		16.2		15.0		12.7		11.8		9.1		8.9		10.3	
2. The Closing Assets as a Percent of																			
Total Disbursements		537.8		573.0		571.3		627.3		757.5		841.2		1,083.6		1,108.1		501.8	
3. Coverage of Revenues Over Disbursements		118.6		131.0		119.7		168.3		247.8		184.9		442.5		150.3		39.4	
4. Investment Earnings as a Percent of																			
Pension Benefits		51.7		56.1		52.8		100.8		180.1		107.4		88.2		100.2		29.7	

Notes:

(1) Disbursements for Other Purposes include losses due to the permanent decline in market value of some investments. These losses amounted to \$34.2 million in Fiscal 1993, \$14.4 million in Fiscal 1994, \$15.2 million in Fiscal 1995 and \$9.3 million in Fiscal 1996.

(2) Includes additional payments toward the Unfunded Actuarial Accrued Liability of \$10.0 million in Fiscal 1994 and \$15.0 million in Fiscal 2000

(3) Included in this figure is \$354.2 million attributable to the recognition of the fair value of the investments at June 30, 1997

(4) Disbursements for Other Purposes includes a reduction of \$1 million due to the reversal of charges made in previous fiscal years

(5) Includes \$1,250 million from the sale of Pension Funding obligations.

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 1997 through 2003.

Table 14
City of Philadelphia
Purchase of Services In The General Fund
Fiscal Years 1998-2004

(Amounts In Millions)

	Actual				Current Estimate	Adopted Budget
	1999	2000	2001	2002	2003	
Human Services ^(a)	\$296.6	\$335.0	\$360.2	\$393.1	\$457.1	\$508.3
Public Health ^(b)	58.4	58.2	62.0	73.6	73.0	71.2
Public Property ^(c)	137.7	135.6	140.3	144.3	137.2	134.3
Streets ^(d)	48.0	49.7	49.7	50.4	52.7	54.1
Sinking Fund-Lease Debt ^(e)	38.2	44.2	42.6	57.8	88.0	79.9
Legal Services ^(f)	24.1	25.2	27.1	29.5	30.9	33.4
First Judicial District	28.5	27.9	28.8	21.9	23.4	23.7
Licenses & Inspections ^(g)	16.2	15.5	23.7	25.9	5.0	6.0
Emergency Services ^(h)	9.6	11.9	11.8	11.6	13.5	12.2
All Other	137.6	145.7	125.6	142.9	149.7	155.5
Total	\$794.9	\$848.9	\$871.8	\$951.2	1,030.5	1,078.6

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

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

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

(d) Includes solid waste disposal costs.

(e) Includes Justice Center lease debt.

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

(g) Includes payments for demolition through Fiscal Year 2002.

(h) Includes homeless shelter and boarding home payments.

FIGURES MAY NOT ADD DUE TO ROUNDING

City Payments to School District

In each fiscal year since Fiscal Year 1996, the City has made an annual grant of \$15 million to the School District. Pursuant to negotiations with the Commonwealth to address the School District's current and future educational and fiscal situation, the Mayor and City Council agreed to provide the School District with an additional annual \$35 million beginning in Fiscal Year 2004.

City Loan to PGW

The City made a loan of \$45 million to PGW during Fiscal Year 2001 to assist PGW in meeting its cash flow requirements. Such loan is currently due in Fiscal Year 2007.

City Payments to SEPTA

In recent years, SEPTA has faced increased operating costs. The City's estimated Fiscal Year 2003 operating subsidy payment to SEPTA was \$60.2 million. The Fiscal Year 2004 budget projects operating subsidy payments to SEPTA of \$56.5 million. The Twelfth Five-Year Plan provides that the City's contribution to SEPTA will remain at approximately this level through Fiscal Year 2008.

DEBT OF THE CITY

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

The Constitution of the Commonwealth further provides that there shall be excluded from the computation of debt for purposes of the Constitutional debt limit, debt (herein called “self-supporting debt”) 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 1, 2003, the Constitutional debt limitation for tax-supported general obligation debt was \$1,260,639,000. After legally authorized deductions, \$1,119,224,000 of tax-supported general obligation debt was authorized as of this date, leaving a balance of \$141,415,000 available for future authorization.

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

Short-Term Debt

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

The City issued \$300 million of Tax and Revenue Anticipation Notes in July 2002 (the “2002 Notes”). These notes are due on June 30, 2003. The City intends to repay these notes when due at maturity. On May 30, 2003, the City deposited \$300 million into the Note Fund held by trustee for the 2002 Notes.

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 2002. 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, 2002, the City’s tax-supported general obligation debt issued and outstanding equaled \$855.3 million.

Of the total balance of City tax-supported general obligation bonds outstanding at June 30, 2002, 18% is scheduled to mature within 5 years and 33% is scheduled to mature within 10 years.

Other Long-Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations.

The principal amount of the City's obligation with regard to each of these authorities as of June 30, 2002 is as follows:

PMA	\$ 300.7 million
PAID	\$ 1,668.8 million
Parking Authority	\$ 109.8 million
Redevelopment Authority	\$ 145.3 million
Hospitals Authority	\$ 24.1 million
Convention Center Authority	\$ 253.8 million

The bonds of the Parking Authority included in the previous table are payable from project revenues, and by the City only if and to the extent that net revenues are inadequate for this purpose. See "REVENUES OF THE CITY – Philadelphia Parking Authority."

The Hospitals Authority 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 the lease revenue bonds on behalf of CCP for which the City is obligated to make such payments was \$24,105,000 as of June 30, 2002; this amount represents 50% of the \$48,210,000 principal amount of bonds issued and outstanding for CCP purposes as of June 30, 2002.

Table 15
City of Philadelphia
Analysis of Changes in Bonded Debt Outstanding
For The Period July 1, 2001 To June 30, 2002

CITY OF PHILADELPHIA
ANALYSIS OF CHANGES IN BONDED DEBT OUTSTANDING
For The Period July 1, 2001 To June 30, 2002
(Amounts in thousands of USD)

	<u>General Fund</u>	<u>Water Fund</u>	<u>Aviation Fund</u>	<u>Gas Works Fund</u>	<u>Total</u>
Bonded Outstanding Debt, June 30, 2002	<u>901,043</u>	<u>1,692,738</u>	<u>954,302</u>	<u>975,302</u>	<u>4,523,385</u>
<u>Increases:</u>					
Par Value of Bonds Issued:					
General Obligation	0		0	0	0
Revenue Bonds	<u>0</u>	<u>288,672</u>	<u>227,800</u>	<u>0</u>	<u>516,472</u>
<u>Total Bonds Sold</u>	<u>0</u>	<u>288,672</u>	<u>227,800</u>	<u>0</u>	<u>516,472</u>
<u>Decreases:</u>					
Matured Bonds:					
General Obligation	42,133	1,696	3,667	0	47,496
Revenue Bonds		61,814	26,690	38,855	127,359

(Amounts in Thousands of Dollars)

Table 16
City of Philadelphia
City and School District Net Tax Supported Debt and Debt Service Ratios
For the Fiscal Years 1993 Through 2002

Line No.		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	<u>Net Tax Supported Debt (Millions)</u>										
	<u>City:</u>										
1	Bonded Debt (a)	\$ 792.6	490.2	451.4	522.6	486.1	453.7	674.7	640.2	895.4	855.3
2	Other Long-Term Obligations (b)	1,817.3	1,754.1	1,796.3	1,799.8	1,836.3	734.1	3,124.9	3,113.8	3,112.7	3,615.0
3	Total City	\$ 2,609.9	2,244.3	2,247.7	2,322.4	2,322.4	1,187.8	3,799.6	3,754.0	4,008.1	4,470.3
	<u>Overlapping School District Debt:</u>										
4	Bonded Debt	400.7	533.1	498.7	628.2	704.0	697.2	784.3	870.4	995.1	1,410.9
5	Other Long-Term Obligations (c)	\$ 381.3	403.3	420.6	436.5	436.2	458.2	447.2	483.7	516.5	547.3
6	Total School District	\$ 782.0	936.4	919.3	1,064.7	1,140.2	1,155.4	1,231.5	1,354.1	1,511.6	1,958.2
7	<u>Overlapping PICA Bonded Debt:</u>	\$ 0.0	1,156.7	1,237.5	1,146.2	1,102.4	1,055.0	1,014.1	959.4	901.8	840.7
8	Total Debt	\$ 3,391.9	4,337.4	4,404.5	4,533.3	4,565.0	3,398.2	6,045.2	6,067.5	6,421.5	7,269.2
9	Estimated Population (Thousands) (d)	1,539	1,524	1,499	1,478	1,451	1,436	1,418	1,518	1,518	1,492
10	Assessed Valuation (Millions) (e)	\$ 8,865	9,008	8,896	8,896	8,968	9,039	9,196	9,351	9,615	9,911
11	Estimated Market Value (Millions) (e)	\$ 35,291	33,057	32,912	32,863	33,918	37,060	39,983	39,439	37,765	NA
	<u>City Net Tax Supported Annual Debt Service:</u>										
12	Bonded Debt	\$ 176.4	168.0	69.1	67.6	68.1	61.4	62.6	73.0	71.9	87.9
13	Other Long-Term Obligations	96.1	132.2	115.0	87.2	104.4	108.1	64.1	120.9	73.0	125.0
14	Total (Line 12 and Line 13)	\$ 272.5	300.2	184.1	154.8	172.5	169.5	126.7	193.9	144.9	212.9
15	City General Governmental Obligations (f)	\$ 2,462.1	2,627.2	2,626.1	2,774.0	2,996.6	3,229.7	3,576.7	3,775.1	3,947.8	4,211.1
	<u>Net Tax Supported Debt per Capita:</u>										
16	City Bonded Debt (Line 1/Line 9)	\$ 515.0	321.7	301.1	353.6	335.0	315.9	475.8	421.7	589.9	573.3
17	City Total Long-Term Debt (Line 3/Line 9)	\$ 1,695.8	1,472.6	1,499.5	1,571.3	1,600.6	827.2	2,679.5	2,473.0	2,640.4	2,996.2
18	School District Total (Line 6/Line 9)	\$ 508.1	614.4	613.3	720.4	785.8	804.6	868.5	892.0	995.8	1,312.5
19	PICA Bonded Debt (Line 7/Line 9)	\$ 0.0	759.0	825.6	775.5	759.8	734.7	715.2	632.0	594.1	563.5
20	Total (Line 8/Line 9)	\$ 2,204.0	2,846.1	2,938.3	3,067.2	3,146.1	2,366.4	4,263.2	3,997.0	4,230.2	4,872.1
	<u>Net Tax Supported Debt as a Percentage of Assessed Valuation:</u>										
21	City Bonded Debt (Line 1/Line 10)	8.94	5.44	5.07	5.87	5.42	5.02	7.33	6.83	9.25	8.63
22	City Total Long-Term Debt (Line 3/Line 10)	29.44	24.91	25.27	26.11	25.90	13.14	41.32	40.15	41.69	45.10
23	School District Total (Line 6/Line 10)	8.82	10.40	10.33	11.97	12.71	12.78	13.39	14.48	15.72	19.76
24	Total (Lines 3 & 6/Line 10)	38.26	35.31	35.60	38.07	38.61	25.92	54.71	54.63	57.41	64.86
	<u>Net Tax Supported Debt as a Percentage of Estimated Market Value:</u>										

25	City Bonded Debt (Line 1/Line 11)	2.25	1.48	1.37	1.59	1.43	1.22	1.69	1.62	NA	NA
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Table 16 (continued)
City of Philadelphia
City and School District Net Tax Supported Debt and Debt Service Ratios
For the Fiscal Years 1993 Through 2002

		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
26	City Total Long-Term Debt (Line 3/Line 11)	7.40	6.79	6.83	7.07	6.85	3.21	9.50	9.52	10.61	NA
27	School District Total (Line 6/Line 11)	2.22	2.83	2.79	3.24	3.36	3.12	3.08	3.43	4.00	NA
28	Total (Lines 3 & 6/Line 11)	9.61	9.62	9.62	10.31	10.21	6.32	12.58	12.95	14.62	NA
	City Net Tax Supported Debt Service as a Percentage of City General Governmental Obligations:										
29	City Bonded Debt (Line 12/Line 15)	7.16	6.39	2.63	2.44	2.27	1.90	1.75	1.93	1.82	2.09
30	City Total Long-Term Obligation (Line 14/Line 15)	11.07	11.43	7.01	5.58	5.76	5.25	3.54	5.14	3.67	5.06

NOTES:

- (a) See Table 13.
- (b) Consists of leasing obligations, payments on contingent liabilities, accrued compensated absences, and the pension funding service agreement.
- (c) Consists of amounts due the Commonwealth of PA for vocational education, the State Public Building Authority and leasing obligations and accrued Terminal and Severance Pays.
- (d) Source: U.S. Department of Commerce, Bureau of the Census and Wharton Econometric Forecasting Associates.
- (e) See Table 5.
- (f) Consists of General Fund and Special Revenue Funds, all of which account for general governmental functions. See Table 3.

Table 17
City of Philadelphia
City and Gas Works Related Annual Debt Service on Long-Term Debt
As of June 30, 2002
(Amounts in Millions of Dollars)

Fiscal Year	General Obligation Bonds									Revenue Bonds									Fiscal Year
	Tax Supported			Self-Supporting			Total			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	
2003	\$ 44.4	\$ 42.8	\$ 87.2	\$ 3.9	\$ 0.7	\$ 4.6	\$ 48.3	\$ 43.5	\$ 91.8	\$ 64.3	\$ 95.4	\$ 159.7	\$ 43.3	\$ 46.6	\$ 89.9	\$ 31.8	\$ 59.8	\$ 91.6	2003
2004	43.1	40.5	83.6	4.0	0.5	4.5	47.1	41.0	88.1	67.0	92.8	159.8	40.1	45.0	85.1	34.2	60.2	94.4	2004
2005	27.6	38.3	65.9	3.7	0.3	4.0	31.3	38.6	69.9	69.5	90.0	159.5	32.0	43.5	75.5	36.0	58.3	94.3	2005
2006	16.8	36.9	53.7	1.4	0.2	1.6	18.2	37.1	55.3	75.3	84.9	160.2	40.2	41.9	82.1	38.0	56.3	94.3	2006
2007	19.0	36.2	55.2	1.2	0.2	1.4	20.2	36.4	56.6	79.1	81.1	160.2	32.9	40.0	72.9	32.3	54.2	86.5	2007
2008	23.3	35.3	58.6	1.3	0.2	1.5	24.6	35.5	60.1	82.5	77.7	160.2	37.0	38.1	75.1	34.0	52.4	86.4	2008
2009	24.4	34.1	58.5	1.4	0.1	1.5	25.8	34.2	60.0	85.9	74.4	160.3	36.9	36.1	73.0	35.8	50.6	86.4	2009
2010	25.5	32.9	58.4	1.4	0.1	1.5	26.9	33.0	59.9	89.4	70.9	160.3	36.2	34.1	70.3	37.8	48.7	86.5	2010
2011	26.9	31.6	58.5	1.5	0.1	1.6	28.4	31.7	60.1	95.4	64.9	160.3	46.3	32.2	78.5	39.8	46.6	86.4	2011
2012	28.2	30.2	58.4	1.3	0.1	1.4	29.5	30.3	59.8	102.7	57.5	160.2	38.4	30.6	69.0	42.0	44.5	86.5	2012
2013	29.7	28.7	58.4	0.3	0.1	0.4	30.0	28.8	58.8	108.7	51.8	160.5	20.4	29.4	49.8	44.3	42.2	86.5	2013
2014	31.3	27.2	58.5	0.2	0.1	0.3	31.5	27.3	58.8	114.7	45.8	160.5	33.2	27.8	61.0	46.7	39.8	86.5	2014
2015	32.9	25.5	58.4	0.2	0.1	0.3	33.1	25.6	58.7	121.0	39.6	160.6	33.5	26.0	59.5	49.3	37.2	86.5	2015
2016	30.7	23.9	54.6	0.2	0.1	0.3	30.9	24.0	54.9	126.5	34.4	160.9	33.7	24.1	57.8	45.9	34.5	80.4	2016
2017	32.2	22.3	54.5	0.2	0.0	0.2	32.4	22.3	54.7	47.3	27.9	75.2	30.9	22.2	53.1	48.4	32.1	80.5	2017
2018	33.8	20.8	54.6	0.2	0.0	0.2	34.0	20.8	54.8	49.8	25.4	75.2	31.1	20.5	51.6	50.2	29.4	79.6	2018
2019	35.4	19.1	54.5	0.2	0.0	0.2	35.6	19.1	54.7	43.1	23.1	66.2	31.3	18.8	50.1	42.7	26.6	69.3	2019
2020	37.2	17.3	54.5	0.2	0.0	0.2	37.4	17.3	54.7	35.0	21.2	56.2	31.6	17.0	48.6	45.0	24.3	69.3	2020
2021	28.0	15.4	43.4		0.0	0.0	28.0	15.4	43.4	36.8	19.5	56.3	31.8	15.3	47.1	47.4	21.9	69.3	2021
2022	29.4	14.1	43.5	0.0	0.0	0.0	29.4	14.1	43.5	38.7	17.7	56.4	32.0	13.5	45.5	50.0	19.3	69.3	2022
2023	30.9	12.6	43.5	0.0	0.0	0.0	30.9	12.6	43.5	40.7	15.7	56.4	32.8	11.8	44.6	52.7	16.6	69.3	2023
2024	32.4	11.0	43.4	0.0	0.0	0.0	32.4	11.0	43.4	26.9	13.7	40.6	33.0	10.0	43.0	55.6	13.8	69.4	2024
2025	34.1	9.3	43.4	0	0	0.0	34.1	9.3	43.4	28.2	12.4	40.6	33.4	8.3	41.7	58.6	10.7	69.3	2025
2026	28.5	7.6	36.1	0	0	0.0	28.5	7.6	36.1	29.7	11.0	40.7	28.3	6.6	34.9	45.7	7.5	53.2	2026
2027	30.0	6.1	36.1	0	0	0.0	30.0	6.1	36.1	31.2	9.6	40.8	29.5	5.2	34.7	48.1	5.2	53.3	2027
2028	31.4	4.6	36.0	0	0	0.0	31.4	4.6	36.0	32.7	8.1	40.8	27.3	3.7	31.0	44.3	2.7	47.0	2028
2029	15.8	3.0	18.8	0.0	0.0	0.0	15.8	3.0	18.8	34.4	6.6	41.0	28.8	2.3	31.1	2.4	0.4	2.8	2029
2030	16.6	2.2	18.8	0	0	0.0	16.6	2.2	18.8	36.2	4.8	41.0	15.0	1.2	16.2	2.5	0.3	2.8	2030
2031	17.5	1.4	18.9	0.0	0.0	0.0	17.5	1.4	18.9	38.0	2.9	40.9	7.6	0.6	8.2	2.6	0.1	2.7	2031
2032	18.3	0.5	18.8	0	0.0	0.0	18.3	0.5	18.8	40.0	1.0	41.0	7.9	0.2	8.1	0.0	0.0	0.0	2032
Total	855.3(a)	631.4	1,486.7	22.8(b)	2.9	25.7	878.1	634.3	1,512.4	1,870.7	1,181.8(c)	3,052.5	936.4	652.6	1,589.0	1,144.1	896.2	2,040.3	
Sinking Fund Assets Held by Fiscal Agent Available City	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Sinking Fund Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	160.9	0.7(d)	161.6	99.4	0.0	99.4	57.9	6.5	64.4(e)	
Net Debt	\$ 855.3	\$ 631.4	\$ 1,486.7	\$ 22.8	\$ 2.9	\$ 25.7	\$ 878.1	\$ 634.3	\$ 1,512.4	\$ 1,709.8	\$ 1,181.1	\$ 2,890.9	\$ 837.0	\$ 652.6	\$ 1,489.6	\$ 1,086.2	\$ 889.7	\$ 1,975.9	

NOTES:

- (a) Included in this amount is \$1.8 million issued for Port purposes which has been reclassified as Tax-Supported due to the sale of the Port Corporation.
- (b) Of this amount, Bonds have been issued for the following major purposes: Water and Sewer, \$11.5 million; Airport, \$7.7 million; Veterans Stadium, \$4 million and Subways, \$2.5 million. Issues for five other purposes account for the balance of \$7 million.
- (c) Interest on \$94.6 million Water and Sewer Variable Rate Bonds is based on the estimated short-term interest rate of 2.8241%.
- (d) In addition to the \$161.6 million available in Sinking Fund Assets, \$136.3 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 \$64.4 million available in 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.

Table 17 (cont.)
City of Philadelphia
City and Gas Works Related Annual Debt Service on Long-Term Debt
As of June 30, 2002
(Amounts in Millions of Dollars)

Fiscal Year	Total Revenue Bonds			Total General Obligation and Revenue Bonds			Other Long-Term Obligations			Total Long-Term Debt			Fiscal Year
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
2003	139.4	201.8	341.2	187.7	245.3	433.0	93.5	96.1	189.6	281.2	341.4	622.6	2003
2004	141.3	198.0	339.3	188.4	239.0	427.4	73.7	94.1	167.8	262.1	333.1	595.2	2004
2005	137.5	191.8	329.3	168.8	230.4	399.2	79.1	92.0	171.1	247.9	322.4	570.3	2005
2006	153.5	183.1	336.6	171.7	220.2	391.9	84.4	89.3	173.7	256.1	309.5	565.6	2006
2007	144.3	175.3	319.6	164.5	211.7	376.2	94.0	85.8	179.8	258.5	297.5	556.0	2007
2008	153.5	168.2	321.7	178.1	203.7	381.8	90.7	81.8	172.5	268.8	285.5	554.3	2008
2009	158.6	161.1	319.7	184.4	195.3	379.7	98.8	77.9	176.7	283.2	273.2	556.4	2009
2010	163.4	153.7	317.1	190.3	186.7	377.0	116.7	73.4	190.1	307.0	260.1	567.1	2010
2011	181.5	143.7	325.2	209.9	175.4	385.3	127.5	67.7	195.2	337.4	243.1	580.5	2011
2012	183.1	132.6	315.7	212.6	162.9	375.5	138.2	61.5	199.7	350.8	224.4	575.2	2012
2013	173.4	123.4	296.8	203.4	152.2	355.6	145.1	59.8	204.9	348.5	212.0	560.5	2013
2014	194.6	113.4	308.0	226.1	140.7	366.8	148.0	57.9	205.9	374.1	198.6	572.7	2014
2015	203.8	102.8	306.6	236.9	128.4	365.3	259.1	56.0	315.1	496.0	184.4	680.4	2015
2016	206.1	93.0	299.1	237.0	117.0	354.0	143.5	54.0	197.5	380.5	171.0	551.5	2016
2017	126.6	82.2	208.8	159.0	104.5	263.5	144.8	51.8	196.6	303.8	156.3	460.1	2017
2018	131.1	75.3	206.4	165.1	96.1	261.2	150.9	49.7	200.6	316.0	145.8	461.8	2018
2019	117.1	68.5	185.6	152.7	87.6	240.3	137.8	47.2	185.0	290.5	134.8	425.3	2019
2020	111.6	62.5	174.1	149.0	79.8	228.8	128.6	45.8	174.4	277.6	125.6	403.2	2020
2021	116.0	56.7	172.7	144.0	72.1	216.1	130.0	44.3	174.3	274.0	116.4	390.4	2021
2022	120.7	50.5	171.2	150.1	64.6	214.7	131.4	43.0	174.4	281.5	107.6	389.1	2022
2023	126.2	44.1	170.3	157.1	56.7	213.8	132.7	41.6	174.3	289.8	98.3	388.1	2023
2024	115.5	37.5	153.0	147.9	48.5	196.4	134.2	40.0	174.2	282.1	88.5	370.6	2024
2025	120.2	31.4	151.6	154.3	40.7	195.0	135.8	38.4	174.2	290.1	79.1	369.2	2025
2026	103.7	25.1	128.8	132.2	32.7	164.9	137.4	36.8	174.2	269.6	69.5	339.1	2026
2027	108.8	20.0	128.8	138.8	26.1	164.9	130.6	34.2	164.8	269.4	60.3	329.7	2027
2028	104.3	14.5	118.8	135.7	19.1	154.8	134.6	26.2	160.8	270.3	45.3	315.6	2028
2029	65.6	9.3	74.9	81.4	12.3	93.7	246.8	10.4	257.2	328.2	22.7	350.9	2029
2030	53.7	6.3	60.0	70.3	8.5	78.8	22.9	1.9	24.8	93.2	10.4	103.6	2030
2031	48.2	3.6	51.8	65.7	5.0	70.7	24.2	0.6	24.8	89.9	5.6	95.5	2031
2032	47.9	1.2	49.1	66.2	1.7	67.9	0.0		0.0	66.2	1.7	67.9	2032
Total	3,951.2	2,730.6	6,681.8	4,829.3	3,364.9	8,194.2	3,615.0	1,559.2	5,174.2	8,444.3	4,924.1	13,368.4	
Sinking Fund Assets Held by Fiscal Agent	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Available City Sinking Fund Assets	318.2	7.2	325.4	318.2	7.2	325.4	0.0	0.0	0.0	318.2	7.2	325.4	
Net Debt	\$ 3,633.0	\$ 2,723.4	\$ 6,356.4	\$ 4,511.1	\$ 3,357.7	\$ 7,868.8	\$ 3,615.0	\$ 1,559.2	\$ 5,174.2	\$ 8,126.1	\$ 4,916.9	\$ 13,043.0	

NOTES:

- (a) Included in this amount is \$1.8 million issued for Port purposes which has been reclassified as Tax-Supported due to the sale of the Port Corporation.
- (b) Of this amount, Bonds have been issued for the following major purposes: Water and Sewer, \$11.5 million; Airport, \$7.7 million; Veterans Stadium, \$4 million and Subways, \$2.5 million. Issues for five other purposes account for the balance of \$7 million.
- (c) Interest on \$94.6 million Water and Sewer Variable Rate Bonds is based on the estimated short-term interest rate of 2.8241%.
- (d) In addition to the \$161.6 million available in Sinking Fund Assets, \$136.3 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 \$64.4 million available in 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.

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 2003-2008 contemplates a total expenditure of \$4,211,894 billion, of which \$1,658,979 billion is to be provided from Federal, Commonwealth, and other sources and the remainder through City funding. The following table shows the amounts anticipated to be spent each year from various sources of funds for capital projects. City Council adopted the Capital Improvement Program for Fiscal Years 2003-2008 on May 2, 2002.

Table 18
City of Philadelphia
Fiscal Years 2003-2008
Capital Improvement Program

(Amounts in Thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Total</u>
City Funds – Tax Supported							
New Loans	81,604	67,931	58,847	51,340	48,343	47,757	398,011
Operating Revenue	5,375	4,650	4,650	4,650	4,650	5,250	44,887
Carry Forward							208,098
Prefinanced Loans	1,000	1,000	1,000	1,000	1,000	1,000	8,500
PICA-Prefinanced Loans	0	0	0	0	0	0	42,298
Tax-Supported Total	<u>87,979</u>	<u>73,581</u>	<u>64,497</u>	<u>56,990</u>	<u>53,993</u>		<u>659,496</u>
City Funds – Self-Sustaining							
New Loans	264,193	464,359	153,490	121,141	133,558	183,503	1,356,660
Operating Revenue	16,487	16,687	16,887	17,087	17,287	17,497	143,931
Carry Forward	0	0	0	0	0		1,872,919
Self-Sustaining Total	<u>280,680</u>	<u>481,046</u>	<u>170,377</u>	<u>138,228</u>	<u>150,845</u>		<u>1,872,919</u>
Other City Funds							
Revolving Funds	2,500	2,000	2,000	2,000	2,000	2,000	20,500
Total City Funds	<u>2,500</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>		<u>20,500</u>
Other Than City Funds							
Federal	41,234	32,568	66,108	19,670	13,210	60,548	362,770
Federal Off Budget	162,038	165,614	136,958	92,525	62,000	61,386	686,478
State	4,363	2,442	10,362	3,880	2,690	2,622	69,618
State Off Budget	50,130	49,424	58,583	46,013	33,860	139,432	267,676
Private	12,395	11,090	1,475	70	20	30,020	98,529
Other Governments/Agencies	18,000	0	0	0	0		169,610
Other Governments/Agencies Off-Budget	941	995	828	795	615	1,250	4,298
Other Than City Funds total	<u>289,101</u>	<u>262,133</u>	<u>274,314</u>	<u>162,953</u>	<u>112,395</u>		<u>1,658,979</u>
TOTAL ALL FUNDS	<u>660,260</u>	<u>818,760</u>	<u>511,188</u>	<u>360,171</u>	<u>319,233</u>	<u>552,265</u>	<u>4,211,894</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 resulting from general and special litigation claims was \$30.2 million for Fiscal Year 2001 and \$30.0 million for Fiscal Year 2002. The City’s Five-Year Plan dated January 2003 includes estimates of settlements and judgments from the General Fund of \$26.1 million, \$28.4 million, \$29.8 million, \$30.6 million and \$32.1 million for the Fiscal Years 2003 through 2007, 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 from the General Fund for settlements and judgments have averaged \$31.3 million over the past five years.

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/or appealed and adverse final outcomes of such litigation could have a substantial or long-term adverse effect on the City’s General Fund. These proceedings involve: (i) environmental-related actions and proceedings in which it has been or may be alleged that the City is liable for damages, including but not limited to property damage and bodily injury, or that the City should pay fines or penalties or the costs of response or remediation, because of the alleged generation, transport, or disposal of toxic or otherwise hazardous substances by the City, or the alleged disposal of such substances on or to City-owned property; (ii) a class action suit alleging that the City failed to properly oversee management of funds in the deferred compensation plan of City employees; (iii) various civil rights claims; (iv) a labor arbitration award holding that the City should have used union employees rather than outside contractors since 1997 to provide home inspections for first time home buyers subsidized by the City’s Office of Housing and Community Development; (v) a mandamus action to compel the Mayor to provide free trash collection to all condominiums and cooperatives; (vi) a claim made by a Philadelphia sports franchise alleging damages for the cancellation of a professional exhibition game allegedly because the field at Veterans’ Stadium was not in playable condition.

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 2002 which resulted from these claims and lawsuits was \$3.7 million. The estimated loss for Fiscal Year 2003 is \$3.5 million. The Water Department's budget for Fiscal Year 2003 contains an appropriation for Water Department claims in the amount of \$6.5 million. The Water Fund is the first source of payment for any of the claims against the Water Department.

APPENDIX A

CITY SOCIOECONOMIC INFORMATION

Introduction

The City includes within its boundaries an area of approximately 130 square miles and a resident population of approximately 1.52 million people. The City is in the heart of a nine-county metropolitan area with approximately 5.1 million residents. Air, rail, highway, and water routes provide easy access to the City.

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

Quality of Life

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

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

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

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

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

Demographics

During the ten year period between 1990 and 2000, the population of the City decreased from 1,585,577 to 1,517,550. During the same period, the population of the Philadelphia PMSA increased by 5.0%, less than one-half the national rate of increase.

Table A-1
Population
City, PMSA & Nation

	1990	2000	% Change 1990-2000
Philadelphia	1,585,577	1,517,550	-4.3%
Philadelphia PMSA*	4,856,881	5,100,931	5.0%
United States	249,632,692	281,421,906	12.7%

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 A-2
Population Age Distribution

Age	Philadelphia				Pennsylvania			
	1990	% of Total	2000	% of Total	1990	% of Total	2000	% of Total
0-24	563,816	35.6	551,308	36.3	4,021,585	33.8	3,877,729	32.3
25-44	490,224	30.9	444,774	29.3	3,657,323	30.8	3,515,421	29.3
45-64	290,803	18.3	307,746	20.2	2,373,629	20.0	2,701,930	22.5
65-84	217,913	13.7	186,383	12.3	1,657,270	13.9	1,666,641	13.9
85 & up	22,801	1.4	27,339	1.8	171,836	1.4	232,295	1.9
Total	1,585,577	100.0	1,517,550	100.0	11,881,643	100.0	11,994,016	100.0

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

Age	United States			
	1990	% of Total	2000	% of Total
0-24	90,342,198	36.3	99,437,266	35.3
25-44	80,754,835	32.5	885,040,251	30.2
45-64	46,371,009	18.6	61,952,636	22.0
65-84	28,161,666	11.3	330,752,166	11.0
85 & Up	3,080,165	1.2	44,239,587	1.5
Total	248,709,873	100.0	281,421,906	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.

Table A-3
Office Rental Rates in Cities
Throughout the United States

(In \$ Per Square Foot)

	June, 1997	June, 1998	Sept, 1999	Sept, 2000	March 2001	March 2002
Atlanta	19.50	20.07	20.00	20.20	22.08	21.60
Chicago	19.05	21.77	25.99	28.16	24.03	24.02
Dallas	17.54	19.43	19.99	20.87	18.51	19.77
Denver	15.78	16.98	18.50	19.70	18.27	16.58
Houston	14.53	17.28	21.09	22.61	16.30	18.20
Los Angeles	18.12	20.04	20.16	20.64	27.30	27.42
New York	30.10	34.88	33.08	43.10	53.26	47.20
Philadelphia	18.50	19.50	19.80	21.28	23.49	22.16
Phoenix	17.62	18.15	19.81	20.28	21.57	21.11
Portland	16.29	17.93	20.25	21.50	20.50	20.00
San Francisco	33.79	43.93	47.00	78.21	61.80	30.20
St. Louis	19.15	19.88	19.09	19.35	17.97	17.83
Tampa	14.50	14.65	18.20	20.25	18.93	18.89
Washington, D.C.	24.20	24.68	32.90	35.76	30.52	30.63

Source: Insignia/ESG Commercial Market Report, National Market Overview.

Employment

The employment and unemployment rates and the total number of jobs within the City are reflected in Tables A-4 and A-5, respectively.

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 City saw several major closure actions in the 1990's, including the Philadelphia Navy Shipyard and Naval Station ("Navy Yard"), the Philadelphia Naval Hospital and the former Defense Supply Center Philadelphia. At the time of their closures, these facilities employed in excess of 20,000 people.

Since these closure actions and the subsequent transfer of property from the federal government, the City has seen substantial progress in the revitalization of these assets and rebuilding the lost employment base. Most significant, employment at the former Navy Yard complex has begun to climb. In March 2000, PAID took ownership of more than 1,000 acres at the site and has begun to implement aggressive redevelopment activities. To date, 47 companies have leased or purchased in excess of 2 million square feet of facilities at the complex, now known as the Philadelphia Naval Business Center ("PNBC"). In addition to this employment, the Navy has retained more than 2 million square feet of facilities. Together the private and Navy facilities employ more than 5,500 people. Long term plans call for more than 10 million square feet of industrial and commercial space at PNBC, with employment targeted between 15,000-20,000.

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Table A-4
Labor Force Data Annual Average
Based On Residency

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994^(a)</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Philadelphia (000)											
Labor Force	689.6	682.2	677.0	657.0	644.2	641.4	643.0	640.0	644.2	628.7	639.8
Employment	628.6	618.0	612.9	604.6	594.4	596.1	598.3	600.4	606.9	590.1	599.1
Unemployment	60.9	61.0	64.1	52.5	49.8	45.3	44.7	39.6	36.8	38.6	40.7
Unemployment Rate (%)	8.8	9.4	9.4	8.0	7.7	7.1	7.0	6.2	5.8	6.1	6.4
Philadelphia PMSA (000)											
Labor Force	2,473.8	2,467.2	2,446.7	2,428.5	2,428.5	2,464.2	2,502.1	2,493.1	2,515.4	2,503.2	2,534.8
Employment	2,300.7	2,273.0	2,272.8	2,280.5	2,286.3	2,334.1	2,380.5	2,385.5	2,412.9	2,403.5	2,425.1
Unemployment	173.1	194.2	173.9	148.0	142.2	130.1	121.6	107.6	104.6	99.8	109.7
Unemployment Rate (%)	7.0	7.9	7.1	6.1	5.9	5.3	4.9	4.3	4.1	4.0	4.3
United States (000,000)											
Labor Force	126.3	128.1	129.2	131.1	132.3	133.9	136.3	137.7	139.4	140.9	141.9
Employment	117.7	118.5	120.3	123.1	124.9	126.7	129.6	131.5	133.5	135.2	134.2
Unemployment	8.6	9.6	8.9	8.0	7.4	7.2	6.7	6.2	5.9	5.7	7.7
Unemployment Rate (%)	6.8	7.5	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.0	5.4

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.

(a) 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 A-5
Philadelphia
Total Monthly Employment And Monthly Unemployment Rates
Based On Residency
1997 – 2001

<u>Month</u>	<u>Total Employment</u>					<u>Unemployment Rate %</u>				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
January	585.3	592.3	589.6	582.3	589.3	6.9	6.6	5.8	6.1	6.2
February	588.7	592.2	590.5	581.7	588.9	6.8	6.3	5.9	6.1	6.4
March	591.4	594.4	595.6	583.6	592.8	6.8	6.2	5.8	5.9	6.1
April	592.8	595.4	598.0	585.3	593.4	6.8	6.1	5.6	5.5	5.7
May	593.1	595.2	600.1	586.6	596.8	7.3	6.6	6.0	6.1	6.4
June	603.7	603.4	606.7	595.2	605.6	6.9	6.3	6.3	6.2	6.6
July	607.2	609.0	611.8	598.8	609.9	7.3	6.5	6.5	6.4	6.6
August	605.4	608.3	609.9	596.9	606.0	7.0	6.2	6.2	6.1	6.5
September	596.2	598.4	600.0	586.8	600.1	7.7	6.6	6.7	6.9	6.7
October	601.9	603.8	607.7	592.4	601.1	7.2	6.1	6.0	6.5	6.7
November	606.6	605.1	608.9	594.7	602.1	7.0	6.0	6.0	6.5	6.6
December	608.6	607.2	613.1	597.0	602.9	5.7	4.9	5.0	5.3	5.8

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

Table A-6
Philadelphia City
Non-Farm Payroll Employment*

(Amounts In Thousands)

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000**</u>
Total Employment	689.8	681.3	678.5	665.9	676.2	681.2	674.3	679.2	693.4
Manufacturing	68.9	66.0	64.5	61.1	60.4	60.2	57.7	56.6	57.0
Non-Manufacturing	620.9	615.3	614.0	604.8	615.8	621.0	616.6	622.6	636.5
Construction & Mining	11.4	10.7	11.8	10.5	10.2	10.1	10.8	10.3	12.5
Transportation & Public Utilities	37.4	37.9	38.0	33.4	32.6	33.1	34.1	35.8	35.7
Wholesale & Retail Trade	119.9	117.0	114.3	114.8	113.9	117.2	112.5	112.3	118.4
Finance, Insurance & Real Estate	59.8	57.7	58.0	56.0	53.9	55.2	52.3	51.3	49.5
Services	263.5	265.8	271.6	272.1	278.0	279.5	291.8	293.1	297.7
Government	135.1	131.8	132.1	128.5	127.2	125.9	115.1	113.2	122.7

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

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

** Figures are based on estimate

Table A-7
City of Philadelphia
Largest Non-Governmental Employers In Philadelphia
December 31, 2002

Albert Einstein Medical

Aramark Food & Support Services Group

Cardone Industries, Inc.

Children's Hospital of Philadelphia

Delaware Management Business Trust

Drexel University

Everen Capital Corporation

Frankford Hospital

Independence Blue Cross

PA. Hospital of Univ of Penn Health Systems

Philadelphia Gas Works

Philadelphia Newspapers, Inc.

SEPTA

Smith Kline Beecham Corporation

Sunoco, Inc.

Temple University

Temple University Hospital Inc.

Tenet Health System Philadelphia Inc.

Tenet Phila Health & Ed (MCP Hahnemann)

Thomas Jefferson University

Thomas Jefferson University Hospitals

Towers, Perrin, Forster & Crosby, Inc.

University of Pennsylvania Hospital

University of Pennsylvania

Verizon Services Corporation

Source:

Philadelphia Department of Revenue

Table A-8
Fortune 500
Largest Corporations
With Headquarters In Philadelphia, 2001

Corporation	Type of Industry	Ranking	Revenues (\$ Millions)
Cigna	Health Care	102	\$19,994.0
Sunoco	Petroleum Refining	154	\$12,664.0
Comcast	Telecommunications	233	\$ 8,218.6
Crown Cork & Seal	Metal Products	250	\$ 7,289.0
ARAMARK	Diversified Outsourcing Services	253	\$ 7,262.9

Source: Fortune Magazine, April 28, 2001.

Table A-9
Fortune 500
Largest Service Corporations
With Headquarters In Philadelphia, 2001

Corporation	Type of Industry	Ranking	Revenues (\$ Millions)
Cigna	Health Care	102	\$19,994.0
Comcast	Telecommunications	233	\$ 8,218.6
ARAMARK	Diversified Outsourcing Services	253	\$ 7,262.9
Lincoln National	Insurance: Life & Health	274	\$ 6,851.5

Source: Fortune Magazine, April 18, 2001.

Table A-10
Total Industry Employment By Establishment
Annual Averages

(Amounts In Thousands)

Philadelphia PMSA

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Non-Agricultural Employment	2,095.5	2,129.3	2,169.1	2,178.9	2,214.4	2,257.5	2,315.6	2,322.1	2,394.2
Goods Producing	386.7	390.9	392.7	386.0	384.9	393.0	396.2	387.0	398.6
Construction & Mining	73.7	77.0	79.2	77.9	79.1	87.8	90.4	86.3	99.1
Manufacturing	313.0	313.8	313.5	308.1	305.8	305.2	305.8	300.7	299.5
Durable Goods	149.9	148.5	149.0	148.9	146.6	146.0	147.4	143.7	142.8
Nondurable Goods	163.1	165.3	164.5	159.2	159.3	159.2	158.4	157.0	156.7
Service Producing	1,708.8	1,738.4	1,776.4	1,792.9	1,829.5	1,864.5	1,919.4	1,935.1	1,995.6
Transp. & Public Utilities	97.8	102.3	105.4	103.6	104.6	106.9	109.9	113.4	114.3
Wholesale & Retail Trade	486.9	468.8	479.5	487.2	493.3	498.3	506.8	503.2	526.3
Fin., Insurance & Real Estate	157.4	156.3	158.0	153.9	154.4	157.3	161.6	162.7	169.2
Services	685.0	708.9	729.1	744.1	774.8	806.6	848.5	859.0	886.0
Government	299.7	302.1	304.4	304.1	302.3	295.4	292.6	296.8	299.8
Federal Government	75.0	73.1	73.6	69.0	65.0	58.1	55.9	57.7	57.8
State & Local Government	224.7	229.0	230.8	235.1	237.4	237.3	236.7	239.1	242.1

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 A-11
Consumer Price Indices and Median Household Effective Buying Income

	<u>1990</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
CPI-U United States(a)	130.7	153.5	155.1	160.5	163.0	166.6
CPI-U Philadelphia PMSA(a)	135.8	158.7	164.3	166.5	168.2	171.9
Median Household Effective Buying Income(b)						
Philadelphia	\$24,880	\$27,542	\$28,557	\$29,561	\$30,127	\$31,621
Philadelphia PMSA	\$33,277	\$39,470	\$41,192	\$42,852	\$44,425	\$47,152
United States	\$27,912	\$32,238	\$33,482	\$34,618	\$35,377	\$37,233

Source:

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

(b) "2000 Survey of Buying Power"

Table A-12
Number of Households By Income Range In Philadelphia County

Income	Number of Households*		Percentage of Households*	
	1990	1980	1990	1980
Under \$5,000	59,823	127,401	9.9	20.5
\$5,000-9,999	76,512	116,931	12.7	18.8
\$10,000-14,999	59,331	98,540	9.9	15.9
\$15,000-24,999	108,405	150,851	18.1	24.3
\$25,000-49,999	190,237	112,508	31.7	18.1
\$50,000 and over	106,432	14,4508	17.57	2.35
Total	600,740	620,639	100.0%	100.0%

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

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

Number of Households By Income Range In United States

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

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

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

Retail Sales

The following table reflects taxable sales for Philadelphia from fiscal years 1994 to 2001.

Table A-13
Philadelphia
Taxable Retail Sales 1994-2001

(\$000's)

<u>Fiscal Year</u>	<u>Taxable Sales</u>
1994	8,366,567
1995	8,636,921
1996	10,249,166
1997	9,637,833
1998	8,276,083
1999	9,604,970
2000	10,432,800
2001	11,107,100

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 A-14
Retail Sales By Store Group (\$000)
2000

	<u>Philadelphia</u>	<u>PMSA</u>	<u>Pennsylvania</u>	<u>United States</u>
Total Retail Sales*	10,874,471	58,258,726	141,940,701	3,409,490,367
Food	1,948,678	8,858,582	20,734,966	464,261,976
Eating & Drinking	1,521,992	4,880,129	11,742,263	303,905,297
Gen. Merchandise	799,776	5,109,025	14,741,017	417,852,013
Furniture, Furnishings	448,056	2,805,614	5,779,514	179,178,997
Automotive	1,988,652	15,701,718	39,213,344	927,141,001

Source: Sales and Marketing Management, "2000 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 1999 was \$31,621, 67.1% of the PMSA median household effective buying income, and 84.9% of the U.S. median household effective buying income. In 1998 the Philadelphia metropolitan area had the nation's fifth largest total effective buying income. Effective buying income ("EBI") is defined as all personal income less personal taxes, non-tax payments (fines, fees and penalties), and contributions to social security. EBI is also commonly referred to as disposable or after-tax income.

Table A-15
City And PMSA Effective Buying Income
1999

	Total EBI (\$000)	Median Household EBI	% of Household EBI		
			\$20,000- 34,999	\$35,000- 49,999	\$50,00 0 and Over
Philadelphia (City)	\$ 22,002,926	\$31,621	20.9	16.2	29.6
Bucks Co.	14,517,150	58,281	13.7	15.7	59.6
Chester Co.	13,227,520	68,588	11.6	12.8	66.3
Delaware Co.	12,078,536	49,343	16.9	16.8	49.3
Montgomery Co.	20,793,236	56,963	14.8	15.7	57.7
Burlington Co., NJ	9,148,321	53,310	16.0	17.5	54.4
Camden Co., NJ	9,254,922	43,229	18.8	17.9	42.1
Gloucester Co., NJ	4,650,606	48,747	17.0	18.1	48.5
Salem Co., NJ	1,232,180	45,680	17.2	16.7	44.9
Pennsylvania	227,495,309	38,922	20.7	17.8	37.3
United States	4,877,786,658	37,233	22.0	18.0	36.4

Source: Sales and Marketing Management, "2000 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, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting Philadelphia to the other major cities and markets in the United States. More than 100 truck lines serve the Philadelphia area.

The City now has one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of I-95; the Vine Street Expressway (I-676), running east-to-west through the Central Business District between I-76 and I-95; and the "Blue Route" (I-476) in suburban

Delaware and Montgomery Counties which connects the Pennsylvania Turnpike and I-95 and thereby feeds into the Schuylkill Expressway (I-76) and thus into Center City Philadelphia.

The City owns Philadelphia International Airport (“PHL”), located eight miles southwest of Center City and a smaller reliever airport in Northeast Philadelphia. PHL is accessible by major highways within the City and from surrounding communities and SEPTA’s high speed train line. PHL provides its passengers with service on eleven domestic carriers and eleven regional and commuter carriers, while four foreign flag carriers and one U.S. carrier provide international service. In addition, there are eight all-cargo carriers. PHL serves as a key connecting hub for USAirways. PHL opened a new commuter terminal in 2001 and a new international terminal in April 2003.

In 2002, PHL ranked 19th in the nation in terms of total passengers, up from 21st in 2001 according to data reported by Airports Council International.

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), to the Pennsylvania Suburban Corporation and the Bucks County Water and Sewer Authority. The City obtains approximately 56 percent of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 474,000 households through 3,300 miles of mains and provides fire protection through more than 27,800 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 number of accounts is approximately 474,000. The wastewater system contains three water pollution control plants, a biosolids processing facility, 16 pumping stations and approximately 2,960 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 waste from sources other than industrial or commercial institutions. Approximately 3,000 tons of solid waste per day is collected by the City. Municipal solid waste is disposed of at various landfills operated outside of the City limits. The City significantly reduced its waste disposal costs over the past eight years after entering into new contracts effective in July 1994 and again in July 1998 with private contractors for landfill space. The current disposal contracts were extended through June 2002 and may be extended further for up to three additional years.

Housing

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

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

Table A-16
Housing Affordability In Major Markets

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

MSA Name	1997 MIRS* Sample Conventionally Financed New Construction	Median Value Constructed 1994-1997	Average Value Constructed in 1994-1997	Year of AHS Survey
Atlanta, GA	\$133,500	\$139,146	\$154,420	96
Buffalo, NY	N/A	170,926	174,320	94
Charlotte, NC/SC	155,500	118,181	135,340	95
Chicago, IL	185,000	191,502	203,740	95
Cleveland, OH	203,000	194,787	207,660	96
Columbus, OH	N/A	145,018	155,800	95
Dallas, TX	160,354	121,613	138,850	94
Denver, CO	179,195	193,707	203,530	95
Detroit, MI	167,900	162,605	176,070	95
Forth Worth/Arlington., TX	148,473	147,684	155,980	94
Hartford, CT	153,000	197,534	201,620	96
Indianapolis, IN	147,758	139,085	150,400	96
Kansas City, MO/KS	167,248	148,990	159,780	95
Los Angeles/Long Beach, CA	222,665	N/A	198,840	95
Memphis, TN/ARMS	160,157	124,638	134,020	96
Miami/Ft. Lauderdale, FL	132,995	145,897	158,850	95
Milwaukee, WI	175,285	179,154	185,990	94
New Orleans, LA	N/A	113,277	120,340	95
New York/Nassau/Suffolk, NY	231,500	N/A	200,970	95
Newark, NJ	195,000	145,873	176,940	95
Oklahoma City, OK	121,102	121,968	130,200	96
Orange County, CA	251,000	250,053	N/A	94
Philadelphia/PA, NJ	191,815	157,881	174,500	95
Phoenix, AZ	154,671	137,881	153,450	94
Pittsburgh, PA	169,000	174,180	173,800	95
Portland, OR	161,275	181,465	191,340	95
Riverside/San Bernadino, CA	169,440	138,327	151,660	94
Sacramento, CA	185,475	172,890	185,230	96
St. Louis, MO/IL	161,786	143,477	155,150	96
San Antonio, TX	124,990	116,069	125,150	95
San Diego, CA	235,000	226,279	N/A	94
Seattle/Everett, WA	180,000	209,419	210,190	96

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

* 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.

Table A-17
Characteristics of Housing Units

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
Total Housing Units				
City of Philadelphia	673,524	685,629	674,899	661,959
Philadelphia PMSA	1,536,872	1,554,651	1,491,310	1,565,641
Pennsylvania	3,924,757	4,597,412	4,938,140	5,249,750
Percent Owner Occupied				
City of Philadelphia	59.7%	61.0%	62.0%	59.3%
Philadelphia PMSA	67.1%	63.4%	68.5%	68.4%
Median Value of Owner Occupied Housing				
City of Philadelphia	\$10,600	N/A	\$48,400	N/A
Philadelphia PMSA	14,900	\$41,700	96,700	N/A
Pennsylvania	13,600	39,100	67,900	N/A
Number of Persons per Housing Unit				
City of Philadelphia	2.50	2.66	2.63	2.65

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 A-18
Construction Authorized By Building Permit
Declared Valuation

(Millions of Dollars)

	<u>Residential</u>	<u>Commercial</u>	<u>Other *</u>	<u>Total</u>	<u>Housing Units</u>
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	262
1995	82.5	298.6	53.7	434.8	253
1996	124.5	457.6	163.2	745.3	636
1997	101.9	382.2	176.7	660.9	509
1998	316.2	753.9	196.3	1,266.5	594

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

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

In calendar years 2000 and 2001, 12,335 and 12,014 building permits, respectively, were issued. The total estimated cost of construction of housing units in calendar years 2000 and 2001 were \$1,147 million and \$1,441 million, respectively for 817 units and 934 units, respectively.

Economic Development

The last decade found the City riding one of the biggest development waves since the development of the Center City office towers in the mid-1980's. The City's economic development policies are being strategically driven under the auspices of an initiative called the Economic Stimulus Program, which began in 1994 as a \$2.2 billion project, and was extended in 1997 for three years and continued in 2000 by the administration of Mayor John Street.

The gains of the Program are evident in a series of economic development accomplishments that include:

- A. a hotel construction boom that has given the City more than 4,000 new hotel rooms, all within walking distance of the Pennsylvania Convention Center, in the last three years;
- B. the \$500 million Pennsylvania Convention Center;
- C. the Avenue of the Arts complex capped off by the \$255 million Regional Performing Arts Center;
- D. the creation of economic development zones to enhance existing economic development efforts already underway; and
- E. the ongoing conversion of closed military installations to commercial use including the transformation of the former Philadelphia Naval Base into a world class commercial and industrial park with the most modern shipbuilding operation in North America.

Philadelphia International Airport

Philadelphia International Airport is ranked 19th among the nation's airports in terms of passenger traffic, serving 23.9 million passengers in calendar year 2002. In June 1998 a \$135 million renovation of terminals B and C was completed. A year later, construction began on a new \$440 million development project to construct new international and regional terminals, funded by a 1998 Airport Revenue Bond issue. An additional \$225 million in bond financing was provided for the project in July 2001. Construction of the regional terminal was completed in June 2001 and the new international terminal was completed in April 2003. The Parking Authority completed in the fall of 2002 construction of two new Airport parking garages, which will provide a total of 5,000 additional parking spaces. Upon completion in 2003, Airport improvements are expected to have an economic impact of more than \$2 billion over the first twenty (20) years of operation.

Hospitality and Tourism

One of the most encouraging trends for the City's economy has been the continuing growth in the hospitality and tourism industry. As one of the cornerstones of the City's economic development efforts in the 1990s, the hospitality and tourism sector continues to represent a significant growth opportunity for the City.

Pennsylvania Convention Center

At the center of the hospitality and tourism industry is the Pennsylvania Convention Center. In 1998, for the second year in a row, Philadelphia hosted more major conventions than any other city in the Northeast and more than Boston and Washington combined. The existence of the Center, one of the

largest in the east and the attendant development of hotels within walking distance of it, have positioned the City to attract some of the largest conventions and shows in the country. This includes the annual Flower Show with an estimated \$25 million economic impact as well as the American Library Association (an estimated \$7 million economic impact) and SAP (an estimated \$12 million economic impact). In 2000, the Republican National Convention was held in Philadelphia at the First Union Center, bringing significant revenues to the local economy.

The Convention Center Authority has crafted a \$460 million proposal that would enlarge the center from 440,000 square feet to 685,000 square feet of exhibit space, making it the 8th largest convention facility in the United States. No action has yet been taken with respect to this proposal.

Center City Hotel Development

Part of the strategy of developing Philadelphia as a destination city to support its burgeoning hospitality industry and attracting the largest conventions was to add at least 2,000 hotel rooms within walking distance of the Pennsylvania Convention Center by the year 2000. That goal has been met and exceeded.

The hotels within walking distance of the Convention Center, which have opened since 1998 are:

Hotel	Approximate Total Program Cost	Number of Rooms	Completion Date
Hawthorne Suites/1100 Vine Street	\$24 million	294	Opened 1998
Alexander/12th and Spruce	N/A	48	Opened 1998
Sheraton/Rittenhouse Regency	\$24 million	192	Opened 1999
Bed & Breakfast/Rittenhouse Square	\$1.25 million	10	Opened 1999
Marriott/Reading Terminal Headhouse	\$40 million	213	Opened 1999
Union League Conversion	\$8.13 million	65	Opened 1999
Warwick Conversion	\$43.75 million	350	Opened 1999
Windsor Conversion	\$18.75 million	150	Opened 1999
Marriott Courtyard/City Hall Annex	\$77 million	500	Opened 1999
Club Quarters/17th and Chestnut	\$37.5 million	300	Opened 1999
Loews Hotel/PSFS Building Hotel	\$100 million	580	Opened 2000
Ritz Carlton/Two Mellon Center	\$88 million	330	Opened 2000
Hilton Gardens/Gallery Garage	\$35 million	280	Opened 2000
Sofitel/Stock Exchange Building	\$34.63 million	277	Opened 2000
Hyatt Regency/Penn's Landing	\$60 million	350	Opened 2001
Hampton Inn/13th and Race	\$33.75 million	270	Opened 2001
TOTALS	\$625.76 million	4,209	

Source: City of Philadelphia Five-year Financial Plan Fiscal Year 2001-Fiscal Year 2005.

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 performing arts and culture district. It consists of 14 different projects including a \$31 million High School for Creative and Performing Arts which opened in September 1997.

The last major project on the Avenue of the Arts is the Regional Performing Arts Center ("RPAC"), an approximately \$255 million project which opened in the Fall of 2001. Designed by a

world-class team of architects, RPAC is the home for the Philadelphia Orchestra, Concerto Soloists Chamber Orchestra, Philadanco and the Philadelphia Chamber Music Society.

Penn's Landing Waterfront

The City and Penn's Landing issued a Request for Qualification in December 2002. A short list of developers will be selected to compete for development rights to the site, with the expectation that a developer will be in place by the spring 2003, to ensure that development will be complete by 2005. The \$200 million complex will include retail and entertainment attractions, ice rinks, a 3000-seat outdoor amphitheater, a multi-screen movie theater, a new home for the Philadelphia Please Touch Museum and an aerial tram that will connect Philadelphia to the entertainment venues along Camden, New Jersey's waterfront.

New Stadium and Ballpark

A new stadium for the Philadelphia Eagles football franchise and a new ballpark for the Philadelphia Phillies baseball franchise are currently under construction and are expected to be completed in August 2003 and April 2004, respectively. The total cost of constructing both the stadium and the ballpark, including site acquisition and construction of parking facilities, is estimated to be approximately \$1 billion.

New Center City Skyscrapers

Liberty Property Trust has announced that it expects to begin the construction of a \$390 million project that will include two office buildings containing 1.1 million square feet as well as a glass enclosed winter garden and public plaza. The structures will be the first major Center City office development in more than ten years.

TJ Maxx Distribution Center

TJ Maxx has completed a new distribution facility in Northeast Philadelphia which will bring 1,100 new jobs to the City.

Special Economic Development Zones

Between 1995 and 2000, three special "zones" were created in Philadelphia to promote revitalization and economic development. They are the Federal Empowerment Zone, the target areas of Frankford/Port Richmond known as the Urban Industry Initiative and the Keystone Opportunity Zone. These zones represent initiatives over and above day-to-day economic development activity.

Federal Empowerment Zone. In 1994 the City was named, along with Camden, New Jersey, as a bi-state federal empowerment zone. Since 1995, the City has received \$79 million in federal funds allocated to its three target areas: the American Street corridor of North Philadelphia, North Central Philadelphia and West Philadelphia. In the first seven years of existence of the zones, a number of achievements can be documented. In addition to the creation of lending and governance institutions in each of the zones and the provision of capital and technical assistance, 426 new businesses opened, 1,790 jobs were created, and another 2,840 were retained. Highlights occurring in each of the three zones include:

Westside Park. Ground has been broken and a developer chosen for a 100,000 square foot retail center that will house a supermarket and other retail operations on a site assembled on North 52nd Street in West Philadelphia.

American Street. Asia Foods, a new \$4 million 60,000 square foot state-of-the-art warehouse facility and office building opened on the site of the former Sovereign Oil factory. The abandoned facility was demolished and environmental problems remediated to make way for the thriving business.

Keystone Opportunity Zones (“KOZ”). A state-wide program that exempts companies locating in designated areas from paying a variety of taxes until the year 2011, the Keystone Opportunity program in Philadelphia has attracted companies from outside the City and helped local companies stay and expand.

Philadelphia has 12 KOZ sub-zones located throughout the City from industrial parks in Northeast Philadelphia to portions of the Philadelphia Naval Business Center at the base of Broad Street in South Philadelphia. The sub-zones comprise approximately 1500 acres. CompuData, a Philadelphia computer company on the verge of leaving the City, was the first company in the Commonwealth to construct a building using the KOZ program when it built a new headquarter in the Byberry East Industrial Park.

By the end of 2000, 47 companies had made use of the KOZ program involving \$133 million in capital investment creating 1,993 new jobs and retaining 1,370 additional jobs.

Keystone Opportunity Expansion Zones (“KOEZ”). Under the second round of KOZ zones, called Keystone Opportunity Expansion Zones, the City applied to the Commonwealth to designate a parcel of land as a KOEZ and received Commonwealth approval. As with the KOZ zones, the KOEZ zones are designed primarily for vacant industrial/commercial properties with no existing businesses.

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 venture of 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) offering of fully improved parcels of land for sale in more than a dozen designated industrial parks and districts across the City; and (iv) offering of development assistance and project management to a range of Philadelphia’s development and non-profit corporations.

Urban Industry Initiative

Urban Industry Initiative (“UII”) is a demonstration project created in 1996 through a grant from the Pew Charitable Trusts (“Pew”) and operated by PIDC to strengthen neighborhood-based manufacturing in lower Northeast Philadelphia. The area has 330 manufacturing businesses and nearly 12,000 manufacturing jobs.

The strategy of the program is to build a network of relationships among manufacturers, between manufacturers and the UII staff and between manufacturers and the rest of the community. Outcomes to date include creation of a micro-loan fund which has provided 14 loans totaling more than \$850,000 and leveraging an additional \$2.3 million in private financing and equity and a new product development forum, in conjunction with the Ben Franklin Technology Center. The program has been extended through 2002 with additional funds from Pew and new funds from the First Union Foundation.

The Office of Defense Conversion Activities

The Office of Defense Conversion within PIDC serves as the City's point of contact for issues related to the acquisition and redevelopment of former military facilities. The City, as the only city in the country adversely affected by all four rounds of base closures, finds itself at the forefront of cities in converting former military installations to commercial and related uses.

The largest of the City's closed facilities is the PNBC. PAID acquired these assets from the Navy in March 2000. The PNBC totals in excess of 1,000 acres and includes four discreet development zones capable of supporting all forms of industrial and commercial development. These zones include the Shipyard, the Girard Point Industrial Park, the Commerce Center and the Intermodal Yard.

With the acquisition of the PNBC in 2000 after nearly a decade of closure actions, lawsuits and negotiations, PAID has established a strong industrial presence at the site. Forty-seven private companies currently occupy in excess of 2 million square feet of facilities. In addition, the Navy also occupies 2 million square feet of research, office and industrial facilities within the campus. Total employment is currently in excess of 5,500.

The largest and most significant project at the PNBC has been the development of a state-of-the-art commercial shipbuilding facility. In partnership with local, state and federal government, Kvaerner ASA has constructed the world's most modern and technologically advanced shipyard. With construction of the \$250 million facility completed, Kvaerner Philadelphia Inc. now employs in excess of 900 workers on the site and has its first two container ships under construction. With its recent merger of its shipbuilding businesses with Aker Maritime Group, Kvaerner has reaffirmed its corporate commitment to shipbuilding worldwide and regained its position as Europe's leading shipbuilder.

PAID has also made significant gains in the acquisition and redevelopment of other closed military sites. In April 2000, PAID acquired the 50 acre former Philadelphia Naval Hospital. PAID entered into a lease with the Philadelphia Eagles football franchise for the eastern half of that site, where the Eagles have developed a new practice facility, team offices and an outpatient physical rehabilitation center. On the balance of the site, PAID recently completed the demolition of the massive hospital structure and constructed an interim parking lot to support the adjacent construction of two new sports stadiums. Upon completion of the stadiums, this portion of the site will be made available for private development.

The final major military closure site in the City was the former Defense Supply Center Philadelphia ("DSCP"), located at 20th Street and Oregon Avenue. PAID has completed the acquisition of this 85 acre site from the Army. Given the existence of a major underground plume of oil that is being remediated, the acquisition was structured to allow PAID to take title to the property's air rights initially with the ground rights to follow upon completion of the remediation project. In addition, PAID has entered into the following agreements with private entities: (1) sold approximately 1 million square feet of buildings to Brite Star Manufacturing where more than 300 people are employed in the manufacturing, warehousing and distribution of holiday decorations; (2) sold an additional 750,000 square feet of buildings to a private real estate developer to be renovated and marketed for commercial and warehousing space; (3) entered into an Agreement of Sale for the development of a new ACME supermarket on the site of a 3.5 acre parking lot; and (4) entered into an Agreement of Sale for a 45 acre parcel that will result in the development of an \$80 million retail center that will employ in excess of 1,000 people. Both the supermarket and retail developments began construction in 2002.

Hospitals and Medical Centers

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

Table A-19
City of Philadelphia
Hospitals and Medical Centers
(as of 1999)

Institution	Beds
Albert Einstein Medical Center	701
Belmont Center for Treatment	146
Charter Fairmont Institute	136
Chestnut Hill Hospital	189
Children's Hospital of Philadelphia	304
Children's Seashore House	77
Episcopal Hospital	218
Fox Chase Cancer Center	74
Frankford Hospital	490
Friedman Hospital of the Home for the Jewish Aged	566
Friends Hospital	192
Germantown Hospital and Community Services ⁽¹⁾	158
Graduate Hospital, main campus	198
Hahnemann Hospital	540
City Avenue Hospital ⁽²⁾	195
Parkview Hospital ⁽³⁾	165
Jeanes Hospital	206
John F. Kennedy Memorial	141
Kensington Hospital	45
Magee Rehabilitation Hospital	96
Medical College of Pennsylvania Hospital ⁽⁴⁾	369
Nazareth Hospital	222
Temple East, Newmann Medical Center ⁽⁵⁾	166
North Philadelphia Health System	315
Northeast Hospital	166
Pennsylvania Hospital	346
Presbyterian Medical Center of the University of Pennsylvania Health System ⁽⁶⁾	325
Roxborough Memorial Hospital	129
Saint Agnes Medical Center	172
Shriners Hospital for Crippled Children	59
St. Christopher's Hospital	130
Temple University Hospital	398
Thomas Jefferson University Hospital	992
University of Pennsylvania Medical Center	659
Veterans Affairs Medical Center	656

Source: AHA Guide to Hospital Statistics, 2000 Edition.

(1) Formerly Known as Germantown Hospital & Medical Center

(2) Formerly Known as Graduate Hospital, City Avenue

(3) Formerly Known as Graduate Hospital, Parkview

(4) Formerly Known as Medical College Hospitals, main campus

(5) Formerly Known as Neuman Medical Center

(6) Formerly Known as Presbyterian Medical Center of Philadelphia

Children's Hospital Expansion. Children's Hospital of Philadelphia recently announced a five-year \$650 million expansion program that began construction in February 2001 and will add more than one million square feet of treatment and research space at the Hospital's campus in West Philadelphia.

University of Pennsylvania/Civic Center. The University of Pennsylvania and Children's Hospital of Philadelphia are constructing a cancer research and treatment center on the former Civic Center site in West Philadelphia.

Additional Projects Under Construction

The following table lists additional projects that were under construction in the City as of the close of 2001. Construction has been completed on several of the projects.

Table A-20
Projects Under Construction

Project	Estimated Cost
Philadelphia International Airport Terminals	\$680,000,000
University of Pennsylvania/Civic Center	450,000,000
Philadelphia Eagles Stadium	395,000,000
Philadelphia Phillies Ballpark	346,000,000
City Hall Tower Restoration	200,000,000
Networks (High Tech Center)	85,000,000

Source: City of Philadelphia, Five-Year Financial Plan Fiscal Year 2003-Fiscal Year 2008.

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APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following sets forth the definitions of certain terms used in the Indenture and a brief summary of certain provisions of the Indenture. Certain other provisions of the Indenture relating to the 2003 Bonds are summarized in the Official Statement under the section captioned "THE 2003 BONDS." Reference should be made to the Indenture for a complete statement of all of these provisions and other provisions which are not summarized in the Official Statement. Copies of the Indenture may be obtained from the Trustee.

DEFINITIONS OF CERTAIN TERMS

"Act" means the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended, as such act may be amended from time to time.

"Additional Bonds" means bonds or notes, other than the 1996 Bonds, the 1999 Bonds and the 2003 Bonds, authorized to be issued under the Indenture.

"Affiliate" means any person or company directly or indirectly controlling, controlled by or under common control with the Authority.

"Alternate Liquidity Facility" means a Liquidity Facility provided in accordance with Section 310 of the Third Supplement to the Amended and Restated Indenture (other than (a) the Initial Liquidity Facility or (b) a Renewal Liquidity Facility), including, without limitation, a letter of credit or line of credit of a commercial bank or a credit facility from a financial institution, a standby bond purchase agreement, surety bond or like collateralization, or a combination thereof, which provides security for payment of the purchase price of 2003 Bonds delivered or deemed delivered in accordance with Article III of the Third Supplement to the Amended and Restated Indenture (referred to in this definition as "liquidity support"); provided that at all times while any of the 2003 Bonds bear interest at a Variable Rate or a Flexible Rate such 2003 Bonds (other than Bank Bonds) shall be entitled to liquidity support. Any amendment of a Liquidity Facility which is not a Renewal Liquidity Facility shall be an Alternate Liquidity Facility.

"Authority" means the Pennsylvania Intergovernmental Cooperation Authority, a body corporate and politic organized and existing as a public authority and instrumentality of the Commonwealth under and by virtue of the Constitution and laws of the Commonwealth.

"Authority Bonds" means any 2003 Bonds of which ownership is registered in the name of the Authority or any Affiliate, other than Bank Bonds.

"Authority Representative" means the person or persons at the time designated to act on behalf of the Authority by written certificate furnished to the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Authority by its duly authorized agent. Such certificate may designate an alternate or alternates.

"Authorized Denomination" means (i) during any Daily Rate Period, Weekly Rate Period or Flexible Rate Period, \$100,000 and \$5,000 multiples in excess thereof, and (ii) during any Term Rate Period or Fixed Rate Period, \$5,000 and integral multiples thereof.

"Bank" means any bank or other financial institution issuing any Liquidity Facility, and initially means JPMorgan Chase Bank.

"Bank Bonds" means Tendered Bonds purchased with moneys drawn under the Liquidity Facility and registered in the name of the Bank in accordance with the Liquidity Facility.

"Bank Rate" means the per annum rate of interest payable on any Bank Bonds as determined pursuant to the Liquidity Facility (or any reimbursement agreement entered into with respect to a letter of credit that is a Liquidity Facility).

"Board" means the governing board of the Authority.

"Bond" or **"Bonds"** means all bonds authorized to be issued pursuant to authorizing resolutions previously adopted by the Authority and executed and delivered under and pursuant to such authorizing resolutions and the Indenture or the

Original Indenture, as the same was amended and supplemented from time to time, including any bonds issued in substitution therefor, and any Additional Bonds issued pursuant to the Indenture.

"Bond Counsel" means any firm of nationally recognized bond counsel acceptable to the Authority.

"Bondholder" or **"Holder"** means the registered owner of any Bond.

"Bond Insurance Policy" means, with respect to the 1996 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1996 Bonds that guarantees payment of principal of and interest on the 1996 Bonds; with respect to the 1999 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1999 Bonds that guarantees payment of principal of and interest on the 1999 Bonds; with respect to the 2003 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 1996 Bonds that guarantees payment of principal of and interest on the 2003 Bonds; and with respect to any other Series shall have the meaning defined in the Supplemental Indenture authorizing such Series.

"Bond Insurer" means, (i) with respect to the 1996 Bonds and the 1999 Bonds, Financial Guaranty Insurance Company, a New York stock insurance company ("FGIC"), or any successor thereto; (ii) with respect to the 2003 Bonds, Ambac Assurance Corporation; and (iii) with respect to any other Series, shall have the meaning specified in the Supplemental Indenture authorizing such Series.

"Bond Purchase Fund" means the trust fund so designated which is created and established pursuant to Section 308 of the Third Supplement to the Amended and Restated Indenture.

"Bond Redemption Fund" means the separate fund of such name established under the Indenture.

"Bond Register" means the list of the names and addresses of Bondholders and the principal amounts and numbers of the Bonds held by them maintained by the Registrar on behalf of the Authority.

"Bond Year" for any Series of Bonds means each one-year period (or shorter period from the date of issue) that ends at the close of business on the date in the calendar year that is elected by the Authority as permitted under the Code.

"Business Day" means, with respect to the 2003 Bonds, any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in Philadelphia, Pennsylvania or in any other city in which the Principal Office of the Trustee or the designated office of the Tender Agent, the Remarketing Agent, the Bond Insurer or the Bank is located are required or authorized by law (including executive order) to close or on which the Principal Office of the Trustee, or the designated office of the Tender Agent, the Remarketing Agent or the Bank is closed for reasons not related to financial condition or (iii) a day on which the New York Stock Exchange is closed.

"Capital Projects Fund" means the separate fund of such name established under the Indenture.

"City" means the City of Philadelphia, Pennsylvania.

"City Account" means the account of such name created under the Act and the Disbursement Agreement.

"City Obligations" means any direct obligations of the City, including tax and revenue anticipation notes of the City, or any obligations guaranteed by the City, the investment in which shall have been approved by the Authority in accordance with Section 311(b) of the Act.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor legislation, and the regulations and published rulings promulgated thereunder or applicable thereto.

"Commonwealth" means the Commonwealth of Pennsylvania.

"Conversion Date" means each Fixed Rate Conversion Date, Flexible Rate Conversion Date and Variable Rate Conversion Date.

"Credit Facility" means the Municipal Bond Debt Service Reserve Fund Policy issued by Financial Guaranty Insurance Company, and any other letter of credit, bond insurance policy, other than the Bond Insurance Policy, or other credit facility meeting the requirements of, and delivered to the Trustee in accordance with, the Indenture in connection with the issuance of Additional Bonds to satisfy the Debt Service Reserve Requirement for the Debt Service Reserve Fund.

"Credit Facility Issuer" means Financial Guaranty Insurance Company and each issuer of a Credit Facility then in effect, and its successors. Reference to the Credit Facility Issuer shall be read to mean each issuer of a Credit Facility.

"Daily Rate Period" means, with respect to the 2003 Bonds, each period from and commencing on a Business Day and including and ending on the first day preceding the first Business Day thereafter.

"Debt Service Fund" means the separate fund of such name established under the Indenture.

"Debt Service Requirement" means for a specified period the principal of (whether at maturity or pursuant to mandatory redemption) and interest (other than capitalized interest) on Outstanding Bonds payable during the period. If any Series bears interest at a variable interest rate, the interest thereon shall be deemed to be an amount calculated using an interest rate equal to the maximum interest rate permitted for such Series under the authorizing Supplemental Indenture. If the repayment obligation of the Authority under a Credit Facility with respect to a particular Series is secured on a parity with the Bonds and provides for a different rate of interest or amortization period than such Series, the principal and interest during a period for such Series of Bonds for purposes of computing the Debt Service Requirement shall be based upon the maximum interest rate and amortization provisions of the Credit Facility if they result in a higher Debt Service Requirement. If an interest rate exchange agreement, interest rate cap and floor agreement or other similar agreement permitted by Section 304(10) of the Act is in effect with respect to a Series of Bonds and the unguaranteed debt of the obligated counter-party is rated in one of the two highest rating categories by S&P and Moody's and no default exists under such agreement, the principal and interest payable during a period for such Series of Bonds for purposes of computing the Debt Service Requirement for such period shall be determined by reference to the net amount payable by the Authority under or after giving effect to such agreement.

"Debt Service Reserve Fund" means the separate fund of such name established under the Indenture.

"Debt Service Reserve Requirement" means with respect to the Bonds, an amount equal to the lesser of (i) the Maximum Annual Debt Service Requirement with respect to all Bonds outstanding under the Indenture, and (ii) the maximum amount permitted by the Code.

"Deficit Fund" means the separate Fund of such name established under the Indenture.

"Department" means the Department of Revenue of the Commonwealth.

"Depository" means Wachovia Bank, National Association, successor to First Union National Bank, a national banking association organized and existing under the laws of the United States, as Depository under the Disbursement Agreement, and its successors and assigns.

"Disbursement Agreement" means the City Account Deposit and Disbursement Agreement dated as of December 6, 1991 between the Authority and the Depository and acknowledge and agreed to by the City as the same may be amended, modified or supplemented and in effect from time to time.

"Encumbered Funds Account" means the separate account of such name created pursuant to the Encumbered Funds Account Agreement between Wachovia Bank, National Association, successor to First Union National Bank, and the Authority, as amended and restated.

"Event of Default" means any event specified as such in Section 8.01 of the Indenture.

"Favorable Opinion" means an opinion of nationally recognized bond counsel addressed to the Authority and the Trustee to the effect that (i) the action proposed to be taken is authorized or permitted by the Act and the Indenture and (ii) such action will not adversely affect the exclusion from gross income of interest on the 2003 Bonds for purposes of federal income taxation.

"Fitch" means Fitch IBCA, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns and if such corporation shall for any reason no longer perform the actions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority. Whenever rating categories of Fitch are specified in the Indenture, such categories shall be irrespective of gradations within a category.

"Fixed Rate" means the rate to be borne by the 2003 Bonds from and after the Fixed Rate Conversion Date, which shall be the lowest rate which, in the judgment of the Remarketing Agent, is necessary to enable the 2003 Bonds to be remarketed at the principal amount thereof, plus accrued interest, if any, on the Fixed Rate Conversion Date.

"Fixed Rate Conversion Date" means the date on which the 2003 Bonds begin to bear interest at the Fixed Rate.

"Fixed Rate Period" means the period of time commencing on the Fixed Rate Conversion Date and ending on the Maturity Date.

"Flexible Rate" means the lowest annual rate of interest, expressed as a percentage and rounded to the nearest one thousandth of one percent, determined by the Remarketing Agent on a Flexible Rate Adjustment Date, which would, in the judgment of the Remarketing Agent, enable a particular Bond to be remarketed at the principal amount thereof on such Flexible Rate Adjustment Date given the applicable Interest Period for such 2003 Bond (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in the Third Supplement to the Amended and Restated Indenture).

"Flexible Rate Adjustment Date" means a Business Day on which a Flexible Rate and an Interest Period for a particular Bond commence.

"Flexible Rate Conversion Date" means a date on which the 2003 Bonds begin to bear interest at Flexible Rates.

"Flexible Rate Period" means any period of time commencing on a Flexible Rate Conversion Date and ending on a Variable Rate Conversion Date, a Fixed Rate Conversion Date or on the Maturity Date.

"Government Obligations" means any of the following which are noncallable and which at the time of investment are legal investments under the Act for the moneys proposed to be invested therein:

(a) direct general obligations of, or obligations the payment of principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America ("Direct Obligations");

(b) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FHMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs") guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; and guaranteed Title XI financings of the U.S. Maritime Administration; or

(c) upon the approval of the Bond Insurer for the 1996 Bonds, which approval will not be unreasonably withheld, obligations issued by the Resolution Funding Corporation pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (the "FIRRE Act"), (i) the principal of which obligations is payable when due from payments of the maturing principal of noninterest bearing direct obligations of the United States of America which are issued by the Secretary of the Treasury and deposited in the Funding Corporation Principal Fund established pursuant to the FIRRE Act, and (ii) the interest on which obligations, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to the FIRRE Act.

"Immediate Notice" means notice by telephone, telex, telecopier or email to such address as the addressee shall have directed in writing, promptly followed by written notice by first class mail, postage prepaid.

"Income Tax" means the 1.5 % tax on salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City pursuant to Section 601(a)(3) of the Act.

"Indenture" means the Amended and Restated Indenture of Trust dated as of December 1, 1994, between the Authority and the Trustee, as amended and supplemented by the First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996, the Second Supplement to the Amended and Restated Indenture of Trust dated as of March 1 1999, and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003, between the Authority and the Trustee and as further amended or supplemented from time to time in accordance with the terms thereof.

"Initial Bank" means JPMorgan Chase Bank, in its capacity as issuer of the Initial Liquidity Facility.

"Initial Liquidity Facility " means the transferable Standby Bond Purchase Agreement dated as of June 1, 2003, entered into between the Authority and the Initial Bank concurrently with the original issuance of the 2003 Bonds.

"Interest Component" means the maximum amount stated in the Liquidity Facility (as reduced and reinstated from time to time in accordance with the terms thereof) which may be drawn for the payment of the portion of the purchase price of Tendered Bonds corresponding to interest accrued on the Tendered Bonds.

"Interest Coverage Period" means the number of days for 2003 Bonds bearing interest in a particular interest mode which is used to determine the Interest Component, determined in accordance with the requirements of Section 310(h) of the Third Supplement to the Amended and Restated Indenture in a manner consistent with the periods utilized in calculating interest accrued on 2003 Bonds in such interest mode.

"Interest Coverage Rate" means the rate which is used to determine the Interest Component, initially 12% per annum for 2003 Bonds in the Weekly Rate Period secured by the Initial Liquidity Facility, and shall be specified for 2003 Bonds bearing interest in each subsequent mode by the Remarketing Agent in writing to the Trustee at the time such 2003 Bonds commence bearing interest in accordance with such mode, as such rate may be changed from time to time by the Remarketing Agent subject to compliance with Section 310(h) of the Third Supplement to the Amended and Restated Indenture. Notwithstanding the foregoing, the maximum Interest Coverage Rate that may be established with respect to the 2003 Bonds shall be 12% per annum.

"Interest Payment Date" means, with respect to the 1996 Bonds, December 15, 1996 and each June 15 and December 15 thereafter so long as any 1996 Bonds remain Outstanding, with respect to the 1999 Bonds, December 15, 1999 and each June 15 and December 15 thereafter so long as any 1999 Bonds remain Outstanding, with respect to the 2003 Bonds during a Daily or Weekly Rate Period, the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of each calendar month, each Mandatory Tender Date, the Maturity Date and for 2003 Bonds called for redemption, the applicable redemption date, and with respect thereto and with respect to any other Series shall have the meaning specified in the Supplemental Indenture authorizing such Series.

"Intergovernmental Cooperation Agreement" means the Intergovernmental Cooperation Agreement between the Authority and the City dated January 8, 1992, as the same may be amended, supplemented or otherwise modified and in effect from time to time.

"Investment Earnings" means all interest and income received from the investment of funds held under the Indenture, losses suffered by reason of such investment, and any interest paid by the Trustee or any other depository of any fund established under the Indenture, and any net profits or losses resulting from the sale of securities.

"Investment Securities" means any of the following obligations or securities to the extent legal for investment of Authority funds:

- (a) Government Obligations;
- (b) federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States (which may include the Trustee and the Registrar) having a combined capital and surplus of not less than \$50,000,000, which at the time of purchase has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by S&P, and, in the case of a branch office of a foreign bank, a legal opinion is received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank;
- (c) deposits of any bank or savings and loan association which has combined capital surplus and undivided profits of not less than \$3,000,000, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;
- (d) (i) direct obligations of or (ii) obligations the principal of and interest on which are unconditionally guaranteed by any state of the United States of America or the District of Columbia, or any political subdivision or agency thereof, other than the City, or upon the approval of the Bond Insurer for the 1996 Bonds, the Commonwealth of Puerto Rico, or any political subdivision or agency thereof, whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P;

(e) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P;

(f) repurchase agreements collateralized by Government Obligations with a bank, insurance company or other financial institution whose letters of credit, other credit facilities or long-term unsecured obligations are rated in one of the three highest rating categories by Moody's and S&P, provided: (i) a master repurchase agreement or specific written repurchase agreement governs the transaction; (ii) the securities are held by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (1) a Federal Reserve Bank; (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50,000,000; or (3) a bank approved in writing for such purpose by each Bond Insurer, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. §306.1 *et seq.* or 31 C.F.R. §350.0 *et seq.* in such securities is created for the benefit of the Trustee; (iv) the repurchase agreement has a term of ten years or less, or, so long as any 1996 Bonds, 1999 Bonds or 2003 Bonds are Outstanding, such shorter term as the respective Bond Insurer may require, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (v) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, or, so long as any 1996 Bonds, 1999 Bonds or 2003 Bonds are Outstanding, such higher collateral requirement as the respective Bond Insurer may require;

(g) money market mutual fund shares issued by a fund having assets not less than \$100,000,000 (including any such fund from which the Trustee or any of its affiliates may receive compensation) which invests in securities of the types specified in clauses (a) or (e) of this definition and is rated "AAAm" or "AAAm-G" by S&P; and

(h) guaranteed investment contracts with a bank, insurance company or other financial institution whose letters of credit, other credit facilities or unsecured obligations are rated in one of the three highest rating categories by Moody's and S&P and which guaranteed investment contracts are either insured by a municipal bond insurance company rated in the highest rating category by Moody's and S&P or fully collateralized at all times with securities of the type described in clause (a) of this definition which have a fair market value at all times equal to the value of the guaranteed investment contract, provided that: (i) a written agreement governs the transaction; (ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (1) a Federal Reserve Bank or (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50,000,000; (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. §306.1 *et seq.* or 31 C.F.R. §350.0 *et seq.* in such securities is created for the benefit of the Trustee; (iv) interest is paid at least semiannually during the entire term of the agreement; (v) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day's notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date); (vi) the Trustee receives an opinion of counsel for the issuer of such agreement that such agreement is an enforceable obligation of the issuer; and (vii) so long as any 1996 Bonds, 1999 Bonds or 2003 Bonds are Outstanding, the respective Bond Insurer approves such use in writing.

"Letter of Representations" means, the Blanket Letter of Representations from the Authority to The Depository Trust Company ("DTC"), pursuant to the terms of which all payments of the principal of, premium or interest on the 2003 Bonds shall be made to DTC or its nominee, as the Bondholder of 2003 Bonds.

"Liquidity Facility" means the Initial Liquidity Facility, or any Renewal Liquidity Facility or Alternate Liquidity Facility at the time in effect.

"Mandatory Tender Date" means any date on which a 2003 Bondholder is required to tender any 2003 Bond for purchase in accordance with Sections 302, 303 or 304 of the Third Supplement to the Amended and Restated Indenture.

"Mandatorily Tendered Bonds" means the 2003 Bonds required to be tendered for purchase on a Mandatory Tender Date.

"Maturity Date" means, with respect to the 2003 Bonds, June 15, 2022 or, with respect to each 2003 Bond bearing interest at a Fixed Rate which has been assigned a specific maturity date pursuant to Section 205(d) of the Third Supplement to the Amended and Restated Indenture, "Maturity Date" means the date so assigned.

"Maximum Annual Debt Service Requirement" means the maximum Debt Service Requirement in any subsequent fiscal year of the Authority on Bonds expected to be Outstanding at the time of such calculation.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority. Whenever rating categories of Moody's are specified in the Indenture, such categories shall be irrespective of gradations within a category.

"1993A Bonds" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A.

"1996 Bonds" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996.

"1996 Term Bonds" means the 1996 Bonds scheduled to mature on June 15 in the years 2016 and 2020.

"1999 Bonds" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999.

"1999 Term Bonds" means the 1999 Bonds scheduled to mature on June 15 in the years 2021 and 2023.

"No-Call Period" means the period of time (measured from the Conversion Date) during which the 2003 Bonds in the Fixed Rate Period or the Term Rate Period may not be called for optional redemption as set forth in Section 401(a)(ii) of the Third Supplement to the Amended and Restated Indenture.

"Optional Tender Date" means the date specified by a 2003 Bondholder in a Tender Notice for purchase of any 2003 Bond during a Variable Rate Period in accordance with Section 301 of the Third Supplement to the Amended and Restated Indenture.

"Optionally Tendered Bonds" means the 2003 Bonds tendered or deemed tendered for purchase on an Optional Tender Date.

"Original Indenture" means the Indenture of Trust dated as of June 1, 1992, between the Authority and Wachovia Bank, National Association, as successor to CoreStates Bank, N.A.

"Outstanding" or **"Bonds Outstanding"** means all Bonds which have been authenticated and delivered under the Indenture or the Original Indenture, as the same was amended and supplemented from time to time, except:

(a) Bonds cancelled after purchase in the open market or because of payment or redemption prior to maturity;

(b) Bonds for the payment or redemption of which funds shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee, and provided that all such deposits shall have been made in accordance with the provisions of the Indenture; and

(c) Bonds in lieu of which others have been authenticated and delivered under the Indenture.

Bonds paid with the proceeds of any Credit Facility shall be Outstanding until the Credit Facility Issuer has been reimbursed for the amount of the payment or has presented the Bonds for cancellation.

In addition, the term "Outstanding" means, with respect to the 2003 Bonds, as of any given date, all 2003 Bonds which have been duly authenticated and delivered under the Indenture, except:

(a) 2003 Bonds canceled after purchase in the open market or because of payment at or redemption prior to the Maturity Date;

(b) 2003 Bonds for the payment or redemption of which cash or Government Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the Maturity Date or redemption date of any such 2003 Bonds) in accordance with Article VII of the Amended and Restated Indenture, as amended by Section 704 of the Third Supplement to the Amended and Restated Indenture; provided that if such Bonds are to be redeemed prior to the Maturity Date thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(c) 2003 Bonds in lieu of which others have been authenticated under Section 207 or 208 of the Amended and Restated Indenture;

(d) after any Optional Tender Date, any Bond for which a Tender Notice was given in accordance with Section 301 of the Third Supplement to the Amended and Restated Indenture and which was not so tendered;

(e) after any Mandatory Tender Date, any 2003 Bond which was required to be tendered on such a Mandatory Tender Date in accordance with Sections 302, 303 or 304 of the Third Supplement to the Amended and Restated Indenture and which was not so tendered; and

(f) after the Fixed Rate Conversion Date, for the purpose of all consents, approvals, waivers and notices required to be obtained or given under the Third Supplement to the Amended and Restated Indenture, 2003 Bonds held or owned by the Authority or any Affiliate thereof.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, an unincorporated organization, a regulatory body, any political subdivision, municipality or municipal authority or any other group or entity.

"PICA Tax Disbursement Agreement" means the letter agreement between the Authority and the State Treasurer pursuant to which the Authority has designated the Trustee as the Trustee for the funds required or permitted to be established pursuant to Chapter 3 of the Act for the security and payment of the 1996 Bonds, the 1999 Bonds, the 2003 Bonds and all other Series of Bonds issued under the Indenture and the State Treasurer has acknowledged and agreed to the terms of such letter agreement.

"PICA Tax Ordinance" means the ordinance (Bill No. 1437) of the City approved June 12, 1991 enacting the Income Tax.

"PICA Taxes" means the Income Tax and any other taxes which may be enacted hereafter by the City pursuant to the Act for the exclusive purposes of the Authority and which are pledged by the Authority to secure the Bonds in a Supplemental Indenture.

"Pledged Revenues" means all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes and all moneys and securities held by the Trustee under the Indenture, together with any earnings thereon, except moneys and securities, together with any earnings thereon, held in the Rebate Fund.

"Principal Office" means, with respect to the 2003 Bonds, (i) the corporate trust office of the Trustee responsible for the administration of the Third Supplement to the Amended and Restated Indenture, as designated in Section 11.07 of the Amended and Restated Indenture, as amended by Section 709 of the Third Supplement to the Amended and Restated Indenture, and (ii) the respective offices of the Bank, the Tender Agent and the Remarketing Agent designated to receive notices required by the Third Supplement to the Amended and Restated Indenture, as set forth in Section 709 of the Third Supplement to the Amended and Restated Indenture.

"Proposed Fixed Rate Conversion Date" means the date indicated in the written notice of the Authority given pursuant to Section 205 of the Third Supplement to the Amended and Restated Indenture on which the Authority intends to effect a conversion of the interest rate on the 2003 Bonds to the Fixed Rate.

"Rating Agency" means each nationally recognized securities rating agency then maintaining a rating on the Bonds at the request of the Authority, which at the time of issuance of the 2003 Bonds includes S&P, Moody's and Fitch.

"Rebate Amount" shall have the meaning set forth in the Tax Compliance Agreement.

"Rebate Fund" means the separate fund of such name established under the Indenture.

"Record Date" means with respect to the 1996 Bonds and the 1999 Bonds, the last day (whether or not a Business Day) of the calendar month next preceding any Interest Payment Date or any redemption date, and with respect to the 2003 Bonds while the 2003 Bonds bear interest during a Daily Rate Period or a Weekly Rate Period, the close of business on the last Business Day preceding an Interest Payment Date.

"Registrar" means the Registrar appointed in accordance with the provisions of the Indenture. "Principal Office" of the Registrar means the office thereof designated in writing to the Authority and the Trustee.

"Remarketing Agent" means Raymond James & Associates, St. Petersburg, Florida, and its successor for the time being in such capacity as provided in Section 502 of the Third Supplement to the Amended and Restated Indenture.

"Remarketing Agreement" means the Remarketing Agreement dated as of June 1, 2003 between the Authority and the Remarketing Agent or any subsequent remarketing agreement executed by the Authority and any subsequent Remarketing Agent appointed pursuant hereto.

"Renewal Date" means the Interest Payment Date next preceding the Stated Expiration Date of the Liquidity Facility at the time in effect (or the next preceding Business Day if such day is not a Business Day).

"Renewal Liquidity Facility" means a Liquidity Facility provided in accordance with Section 310 of the Third Supplement to the Amended and Restated Indenture which has been issued with terms and conditions identical to, and by the same provider of, the Liquidity Facility in substitution for which the Renewal Liquidity Facility is to be provided, except for:

- (a) an extension of the Stated Expiration Date;
- (b) an increase or decrease in the Interest Coverage Rate or the Interest Coverage Period;
- (c) an increase or decrease in the Interest Component;
- (d) an increase or decrease in the portion of the Liquidity Facility designated to pay premium upon purchase of 2003 Bonds to the extent required or permitted by Section 310(h) of the Third Supplement to the Amended and Restated Indenture;
- (e) changes in the business covenants contained in, the fees payable pursuant to and the interest rate on advances made under the Liquidity Facility; or
- (f) any combination of (a), (b), (c), (d) and (e).

"Revenue Fund" means the separate fund of such name established under the Indenture.

"S&P" means Standard & Poor's Ratings Group, a Division of McGraw Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority. Whenever rating categories of S&P are specified in the Indenture, such categories shall be irrespective of the gradations within a category.

"Series" or "Series of Bonds" means all of the Bonds designated as being of the same series at the time of issuance thereof in one transaction and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture, as the same shall be amended and supplemented from time to time.

"Special Payment Date" means with respect to Outstanding Bonds the date set for the payment of interest or principal that was not paid when due on any Interest Payment Date or on any date that principal is due, which date shall be fixed by the Trustee whenever moneys become available for the payment of such interest or principal.

"Special Record Date" means the date (whether or not a Business Day) which is the fifteenth day prior to any Special Payment Date.

"State Treasurer" means the State Treasurer of the Commonwealth.

"Stated Expiration Date" means the stated date of expiration or termination of the Liquidity Facility, including any extensions thereof.

"Supplemental Indenture" means any indenture of the Authority amending or supplementing the Indenture for any purpose, in accordance with the terms of the Indenture.

"2003 Bonds" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003.

"Tax Collection Agency Agreement" means the agreement between the Department and the City, acting through its Revenue Department and its Law Department, which sets forth the manner in which the Revenue Department and the Law Department of the City shall collect Income Tax on behalf of the Department and in which amounts collected shall be transferred to the Commonwealth account designated by the Department.

"Tax Compliance Agreement" means each respective agreement executed by the Authority and the City regarding compliance with provisions of the Code to assure that interest on a Series of Bonds which is intended to be excluded from gross income for federal income tax purposes is so excludable.

"Tender Agent" means that Person appointed pursuant to Section 501 of the Third Supplement to the Amended and Restated Indenture to perform those functions with respect to the 2003 Bonds related to the registration of transfers and exchanges, tenders, redemptions, notices and purchases thereof and payments thereon prior to the commencement of a Fixed Rate Period.

"Tendered Bonds" means Optionally Tendered Bonds and Mandatorily Tendered Bonds.

"Tender Notice" means the notice from a 2003 Bondholder to the Tender Agent of an Optional Tender Date in accordance with the provisions set forth in the Third Supplement to the Amended and Restated Indenture.

"Tender Price" means with respect to each Tendered Bond, 100% of the principal amount of any such Tendered Bond plus, if an Optional Tender Date is not an Interest Payment Date, interest accrued and unpaid thereon to, but not including, the Optional Tender Date with respect to such 2003 Bond.

"Term Rate Period" means any Variable Rate Period from and commencing on the fifteenth (15th) day of a calendar month (or the next succeeding Business Day if the fifteenth is not a Business Day) to but not including the fifteenth (15th) day (or the next succeeding Business Day if the fifteenth is not a Business Day) of the twelfth (or any integral multiple of 12) succeeding calendar month.

"Trustee" means Wachovia Bank, National Association, as successor to Meridian Bank, a national banking association organized and existing under the laws of the United States, as the Trustee under the Indenture, its successors in trust under the Indenture and its assigns. "Principal Office" of the Trustee means the principal corporate trust office of the Trustee, which office at the date of acceptance by the Trustee of the duties and obligations imposed on the Trustee by the Indenture is located at the address specified in the Indenture.

"Variable Rate" means, with respect to the then effective Variable Rate Period, the lowest interest rate which, in the judgment of the Remarketing Agent, would enable the 2003 Bonds to be remarketed at the principal amount thereof, plus accrued interest thereon, if any, on the Variable Rate Adjustment Date with respect thereto (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in the Third Supplement to the Amended and Restated Indenture).

"Variable Rate Adjustment Date" means the first day of each Variable Rate Period.

"Variable Rate Conversion Date" means a date on which the 2003 Bonds begin to bear interest at a Variable Rate for (i) a particular Variable Rate Period which is of a different type than the preceding Variable Rate Period, (ii) a Term Rate Period which is of a different length than the preceding Term Rate Period except when shorter by reason of the Maturity Date or (iii) any Variable Rate Period which succeeds a Flexible Rate Period.

"Variable Rate Period" means each Daily Rate Period, Weekly Rate Period and Term Rate Period.

"Weekly Rate Period" means any Variable Rate Period from and commencing on Thursday of any calendar week and including and ending on the Wednesday of the next calendar week; provided, however, that any Weekly Rate Period which does not follow another Weekly Rate Period shall commence on the Variable Rate Conversion Date with respect thereto and end on the first or second Wednesday thereafter, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and any Weekly Rate Period which is not followed by another Weekly Rate Period shall commence on the last or second to last Thursday of a calendar month, at the discretion of the Remarketing Agent in order to most efficiently effect the conversion, and

end on the day preceding the final Interest Payment Date for such Weekly Rate Period.

"Yield Reduction Amount" means an amount with respect to a Series of Bonds which may be paid to the United States in accordance with Treasury Regulations Section 1.148-5(c).

Words importing singular number shall include the plural number, and vice versa, words importing persons shall include firms and corporations and the masculine shall include the feminine, and vice versa, wherever the context requires.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Pledge and Assignment

Under the Indenture, the Authority assigns, pledges and grants to the Trustee a security interest in the following property (the "Trust Estate"): all of the Authority's right, title and interest in and to the Pledged Revenues; all right, title and interest of the Authority in and to all moneys and securities from time to time held by the Trustee under the terms of the Indenture, except for moneys and securities held in the Rebate Fund; and any and all other property rights and interests of every kind or nature as the Authority may from time to time assign, pledge and grant to the Trustee as additional security under the Indenture, in trust for the equal and proportionate benefit, security and protection of all present and future Holders of Bonds to secure the payment of the principal of, premium, if any, and interest on the Bonds, without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds, except in the case of funds held for the benefit of particular Bonds, to the extent provided in the Indenture, for the performance and observance of the covenants contained in the Indenture and in the Bond, and for the benefit of any Credit Facility Issuer to the extent provided in the Indenture.

Redemption of the Bonds

The 2003 Bonds are subject to redemption as described under "THE 2003 BONDS" in the Official Statement. The 1996 Bonds and the 1999 Bonds are subject to redemption as described in the Indenture. Each other Series may be subject to such redemption as specified in the Supplemental Indenture authorizing such Series.

Creation of Funds

The Indenture creates the following funds: Deficit Fund, Capital Projects Fund, Revenue Fund, Debt Service Fund, Debt Service Reserve Fund, Bond Redemption Fund, Rebate Fund, Settlement Fund and Bond Purchase Fund. Each of these funds is to be held in trust by the Trustee under the Indenture and, except for the Rebate Fund, which shall not be subject to any security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder, any Credit Facility Issuer or any other Person, such funds are pledged to secure the obligations to Bondholders and each Credit Facility Issuer under the Indenture. The Trustee shall establish accounts in each fund (other than the Debt Service Reserve Fund) to identify the Series of Bonds providing the source of money in such account or in respect of which money in such account is available to pay debt service. Moneys in accounts in respect of a particular Series shall only be available to pay debt service or the redemption price of the Bonds of such Series, except as may otherwise be provided in the Indenture or in the Supplemental Indenture adopted at or prior to the time of issuance of such Series. References in the following discussion of the various funds to transfers from certain funds to other funds are to be read to refer to transfers from the several accounts of the respective funds to the corresponding accounts of the other funds relating to the same Series of Bonds.

Deficit Fund

At the time of issuance of each Series of Bonds, there shall be deposited in the Deficit Fund such amount as shall be specified in the Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds. Amounts in the Deficit Fund constituting proceeds of any Series of Bonds shall be applied as provided in the Indenture or the Supplemental Indenture authorizing such Series of Bonds. If there are insufficient amounts in the Debt Service Fund to make any payment of principal of or interest due on the Bonds and there are no available amounts in the Debt Service Reserve Fund or the Capital Projects Fund for such purpose, the Trustee shall transfer amounts from the Deficit Fund to the Debt Service Fund to the extent necessary to eliminate such deficiency. In addition, if any provision of Section 202 of the Act is held invalid by a court of competent jurisdiction, the Trustee shall not transfer any amounts from the Deficit Fund to the City unless it receives an Order from the Supreme Court of Pennsylvania permitting such transfer.

Capital Projects Fund

At the time of issuance of each Series of Bonds, there shall be deposited in the Capital Projects Fund such amount as shall be specified in the Indenture or in the Supplemental Indenture authorizing the issuance of such Series of Bonds. Amounts in the account in the Capital Projects Fund derived from proceeds of a Series of Bonds shall be disbursed only for costs of the capital projects identified in the Indenture or in the Supplemental Indenture authorizing the issuance of such Series of Bonds. The capital projects to be funded from the Capital Projects Fund may be revised by the Authority, with the

consent of the City, upon delivery to the Trustee of, among other things, an opinion of Bond Counsel to the effect that such revision is permitted under the Act and will not adversely affect the excludability of interest on any Bonds from gross income for federal tax purposes. Such revision shall not require execution of a Supplemental Indenture and shall not be considered an amendment requiring consent of any Bond Insurer or Bondholders.

The Trustee shall transfer amounts in the applicable account in the Capital Projects Fund to the Encumbered Funds Account upon receipt of a requisition signed by the Authority accompanied by a notice (in the form prescribed in the Indenture) of the City to the Authority to the effect that the City is prepared to award a contract for or commence work on an approved capital project or projects, which notice shall identify in reasonable detail: (i) the capital project or projects, (ii) the amount of the contract to be awarded or the cost of work to be encumbered, and (iii) the proposed date of award of such contract or the proposed date of commencement of the work. The Trustee shall not transfer amounts from the Capital Projects Fund to the Encumbered Funds Account at any time when a suspension of payment from the Commonwealth to the City is in effect as a result of the Authority certifying that the City is not in compliance with an approved financial plan pursuant to provisions of the Act and the Trustee has notice of such suspension. In addition, the Trustee shall not transfer amounts from the Capital Projects Fund to the Encumbered Funds Account if any provision of Section 202 of the Act is held invalid by a court of competent jurisdiction, unless the Trustee receives an order of the Supreme Court of Pennsylvania permitting such transfer. Upon completion, termination or abandonment of any capital project with respect to which moneys shall have been disbursed to the Encumbered Funds Account, any unspent moneys deposited therein for such capital project shall, to the extent not approved by the Authority for application to other capital projects being funded from the Encumbered Funds Account, be deposited, at the direction of the Authority and the City, in the Capital Projects Fund.

Amounts remaining in any account in the Capital Projects Fund after completion, termination or abandonment of the capital project or projects to be financed with the proceeds of the related Series of Bonds shall be transferred at the direction of the Authority to the Debt Service Fund for the payment of principal next becoming due on the applicable Series of Bonds or to the Bond Redemption Fund for redemption of Bonds of such Series at the earliest practicable date that Bonds of such Series can be redeemed without a premium unless the Trustee is directed by the Authority at the request of the City to apply such excess for a purpose permitted under the Act and receives an opinion of Bond Counsel that such use is permitted under the Act and will not adversely effect the excludability of interest on any Bonds from gross income for Federal income tax purposes.

To the extent that amounts in the Debt Service Fund are insufficient to make any payment of principal of or interest due on the Bonds after all available amount in the Debt Service Reserve Fund have been used, the Trustee shall transfer amounts from the Capital Projects Fund to the Debt Service Fund to the extent necessary to eliminate such deficiency.

Revenue Fund

All payments of PICA Taxes made to the Trustee by the State Treasurer shall be received by the Trustee and deposited by the Trustee in the Revenue Fund. The Trustee shall transfer sums from the Revenue Fund to other funds as provided in the Indenture and as more particularly described in the Official Statement under "SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS - Authority Tax." Any moneys remaining in the Revenue Fund after all such transfers have been made shall be transferred by the Trustee to the Depositary for deposit to the City Account.

Debt Service Fund

On the date of settlement for each Series of Bonds, there shall be deposited in the Debt Service Fund an amount equal to the accrued interest, if any, on such Series of Bonds to the date of settlement therefor and any capitalized interest in respect of such Series. Amounts received by the Trustee pursuant to an interest rate exchange agreement or other agreement permitted by Section 304(10) of the Act in respect of a Series of Bonds shall be credited to the accounts in respect of such Series of Bonds.

Moneys in the Revenue Fund shall be transferred to the Debt Service Fund to the extent necessary to cause the aggregate amount deposited therein in each month to equal the sum of (i) the aggregate for all Series of Bonds paying interest semiannually of 1/6 (such fraction to be increased or decreased, as appropriate, for a Series to account for any initial or final interest period shorter or longer than six months) of the amount of interest that will be due and payable on each such Series of Bonds on the next succeeding Interest Payment Date for the respective Series, (ii) the aggregate for all Series of Bonds paying interest at an interval other than semiannually of an amount equal to the interest that will be due and payable or otherwise accrue on each such Series of Bonds during such month (assuming that interest due on such Bonds will be payable at the maximum interest rate applicable to such Bonds, and taking into account (A) any amounts received from the counterparty to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the 2003 Bonds Swap, deposited directly into the Debt Service Fund, and (B) any amounts remaining in the Debt Service Fund from prior months' transfers from the Revenue Fund in excess of the amount actually paid or accrued as interest on such Bonds for such prior months), (iii) the aggregate for all Series of Bonds of 1/12 (such fraction to be increased, as

appropriate, for a Series to account for any initial or final principal payment period shorter than 12 months) of the amount of principal that will become due and payable on each Series of Bonds (whether upon maturity or mandatory redemption) on the next succeeding principal payment date (whether upon maturity or mandatory redemption) for the respective Series occurring within the next year following the date of such transfer, (iv) any deficiency in deposits required to be made in prior months under the preceding clauses (i), (ii) and (iii) which has not been eliminated and (v) any amount owed to any Credit Facility Issuer in respect of payments made for principal and interest on Bonds. The Trustee shall use the moneys in the Debt Service Fund to pay the principal of and mandatory sinking fund installments and interest on the Bonds as it becomes due and payable and to pay any amount owed to the Credit Facility Issuer in respect of payments made for principal and interest on Bonds.

The Trustee shall establish as part of the Debt Service Fund a 1996 Bonds Sinking Fund Account, a 1999 Bonds Sinking Fund Account and a 2003 Bonds Sinking Fund Account for the retirement of certain of the 1996 Term Bonds, 1999 Term Bonds and 2003 Term Bonds, respectively. Certain of the 2003 Term Bonds are subject to mandatory sinking fund redemption on the dates and in the amounts set forth in the Official Statement under "THE 2003 BONDS -- Mandatory Sinking Fund Redemption". The Trustee shall transfer moneys from the Debt Service Fund to the Sinking Fund Accounts in the amounts required to retire the 1996 Term Bonds, the 1999 Term Bonds and the 2003 Term Bonds on the dates and in amounts so described. Notwithstanding the foregoing, the Indenture permits the Trustee, at the direction of the Authority prior to May 1 of each year in which 1996 Term Bonds, 1999 Term Bonds or 2003 Terms Bonds are subject to mandatory sinking fund redemption, to apply amounts deposited in the Sinking Fund Accounts to the purchase of as many 1996 Term Bonds, 1999 Term Bonds and 2003 Terms Bonds as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not exceeding the principal amount thereof, plus interest accrued to such date (which interest shall be paid from amounts in the Debt Service Fund).

Debt Service Reserve Fund

There shall be maintained in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement for the Bonds. In lieu of such deposit, at the time of issuance of a Series, subject to approval of the Bond Insurer, if any, there may be provided a Credit Facility in such amount issued by a Credit Facility Issuer whose credit facilities are such that bonds secured by such credit facilities are rated in one of the three highest rating categories by Moody's and S&P. To the extent that additional amounts are required to be deposited in the Debt Service Reserve Fund, such moneys shall come from sources other than the proceeds of the Bonds. Moneys in the Revenue Fund shall be transferred to the Debt Service Reserve Fund to the extent necessary to eliminate a deficiency therein. To the extent that there is an excess amount in the Debt Service Reserve Fund as of the date any valuation is required to be made as provided in the Indenture, unless otherwise provided in the Supplemental Indenture authorizing the issuance of such Series, the excess (other than any Investment Earnings) shall be transferred, at the written direction of the Authority, to the Debt Service Fund or the Bond Redemption Fund as provided in the Indenture, or, subject to an approving opinion of Bond Counsel, as directed in writing by the Authority.

Investment Earnings from investments of amounts in the Debt Service Reserve Fund shall be applied by the Trustee as follows:

- (a) the Trustee shall retain in the Debt Service Reserve Fund the amount necessary to eliminate deficiency therein;
- (b) the Trustee shall transfer to the Rebate Fund in respect of each Bond Year such amount as is certified by the Authority to the Trustee pursuant to the applicable Tax Compliance Agreement as the Rebate Amount and Yield Reduction Amount, if any, for such Bond Year with respect to the 1996 Bonds, the 1999 Bonds, the 2003 Bonds and such additional amount for each other Series of Bonds as may be specified in the Supplemental Indenture authorizing the Series;
- (c) the Trustee shall transfer to the Authority the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made (together with transfers from the Revenue Fund), to equal the total operating expenses of the Authority for such fiscal year as set forth in the certificate of the Authority filed with the Trustee in respect of such fiscal year; and
- (d) the Trustee shall transfer any remaining amount to the Revenue Fund.

If there are insufficient moneys to pay the Debt Service Requirement on any Series of Bonds on any Interest Payment Date or maturity date of such Series of Bonds, the Trustee shall transfer from the Debt Service Reserve Fund to the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund.

In the event any application of funds in the Debt Service Reserve Fund in accordance with the preceding paragraph causes the amount in the Debt Service Reserve Fund to be less than the Debt Service Reserve Requirement, the Trustee shall promptly notify the Authority.

The Trustee shall value the Investment Securities, if any, held in the Debt Service Reserve Fund at the end of each Bond Year for such Series and six months after the end of each such Bond Year. Investments in the Debt Service Reserve Fund, other than guaranteed investment contracts, shall be valued at fair market value. Guaranteed investment contracts shall be valued at the amortized cost thereof plus accrued interest. If the value of such Investment Securities plus any moneys in the Debt Service Reserve Fund (other than Investment Earnings which have not yet been transferred as described above) falls below the Debt Service Reserve Requirement, the Trustee shall promptly notify the Authority. Such deficiency shall be eliminated as indicated above and if necessary by the transfer from the Revenue Fund described in the Indenture.

Upon a redemption or final maturity of all of the Bonds of a Series, moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement shall be applied as discussed above.

Bond Redemption Fund

The Trustee shall deposit in the Bond Redemption Fund amounts received from any source for redemption of Bonds other than mandatory sinking fund payments.

Moneys deposited into the Bond Redemption Fund shall be used to redeem Bonds or, at the request of the Authority in writing, to purchase Bonds in the open market at a price not in excess of the principal amount thereof plus accrued interest thereon (or, in the case of zero coupon bonds, original issue price plus accrued original issue discount). Upon such deposit, to the extent such moneys are to be used to redeem Bonds, the Trustee shall promptly select and call Bonds for redemption.

Rebate Fund

Amounts shall be deposited in the Rebate Fund in order to comply with rebate requirements of Section 148 of the Code and shall not be subject to any security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder, any Credit Facility Issuer or any other Person. The provisions of the Indenture regarding the Rebate Fund may be amended upon receipt by the Trustee and the Authority of an opinion of Bond Counsel that such amendment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any moneys released from the Rebate Fund as a result of any such amendment shall be applied by the Trustee as required or permitted (in which case such application shall be at the written direction of the Authority) by such opinion of Bond Counsel.

The Authority is required to determine the Rebate Amount and Yield Reduction Amount, if any, in respect of each Series of Bonds or cause the same to be determined within 30 days after the end of each Bond Year and upon the retirement of the last Bond of a particular Series and to give written notification of such amounts to the Trustee. Following receipt of such notification, the Trustee is required to transfer first from Investment Earnings on the Debt Service Reserve Fund and then from the Revenue Fund to the Rebate Fund such amount as may be necessary so that the amount in the Rebate Fund shall be equal to the Rebate Amount and Yield Reduction Amount, if any, as of the computation date. In the event that as of the first day of any Bond Year in respect of each Series of Bonds, the amount on deposit in the Rebate Fund exceeds the Rebate Amount and Yield Reduction Amount, if any, the Trustee, at the direction of the Authority, shall transfer such excess amount into the Revenue Fund. If any amount shall remain in the Rebate Fund after the Trustee has made the final payment to the United States in respect of each Series of Bonds pursuant to the Indenture, such amount shall be transferred to the Revenue Fund.

Settlement Fund

The Trustee has established a Settlement Fund under the Indenture to hold funds to be applied to the costs of issuance of the 2003 Bonds. Upon the payment of the costs of issuance, moneys in the Settlement Fund with respect to the 2003 Bonds are to be transferred to the Debt Service Fund.

Bond Purchase Fund.

The Trustee shall establish or cause the Tender Agent to establish and maintain, so long as the 2003 Bonds are outstanding and have not been converted to a Fixed Rate, a separate fund to be known as the "Bond Purchase Fund", within which there shall be established a Remarketing Proceeds Account and a Liquidity Facility Purchase Account, which shall be held in trust by the Trustee.

(i) Remarketing Proceeds Account. The Trustee or the Tender Agent shall deposit to the credit of the Remarketing Proceeds Account (A) the moneys received upon the remarketing of Tendered Bonds, and (B) the moneys received from the underwriter or purchaser (other than the Authority, any Affiliate, or any Insider) of Tendered Bonds upon the conversion of the interest rate thereon to a Fixed Rate. No moneys other than those described in (A) and (B) shall be deposited

into such account.

(ii) Liquidity Facility Purchase Account. The Trustee or the Tender Agent shall deposit to the credit of the Liquidity Facility Purchase Account all proceeds of drawings under the Liquidity Facility to pay the purchase price of Tendered Bonds (other than Bank Bonds), and no other moneys shall be deposited in such account.

Moneys in the Bond Purchase Fund shall be held in trust for the benefit of and subject to a lien in favor of the owners of Tendered Bonds and shall be used exclusively for the payment of the purchase price of Tendered Bonds; provided, however, that any moneys remaining on deposit in the Liquidity Facility Purchase Account after payment in full of all amounts due on the Tendered Bonds shall be transferred to the Bank.

Pledged Revenues

The Pledged Revenues, which secure the payment of amounts due in respect of the Bonds, consist of all amounts received by or payable to or at the direction of the Authority constituting proceeds (including interest and penalties) of any PICA Taxes and all moneys and securities held by the Trustee under the Indenture, together with any earnings thereon, except moneys and securities held in the Rebate Fund.

Pledge of Pledged Revenues and Fund

The Pledged Revenues are trust funds and shall not be subject to lien (other than that of the Indenture or any lien thereon granted to secure the payment of any subordinated indebtedness of the Authority in accordance with the terms of the Indenture) or attachment by any creditor of the Authority.

Investment of Funds

Moneys in the funds established under the Indenture shall, to the extent permitted by law and at the direction of the Authority, be invested and reinvested in Investment Securities or City Obligations, except that moneys in the Debt Service Fund, the Revenue Fund and the Rebate Fund shall be invested only in Government Obligations with maturities which will assure the availability of money at the time when needed, and moneys in the Debt Service Reserve Fund shall only be invested in Investment Securities with a maturity of not more than five years; provided, however, that if moneys are invested in a guaranteed investment contract or a repurchase agreement which allows the full principal of and interest on the investment to be withdrawn at par on any principal or interest payment date for the Bonds, such guaranteed investment contract or repurchase agreement may have a maturity longer than five years but not longer than ten years. Investment Earnings shall be added or charged to the Revenue Fund when earned or realized, subject to the provisions of the Indenture in the case of defeasance, and provided that (i) Investment Earnings from investment of amounts in the Debt Service Reserve Fund shall be applied as described under "Debt Service Reserve Fund" above; (ii) Investment Earnings from investment of amounts in the Rebate Fund shall remain in the Rebate Fund and become a part thereof, to be disbursed as described under "Rebate Fund" above; and (iii) Investment Earnings from investment of amounts in the Capital Projects Fund shall remain in the Capital Projects Fund so long as costs of capital projects are to be paid therefrom.

Covenants of the Authority

The Authority covenants, among other things, that it will promptly pay or cause to be paid, but only from the Pledged Revenues, the principal of, premium, if any, and interest on all Bonds, and that it shall do and perform or cause to be done or performed all acts and things required to be done or performed by it under the Act and that it shall comply with all valid acts, rules, regulations, orders and directions applicable to the Indenture. The Authority has covenanted not to enter into any interest rate exchange agreement, interest rate cap and floor agreement or other similar agreement permitted by the Act if entering into such agreement would materially adversely affect any rating of the Bonds by Moody's, S&P or Fitch. The Authority also covenants at all times, to the extent permitted by law, to defend, preserve and protect the assignment and pledge of, and security interest in, the Trust Estate under the Indenture and all the rights of the Bondholders and all Credit Facility Issuers under the Indenture against all claims and demands of all persons whomsoever.

The Authority covenants with the Holders from time to time of the Bonds and the Authority shall cause the City to covenant with the Authority and Trustee that they will not make any investment or other use of the proceeds of the Bonds which would cause the Bonds the interest on which, when such Bonds were issued, was intended to be excluded from gross income for federal income tax purposes to be "arbitrage bonds" (as that term is defined in Section 148 of the Code and all applicable regulations promulgated thereunder), and that they will comply with the requirements of such Code section and regulations throughout the term of all such Bonds.

The Authority shall deliver to the Trustee and to Moody's, S&P, Fitch and any Credit Facility Issuer within 120 days after the end of each fiscal year, on the basis of an audit conducted by independent certified public accountants, financial statements of the Authority at the end of such fiscal year together with notes and exhibits thereto (which shall include exhibits showing (i) all Bonds of the Authority then Outstanding, (ii) a summary of total annual debt service requirements

and (iii) a statement of debt service coverage), which financial statements shall be audited by a firm of independent certified public accountants in accordance with generally accepted auditing standards. The Trustee is authorized to deliver copies of such financial statements to Bondholders and to any other Person who requests such financial statements.

Defaults and Remedies

Each of the following events constitutes an Event of Default under the Indenture:

- (a) Default in the due and punctual payment of interest on any Bond after such payment has become due and payable; or
- (b) Default in the due and punctual payment of the principal or mandatory sinking fund installment of any Bond, whether at the stated maturity thereof or upon proceedings for redemption thereof; or
- (c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Authority contained in the Indenture, any Supplemental Indenture or in the Bonds; or
- (d) Failure by the City to perform any of its covenants or agreements contained in the PICA Tax Ordinance or in any other ordinance of the City enacting PICA Taxes; or
- (e) Failure by the State Treasurer or the Department in the performance of any of their duties under the Act or covenants or agreements contained in the PICA Tax Disbursement Agreement or the Tax Collection Agency Agreement;
- (f) If payment of the purchase price of any 2003 Bond tendered pursuant to Article III of the Third Supplement to the Amended and Restated Indenture is not made when it becomes due and payable;

provided, however, that a default under (c) or (e) shall not constitute an Event of Default unless the Authority, the State Treasurer or the Department, as applicable, shall have had thirty (30) days after receipt of notice of such default from the Trustee or from the Bondholders of not less than twenty-five percent (25%) in aggregate principal amount of all Outstanding Bonds to correct said default or cause said default to be corrected and shall not have corrected said default or caused said default to be corrected within such period; provided that, if said default is such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority, the State Treasurer or the Department, as applicable, within the applicable period and diligently pursued until the default is corrected, subject to each Bond Insurer's approval of the grace period for the taking of such corrective action; provided, further, that the period to cure any of such defaults shall be only seven (7) days in the case of a default in the payment of money and shall be such shorter period as may be specified in the notice of such default in the case of any default which would have a material adverse effect on the tax exempt status of the 1996 Bonds, the 1999 Bonds or the 2003 Bonds if not cured sooner than the period specified in the notice. In determining whether a payment default has occurred or whether a payment on any Series of Bonds has been made, no effect shall be given to payments made under the applicable Bond Insurance Policy.

Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity, including, without limitation, enforcement of the rights of the Trustee and the Bondholders under the PICA Tax Ordinance or the Tax Compliance Agreement, the remedies provided in Section 305 of the Act and the rights of enforcement provided in Section 310 of the Act, to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, the performance by the Authority of its obligations under the Indenture and the performance by the Department and by the State Treasurer of their obligations under the Act. Notwithstanding the foregoing, there shall be no right to accelerate the time for payment of the Bonds. Without limiting the generality of the foregoing, if at any time the Trustee shall not receive the Pledged Revenues for transfer to the Debt Service Fund at the times and on the dates required by the Act and the Indenture, the Trustee shall promptly enforce the pledge of, security interest in and lien and charge on the Pledged Revenues against all government agencies (as defined in the Act) in possession of any of such Pledged Revenues at any time and shall send notice to the Department and the State Treasurer requesting that they take appropriate corrective actions.

If an Event of Default shall have occurred and be continuing and if directed in writing by the Bondholders of 25% in aggregate principal amount of Outstanding Bonds and upon being indemnified as provided in Section 9.01 of the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers specified in the preceding paragraph, as directed, provided such direction shall not be otherwise than in accordance with law and the provisions of the Indenture and the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would prejudice Bondholders not parties to such direction.

No waiver of any Event of Default under the Indenture, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture. The Trustee shall not be required to follow any direction from the Bondholders in the absence of indemnification of the Trustee, in accordance with the Indenture, in form and substance satisfactory to the Trustee.

Limitation on Actions by Bondholders

Under certain circumstances set forth in the Indenture, Bondholders may direct proceedings with respect to an Event of Default; however, no Bondholder shall have the right to pursue any remedy under the Indenture unless (a) the Trustee has been notified of an Event of Default as provided in the Indenture, (b) the Bondholders of not less than 25% of the aggregate principal amount of Outstanding Bonds shall have made written request to the Trustee and shall have offered it reasonable opportunity either to exercise the powers with respect to remedies granted under the Indenture or to pursue such remedy in their name or names, (c) the Trustee shall have been offered security and indemnity satisfactory to it against costs, expenses and liabilities and (d) the Trustee shall have failed or refused to comply with such request. Notwithstanding the foregoing, nothing in the Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest on each of the Bonds to and for the equal benefit of all Bondholders at the time and place, from the source and in the manner expressed in the Bonds. For purposes of actions by Bondholders, the respective Bond Insurer, if any, shall be deemed to be the sole holder of the Bonds which it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy relating to such Bonds.

Waivers of Events of Default

The Trustee may at its discretion waive any Event of Default under the Indenture and its consequences, and shall do so upon the written request of the Bondholders of (1) not less than 66-2/3% in aggregate principal amount of all Outstanding Bonds in respect of which default in the payment of principal or interest, or both, exists or (2) not less than a majority in aggregate principal amount of all Outstanding Bonds in the case of any other Event of Default; provided, however, that there shall not be waived any Event of Default in the payment of the principal of or interest on any Outstanding Bonds unless, prior to such waiver, or rescission, all arrears of principal and interest, and all expenses of the Trustee in connection with such Event of Default shall have been paid or provided for and, in the case of any Bonds to which a Credit Facility applies, any amount drawn under the Credit Facility shall have been reinstated (if applicable) or the Credit Facility Issuer shall have been reimbursed. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee, the Credit Facility Issuer and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon. The foregoing notwithstanding, so long as a Credit Facility applies to the Bonds and the Credit Facility Issuer has not wrongfully failed to honor a drawing thereunder, the consent of the Credit Facility Issuer must be obtained prior to any such waiver with respect to the Bonds. Also, notwithstanding the foregoing, the consent of the Bond Insurer of the Series of Bonds as to which such Event of Default exists must be obtained prior to any such waiver becoming effective.

Modifications of Indenture

The Authority and the Trustee may enter into Supplemental Indentures, without the consent of or notice to, the Bondholders, for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Indenture;
- (b) To grant to or confer upon the Bondholders or the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee;
- (c) To subject to the Indenture additional revenues or collateral;
- (d) To modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States;
- (e) To provide for the adoption of a book-entry registration of any Series of Bonds;

- (f) To evidence the appointment of a separate or co-Trustee or the succession of a new Trustee;
- (g) To authorize the issuance and establish the terms of Additional Bonds and to effect an interest rate swap agreement, an interest rate cap or floor agreement or other similar agreement permitted under the Act;
- (h) To make any other change in the Indenture, including changes in connection with the Authority's issuance of subordinated debt, which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Bondholders;
- (i) To secure or maintain the rating for the Bonds from S&P and/or Moody's and/or Fitch;
- (j) To cure any defects in the Indenture which would, if not cured, cause the interest on Bonds which at the time of issuance was intended to be excluded from gross income for federal income tax purposes not to be so excluded;
- (k) To make any change permitted under Section 5.09 of the Indenture (relating to the Rebate Fund);
or
- (l) To make any other change in the Indenture which is approved by the Credit Facility Issuer if at the time of such change a Credit Facility is in effect and there has been no failure by the Credit Facility Issuer to make any payment under the Credit Facility or, if a new Credit Facility is being obtained, which is requested by the new Credit Facility Issuer and is to be effective only at, the time the new Credit Facility becomes effective, except a change specified in the Indenture as requiring the consent of the Holders of all Outstanding Bonds or a change which would affect the rights of the Authority unless the Authority approves of such change; or
- (m) With respect to the 2003 Bonds, to increase or decrease the maximum interest rate used to compute (i) the Interest Coverage Rate, as defined in Section 103 of the Third Supplement to the Amended and Restated Indenture, and (ii) the maximum rate at which the 2003 Bonds may be remarketed, as set forth in Section 310(h) of the Third Supplement to the Amended and Restated Indenture; provided, however, that the Trustee shall have first obtained the written consent for such amendment from the Bond Insurer insuring the 2003 Bonds.

In exercising its discretion, the Trustee shall not unreasonably withhold its consent to any Supplemental Indenture for any of the foregoing purposes. The Trustee shall have the right to require an opinion of counsel that such Supplemental Indenture is authorized and permitted under the Indenture.

Except for the foregoing Supplemental Indentures and subject to the provisions of the Indenture, the Bondholders of not less than a majority in aggregate principal amount of the Outstanding Bonds which would be adversely affected thereby shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such other Supplemental Indentures as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing in the Indenture shall permit, or be construed as permitting, without the consent of the Holders of all Bonds Outstanding which would be adversely effected thereby, (a) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture, (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or a change in the terms of redemption of the Bonds, (c) a privilege or priority of any Bond or Bonds over any Outstanding Bond or Bonds, (d) a reduction in the aggregate principal amount of the Bonds required for consent to Supplemental Indentures, (e) the creation of any lien ranking prior to or on a parity with the lien of the Indenture on the Trust Estate or any part thereof, except as expressly permitted in the Indenture, (f) the deprivation of the Bondholder of any Outstanding Bond of the lien created on the Trust Estate or (g) an adverse effect on the interest of the Bondholders in any Credit Facility; and further provided that no such amendment shall be permitted without the consent of the Credit Facility Issuer so long as the Credit Facility Issuer has not wrongfully failed to honor a drawing under the Credit Facility or otherwise defaulted thereunder.

No amendment or supplement shall be effective unless the prior written consent of each Bond Insurer to such amendment or supplement is obtained; provided, however, that each Bond Insurer may not unreasonably withhold its consent to an amendment or supplement pursuant to clause (j) in the third preceding paragraph.

Discharge of Indenture

If the Authority shall pay or cause to be paid, or there shall otherwise be paid or provision be made for payment, to the Holders of the Bonds the principal of, premium, if any, and interest due or to become due thereon at the times and in the

manner stipulated therein, and all fees, expenses and other amounts due to the Trustee, each Registrar and each Credit Facility Issuer, then the Trust Estate and the rights granted under the Indenture shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the Indenture, and execute and deliver to the Authority such instruments in writing as shall be requisite to release the Indenture, and reconvey, release, assign and deliver unto the Authority any and all of the Trust Estate and all right, title and interest in and to any and all rights conveyed, assigned or pledged to the Trustee or otherwise subject to the Indenture, except amounts held in or payable to the Rebate Fund for payment to the United States and amounts held by the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds. Notwithstanding the foregoing, Bonds paid with the proceeds of any Credit Facility shall be Outstanding until the Credit Facility Issuer has been reimbursed for the amount of the payment.

Any Bond shall be deemed paid as described above for all purposes under the Indenture when payment of the principal of, premium, if any, and interest on such Bond to the due date thereof either (i) shall have been made or caused to be made in accordance with the terms of the Indenture, or (ii) shall have been provided for by the irrevocable deposit with the Trustee of (A) moneys sufficient to make such payment and/or (B) Government Obligations of the types described in clause (a) of such definition, Refcorp interest strips, CATS, TIGRS, STRPS or defeased municipal bonds rated "AAA" by S&P or "Aaa" by Moody's, in each case maturing as to principal and interest in such amount and such time as will insure the availability of sufficient moneys to make such payment. At such time as a Bond shall be deemed to be paid as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Government Obligations.

If any advance refunding of the 2003 Bonds is accomplished prior to the Fixed Rate Conversion Date, (i) moneys held to defease such 2003 Bonds shall be invested only in Government Obligations with maturity dates on or prior to the next Flexible Rate Adjustment Date or Variable Rate Adjustment Date, as the case may be, for the 2003 Bonds, the 2003 Bonds shall be redeemed on or prior to such Flexible Rate Adjustment Date or Variable Rate Adjustment Date and the 2003 Bonds which have been advance refunded prior to maturity shall no longer be subject to any optional or mandatory tender or (ii) the Trustee shall have received written evidence from each Rating Agency then rating the 2003 Bonds that the rating borne by such 2003 Bonds immediately prior to such refunding will not be withdrawn or reduced by reason of such advance refunding.

Duties of the Trustee

The Indenture provides that, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the Trustee undertakes to perform only such duties as are set forth in the Indenture. In case an Event of Default has occurred which has not been cured or waived, the Trustee is obligated to exercise such of the rights and powers vested in it by the Indenture and to the same degree of care and skill in the exercise of such rights and powers as a prudent man would exercise under the circumstances in the conduct of his own affairs. In general, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants or agreements on the part of the City, the Department or the State Treasurer, but the Trustee may require of the Authority full information and advice as to the performance of such covenants and agreements. Notwithstanding the foregoing, if there is a deficit in the amount deposited in the Debt Service Fund in excess of one month's required deposit, the Trustee shall make inquiry to determine whether there has been an Event of Default by reason of the failure of the City to perform its covenants and agreements in the PICA Tax Ordinance or other ordinance of the City enacting PICA Taxes or of the State Treasurer or the Department to perform their duties under the Act or covenants or agreements contained in the PICA Tax Disbursement Agreement or the Tax Collection Agency Agreement. The Trustee may act upon the opinion or advice of any attorney approved by the Trustee in the exercise of reasonable care and shall not be responsible for any loss or damage resulting from any action or inaction in good faith in reliance upon such opinion or advice received in writing. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, invested, withdrawn or transferred in accordance with the provisions of the Indenture or for any loss resulting from any such investment or the sale or disposition of any such investment in accordance with the provisions of the Indenture. The Trustee is not required under the Indenture to give any bond or surety to the performance of its obligations as Trustee.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

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KLETT ROONEY LIEBER & SCHORLING

A PROFESSIONAL CORPORATION

TWO LOGAN SQUARE, 12TH FLOOR
PHILADELPHIA, PENNSYLVANIA 19103
TELEPHONE (215) 567-7500
FACSIMILE (215) 567-2737

June __, 2003

Re: Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue
Refunding Bonds (City of Philadelphia Funding Program), Series of 2003

To the Purchasers of the Above-Captioned Bonds

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$_____ aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "2003 Bonds") pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the "Act"), and an Amended and Restated Indenture of Trust dated as of December 1, 1994, (the "Amended and Restated Indenture"), between the Authority and Wachovia Bank, National Association, as successor to Meridian Bank, as Trustee (the "Trustee"), as amended pursuant to the First Supplement to the Amended and Restated Indenture dated as of May 15, 1996 (the "First Supplement to the Amended and Restated Indenture"), the Second Supplement to the Amended and Restated Indenture dated as of April 1, 1999 (the "Second Supplement to the Amended and Restated Indenture") and a Third Supplement to the Amended and Restated Indenture dated as of June 1, 2003 (the "Third Supplement to the Amended and Restated Indenture," and together with the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Amended and Restated Indenture, the "Indenture").

The proceeds of the 2003 Bonds will be used, together with other available monies, to (i) currently refund the aggregate outstanding balance of the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") and (ii) pay the costs of issuing the 2003 Bonds (collectively, the "Refunding Project").

As Bond Counsel, we have reviewed the Act, the relevant provisions of the Constitution and such statutes of the Commonwealth of Pennsylvania (the "Commonwealth") and such resolutions of the Authority and ordinances of the City of Philadelphia (the "City") and proceedings relating thereto as are contained in the transcripts of proceedings for the 1993A and 2003 Bonds. We have also reviewed and relied upon the proceedings authorizing the issuance of the 2003 Bonds and certain certifications and 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, agreements, certificates and opinions, all as executed and delivered in connection with the issuance of the 2003 Bonds. We have also reviewed a specimen of the 2003 Bonds and have relied on the certification of the Trustee as to its authentication of the 2003 Bonds.

As expressly stated in the form of the 2003 Bonds and in the Indenture, the 2003 Bonds are limited obligations of the Authority payable solely from the Pledged Revenues (as defined in the Indenture). The 2003 Bonds do not otherwise constitute a pledge of the general credit of the Authority. Further, the 2003 Bonds do not constitute a pledge of the credit of the Commonwealth or any political subdivision thereof (including the City), nor do the 2003 Bonds constitute a pledge of the taxing power of the Commonwealth or any political subdivision thereof (including the City). The Authority has no taxing power. Neither the

June __, 2003

Page 2

Commonwealth nor any political subdivision thereof (including the City) is liable for the payment of the principal of, redemption premium, if any, or interest on, the 2003 Bonds.

As to questions of fact material to our opinion, we have relied upon the representations of the Authority contained in the proceedings relating to the issuance of the 2003 Bonds and other certifications furnished to us without undertaking to verify the same by independent investigation.

Based and in reliance upon the foregoing, our attendance at the closing held this day and subject to the caveats, qualifications, exceptions and assumptions set forth herein, it is our opinion that, as of the date hereof, under existing law:

1. The Authority is a body corporate and politic validly existing under the laws of the Commonwealth, and has the full power and authority under the Act to undertake the Refunding Project, to execute and deliver the Third Supplement to the Amended and Restated Indenture and to issue the 2003 Bonds.

2. The Third Supplement to the Amended and Restated Indenture has been duly authorized, executed and delivered by the Authority and the obligations of the Authority under the Third Supplement to the Amended and Restated Indenture constitute legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms.

3. The 2003 Bonds have been duly authorized, executed, issued and delivered by the Authority and are the legal, valid and binding limited obligations of the Authority, entitled to the benefit and security of the Indenture, and are enforceable against the Authority in accordance with their terms.

4. The Indenture creates a valid pledge to the Trustee for the benefit of the holders of the 2003 Bonds of, and a valid and binding security interest in, the Pledged Revenues (as defined in the Indenture) which it purports to create.

5. Under existing law, interest on the 2003 Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference within the meaning of Section 57 of the Code, for purposes of the alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest and accruals are taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. The opinion set forth in the preceding sentence is subject to the condition that the Authority comply with all the requirements of the Code that must be satisfied subsequent to the issuance of the 2003 Bonds in order that interest on the 2003 Bonds be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the 2003 Bonds to be included in gross income retroactively to the date of issuance of the 2003 Bonds. The Authority has covenanted in the Indenture to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the 2003 Bonds.

6. Under the laws of the Commonwealth as presently enacted and construed, the interest on the 2003 Bonds is exempt from Commonwealth personal income tax and Commonwealth corporate net income tax and the 2003 Bonds are exempt from personal property taxes in the Commonwealth; provided, however, under the laws of the Commonwealth as presently enacted and

June __, 2003

Page 3

construed, any profits, gains or income derived from the sale, exchange or other disposition of the 2003 Bonds, shall be subject to state and local taxation within the Commonwealth.

It is to be understood that the rights of the owners of the 2003 Bonds and the enforceability of the 2003 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is rendered solely for the benefit of the addressee hereof in connection with the initial issuance of the 2003 Bonds. The addressee may not rely on this opinion letter for any other purpose and no other person may rely on this opinion letter for any purpose without the express written consent of the undersigned. This opinion letter is limited to the matters set forth herein. This opinion is subject to future changes in applicable law and we do not undertake any obligation to update any of the opinions expressed in this letter. No opinion may be inferred or implied beyond the matters expressly stated herein, and our opinions expressed herein must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth herein. The law covered by the opinions expressed herein is limited to the laws of the Commonwealth and the federal law of the United States of America.

Very truly yours,

KLETT ROONEY LIEBER & SCHORLING
A Professional Corporation

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APPENDIX E

SPECIMEN COPY OF FINANCIAL GUARANTY INSURANCE POLICY

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Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

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

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

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

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

President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

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APPENDIX F

CERTAIN INFORMATION CONCERNING THE BANK

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APPENDIX F

CERTAIN INFORMATION CONCERNING THE BANK

JPMorgan Chase Bank is a wholly owned bank subsidiary of J.P. Morgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. JPMorgan Chase Bank is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. Its business is subject to examination and regulation by Federal and New York State banking authorities. As of March 31, 2003, JPMorgan Chase Bank had total assets of \$621.7 billion, total net loans of \$183.4 billion, total deposits of \$300.1 billion, and total stockholder's equity of \$36.3 billion. As of December 31, 2002, JPMorgan Chase Bank had total assets of \$622.4 billion, total net loans of \$180.6 billion, total deposits of \$300.6 billion, and total stockholder's equity of \$35.5 billion.

Additional information, including the most recent Form 10-K for the year ended December 31, 2002 of J.P. Morgan Chase & Co., the 2002 Annual Report of J.P. Morgan Chase & Co. and additional annual, quarterly and current reports filed with the Securities and Exchange Commission by J.P. Morgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, J.P. Morgan Chase & Co., 270 Park Avenue, New York, New York 10017.

The information contained in this Appendix relates to and has been obtained from JPMorgan Chase Bank. This data has been taken from the Consolidated Reports of Condition and Income filed with the Board of Governors of the U.S. Federal Reserve System compiled in accordance with regulatory accounting principles. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of JPMorgan Chase Bank since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

The Authority makes no representation as to the accuracy of the information contained in this Appendix.

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Certain References

All summaries of the provisions of the 2003 Bonds and the security therefor, the Act and the Indenture set forth herein, and all summaries and references to other documented material not purported to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions. Reference is made hereby to the complete documents relating to such matters for the complete terms and provisions thereof, or for the information contained therein. Copies of the Indenture are on file at the corporate trust office of the Trustee in Philadelphia, Pennsylvania. Insofar as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are made merely as such and not as representations of fact.

The City has furnished the information relating to the City and its affairs contained in APPENDIX B to this Official Statement and has reviewed and approved all other information relating to the City appearing in this Official Statement. The Authority makes no representations as to the accuracy or completeness of such information.

This Official Statement has been duly authorized, executed and delivered by the Authority. Neither any advertisement for the 2003 Bonds nor this Official Statement is to be deemed or construed as constituting a contract among the Authority, the City and the purchasers of the 2003 Bonds.

No Continuing Disclosure Undertaking

The Authority is not required to provide continuing financial or other information for the benefit of the owners of the 2003 Bonds so long as the 2003 Bonds bear interest at a Variable Rate during a Daily Rate Period or a Weekly Rate Period.

If the interest rate on the 2003 Bonds is converted to a Term Rate or to another interest rate mode for which the interest rate period is longer than nine months, the Authority must either provide the Trustee, the issuer of the Liquidity Facility, Ambac Assurance and the Remarketing Agent with an opinion of Bond Counsel stating that Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission provides an exemption with respect to the 2003 Bonds or enter into a written undertaking at the time of such conversion covenanting to provide continuing information with respect to the 2003 Bonds required by the Rule. It should be noted, however, that as a result of prior contractual commitments in respect of the 1996 Bonds and the 1999 Bonds, the Authority has filed annual reports with nationally recognized municipal securities information repositories in the past and expects to file such reports in the future so long as any 1996 Bonds or 1999 Bonds, scheduled to mature in 2019 and 2022, respectively, remain outstanding.

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

By:


Chairperson

\$165,550,000
PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS (CITY OF PHILADELPHIA
FUNDING PROGRAM), SERIES OF 2003

TAX COMPLIANCE AGREEMENT

This Tax Compliance Agreement (the "*Tax Compliance Agreement*") is made and executed this 16th day of June, 2003, by the Pennsylvania Intergovernmental Cooperation Authority (the "*Authority*"), in its capacity as issuer of the 2003 Bonds, and The City of Philadelphia, Pennsylvania (the "*City*"), in connection with the Authority's issuance of its \$165,550,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "*2003 Bonds*"), for the purpose of providing the factual basis upon which Klett Rooney Lieber & Schorling, A Professional Corporation, is rendering, on the date hereof, its legal opinion to the effect that interest on the 2003 Bonds will be excluded from gross income for federal income tax purposes by reason of Section 103 of the Code (defined hereinafter). The Authority and the City are also making certain covenants for the benefit of the Bondholders for the purpose of ensuring that interest on the 2003 Bonds will be excluded from gross income for federal income tax purposes and intend to be legally bound hereby.

ARTICLE I: DEFINITIONS

Section 1.1. Definitions

In addition to the definitions contained elsewhere in this Tax Compliance Agreement, the following terms shall have the following meanings. Capitalized terms used herein and not otherwise defined herein, shall have the same meanings set forth in the Indenture.

"*Act*" means the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended.

"*Bond Counsel*" means a firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"*Bond Year*" means each one-year period (or shorter period commencing on the Issue Date), that ends on the close of business on the day in the calendar year selected by the Authority (which date shall correspond to the last day of a compounding interval used in computing the Yield on the 2003 Bonds). The first Bond Year shall commence on the Issue Date and shall end on June 15, 2004, each subsequent Bond Year shall commence on June 16 and end on June 15, and the last Bond Year shall end on the date of final payment of principal of or interest on the 2003 Bonds.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Computation Date*" means the last day of each Bond Year and the date on which the final Bond is discharged.

"*Excess Amount*" means the amount calculated pursuant to Section 3.2(b)(i) hereof.

"Gross Proceeds" shall have the meaning ascribed to such term in Section 148 of the Code and Section 1.148-1(b) of the Regulations, which term includes, among other things, original proceeds, investment proceeds, transferred proceeds and any funds (other than the foregoing) that are part of a reserve or replacement fund for the 2003 Bonds.

"Indenture" means the Amended and Restated Indenture of Trust dated as of December 1, 1994, between the Authority and the Trustee, as amended and supplemented by the First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996, the Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999, and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003, between the Authority and the Trustee and as further amended or supplemented from time to time in accordance with the terms thereof.

"Investment Property" means any security or obligation (other than obligations the interest on which is excludable from gross income for federal income tax purposes under Section 103(a) of the Code unless described in Section 148(b)(2)(E) of the Code), any annuity contract or any other investment-type property.

"Issue Date" means June 16, 2003.

"Liquidity Facility" means the Standby Bond Purchase Agreement dated as of June 1, 2003 with JPMorgan Chase Bank (the "**Bank**") pursuant to which the Bank has agreed to pay to the Trustee the purchase price of Bonds which are tendered for optional or mandatory purchase pursuant to Article III of the Third Supplement to the Amended and Restated Indenture which have not been successfully remarketed.

"1992 Bonds" means the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992.

"1993A Bonds" means the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A.

"Non-purpose Investments" shall have the meaning ascribed to such term in Section 148 of the Code and shall mean any Investment Property in which Gross Proceeds are invested which is not acquired to carry out the governmental purpose of the 2003 Bonds, including but not limited to obligations acquired with Gross Proceeds that are invested temporarily until needed for the governmental purpose of the 2003 Bonds, that are invested in a reasonably required reserve or replacement fund (within the meaning of Regulation §1.148-2(f)), and that are part of any sinking fund.

"Prior Bonds" means, collectively, the 1992 Bonds and the 1993A Bonds.

"Project" shall have the meaning set forth in Section 2.1(a) hereof.

"Rebate Amount" means the amount required to be remitted to the United States of America from time to time pursuant to Section 148(f)(2) of the Code and computed in accordance with Section 3.2 hereof.

"Rebate Requirement" means the amount calculated pursuant to Section 3.2(b)(ii) hereof.

"Regulations" means the applicable Income Tax Regulations promulgated by the United States Department of the Treasury with respect to the Code, including the Income Tax Regulations promulgated under substantially similar provisions of the Internal Revenue Code of 1954, as amended.

"Trustee" means Wachovia Bank, National Association, or any successor designated in accordance with the Indenture.

"2003 Bonds" mean the Authority's \$165,550,000 aggregate principal amount Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003.

"Yield" shall have the meaning ascribed to such term by Section 148 of the Code and shall mean that discount rate which, when computing the present worth of all payments of principal and interest to be paid on an obligation, produces an amount equal to the purchase price of the obligation. In the case of the 2003 Bonds, the purchase price shall be the present value of the issue price of each 2003 Bond.

"Yield Reduction Amount" shall mean any amount paid to the United States to reduce the yield on Investment Property for yield restriction purposes pursuant to Regulation §1.148-5(c).

ARTICLE II: USE OF BOND PROCEEDS AND REPRESENTATIONS REGARDING TAX MATTERS

Section 2.1. Nature of Project

The Authority hereby represents and certifies as follows:

(a) The proceeds derived from the sale of the 2003 Bonds by the Authority are to be used to provide funds to finance all or a portion of the costs of: (i) the current refunding of the outstanding 1993A Bonds, and (ii) paying the costs of issuing the 2003 Bonds and of obtaining credit enhancement for the 2003 Bonds (collectively, the "**Project**").

(b) The 1993A Bonds were issued in the original aggregate principal amount of \$178,675,000 pursuant to a resolution duly adopted by the governing body of the Authority on August 19, 1993 and an Indenture of Trust dated as of June 1, 1992, as amended and supplemented by a First Supplemental Indenture of Trust dated as of June 22, 1992, a Second Supplemental Indenture of Trust dated as of July 15, 1993, and a Third Supplemental Indenture of Trust dated as of August 15, 1993 between the Authority and the Trustee, to (i) provide for the refunding of the 1992 Bonds maturing on June 15 of the years 2006, 2012 and 2022 in the aggregate principal amount of \$136,670,000 (the "**Refunded 1992 Bonds**"), (ii) make the required deposit to the Debt Service Reserve Fund in respect of the 1993A Bonds in an amount equal to the lesser of 10% of the proceeds of the 1993A Bonds, excluding accrued interest, and the maximum annual debt service requirement on the 1993A Bonds, and (iii) pay the costs of issuing the 1993A Bonds.

(c) The 1992 Bonds were issued in the original aggregate principal amount of \$474,555,000, the proceeds of which were used to (i) make grants to the City of Philadelphia (the "**City**"), in the amount of \$256,200,000, to fund the Fiscal Year 1991 General Fund cumulative deficit, the projected Fiscal Year 1992 General Fund deficit and the projected Fiscal Year 1993 General Fund deficit of the City; (ii) make grants to the City in the amount of \$120,000,000 to pay the costs of certain capital projects (the "**1992 Capital Projects**") to be undertaken by the City; (iii) make a grant to the City in the amount of \$20,000,000 to provide other financial assistance to the City to enhance productivity in the operation of City government (the "**Productivity Bank**"); (iv) make the required deposit to the Debt Service Reserve Fund in an amount equal to 10% of the proceeds of the 1992 Bonds; (v) capitalize interest on a portion of the 1992 Bonds, in the amount of \$20,000,000, through June 15, 1993; (vi) repay \$150,000 previously advanced to the Authority by the Commonwealth of Pennsylvania (the "**Commonwealth**") to pay initial operating expenses of the Authority; (vii) fund a portion of the Authority's first fiscal year operating budget in the amount of \$500,000 which was used to pay a portion of the expenses of the Authority related to the issuance of the 1992 Bonds; and (viii) pay the costs of issuing the 1992 Bonds.

Section 2.2. Approval of Issue

(a) **Official Action.** The Authority approved the issuance and sale of the 2003 Bonds for the purpose of financing the cost of the Project by a resolution adopted by the governing board of the Authority pursuant to the Act on March 24, 2003.

(b) **Public Approval.** The Authority is a political subdivision of the Commonwealth of Pennsylvania. As the 2003 Bonds are not private activity bonds (see Section 2.3 hereof), the public approval requirements of Code §147 are not applicable.

Section 2.3. Not Private Activity Bonds

(a) The Authority covenants and represents that, as of the date of this Tax Compliance Agreement, it is a body corporate and politic created as a public authority and instrumentality of the Commonwealth of Pennsylvania.

(b) The Authority covenants that it will not permit any facilities financed with the proceeds of the 2003 Bonds to be put to a private business use as defined in Section 141(b)(6) of the Code ("**Private Business Use**") while the 2003 Bonds are outstanding if that use will adversely affect the federal income tax status of the interest on the 2003 Bonds.

(c) The Authority covenants that it will not permit the payment of principal or interest on the 2003 Bonds

(i) to be made, financed or secured by, directly or indirectly, payments or property applied to any Private Business Use,

(ii) to be secured, directly or indirectly, by (A) interests in property or (B) payments in respect of such property, which property is put to any Private Business Use, or

(iii) to be derived, directly or indirectly, by payments (whether or not to the Authority) in respect of property or borrowed money, put to any Private Business Use

if in each such case such act will adversely affect the federal income tax status of the interest on the 2003 Bonds. With regard to this covenant, the Authority acknowledges that Code §141(b)(2) limits such private payments or security to 10% of the proceeds of an issue and that Code §141(b)(3) limits such private payments or security to 5% of the proceeds of an issue in the case of business use which is not related to the government use of such proceeds and in the case of disproportionate related business use (as defined in Code §141(b)(3)(B)).

(d) The Grants. The Authority issued the 1992 Bonds to provide funds for intergovernmental grants (the "**Grants**") to the City. (The 1992 Bonds were advance refunded by the 1993A Bonds.) The Grants were for capital projects of the City and to fund operating deficits of the City.

(i) The City is not paying or providing any consideration for the Grants, and the City has no obligation (and is not subject to any condition) to directly or indirectly repay any amount to the Authority on account of the Grants.

(ii) Neither the Authority nor the City is under the control of the other, either directly or indirectly or through any third party, and in accepting the Grants the City is acting in its own behalf and not as agent of the Authority.

(iii) The City is not liable, either directly or indirectly, for the payment of debt service on the 2003 Bonds and was not liable, either directly or indirectly, for payment of debt service on the 1992 Bonds.

(iv) The Authority is not receiving any payments, direct or indirectly, which are attributable to the Grants. The property attributable to the Grants is owned by the City without any security interest or other special legal interest in the Authority.

(v) The Authority was not liable, either directly or indirectly, for payment of debt service on the general obligation bonds of the City which the City defeased with certain of the Grants.

(vi) In addition to the Grants, the Authority used proceeds of the Prior Bonds to create a reserve fund for the Prior Bonds and to pay the costs of issuance of the Prior Bonds. The proceeds of the Prior Bonds that have been held in the reserve fund for the Prior Bonds will, upon defeasance of the Prior Bonds, become part of the Debt Service Reserve Fund securing the 2003 Bonds as well as all other outstanding Bonds of the Authority issued under the Indenture.

(vii) Certain portions of the Grants remain undisbursed at the present time and are treated by the Authority as unexpended proceeds of the 1992 Bonds. It is reasonably expected that the Authority will continue to disburse these amounts for the purposes of the 1992 Bonds. Pending such disbursements, the Authority will restrict its yield on investment of these amounts to the yield on the 2003 Bonds when such amounts become transferred proceeds of the 2003 Bonds. These yield restrictions may be

accomplished through "yield reduction payments" to the federal government under Regulations §1.148-5(c).

Section 2.4. Composite Issues

(a) There are no other obligations heretofore issued or to be issued by or on behalf of any State, the District of Columbia, any possession of the United States or any political subdivision of any of the foregoing which

- (i) are issued at substantially the same time as the 2003 Bonds,
- (ii) are being sold pursuant to the same plan of financing with the 2003 Bonds; and
- (iii) will be paid out of substantially the same source of funds (or have substantially the same claim to be paid out of substantially the same source of funds) as the 2003 Bonds.

Section 2.5. No Federal Guarantees

(a) The Authority represents that payment of principal and interest with respect to the obligation represented by the 2003 Bonds neither has been, nor will be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) and the obligation has not been issued as part of an issue a significant portion of the proceeds of which either has been or will be (i) used in making loans the payment of principal or interest with respect to which is guaranteed by the United States (or any agency or instrumentality thereof) or (ii) invested, directly or indirectly, in federally insured deposits or accounts, except to the extent that the proceeds of the 2003 Bonds may be invested for an initial temporary period until such proceeds are needed to pay the costs of the Project or in obligations issued by the United States Treasury.

(b) The Authority covenants that it will not enter into any contracts or agreements with the United States or any agency or instrumentality thereof that would cause the representations set forth in the preceding paragraph to be false.

Section 2.6. Form 8038G

The Authority agrees to cause a properly completed and executed Treasury Department Form 8038G with respect to the issuance of the 2003 Bonds and the Project to be timely and properly filed with the Internal Revenue Service.

Section 2.7. Compliance with Code

(a) The Authority covenants that it will not make an investment or other use of the proceeds of the 2003 Bonds which would cause the 2003 Bonds to be "Arbitrage Bonds" as that term is defined in Section 148 of the Code, and all applicable regulations promulgated with respect thereto, and that it will comply with the requirements of the Code and Regulations throughout the term of the 2003 Bonds.

(b) The Authority covenants to the Bondholders that it will not take any action, omit to take any action, or permit any other person to take any action or fail to take any action over which it has control, which action or inaction would cause the interest on the 2003 Bonds to be subject to federal income tax to a greater extent than on the date of issuance of the 2003 Bonds.

(c) The covenants and conditions set forth in this document are based upon the Code and Regulations as they exist on the date hereof and the Authority recognizes that the Code or Regulations may be subsequently interpreted or modified in a manner which is inconsistent with the covenants set forth herein. The Authority agrees that any subsequent modification or interpretation of the Code or Regulations, to the extent applicable to the 2003 Bonds, will be deemed a requirement that must be met pursuant to the general tax covenant set forth in (a) above. If in the opinion of Bond Counsel any such subsequent interpretation or modification renders compliance with any of the procedures set forth in this document unnecessary to assure the continued exclusion from gross income for federal income tax purposes of interest on the 2003 Bonds, this document may be amended to delete that procedure or, if necessary, substitute any other procedures that may be deemed necessary by Bond Counsel to maintain the exclusion from gross income for federal income tax purposes of interest on the 2003 Bonds.

ARTICLE III: REBATE

Section 3.1. Rebate Covenant

The Authority hereby specifically covenants that it will pay or cause to be paid the Rebate Amounts and Yield Reduction Amounts, if any, to the United States of America at the times and in the amounts determined in accordance with the provisions Section 148(f) of the Code. In order to comply with the rebate requirements of Section 148(f) of the Code, the Authority covenants to comply with the provisions of Sections 3.2 and 3.3 hereof until such time, if any, as such provisions are amended pursuant to Section 3.5 hereof.

Section 3.2. Rebate Computations

The Authority shall perform, or shall cause to be performed by its representative (the "Representative"), the following calculations (the "***Rebate Calculations***" and/ or "***Yield Reduction Calculations***") in the manner and at the times herein described:

(a) Within 10 days following any Computation Date, the Authority shall request from the Trustee copies of records prepared by the Trustee concerning investments of any money related to the 2003 Bonds held in all funds and accounts attributable to the 2003 Bonds, which (together with records previously prepared) will enable the Authority to track all investments of Gross Proceeds of the 2003 Bonds held in the funds and accounts established pursuant to the Indenture since the Issue Date through the most recent Computation Date. The records shall comply with the requirements of Section 3.4 hereof.

(b) At any time prior to forty five (45) days following each Computation Date, the Authority or the Representative shall:

(i) calculate the Excess Amount and/or the Yield Reduction Amount, if any, in accordance with Regulation § 1.148-1 et seq., which shall be the amount by which (A) the future value of all receipts on Nonpurpose Investments with respect to the 2003 Bonds exceeds (B) the future value of all payments on Nonpurpose Investments with respect to the 2003 Bonds. For the purpose of this calculation, the Representative shall not take into account the nonpurpose receipts from the investment of the Gross Proceeds in the Debt Service Fund (as defined in the Indenture) in any Bond Year.

(ii) calculate the Rebate Requirement, which shall be (A) the Excess Amount less (B) the sum of (1) the future value of any amounts previously remitted to the United States Government, and (2) any computation date credit that may be available under the Regulations on any payment date.

(c) On or before the 50th day following the Computation Date, the Authority shall have completed the Rebate Calculations and Yield Reduction Calculations, if any. The Rebate Calculations shall include or be accompanied by the following:

(i) the most recent calculation of the amount in the Excess Amount and/or the Yield Reduction Amount, if any; and

(ii) the most recent calculation of the Rebate Requirement.

Section 3.3. Rebate Payments.

The Authority shall remit to the United States of America at the Internal Revenue Service Center, Ogden, Utah, 84201, the Rebate Amount and/or the Yield Reduction Amount, if any, which shall be an amount which when added to the future value, as of each fifth Computation Date, of all previous rebate payments theretofore remitted to the United States equals at least 90% (100% with respect to the final Computation Date) of the Rebate Requirement (exclusive of any Yield Reduction Amount) as of the applicable Computation Date on or before 60 days following each fifth Computation Date (60 days after the final Computation Date). The payment shall be accompanied by any form or forms required to be submitted with the remittance which may include (i) a statement summarizing the determination of the amount required to be paid, (ii) a copy of the Internal Revenue Service Form 8038G filed with respect to the 2003 Bonds (or Form 8038-T or its equivalent); and (iii) the CUSIP number of the 2003 Bonds with the latest maturity for which there is a CUSIP number.

Section 3.4. Books and Records

(a) The Authority shall retain all records required herein for at least 6 years after the date on which the last of the principal of and interest on the 2003 Bonds has been paid, whether upon maturity, prepayment, redemption, or acceleration thereof.

(b) The Authority shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement and allocation of the Gross Proceeds of the 2003 Bonds. The records shall specify the account or fund to which each investment (or portion thereof) is to be allocated and shall set forth, in the case of each investment security, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as

the case may be, including accrued interest, (d) the amount and dates of any payments made with respect thereto, and (e) the dates of acquisition and disposition or maturity.

(c) ***Records Relating to Investments.*** The Authority shall retain with respect to each item of Investment Property purchased with the Gross Proceeds of the 2003 Bonds such documentation as is required and received by it as evidence to establish that it

(i) has been acquired and disposed of on an established market in an arm's length transaction at a price equal to its fair market value and no amounts have been used to reduce the yield on the investments, or

(ii) shall be U.S. Treasury Obligations--State and Local Government Series acquired directly from the United States Treasury.

The determination of the fair market value of each item of Investment Property purchased with the Gross Proceeds of the 2003 Bonds shall be determined in accordance with Section 1.148-5 of the Regulations.

Section 3.5. Amendments

The Authority covenants to comply with the instructions contained in Sections 3.1 through 3.4 above until such instructions are superseded by new instructions, if any, regarding rebate prepared by Bond Counsel to be delivered to the Authority subsequent to the date of this Tax Compliance Agreement in the event that amendments are made to the Code or the Regulations relating to rebate.

Section 3.6. Exception to Rebate

The obligation to pay the Rebate Amount to the United States, as described herein, shall be treated as having been satisfied with respect to the 2003 Bonds if all Gross Proceeds are expended for the governmental purpose of the 2003 Bonds by no later than the date which is six months after the Issue Date and if it is not anticipated that any other Gross Proceeds will arise during the remainder of the term of the 2003 Bonds. For this purpose and for the purpose of Section 3.6 only, Gross Proceeds do not include amounts deposited in a bona fide debt service fund and amounts contained in a reasonably required reserve fund. If Gross Proceeds are in fact expended by that date, then the Rebate Amount need not be calculated and no payment thereof to the United States need be made with respect to amounts other than those contained in the Debt Service Reserve Fund. It is anticipated that the 2003 Bonds will qualify for this exception to rebate.

ARTICLE IV: ARBITRAGE

Section 4.1. Reasonable Expectations

The undersigned duly authorized officer of the Authority, acting on behalf of the Authority, and being among the officers duly charged with responsibility for issuing the 2003 Bonds, pursuant to Section 1.148-2(b)(2) of the Regulations, hereby certifies that on the basis of the facts, estimates and circumstances in existence on the date hereof, he or she reasonably expects the following, as detailed in Sections 4.2 through 4.12 hereof, with respect to the 2003 Bonds and as to the use of the proceeds thereof. Certain of the expectations of the Authority set

forth in this Tax Compliance Agreement are based upon the expectations, representations and covenants of the City contained in Article V of this Tax Compliance Agreement and upon the representation of the representative of the Underwriters (defined hereinafter) contained in Exhibit B attached hereto, which in each case the Authority believes to be reasonable.

Section 4.2. Use of Proceeds

The proceeds derived from the sale of the 2003 Bonds will be used by the Borrower to pay the costs of the Project all as detailed in Exhibit "A", Sources and Uses of Proceeds of the 2003 Bonds, hereto.

Section 4.3. No Overissuance

The total proceeds to be received by the Authority from the sale of the 2003 Bonds and allocable to the Project, and any anticipated investment earnings thereon do not exceed the total of the amount necessary for the purposes described above.

Section 4.4. Funds and Accounts

The Indenture creates the following funds: (i) Deficit Fund, (ii) Capital Projects Fund, (iii) Revenue Fund, (iv) Debt Service Fund, (v) Debt Service Reserve Fund, (vi) Bond Redemption Fund, (vii) Rebate Fund, (viii) Settlement Fund and (ix) Bond Purchase Fund. Each of these funds is to be held in trust by the Trustee under the Indenture and, except for the Rebate Fund, which shall not be subject to any security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder, any Credit Facility Issuer or any other Person, such funds are pledged to secure the obligations to Bondholders and each Credit Facility Issuer under the Indenture. The Trustee is authorized to establish accounts in each fund (other than the Debt Service Reserve Fund) to identify the Series of Bonds providing the source of money in such account or in respect of which money in such account is available to pay debt service. Moneys in accounts in respect of a particular Series shall only be available to pay debt service or the redemption price of the Bonds of such Series, except as may otherwise be provided in the Indenture or in the Supplemental Indenture adopted at or prior to the time of issuance of such Series.

(a) Deficit Fund

At the time of issuance of each Series of Bonds, there shall be deposited in the Deficit Fund such amount as shall be specified in the Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds. Amounts in the Deficit Fund constituting proceeds of any Series of Bonds shall be applied as provided in the Indenture or the Supplemental Indenture authorizing such Series of Bonds. If there are insufficient amounts in the Debt Service Fund to make any payment of principal of or interest due on the Bonds and there are no available amounts in the Debt Service Reserve Fund or the Capital Projects Fund for such purpose, the Trustee shall transfer amounts from the Deficit Fund to the Debt Service Fund to the extent necessary to eliminate such deficiency. In addition, if any provision of Section 202 of the Act is held invalid by a court of competent jurisdiction, the Trustee shall not transfer any amounts from the Deficit Fund to the City unless it receives an Order from the Supreme Court of Pennsylvania permitting such transfer. No proceeds of the 2003 Bonds are expected to be deposited into the Deficit Fund.

(b) Capital Projects Fund

At the time of issuance of each Series of Bonds, there shall be deposited in the Capital Projects Fund such amount as shall be specified in the Indenture or in the Supplemental Indenture authorizing the issuance of such Series of Bonds. Amounts in the account in the Capital Projects Fund derived from proceeds of a Series of Bonds shall be disbursed only for costs of the capital projects identified in the Indenture or in the Supplemental Indenture authorizing the issuance of such Series of Bonds. The capital projects to be funded from the Capital Projects Fund may be revised by the Authority, with the consent of the City, upon delivery to the Trustee of, among other things, an opinion of Bond Counsel to the effect that such revision is permitted under the Act and will not adversely affect the excludability of interest on any Bonds from gross income for federal tax purposes. Such revision shall not require execution of a Supplemental Indenture and shall not be considered an amendment requiring consent of any Bond Insurer or Bondholders.

The Trustee shall transfer amounts in the applicable account in the Capital Projects Fund to the Encumbered Funds Account upon receipt of a requisition signed by the Authority accompanied by a notice (in the form prescribed in the Indenture) of the City to the Authority to the effect that the City is prepared to award a contract for or commence work on an approved capital project or projects, which notice shall identify in reasonable detail: (i) the capital project or projects, (ii) the amount of the contract to be awarded or the cost of work to be encumbered, and (iii) the proposed date of award of such contract or the proposed date of commencement of the work. The Trustee shall not transfer amounts from the Capital Projects Fund to the Encumbered Funds Account at any time when a suspension of payment from the Commonwealth to the City is in effect as a result of the Authority certifying that the City is not in compliance with an approved financial plan pursuant to provisions of the Act and the Trustee has notice of such suspension. In addition, the Trustee shall not transfer amounts from the Capital Projects Fund to the Encumbered Funds Account if any provision of Section 202 of the Act is held invalid by a court of competent jurisdiction, unless the Trustee receives an order of the Supreme Court of Pennsylvania permitting such transfer. Upon completion, termination or abandonment of any capital project with respect to which moneys shall have been disbursed to the Encumbered Funds Account, any unspent moneys deposited therein for such capital project shall, to the extent not approved by the Authority for application to other capital projects being funded from the Encumbered Funds Account, be deposited, at the direction of the Authority and the City, in the Capital Projects Fund.

Amounts remaining in any account in the Capital Projects Fund after completion, termination or abandonment of the capital project or projects to be financed with the proceeds of the related Series of Bonds shall be transferred at the direction of the Authority to the Debt Service Fund for the payment of principal next becoming due on the applicable Series of Bonds or to the Bond Redemption Fund for redemption of Bonds of such Series at the earliest practicable date that Bonds of such Series can be redeemed without a premium unless the Trustee is directed by the Authority at the request of the City to apply such excess for a purpose permitted under the Act and receives an opinion of Bond Counsel that such use is permitted under the Act and will not adversely effect the excludability of interest on any Bonds from gross income for federal income tax purposes.

To the extent that amounts in the Debt Service Fund are insufficient to make any payment of principal of or interest due on the Bonds after all available amount in the Debt

Service Reserve Fund have been used, the Trustee shall transfer amounts from the Capital Projects Fund to the Debt Service Fund to the extent necessary to eliminate such deficiency.

No proceeds of the 2003 Bonds are expected to be deposited into the Capital Projects Fund. The Authority is no longer authorized to finance new capital projects.

(c) Revenue Fund

The Act requires that the Authority Tax be collected by the Department of Revenue of the Commonwealth (the "Pennsylvania Revenue Department") for deposit in the Pennsylvania Intergovernmental Cooperation Authority Tax Fund (the "PICA Tax Fund") established under the Act and held by the Treasurer of the Commonwealth (the "State Treasurer"), as custodian. The State Treasurer is required by the Act to transfer all amounts in the PICA Tax Fund at least weekly to or upon the order of the Authority. Concurrently with the issuance of the 1992 Bonds, the Authority directed the State Treasurer to transfer all such amounts to the Trustee for deposit in the Revenue Fund established under the Indenture in accordance with the requirements of the Act and for so long as any 1992 Bonds are Outstanding under the Indenture. Similar instructions were given in connection with the issuance of the 1993 Bonds, the 1993A Bonds, the 1994 Bonds, the 1996 Bonds and the 1999 Bonds. In connection with the issuance of the 2003 Bonds, similar instructions will be given relating to the 1996 Bonds, the 1999 Bonds and the 2003 Bonds so long as any of such bonds are Outstanding under the Indenture. The Act authorizes the Pennsylvania Revenue Department to appoint agents for the collection and enforcement of the Authority Tax. Pursuant to such authority, a letter dated June 28, 1991 from the Pennsylvania Revenue Department and the Pennsylvania Intergovernmental Cooperation Authority Income Tax Collection Agency Agreement, dated as of June 1, 1992 (the "Tax Collection Agreement"), by and between the Commonwealth and the City, the Revenue Department of the City ("City Revenue Department") and the Law Department of the City have been appointed agents of the Pennsylvania Revenue Department for the collection and enforcement of the Authority Tax. The procedures for the collection and transfer of the Authority Tax are prescribed in the Act and are further delineated in the Authority Tax Ordinance and the Tax Collection Agreement.

Promptly after deposit of moneys in the Revenue Fund, the Trustee shall transfer any money in the Revenue Fund to the following funds in the following order and priority:

(a) to the Debt Service Fund, the amount necessary to cause the aggregate amount therein in each month to equal the sum of (i) the aggregate for all Series of Bonds paying interest semiannually of $1/6$ (such fraction to be increased or decreased, as appropriate, for a Series to account for any initial or final interest period shorter or longer than six months) of the amount of interest that will be due and payable on each such Series of Bonds on the next succeeding Interest Payment Date for the respective Series, (ii) the aggregate for all Series of Bonds paying interest at an interval other than semiannually of an amount equal to the interest that will be due and payable or otherwise accrue on each such Series of Bonds during such month (assuming that interest due on such Bonds will be payable at the maximum interest rate applicable to such Bonds, and taking into account (A) any amounts received from the counterparty to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the 2003 Bonds Swap (defined hereinafter in §4.7), deposited directly into the Debt Service Fund, and (B) any amounts remaining in the Debt Service Fund from prior months' transfers from the Revenue Fund in excess of the amount actually paid or accrued as interest on such Bonds for such prior months), (iii) the aggregate for all Series of Bonds of $1/12$ (such fraction to be increased, as appropriate, for a Series to account for any initial

or final principal payment period shorter than 12 months) of the amount of principal that will become due and payable on each Series of Bonds (whether upon maturity or mandatory redemption) on the next succeeding principal payment date (whether upon maturity or mandatory redemption) for the respective Series occurring within the next year following the date of such transfer, (iv) any deficiency in deposits required to be made in prior months under the preceding clauses (i), (ii) and (iii) which has not been eliminated and (v) any amount owed to any Credit Facility Issuer in respect of payments made for principal and interest on Bonds;

(b) to the Debt Service Reserve Fund, the amount necessary to eliminate any deficiency therein (a deficiency being the amount by which the Debt Service Reserve Requirement exceeds the amount in such Fund);

(c) to any Person entitled to payment pursuant to an interest rate exchange agreement, interest rate cap or floor agreement or other similar agreement, including the Swap Counterparty, an amount equal to the net amount then required to be paid to such person by the Authority pursuant to such an agreement; provided, however, with respect to certain interest rate swap agreements or similar hedge agreements, the Authority may elect to establish a separate account in the Revenue Fund and cause the Trustee to deposit on a monthly basis such amount as is necessary to cause the aggregate amount deposited therein in each month to equal a monthly portion of the amount that will be due to the relevant counterparty on the next payment date;

(d) as directed in a certificate of the Authority delivered to the Trustee, to the trustees or other depositories in respect of subordinated debt, if any, payable from Pledged Revenues, the amount necessary to cause the aggregate amount paid in respect of such subordinated debt from all sources to equal the amount then required to be paid in respect of each issue of subordinated debt;

(e) to the Authority, the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made to equal the operating expenses of the Authority for such fiscal year as set forth in a certificate of the Authority delivered to the Trustee with respect to such fiscal year, to the extent that the amounts transferred from the Debt Service Reserve Fund pursuant to the applicable provisions of the Indenture are not sufficient for such purpose; and

(f) to the Rebate Fund, the amounts required to be deposited therein pursuant to the applicable provisions of the Indenture, to the extent that the transfers from the earnings in the Debt Service Reserve Fund pursuant to the applicable provisions of the Indenture are insufficient for such purpose.

Notwithstanding the foregoing order of priority, the Indenture requires that to the extent the Trustee is required to make payment of the Rebate Amount or Yield Reduction Amount to the United States of America pursuant to the Indenture and there are insufficient amounts in the Rebate Fund on the date which is thirty (30) days prior to the due date of such payment, the Trustee shall thereafter transfer moneys from the Revenue Fund to the Rebate Fund prior to making any other transfers of moneys to any other funds until the amount in the Rebate Fund equals the required Rebate Amount and Yield Reduction Amount. Any moneys remaining in the Revenue Fund after all transfers required by paragraphs (a), (b), (c), (d), (e) and (f) have been made shall be transferred by the Trustee to Wachovia Bank, National Association, for deposit to a special account (the "City Account"), in trust for the exclusive benefit of the City, established

and created under the Act and the City Account Deposit and Disbursement Agreement, dated as of December 6, 1991, as amended, between the Authority and First Union National Bank (now Wachovia Bank, National Association), Philadelphia, Pennsylvania, as depository. The City Account Deposit and Disbursement Agreement has been acknowledged and agreed to by the City.

(d) Debt Service Fund

On the date of settlement for each Series of Bonds, there shall be deposited in the Debt Service Fund an amount equal to the accrued interest, if any, on such Series of Bonds to the date of settlement therefor and any capitalized interest in respect of such Series. Amounts received by the Trustee pursuant to an interest rate exchange agreement or other agreement permitted by Section 304(10) of the Act in respect of a Series of Bonds shall be credited to the accounts in respect of such Series of Bonds.

Moneys in the Revenue Fund shall be transferred to the Debt Service Fund in accordance with the provisions detailed above under the discussion of the Revenue Fund. The Trustee shall use the moneys in the Debt Service Fund to pay the principal of and mandatory sinking fund installments and interest on the Bonds as it becomes due and payable and to pay any amount owed to the Credit Facility Issuer in respect of payments made for principal and interest on Bonds.

The Trustee shall establish as part of the Debt Service Fund a 1996 Bonds Sinking Fund Account, a 1999 Bonds Sinking Fund Account and a 2003 Bonds Sinking Fund Account for the retirement of certain of the 1996 Term Bonds, 1999 Term Bonds and 2003 Term Bonds, respectively. Certain of the 2003 Term Bonds are subject to mandatory sinking fund redemption on the dates and in the amounts set forth in the Indenture. The Trustee shall transfer moneys from the Debt Service Fund to the Sinking Fund Accounts in the amounts required to retire the 1996 Term Bonds, the 1999 Term Bonds and the 2003 Term Bonds on the dates and in amounts so described. Notwithstanding the foregoing, the Indenture permits the Trustee, at the direction of the Authority prior to May 1 of each year in which 1996 Term Bonds, 1999 Term Bonds or 2003 Terms Bonds are subject to mandatory sinking fund redemption, to apply amounts deposited in the Sinking Fund Accounts to the purchase of as many 1996 Term Bonds, 1999 Term Bonds and 2003 Terms Bonds as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not exceeding the principal amount thereof, plus interest accrued to such date (which interest shall be paid from amounts in the Debt Service Fund).

The Revenue Fund and the Debt Service Fund allocable to the 2003 Bonds will be used primarily to achieve a proper matching of revenues and debt service on the 2003 Bonds within each 2003 Bond Year. Amounts in such Funds allocable to the 2003 Bonds are expected to be depleted at least once a year except for a reasonable carryover amount (not exceeding one year's earnings on such funds or 1/12 of the annual debt service on the 2003 Bonds). On the basis of a "first-in, first-out" method of calculation, money deposited into such Funds allocable to the 2003 Bonds will be spent within a 13-month period and any amount received from the investment of such Funds allocable to the 2003 Bonds will be spent within a one-year period beginning on the date of receipt thereof.

(e) Debt Service Reserve Fund

There shall be maintained in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement for the Bonds. The Debt Service Reserve Requirement for the Bonds equals an amount equal to the lesser of (i) the Maximum Annual Debt Service Requirement with respect to all Bonds outstanding under the Indenture, and (ii) the maximum amount permitted by the Code.

In lieu of such deposit, at the time of issuance of a Series, subject to approval of the Bond Insurer, if any, there may be provided a Credit Facility in such amount issued by a Credit Facility Issuer whose credit facilities are such that bonds secured by such credit facilities are rated in one of the three highest rating categories by Moody's and S&P. To the extent that additional amounts are required to be deposited in the Debt Service Reserve Fund, such moneys shall come from sources other than the proceeds of the Bonds. Moneys in the Revenue Fund shall be transferred to the Debt Service Reserve Fund to the extent necessary to eliminate a deficiency therein. To the extent that there is an excess amount in the Debt Service Reserve Fund as of the date any valuation is required to be made as provided in the Indenture, unless otherwise provided in the Supplemental Indenture authorizing the issuance of such Series, the excess (other than any Investment Earnings) shall be transferred, at the written direction of the Authority, to the Debt Service Fund or the Bond Redemption Fund as provided in the Indenture, or, subject to an approving opinion of Bond Counsel, as directed in writing by the Authority.

Investment Earnings from investments of amounts in the Debt Service Reserve Fund shall be applied by the Trustee as follows:

- (a) the Trustee shall retain in the Debt Service Reserve Fund the amount necessary to eliminate deficiency therein;
- (b) the Trustee shall transfer to the Rebate Fund in respect of each Bond Year such amount as is certified by the Authority to the Trustee pursuant to the applicable Tax Compliance Agreement as the Rebate Amount and Yield Reduction Amount, if any, for such Bond Year with respect to the 1996 Bonds, the 1999 Bonds, the 2003 Bonds and such additional amount for each other Series of Bonds as may be specified in the Supplemental Indenture authorizing the Series;
- (c) the Trustee shall transfer to the Authority the amount necessary to cause the aggregate amount transferred to the Authority during the fiscal year of the Authority in which such transfer is made (together with transfers from the Revenue Fund), to equal the total operating expenses of the Authority for such fiscal year as set forth in the certificate of the Authority filed with the Trustee in respect of such fiscal year; and
- (d) the Trustee shall transfer any remaining amount to the Revenue Fund.

If there are insufficient moneys to pay the Debt Service Requirement on any Series of Bonds on any Interest Payment Date or maturity date of such Series of Bonds, the Trustee shall transfer from the Debt Service Reserve Fund to the Debt Service Fund amounts necessary to make such payments from the Debt Service Fund.

Upon a redemption or final maturity of all of the Bonds of a Series, moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement shall be applied as discussed above.

No proceeds of the 2003 Bonds will be deposited into the Debt Service Reserve Fund. Amounts in the Debt Service Reserve Fund that are proceeds of the 1993A Bonds will become transferred proceeds of the 2003 Bonds upon the discharge of the 1993A Bonds on the Issue Date. The transferred proceeds of the 2003 Bonds in the Debt Service Reserve Fund will be subject to arbitrage rebate with respect to the 2003 Bonds.

(f) Bond Redemption Fund

The Trustee shall deposit in the Bond Redemption Fund amounts received from any source for redemption of Bonds other than mandatory sinking fund payments.

Moneys deposited into the Bond Redemption Fund shall be used to redeem Bonds or, at the request of the Authority in writing, to purchase Bonds in the open market at a price not in excess of the principal amount thereof plus accrued interest thereon (or, in the case of zero coupon bonds, original issue price plus accrued original issue discount). Upon such deposit, to the extent such moneys are to be used to redeem Bonds, the Trustee shall promptly select and call Bonds for redemption.

Proceeds from the sale of the 2003 Bonds in the amounts detailed in Exhibit A attached hereto are to be deposited into the Bond Redemption Fund and are to be applied on June 16, 2003, to the payment of the redemption price of all then outstanding 1993A Bonds other than those that are subject to scheduled maturity on such date.

(g) Rebate Fund

Amounts shall be deposited in the Rebate Fund in order to comply with Rebate Requirements of Section 148 of the Code and shall not be subject to any security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder, any Credit Facility Issuer or any other Person. The provisions of the Indenture regarding the Rebate Fund may be amended upon receipt by the Trustee and the Authority of an opinion of Bond Counsel that such amendment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any moneys released from the Rebate Fund as a result of any such amendment shall be applied by the Trustee as required or permitted (in which case such application shall be at the written direction of the Authority) by such opinion of Bond Counsel.

The Authority is required to determine the Rebate Amount and Yield Reduction Amount, if any, in respect of each Series of Bonds or cause the same to be determined within 30 days after the end of each Bond Year and upon the retirement of the last Bond of a particular Series and to give written notification of such amounts to the Trustee. Following receipt of such notification, the Trustee is required to transfer first from Investment Earnings on the Debt Service Reserve Fund and then from the Revenue Fund to the Rebate Fund such amount as may be necessary so that the amount in the Rebate Fund shall be equal to the Rebate Amount and Yield Reduction Amount, if any, as of the Computation Date. In the event that as of the first day of any Bond Year in respect of each Series of Bonds, the amount on deposit in the Rebate Fund exceeds the Rebate Amount and Yield Reduction Amount, if any, the Trustee, at the direction of the Authority, shall transfer such excess amount into the Revenue Fund. If any amount shall remain in the Rebate Fund after the Trustee has made the final payment to the United States in respect of

each Series of Bonds pursuant to the Indenture, such amount shall be transferred to the Revenue Fund.

(h) Settlement Fund

The Trustee has established a Settlement Fund under the Indenture to hold funds to be applied to the costs of issuance of the Bonds. Upon the payment of the costs of issuance, moneys in the Settlement Fund with respect to the 2003 Bonds are to be transferred to the Debt Service Fund.

(i) Bond Purchase Fund.

The Trustee shall establish or cause the Tender Agent to establish and maintain, so long as the 2003 Bonds are outstanding and have not been converted to a Fixed Rate, a separate fund to be known as the "Bond Purchase Fund" (the "Bond Purchase Fund"), within which there shall be established a Remarketing Proceeds Account and a Liquidity Facility Purchase Account, which shall be held in trust by the Trustee until applied as hereinafter provided.

(i) Remarketing Proceeds Account. The Trustee or the Tender Agent shall deposit to the credit of the Remarketing Proceeds Account (A) the moneys received upon the remarketing of Tendered Bonds, and (B) the moneys received from the underwriter or purchaser (other than the Authority, any Affiliate, or any Insider) of Tendered Bonds upon the conversion of the interest rate thereon to a Fixed Rate. No moneys other than those described in (A) and (B) shall be deposited into such account.

(ii) Liquidity Facility Purchase Account. The Trustee or the Tender Agent shall deposit to the credit of the Liquidity Facility Purchase Account all proceeds of drawings under the Liquidity Facility to pay the purchase price of Tendered Bonds (other than Bank Bonds), and no other moneys shall be deposited in such account.

Moneys in the Bond Purchase Fund shall be held in trust for the benefit of and subject to a lien in favor of the owners of Tendered Bonds and shall be used exclusively for the payment of the purchase price of Tendered Bonds; provided, however, that any moneys remaining on deposit in the Liquidity Facility Purchase Account after payment in full of all amounts due on the Tendered Bonds shall be transferred to the Bank.

(j) No Other Sinking or Pledged Funds.

Other than the foregoing, there are no other funds or accounts of the Authority which are reasonably expected to be used to pay debt service on the 2003 Bonds or which are pledged as collateral for the 2003 Bonds and for which there is a reasonable assurance that amounts therein or the investment income earned from such funds or accounts will be available to pay debt service on the 2003 Bonds if the Authority encounters financial difficulties.

Section 4.5. Investment Restrictions

The amounts treated as proceeds of the 2003 Bonds resulting from the deposit of the funds described above may be invested as follows:

(a) Amounts deposited to the Revenue Fund allocable to the 2003 Bonds may be invested at an unrestricted yield.

(b) Amounts deposited in the Debt Service Fund allocable to the 2003 Bonds may be invested at an unrestricted yield for a period not exceeding thirteen months from the date of the first deposit of those amounts to those funds or accounts. Earnings on those amounts may be invested at an unrestricted yield for a period not exceeding one year from the date of receipt of the amount earned; provided, however, that amounts transferred from the Debt Service Reserve Fund to the Debt Service Fund which do not qualify as a "bona fide debt service fund" within the meaning of Treasury Regulations Section 1.148-1(b) (as described above), may not be invested at a materially higher yield than the yield on the 2003 Bonds.

(c) Amounts deposited to the Debt Service Reserve Fund and the earnings thereon shall constitute a reasonably required reserve fund only to the extent that the aggregate amount to be invested in this fund does not exceed the size limitations under Regulation §§1.148-2(f)(2) and (3), and, as such, may be invested at an unrestricted yield. To the extent such moneys in the Debt Service Reserve Fund exceed the size limitations under Regulation §§1.148-2(f)(2) and (3) (i.e., amounts in excess of the maximum annual debt service on the Bonds, 125% of the average annual debt service on the Bonds, and 10% of the aggregate issue price of the Bonds), such moneys shall be invested in investments which have a yield no higher than the Yield on the Bonds.

(d) Amounts deposited into the Bond Redemption Fund to effect the current refunding and redemption of the 1993A Bonds may be invested at an unrestricted yield for a period of ninety days.

(e) Amounts deposited to the Rebate Fund and the earnings thereon may be invested at an unrestricted yield.

(f) Proceeds of the 2003 Bonds deposited in the Settlement Fund may be invested at an unrestricted yield for a period not exceeding thirty (30) days from the date hereof.

(g) Amounts deposited to the Bond Purchase Fund may be invested at an unrestricted yield as the amounts on deposit therein are not available to pay debt service on the 2003 Bonds.

(h) Amounts other than those described in subparagraphs (a) through (g) shall be invested at a yield not in excess of the yield on the 2003 Bonds by any amount.

Section 4.6. Transferred Proceeds Penalty

In accordance with Section 1.148-11 of the Regulations, there is no transferred proceeds penalty in this transaction.

Section 4.7. Yield

For purposes of calculating the yield on the 2003 Bonds, the purchase price of the 2003 Bonds, as represented by Raymond James & Associates, Inc. (the "Underwriter") in Exhibit B hereto, is \$165,550,000 representing the initial offering price of the 2003 Bonds to the public (excluding bond houses, brokers, and other intermediaries). The 2003 Bonds will initially bear

interest at a variable rate with a weekly rate period. The 2003 Bonds maybe converted to bear interest in various interest modes in accordance with the Indenture.

Bond Insurance. A bond insurance premium in the total amount of \$1,041,268.01 has been treated as an additional interest payment on the 2003 Bonds on the Issue Date because the bond insurance is a qualified guarantee in accordance with Regulations §1.148-4(f). The Underwriter has represented as set forth in Exhibit B that the present value of the bond insurance premium is less than the present value of the interest reasonably expected to be saved as a result of having the payment of the principal of and interest on the 2003 Bonds insured by a bond insurance policy issued by Ambac Assurance Corporation ("**Ambac**"). Ambac has represented as set forth in Exhibit D that Ambac's premium is comparable to those which are charged by Ambac in similar transactions not involving the issuance of tax exempt obligations and that such fees have been established in an arm's length transaction, represent a reasonable charge for credit risk, constitute solely a charge for transfer of credit risk and have not been increased to reflect the indirect payment of costs of issuance of the 2003 Bonds.

Liquidity Facility. In computing the yield, the Bank's Liquidity Facility fees for entering into a Standby Bond Purchase Agreement with the Authority (the "**Liquidity Facility**") shall be treated as additional interest paid on the 2003 Bonds because the Liquidity Facility is a qualified guarantee in accordance with §1.148-4(f) of the Regulations. The Bank has represented as set forth in Exhibit C that the Bank's fee is comparable to those which are charged by the Bank in similar transactions not involving the issuance of tax exempt obligations and that such fees have been established in an arm's length transaction, represent a reasonable charge for credit risk, constitute solely a charge for transfer of credit risk and have not been increased to reflect the indirect payment of costs of issuance of the 2003 Bonds.

Qualified Hedging Transaction. The Authority and JPMorgan Chase Bank – New York, or its successors and permitted assigns, as counterparty, have entered into an Option On Interest Rate Swap Transaction executed December 6, 2001 (the "**2003 Bonds SWAP**"), and a Basis Cap Transaction executed on June 9, 2003 in connection with the 2003 Bonds, which meets the requirements for a qualified hedge under Treasury Reg. §1.148-4(h) (in this regard, the Authority has relied on the opinion of Ballard Spahr Andrews and Ingersoll, LLP, attached hereto as Exhibit E). Payments to be made or received under the 2003 Bonds SWAP will be taken into account as payments made or received under a qualified hedge in calculating the yield on the 2003 Bonds, which calculation will cause the 2003 Bonds to be treated as a fixed rate issue.

The yield on the 2003 Bonds has been determined on behalf of the Authority by the Authority's verification accountant, Drucker & Scaccetti, in accordance with the foregoing to be not less than 4.5569927%, which is the 4.34% fixed rate yield certified by JPMorgan Chase Bank in its Pricing Certificate dated June 15, 2003, attached hereto as Exhibit F, plus adjustments for the qualified guarantees identified above with respect to the Liquidity Facility fees and the bond insurance premium.

Any investments acquired with amounts which must be invested at a restricted yield pursuant to Section 4.5 hereof shall be purchased at prevailing market prices and shall be limited to securities for which there is an established market or shall be United States Treasury Obligations - State and Local Government Series ("SLGS").

Section 4.8. No Replacement

No portion of the proceeds of the 2003 Bonds will be used as a substitute for other funds which were otherwise to be used to pay the costs of the Project and which have been or will be used to acquire directly or indirectly securities, obligations, annuity contracts or other investment-type property producing a yield in excess of the yield on the 2003 Bonds.

Section 4.9. No Artifice or Device

The 2003 Bonds are not and will not be part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code and the Regulations, (a) enabling the Authority to exploit the difference between tax exempt and taxable interest rates to gain a material financial advantage and (b) increasing the burden on the market for tax exempt obligations. No device has been or will be employed in connection with the issuance of the 2003 Bonds in order to obtain a material financial advantage (based on arbitrage) apart from savings attributable to lower interest rates.

Section 4.10. Hedge Bonds

The Authority reasonably expects that: (i) at least 10% of the spendable proceeds (as that term is defined in Section 1.149(g)-1 of the Regulations) of the 2003 Bonds will be spent for the Project within the one-year period beginning on the Issue Date, (ii) at least 30% of the spendable proceeds of the 2003 Bonds will be spent for the Project within the two-year period beginning on the date hereof, (iii) at least 60% of the spendable proceeds of the 2003 Bonds will be spent for the Project within the three-year period beginning on the date hereof, and (iv) at least 85% of the spendable proceeds of the 2003 Bonds will be spent for the Project within the five-year period beginning on the date hereof. The payment of at least 95% of the reasonably expected legal and underwriting costs associated with the issuance of the 2003 Bonds will be paid within 180 days of the Issue Date and are not contingent.

Section 4.11.

The Authority has not received notice that its certificate may not be relied upon with respect to its issues, nor has it been advised that the Commissioner of the Internal Revenue Service has listed or is contemplating listing the Authority as a governmental unit whose arbitrage certification may not be relied upon.

Section 4.12.

The undersigned duly authorized officer of the Authority, on behalf of the Authority, represents that to the best of the undersigned's knowledge, information and belief, the facts, estimates, and circumstances set forth herein are true and correct and that the expectations contained in Article IV of this Tax Compliance Agreement relating to Arbitrage are reasonable.

ARTICLE V COVENANTS OF THE CITY

Section 5.1. Not Private Activity Bonds

(a) The City covenants and represents that, as of the date of this Tax Compliance Agreement, it is a political subdivision of the Commonwealth of Pennsylvania.

(b) The City covenants that it will not permit any facilities under the custody or control of the City financed or refinanced with the proceeds of the 2003 Bonds to be put to a private business use as defined in Section 141(b)(6) of the Code ("Private Business Use") while the 2003 Bonds are outstanding if that use will adversely affect the federal income tax status of the interest on the 2003 Bonds.

(c) The Grants. The Authority issued the 1992 Bonds to provide funds for intergovernmental grants (the "**Grants**") to the City. (The 1993A Bonds advance refunded the 1992 Bonds.) The Grants were for capital projects of the City and to fund certain operating deficits of the City.

(i) The City has not and is not paying or providing any consideration for the Grants, and the City has no obligation (and is not subject to any condition) to directly or indirectly repay any amount to the Authority on account of the Grants.

(ii) Neither the Authority nor the City is under the control of the other, either directly or indirectly or through any third party, and in accepting the Grants the City is acting in its own behalf and not as agent of the Authority.

(iii) The City is not liable, either directly or indirectly, for the payment of debt service on the 2003 Bonds and was not liable, either directly or indirectly, for payment of debt service on the Prior Bonds.

(iv) The Authority is not receiving any payments, direct or indirectly, which are attributable to the Grants. The property attributable to the Grants is owned by the City without any security interest or other special legal interest in the Authority.

Section 5.2. Compliance with Code

The City hereby covenants with the Authority that it shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the 2003 Bonds shall be excludable from the gross income of the recipients thereof for purposes of federal income taxation and that it will refrain from doing or performing any act or thing that will cause such interest not to be so excludable. The City hereby covenants with the Authority that it will not make any investment or other use of the proceeds (as that term is defined in Section 148 of the Code and all applicable Regulations) of the 2003 Bonds in its custody or control (including investment control) which would cause the 2003 Bonds to be "arbitrage bonds" (as that term is defined in Section 148 of the Code and all applicable regulations promulgated thereunder), and it will comply with the requirements of such Code section and regulations throughout the term of the 2003 Bonds.

Section 5.3. Recordkeeping Obligation

The City shall retain, and provide to the Authority upon reasonable demand records of the investments made with respect to proceeds of the 1992 Bonds and the 2003 Bonds, if any, held in the City Capital Account or other accounts controlled by the City. Such records will include, but are not necessarily limited to, information regarding the following with respect to each and every investment:

- (i) the purchase price;
- (ii) nominal rate of interest;
- (iii) amount of accrued interest purchased (included in purchase price);
- (iv) par or face amount;
- (v) purchase date;
- (vi) maturity date;
- (vii) amount of original issue discount or premium (if any);
- (viii) type of investment;
- (ix) frequency of periodic payments;
- (x) period of compounding;
- (xi) yield to maturity;
- (xii) date of disposition;
- (xiii) all receipts with respect to such investment;
- (xiv) any brokerage commissions or similar fees;
- (xv) amounts realized on the disposition (including accrued interest);
and
- (xvi) market price data sufficient to establish that the purchase price was equal to the fair market value on the date of acquisition or, if earlier, on the date of a binding contract to acquire such investment.

Section 5.4. Private Loan Limitation

The City hereby covenants that not more than the lesser of \$5,000,000 or 5% of the net proceeds of the 1992 Bonds under the custody or control of the City and allocable to the 1993A Bonds and the 2003 Bonds expended by the City will be used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

Section 5.5. Non-Market Investments

All investment by the City of Gross Proceeds of the 1992 Bonds under the custody or control of the City and allocable to the 2003 Bonds and all investments of the proceeds of the 2003 Bonds under the custody or control of the City shall be purchased at prevailing market prices and shall be limited to securities for which there is an established market or shall be United States Treasury Obligations - State and Local Government Series ("SLGS") unless otherwise authorized pursuant to an opinion of Bond Counsel.

Section 5.6. Federal Guaranty Limitation

The City hereby covenants that with respect to investments under its control, interest with respect to the 2003 Bonds is not guaranteed (in whole or in part) by the United States (or any

agency or instrumentality thereof); no portion of the proceeds of the 2003 Bonds received by the City or under its investment control is to be (i) used in making loans the payment of principal or interest with respect to which is to be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof, or (ii) invested (directly or indirectly) in federally insured deposits or accounts except to the extent permitted under Section 149(b)(3) of the Code and Treasury Regulations Section 1.149(b)-1 which provide exceptions, which include (a) investments during any initial temporary period permitted under Section 148 of the Code, such as for certain construction periods, until such proceeds are needed for the purpose for which the 2003 Bonds were issued, (b) investments in a bona fide debt service fund, within the meaning of Section 149(b)(3) of the Code, (c) investments in a reasonably required reserve or replacement fund, within the meaning of Section 148(d) of the Code, (d) investments in bonds issued by the United States Treasury and certain obligations which are added by regulation or (e) investments that are held in a refunding escrow, as defined in Regulation Section 1.148-1(b); and the payment of principal of or interest on the 2003 Bonds is not otherwise indirectly guaranteed (in whole or in part) by the United States or any agency or instrumentality thereof.

Section 5.7. No Hedge Bonds

At the time of issuance of the 1992 Bonds, the City reasonably expected that (i) not less than 85% of the spendable proceeds (as that term is defined in Treasury Regulations Section 1.49(g)-1(a)) of the 1992 Bonds within its control would be spent for the governmental purposes of such 1992 Bonds within the three-year period beginning on the date of issuance, and (ii) not more than 50% of the proceeds of such 1992 Bonds within its control would be invested in nonpurpose investments (as that term is defined in Section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for a period of four years or more.

Section 5.8. Reliance

To the best of the City's knowledge and belief, the facts, estimates and circumstances included in this Article V are true and correct and there are no facts, estimates or circumstances not expressed herein and known to the City that would materially affect the expectations expressed herein.

The City understands that Bond Counsel and the Authority are relying on its expectations, representations and covenants contained in this Tax Compliance Agreement.

ARTICLE VI: MISCELLANEOUS

Section 6.1. Survival of Provisions

Notwithstanding any provision of this Tax Compliance Agreement or the Indenture to the contrary, the Authority's obligation to pay the required rebates to the United States under the Indenture and Section III hereof, the City's obligation to maintain necessary records and the covenants of the Authority and the City contained in this Tax Compliance Agreement in connection with the Code shall survive the payment, redemption or defeasance of the 2003 Bonds.

Section 6.2. Authorized Signatories

The undersigned signer on behalf of the Authority is the Chairperson of the Authority and along with other officials of the Authority is charged with the responsibility for issuing the 2003 Bonds and is duly authorized to execute and deliver this Tax Compliance Agreement on behalf of the Authority. The undersigned signer on behalf of the City is the Director of Finance of the City and is duly authorized to execute and deliver this Tax Compliance Agreement on behalf of the City.

Section 6.3. Counterparts

This Tax Compliance Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 6.4. Captions

The captions or headings in this Tax Compliance Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Tax Compliance Agreement.

IN WITNESS WHEREOF, and intending to be legally bound, the undersigned duly authorized officer of the **Pennsylvania Intergovernmental Cooperation Authority** has caused this **Tax Compliance Agreement** to be executed this 16th day of June, 2003.

**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY**

By: _____

Chairperson

IN WITNESS WHEREOF, and intending to be legally bound as to the provisions of Article V of this Tax Compliance Agreement, the undersigned duly authorized officer of the City of Philadelphia, Pennsylvania, has caused this **Tax Compliance Agreement** to be executed this 16th day of June, 2003, in connection with the issuance by the Pennsylvania Intergovernmental Cooperation Authority of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003.

**THE CITY OF PHILADELPHIA,
PENNSYLVANIA**

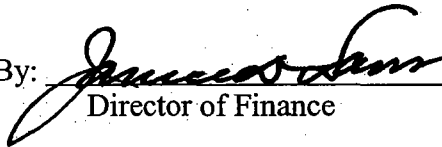
By: _____
Director of Finance

EXHIBIT A

SCHEDULE I

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Refunding Bonds

(City of Philadelphia Funding Program) Series of 2003

SOURCES OF FUNDS

Par Amount of 2003 Bonds	\$ 165,550,000.00
	<u>\$ 165,550,000.00</u>

USES OF FUNDS

Bond Insurance Premium	\$ 1,041,268.01
Underwriters' Discount	\$ 579,425.00
Deposit to Bond Redemption Fund, 1993A Bond Account	\$ 163,185,000.00
Deposit to Settlement Fund	\$ 744,306.99
	<u>\$ 165,550,000.00</u>

TOTAL DUE FROM REPRESENTATIVE

Bond Proceeds	\$ 165,550,000.00
Total Due From Representative	<u>\$ 165,550,000.00</u>

EXHIBIT B

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)
SERIES OF 2003**

CERTIFICATE OF UNDERWRITER

The undersigned authorized officer of Raymond James & Associates, Inc., on its own behalf and as representative of the Underwriters set forth in the Bond Purchase Contract dated June 12, 2003 (the "Purchase Contract"), between the Pennsylvania Intergovernmental Cooperation Authority and the underwriters named therein (collectively, the "Underwriter") certifies as follows with respect to the purchase of the above-captioned bonds (the "2003 Bonds"):

1. The Underwriter has made a bona fide offering of the 2003 Bonds to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at the initial offering price of 100%. As of the date of execution of the Purchase Contract, the Underwriter expected to sell the 2003 Bonds to the public at par.

2. To the best of my knowledge, information and belief, at least 10% of the principal amount of the 2003 Bonds was sold to the initial purchasers thereof (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at a price not greater than the initial public offering price referred to above.

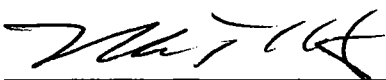
3. The 2003 Bonds are insured under a municipal bond insurance policy issued by Ambac Assurance Corporation. In our opinion, the premium for such insurance is less than the present value (using a present value factor equal to the yield on the 2003 Bonds) of the interest expected to be saved as a result of the insurance. We understand that, in accordance with §1.148-4(f) of the Regulations, the premium has been treated as additional interest on the 2003 Bonds for the purpose of calculating the yield on such Bonds.

4. The purchase price of 2003 Bonds not remarketed on any optional or mandatory tender date is payable pursuant to a Standby Bond Purchase Agreement entered into between JPMorgan Chase Bank (the "Bank") and the Authority. The Bank's fee for entering into a Standby Bond Purchase Agreement is less than the present value (using a present value factor equal to the yield on the 2003 Bonds) of the interest expected to be saved as a result of the issuance of such Liquidity Facility. JPMorgan Chase Bank has certified in a certificate attached as an exhibit to the Tax Compliance Agreement of the Authority (the "Tax Compliance Agreement") executed in connection with the issuance of the 2003 Bonds that the fee charged for the issuance of the Liquidity Facility is comparable to those which are charged by banks in similar transactions not involving the issuance of tax exempt obligations and that such fee has been established in an arm's length transaction, represents a reasonable charge for the transfer of credit risk, constitutes solely a charge for transfer of credit risk and has not been increased to reflect the indirect payment of costs of issuance of the 2003 Bonds. Accordingly, we understand that, in accordance with §1.148-4(f) of the Regulations, the Bank's fee charged for the issuance of the Liquidity Facility has been treated as additional interest paid on the 2003 Bonds.

5. The establishment of the Debt Service Reserve Fund which provides for funding in the amount of the Debt Service Reserve Requirement is a reasonably required condition to obtaining the bond insurance policy issued by Ambac Assurance Corporation on the date hereof.

6. For purposes of calculating the yield on the 2003 Bonds, the purchase price of the 2003 Bonds is \$165,550,000 representing the initial offering price of the 2003 Bonds to the public (excluding bond houses, brokers, and other intermediaries).

RAYMOND JAMES & ASSOCIATES, INC.

By: 
Vice President

Dated: June 16, 2003

EXHIBIT C

\$165,550,000
Special Tax Revenue Refunding Bonds
(City of Philadelphia Funding Program)
Series of 2003

CERTIFICATE OF THE BANK

On behalf of **JPMORGAN CHASE BANK** (the "Bank"), the provider of a Standby Bond Purchase Agreement (the "Liquidity Facility") providing for the payment of the purchase price of the above-captioned bonds (the "Bonds") in the event insufficient funds are available from the remarketing thereof upon tenders required under the Third Supplement to the Amended and Restated Indenture dated as of June 1, 2003, between the Pennsylvania Intergovernmental Cooperation Authority and Wachovia Bank, National Association, as trustee, we hereby certify that the fees charged for the issuance of the Liquidity Facility have been established in an arm's length transaction, represent a reasonable charge for the transfer of credit risk, constitute solely a charge for transfer of credit risk and have not been increased to reflect the indirect payment of costs of issuance of the Bonds.

JPMORGAN CHASE BANK

By: _____

Title: _____

D. L. [Signature]
VICE PRESIDENT

Dated: June 16, 2003

EXHIBIT D

CERTIFICATE OF BOND INSURER

In connection with the issuance of \$165,550,000 in aggregate principal amount of Pennsylvania Intergovernmental Cooperation Authority (the "Obligor"), Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2003, dated June 16, 2003 (the "Obligations"), Ambac Assurance Corporation ("Ambac") is issuing a financial guaranty insurance policy and endorsement thereto (the "Insurance Policy") guaranteeing the payment of principal and interest when due on the Obligations, all as more fully set out in the Insurance Policy.

Ambac

On behalf of Ambac, the undersigned hereby certifies that:

(i) the Insurance Policy is an unconditional and recourse obligation of Ambac (enforceable by or on behalf of the holders of the Obligations) to pay the scheduled payments of interest and principal on the Obligations in the event of a Nonpayment as defined in the Insurance Policy;

(ii) the insurance premium of \$1,041,268.01 was determined in arm's length negotiations in accordance with our standard procedures, is required to be paid as a condition to the issuance of the Insurance Policy and represents a reasonable charge for the transfer of credit risk;

(iii) no portion of such premium represents a payment for any direct or indirect services other than the transfer of credit risk, including costs of underwriting or remarketing the Obligations or the cost of insurance for casualty of Obligation financed property;

(iv) we are not co-obligors on the Obligations and do not reasonably expect that we will be called upon to make any payment under the Insurance Policy;

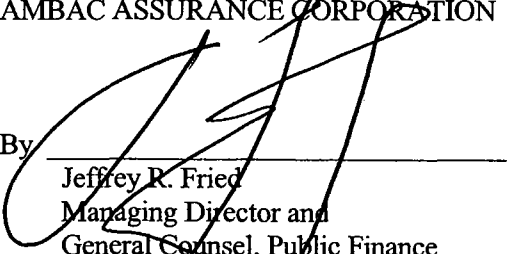
(v) the Obligor is not entitled to a refund of any portion of premium for the Insurance Policy in the event that the Obligations are retired prior to their stated maturity; and

(vi) we would not have issued the Insurance Policy in the absence of a debt service reserve fund of the size and type established by the documents pursuant to which the Obligations are being issued, and it is normal and customary to require a debt service reserve fund of such a size and type in similar transactions.

IN WITNESS WHEREOF, Ambac Assurance Corporation has caused this certificate to be executed in its name on this 16th day of June, 2003, by one of its officers duly authorized as of such date.

AMBAC ASSURANCE CORPORATION

By



Jeffrey R. Fried
Managing Director and
General Counsel, Public Finance

EXHIBIT E

LAW OFFICES
BALLARD SPAHR ANDREWS & INGERSOLL, LLP

601 13TH STREET, N.W., SUITE 1000 SOUTH
WASHINGTON, D.C. 20005-3807
202-661-2200
FAX: 202-661-2299
LAWYERS@BALLARDSPAHR.COM

PHILADELPHIA, PA
BALTIMORE, MD
CAMDEN, NJ
DENVER, CO
SALT LAKE CITY, UT
VOORHEES, NJ

June 16, 2003

Pennsylvania Intergovernmental Cooperation
Authority
1429 Walnut Street, 14th Floor
Philadelphia, PA 19102

City of Philadelphia
Municipal Services Building, Room 1330
1401 JFK Boulevard
Philadelphia, PA 19102
ATTN: Janice Davis, Director of Finance

Re: \$165,895,000 aggregate face amount Special Tax Revenue Refunding
Bonds (City of Philadelphia Funding Program) Series of 2003

Ladies and Gentlemen:

You have asked our advice with respect to the calculation of the yield on the above bonds (the "Refunding Bonds") under section 148 of the Internal Revenue Code of 1986 (the "Code"). The Refunding Bonds will be issued today by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority"). The Authority will use the proceeds of the Refunding Bonds in a current refunding of certain outstanding revenue bonds issued by the Authority in 1993 (the "1993 Bonds"). The transaction is occurring pursuant to a "Swaption Agreement" entered into in 2001 as described below.

In November 2001 the Authority solicited cash bids from potential purchasers of an option to enter an interest rate swap contract with the Authority on June 16, 2003. Bids were submitted on November 16, 2001. The winning bidder was JPMorgan Chase Bank ("JPMorgan"), which offered a cash payment of \$10,720,000. The option was granted in the form of a Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement (the "Swaption Agreement"), which was entered into by the Authority and JPMorgan on December 6, 2001, at which time JPMorgan paid the Authority \$10,720,000 in accordance with its bid. Investment Management Advisory Group, Inc. ("Image") served as bidding agent.

The Authority "identified" the Swaption Agreement to the Refunding Bonds within three days of entering the Swaption Agreement. In doing so the Authority acted under Treas. Reg. § 1.148-4(h)(2)(viii) and 1.148-4(h)(5)(iv), which provide generally that payments by or to a bond issuer pursuant to a "qualified hedge" that is identified to a bond issue on the

records of the issuer can be taken into account in determining the yield on the bonds. An interest rate swap is specifically indicated as a contract that may be a qualified hedge.

JPMorgan has exercised its option, and, therefore, an interest rate swap transaction (the "Swap Agreement") will become effective today, pursuant to which JPMorgan will make floating rate payments to the Authority at a rate equal to 67% of the "1 Month LIBOR Index", and the Authority will make fixed rate payments to JPMorgan at rates provided for in the Swap Agreement. The fixed rates payable pursuant to the Swap Agreement correspond to the interest rates on certain fixed rate bonds issued by the Authority in 1993 (the "Prior Bonds"), which will be refunded with the proceeds of the Refunding Bonds in a current refunding.

The Refunding Bonds will be issued in an amount sufficient to redeem the Prior Bonds at a redemption price equal to their principal amount and to pay the costs of issuance of the Refunding Bonds. The Refunding Bonds will be weekly tender floating rate bonds with monthly payments. The Refunding Bonds will be insured by Ambac Assurance Corporation and supported as to liquidity by an agreement with JP Morgan.

Floating rate payments under the Swap Agreement will be determined on the basis of weekly reset dates with monthly payments on the same day as the payments of interest on the Refunding Bonds. Fixed rate payments under the Swap Agreement will be made semi-annually. The notional principal amount and amortization schedule of the Swap Agreement match the principal amount and amortization schedule of the Prior Bonds and correspond to the principal amount and amortization schedule of the Refunding Bonds except to the extent of the increase in principal amount of the Refunding Bonds on account of the costs of issuance.

JPMorgan has certified that in their best estimate, in light of the passage of time, 4.34% would have been the fixed rate that would have been on-market (i.e. not involving any upfront payment or premium) for a forward starting interest rate swap contract priced on November 16, 2001 (and entered December 6, 2001), if the contract had been mutually binding, rather than becoming effective at the option of JPMorgan, and assuming that all other terms were as provided in the Swap Agreement. This certification was made under Treas. Reg. § 1.141-4(h)(2)(i)(C), which provides that if a hedge provider makes a single payment to the bond issuer, the issuer may treat a portion of the contract as a hedge provided that the hedge provider's payment to the issuer and the issuer's payment under the contract in excess of those that it would make if the contract bore rates equal to the on-market rates for the contract are separately identified in a certification of the hedge provider, and the identified payments are not treated as payments on the hedge.

Image has certified that, based on historic data, the rate setting methodology used to compute payments on the refunding bonds is substantially the same as the index formula to be used to compute floating rate payments pursuant to the Swaption Agreement. In addition, the floating rate payments under the Swaption Agreement are reasonably expected to be substantially the same as the floating rate payments on the refunding bonds throughout the term of the Swaption Agreement so long as the refunding bonds are in the weekly tender mode, and assuming that there will be no material changes in the credit of the refunding bonds, or the

federal marginal tax rate. This certification is relevant to Treas. Reg. § 1.148-4(h)(2)(v) and Treas. Reg. § 1.148-4(h)(4).

Treas. Reg. § 1.148-4(h)(2)(v) provides that in order for an interest rate swap to constitute a qualified hedge, it must be “interest-based,” meaning that as a result of treating all payments on and receipts from the contract as additional payments on and receipts from the hedged bond, the resulting bond must be substantially similar to either a fixed rate bond or certain forms of variable rate instrument described in the regulations. The regulation provides that differences that would not prevent the resulting bond from being substantially similar to a fixed rate bond include a difference between the index used to compute payments on the hedged bond and the index used to compute payments on the hedge where one index is substantially same, but not identical to the other. Treatment of a hedge as a qualified hedge under this rule means that all payments made or received under the hedge are treated as made or received with respect to the hedged bonds, similarly to interest. The hedged bonds are treated as variable yield bonds for purposes of yield calculations.

Treas. Reg. § 1.148-4(h)(4) provides that bonds hedged by a qualified hedge are treated as fixed yield bonds paying a fixed interest rate if (A) the term of the hedge is equal to the entire period during which the hedged bonds bear interest at variable interest rates, and the issuer does not reasonably expect that the hedge will be terminated before the end of that period, (B) payments to be received under the hedge correspond closely in time to the hedged portion of payments on the hedged bonds, and (C) taking into account all payments made and received under the hedge and all payments on the hedged bonds, the issuer’s aggregate payments are fixed and determinable as of a date not later than 15 days after the issue date of the hedged bonds. The regulation provides that payments are treated as fixed if the payments on the bonds are based on one interest rate, payments on the hedge are based on a second interest rate that is substantially the same as, but not identical to the first interest rate, and payments on the bonds would be fixed if the two rates were identical. The regulation provides that rates are treated as substantially the same if they are reasonably expected to be substantially the same throughout the term of the hedge, giving the example that an objective 30-day tax-exempt variable rate index or other objective index may be substantially the same as an issuer’s individual 30-day interest rate.

Hedged bonds treated as fixed yield bonds under Treas. Reg. § 1.148-4(h)(4) are treated for purposes of yield calculation as having floating rate interest payments that are exactly equal to the floating rate payments on the hedge, so that the two variable rate streams cancel each other out. The result is that the yield on the bonds is equal to the fixed rate payments on the hedge.

The Authority has advised us that it has no expectation to change the interest rate mode of the Refunding Bonds from a weekly mode to some other mode or to terminate the Swap Agreement while the Refunding Bonds bear interest in the weekly mode.

The regulations on qualified hedges are in addition to Treas. Reg. § 1.148-4(g), which allows issuers to take the cost of qualified guarantees into account in calculating bond yield.

June 16, 2003

Page 4

In consideration of the foregoing, we are of the opinion that the Swap Agreement is properly integrated with the Refunding Bonds on a fixed yield basis under Treas. Reg. § 1.148-4(h)(4), with a yield calculation based on the fixed rate payments on the Swap Agreement to the extent not in excess of the on-market rate certified by JPMorgan and with appropriate adjustment for the excess of the amount of Refunding Bonds over the notional principal amount of the Swap Agreement. Qualified guarantee fees paid with respect to the Refunding Bonds may be taken into account in the manner provided in the applicable regulations.

We assume that consistently with this advice, the Authority will report the Refunding Bonds on a timely filed Form 8038-G as fixed yield bonds with an identified qualified hedge.

Very truly yours,

Ballard Spahr Ahlert & Ingersoll, LLC

LAW OFFICES
BALLARD SPAHR ANDREWS & INGERSOLL, LLP
601 13TH STREET, N.W., SUITE 1000 SOUTH
WASHINGTON, D.C. 20005-3807
202-661-2200
FAX: 202-661-2299
LAWYERS@BALLARDSPAHR.COM

PHILADELPHIA, PA
BALTIMORE, MD
CAMDEN, NJ
DENVER, CO
SALT LAKE CITY, UT
VOORHEES, NJ

June 16, 2003

Pennsylvania Intergovernmental Cooperation
Authority
1429 Walnut Street, 14th Floor
Philadelphia, PA 19102

City of Philadelphia
Municipal Services Building, Room 1330
1401 JFK Boulevard
Philadelphia, PA 19102
ATTN: Janice Davis, Director of Finance

Re: \$165,550,000 aggregate face amount Special Tax Revenue Refunding
Bonds (City of Philadelphia Funding Program) Series of 2003

Ladies and Gentlemen:

By letter of June 16, 2003, we advised you as to certain tax consequences of a "Swaption Agreement" entered into on December 6, 2001, by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and JPMorgan Chase Bank ("JPMorgan") as relates to calculation of yield on the above issue of bonds (the "Refunding Bonds") issued June 16, 2003.

The Authority and JPMorgan also entered a Basis Cap with a trade date of June 6, 2003, confirmed by Letter Agreement dated June 9, 2003 (the "Basis Cap"). The Basis Cap provides for the Authority to receive fixed payments beginning June 15, 2003, equal to 40 basis points (0.40%) times the notional principal amounts in the Swaption Agreement and to make floating rate payments beginning June 15, 2005, in an amount based on the extent to which the ratio of the BMA Municipal Swap Index to the 1 Month LIBOR Index exceeds 70%.

You have advised us, in accordance with our recommendation, that the Basis Cap will not be identified to the Refunding Bonds and that payments under Basis Cap will not be taken into account in calculating the yield on the Refunding Bonds.

Accordingly, the Basis Cap does not affect the conclusions expressed in our letter of June 16 relating to the calculation of yield on the Refunding Bonds.

Very truly yours,

Ballen I Spahr Andrew Hagenfeld, CCF

EXHIBIT F

PRICING CERTIFICATE

Re: Floating to Fixed (Synthetic Fixed) Forward Starting
Interest Rate Swaption Agreement

Background. In November 2001 the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") solicited cash bids from potential purchasers of an option to enter an interest rate swap contract with the Authority on June 16, 2003. Bids were submitted on November 16, 2001. The winning bidder was JPMorgan Chase Bank ("JPMorgan"), which offered a cash payment of \$10,720,000. The option was granted in the form of a Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement (the "Swaption Agreement"), which was entered into by the Authority and JPMorgan on December 6, 2001, at which time JPMorgan paid the Authority \$10,720,000 in accordance with its bid. Investment Management Advisory Group, Inc. served as bidding agent.

JPMorgan has exercised its option, and, therefore, an interest rate swap transaction (the "Swap Agreement") will become effective today, pursuant to which JPMorgan will make floating rate payments to the Authority at a rate equal to 67% of the "1 Month LIBOR Index", and the Authority will make fixed rate payments to JPMorgan at rates provided for in the Swap Agreement. The fixed rates payable pursuant to the Swap Agreement correspond to the interest rates on certain fixed rate bonds issued by the Authority in 1993, which will be redeemed today with the proceeds of floating rate refunding bonds in a current refunding. The refunding bonds will be weekly tender floating rate bonds insured by Ambac Assurance Corporation.

The Authority has requested this Certificate to assist it in determining the yield on the refunding bonds, which the Authority will treat as "integrated" with the Swap Agreement for federal tax purposes under section 148 of the Internal Revenue Code.

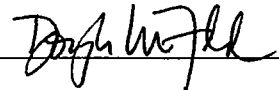
Certification. Our best estimate, in light of the passage of time, is that 4.34% would have been the fixed rate that would have been on-market (i.e. not involving any upfront payment or premium) for a forward starting interest rate swap contract priced on November 16, 2001 (and entered December 6, 2001), if the contract had been mutually binding, rather than becoming effective at the option of JPMorgan.

In making this certification, we have assumed that all other terms were as provided in the Swap Agreement.

This Certificate is executed for purposes of the Authority's computation of yield on the refunding bonds and does not modify or interpret the Swap Agreement in any respect.

JP MORGAN CHASE BANK

Dated as of: June 15, 2003

By: 

INTEGRATION CERTIFICATE

Re: Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement

Background. In November 2001 the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") solicited cash bids from potential purchasers of an option to enter an interest rate swap contract with the Authority on June 16, 2003. Bids were submitted on November 16, 2001. The winning bidder was JP Morgan Chase Bank ("Morgan"), which offered a cash payment of \$10,720,000. The option was granted in the form of a Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement (the "Swaption Agreement") which was entered by the Authority and Morgan on December 6, 2001, at which time Morgan paid the Authority \$10,720,000 in accordance with its bid. Investment Management Advisory Group, Inc. served as bidding agent.

Morgan has exercised its option, and therefore Morgan and the Authority are entering an interest rate swap contract dated today under which Morgan will make floating rate payments to the Authority at an index rate equal to 67% of the "1 Month LIBOR Index", and the Authority will make fixed rate payments to Morgan at rates provided for in the Swaption Agreement. The fixed rates in the Swaption Agreement correspond to the interest rates on certain fixed rate bonds issued by the Authority in 1993, which will be redeemed today with the proceeds of floating rate refunding bonds in a current refunding. The refunding bonds will be weekly tender floating rate bonds insured by Ambac Assurance Corporation.

The Authority has requested this Certificate to assist it in determining the yield on the same maturities, assuming the refunding bonds for federal tax purposes under section 148 of the Internal Revenue Code.

Certification. We believe, based on historic data, that the rate setting methodology used to compute payments on the refunding bonds is substantially the same as the index formula to be used to compute floating rate payments pursuant to the Swaption Agreement. In addition, the floating rate payments under the Swaption Agreement are reasonably expected to be substantially the same as the floating rate payments on the refunding bonds throughout the term of the Swaption Agreement so long as the refunding bonds are in the weekly tender mode, and assuming that there will be no material changes in the credit of the refunding bonds, or the federal marginal tax rate.

INVESTMENT MANAGEMENT ADVISORY
GROUP, INC.

By: 

David J. Eckhart, Managing Director

Dated as of: June 16, 2003

EXHIBIT F

PRICING CERTIFICATE

Re: Floating to Fixed (Synthetic Fixed) Forward Starting
Interest Rate Swaption Agreement

Background. In November 2001 the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") solicited cash bids from potential purchasers of an option to enter an interest rate swap contract with the Authority on June 16, 2003. Bids were submitted on November 16, 2001. The winning bidder was JPMorgan Chase Bank ("JPMorgan"), which offered a cash payment of \$10,720,000. The option was granted in the form of a Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement (the "Swaption Agreement"), which was entered into by the Authority and JPMorgan on December 6, 2001, at which time JPMorgan paid the Authority \$10,720,000 in accordance with its bid. Investment Management Advisory Group, Inc. served as bidding agent.

JPMorgan has exercised its option, and, therefore, an interest rate swap transaction (the "Swap Agreement") will become effective today, pursuant to which JPMorgan will make floating rate payments to the Authority at a rate equal to 67% of the "1 Month LIBOR Index", and the Authority will make fixed rate payments to JPMorgan at rates provided for in the Swap Agreement. The fixed rates payable pursuant to the Swap Agreement correspond to the interest rates on certain fixed rate bonds issued by the Authority in 1993, which will be redeemed today with the proceeds of floating rate refunding bonds in a current refunding. The refunding bonds will be weekly tender floating rate bonds insured by Ambac Assurance Corporation.

The Authority has requested this Certificate to assist it in determining the yield on the refunding bonds, which the Authority will treat as "integrated" with the Swap Agreement for federal tax purposes under section 148 of the Internal Revenue Code.

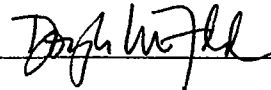
Certification. Our best estimate, in light of the passage of time, is that 4.34% would have been the fixed rate that would have been on-market (i.e. not involving any upfront payment or premium) for a forward starting interest rate swap contract priced on November 16, 2001 (and entered December 6, 2001), if the contract had been mutually binding, rather than becoming effective at the option of JPMorgan.

In making this certification, we have assumed that all other terms were as provided in the Swap Agreement.

This Certificate is executed for purposes of the Authority's computation of yield on the refunding bonds and does not modify or interpret the Swap Agreement in any respect.

JP MORGAN CHASE BANK

Dated as of: June 15, 2003

By: 

INTEGRATION CERTIFICATE

Re: Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement

Background. In November 2001 the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") solicited cash bids from potential purchasers of an option to enter an interest rate swap contract with the Authority on June 16, 2003. Bids were submitted on November 16, 2001. The winning bidder was JP Morgan Chase Bank ("Morgan"), which offered a cash payment of \$10,720,000. The option was granted in the form of a Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement (the "Swaption Agreement") which was entered by the Authority and Morgan on December 6, 2001, at which time Morgan paid the Authority \$10,720,000 in accordance with its bid. Investment Management Advisory Group, Inc. served as bidding agent.

Morgan has exercised its option, and therefore Morgan and the Authority are entering an interest rate swap contract dated today under which Morgan will make floating rate payments to the Authority at an index rate equal to 67% of the "1 Month LIBOR Index", and the Authority will make fixed rate payments to Morgan at rates provided for in the Swaption Agreement. The fixed rates in the Swaption Agreement correspond to the interest rates on certain fixed rate bonds issued by the Authority in 1993, which will be redeemed today with the proceeds of floating rate refunding bonds in a current refunding. The refunding bonds will be weekly tender floating rate bonds insured by Ambac Assurance Corporation.

The Authority has requested this Certificate to assist it in determining the yield on the same maturities, assuming the refunding bonds for federal tax purposes under section 148 of the Internal Revenue Code.

Certification. We believe, based on historic data, that the rate setting methodology used to compute payments on the refunding bonds is substantially the same as the index formula to be used to compute floating rate payments pursuant to the Swaption Agreement. In addition, the floating rate payments under the Swaption Agreement are reasonably expected to be substantially the same as the floating rate payments on the refunding bonds throughout the term of the Swaption Agreement so long as the refunding bonds are in the weekly tender mode, and assuming that there will be no material changes in the credit of the refunding bonds, or the federal marginal tax rate.

INVESTMENT MANAGEMENT ADVISORY
GROUP, INC.

By: 

David J. Eckhart, Managing Director

Dated as of: June 16, 2003

KLETT ROONEY LIEBER & SCHORLING

A PROFESSIONAL CORPORATION

ONE OXFORD CENTRE, 40TH FLOOR
PITTSBURGH, PENNSYLVANIA 15219
TELEPHONE (412) 392-2000

Kenneth R. Luttinger
(412) 392-2165

FACSIMILE (412) 392-2128
EMAIL: krluttinger@klettrooney.com

July 31, 2003



Internal Revenue Service
Ogden, UT 84201

Re: Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue
Refunding Bonds (City of Philadelphia Funding Program), Series of 2003

Ladies and Gentlemen:

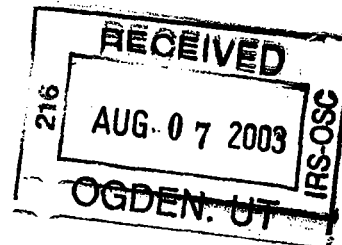
Attached hereto is a Form 8038-G, Information Return for Tax Exempt Government Obligations, filed pursuant to the provisions of Section 149(e) of the Internal Revenue Code of 1986, as amended, in connection with the issuance of the above-captioned bonds. Please date stamp and return both the copy of this letter and the copy of Form 8038-G included herein in the enclosed self-addressed, stamped envelope.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Kenneth R. Luttinger".

Kenneth R. Luttinger
For KLETT ROONEY LIEBER & SCHORLING

Enclosures



Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

Part I Reporting Authority

If Amended Return, check here ☐

1 Issuer's name Pennsylvania Intergovernmental Cooperation Authority	2 Issuer's employer identification number 23 2655902	
3 Number and street (or P.O. box if mail is not delivered to street address) 1429 Walnut Street	Room/suite	4 Report number 3 2003-1
5 City, town, or post office, state, and ZIP code Philadelphia, PA 19102	6 Date of Issue June 16, 2003	
7 Name of issue Special Tax Revenue Refunding Bonds (City Philadelphia Funding Program) Series 2003	8 CUSIP number 708840HA4	
9 Name and title of officer or legal representative whom the IRS may call for more information Joseph Vignola, Esq., Executive Director	10 Telephone number of officer or legal representative (215) 561-9160	

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11 <input type="checkbox"/> Education	11
12 <input type="checkbox"/> Health and hospital	12
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public safety	14
15 <input type="checkbox"/> Environment (including sewage bonds)	15
16 <input type="checkbox"/> Housing	16
17 <input type="checkbox"/> Utilities	17
18 <input checked="" type="checkbox"/> Other. Describe ► Miscellaneous municipal projects	18 \$165,550,000
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

RECEIVED
AUG 07 2003
OGDEN UT
IRS-OSC

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	June 15, 2022	\$ 165,550,000	\$ 165,550,000	11.424 years	4.55699 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest	22	-0-
23	Issue price of entire issue (enter amount from line 21, column (b))	23	165,550,000
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	1,323,732
25	Proceeds used for credit enhancement	25	1,041,268
26	Proceeds allocated to reasonably required reserve or replacement fund	26	-0-
27	Proceeds used to currently refund prior issues	27	163,185,000
28	Proceeds used to advance refund prior issues	28	-0-
29	Total (add lines 24 through 28)	29	165,550,000
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	-0-

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31 Enter the remaining weighted average maturity of the bonds to be currently refunded	11.445 years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	years
33 Enter the last date on which the refunded bonds will be called	June 16, 2003
34 Enter the date(s) the refunded bonds were issued	Sept. 14, 1993

Part VI Miscellaneous

35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	N/A
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	
b Enter the final maturity date of the guaranteed investment contract	37a	
37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units		
b If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer		
38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box <input type="checkbox"/>		
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box <input type="checkbox"/>		
40 If the issuer has identified a hedge, check box <input checked="" type="checkbox"/>		

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Sign Here

Joseph C. Vignola
Signature of issuer's authorized representative

24 July 2003
Date

Joseph Vignola, Executive Director
Type or print name and title

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program)
Series of 2003

CLOSING RECEIPT

RECEIPT, executed this 16th day of June, 2003, by the PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY (the "Issuer"); WACHOVIA BANK, NATIONAL ASSOCIATION (successor in interest to Meridian Bank), as trustee under the Indenture (the "Trustee"); RAYMOND JAMES & ASSOCIATES, INC. (the "Representative"), on its own behalf and as representative of the several underwriters (the "Underwriters").

W I T N E S S E T H:

As used in this Closing Receipt, the following terms have the indicated meaning:

INDENTURE: means the Amended and Restated Indenture of Trust dated as of December 1, 1994, between the Issuer and the Trustee, as amended and supplemented by the First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996, the Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999, and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 between the Issuer and the Trustee and as further amended or supplemented from time to time in accordance with the terms thereof.

1993A BONDS: means the Issuer's \$178,675,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993A

2003 BONDS: means the Issuer's \$165,895,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 2003

PROJECT: Financing, together with other available funds, the costs of (i) current refunding the outstanding 1993A Bonds and (ii) issuing the 2003 Bonds and of obtaining credit enhancement for the 2003 Bonds.

All other capitalized terms used in this Closing Receipt and not otherwise defined herein shall have the meanings set forth for such terms in the Indenture.

ISSUER hereby:

- (1) acknowledges delivery of the 2003 Bonds to the Trustee;

- (2) requests the Trustee to authenticate the same in accordance with the Indenture and deliver the 2003 Bonds to the Representative, but only upon receipt of the amount set forth under the heading TOTAL DUE FROM REPRESENTATIVE in Schedule I hereto;
- (3) directs the Trustee to deposit the net proceeds from the sale of the 2003 Bonds into the Funds established under the Indenture to pay the costs of the Project as specified in Schedule I hereto;
- (4) instructs the Trustee to make the payments of the Financing Fees and Expenses specified in Schedule II attached hereto upon receipt of invoices.

TRUSTEE hereby:

- (1) acknowledges receipt of the 2003 Bonds from the Issuer;
- (2) confirms that it has authenticated the 2003 Bonds and has delivered them to the Representative in accordance with the foregoing instructions;
- (3) acknowledges receipt of the TOTAL DUE FROM REPRESENTATIVE as specified in Schedule I hereto on the date hereof;
- (4) confirms that the TOTAL DUE FROM REPRESENTATIVE received at Closing has been deposited and applied as specified in Schedule I hereto; and
- (5) confirms that it has made the fund transfers set forth in Schedule I with respect to existing funds.

REPRESENTATIVE, on behalf of the Underwriters, hereby:

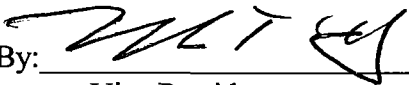
- (1) acknowledges receipt from the Trustee this day of the within-described, duly executed, attested and authenticated Bonds;
- (2) acknowledges payment of the amount listed on Schedule I hereto as the TOTAL AMOUNT DUE FROM REPRESENTATIVE to the Trustee on behalf of the Issuer on the date hereof.

IN WITNESS WHEREOF, the authorized officers of the parties hereto have caused this Closing Receipt to be executed this 16th day of June, 2003.

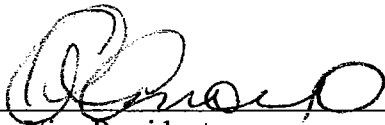
**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY**

By: 
Chairperson

RAYMOND JAMES & ASSOCIATES, INC.

By: 
Vice President

WACHOVIA BANK, NATIONAL
ASSOCIATION

By: 
Vice President

SCHEDULE I

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Special Tax Revenue Refunding Bonds

(City of Philadelphia Funding Program) Series of 2003

SOURCES OF FUNDS

Par Amount of 2003 Bonds	\$ 165,550,000.00
	<u>\$ 165,550,000.00</u>

USES OF FUNDS

Bond Insurance Premium	\$ 1,041,268.01
Underwriters' Discount	\$ 579,425.00
Deposit to Bond Redemption Fund, 1993A Bond Account	\$ 163,185,000.00
Deposit to Settlement Fund	\$ 744,306.99
	<u>\$ 165,550,000.00</u>

TOTAL DUE FROM REPRESENTATIVE

Bond Proceeds	\$ 165,550,000.00
Total Due From Representative	<u>\$ 165,550,000.00</u>

SCHEDULE II

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program)
Series of 2003

FINANCING FEES AND EXPENSES

Bond Counsel Fee	Klett Lieber Rooney & Schorling	\$	100,000.00
Bond Counsel Expenses	Klett Lieber Rooney & Schorling*	\$	2,500.00
Financial Advisor Fee & Expenses	Penn Capital Advisors	\$	53,500.00
Financial Advisor Fee	Calhoun Baker	\$	25,000.00
Financial Advisor Fee & Expenses	Hopkins & Company	\$	25,150.00
Special Tax Counsel Fee & Expenses	Ballard Spahr Andrews & Ingersoll	\$	75,000.00
POS & OS Printing and Mailing	Universal Printing	\$	55,000.00
Trustee's Counsel Fee	Leonard Tilley & Sciolla	\$	25,000.00
Verification Report	Drucker & Scacetti	\$	25,000.00
Issuer's Counsel Fee & Expenses	Reed Smith Shaw & McClay	\$	100,000.00
City of Phila. Counsel Fee & Exp.	Blank Rome Comisky & McCauley	\$	25,000.00
City of Phila. Fin. Advisor Fee & Exp.	Public Financial Management	\$	25,000.00
PICA Accountant	Deloitte & Touche	\$	25,000.00
Rating Fee	Moody's Investors Service	\$	75,000.00
Rating Fee	Standard & Poor's	\$	45,000.00
Rating Fee	Fitch IBCA	\$	25,000.00
		\$	<u>706,150.00</u>
Underwriter's Discount	Raymond James & Assoc., Inc.	\$	579,425.00
Total Costs of Issuance For Tax Purposes		\$	<u>1,285,575.00</u>
Bond Insurance Premium	Ambac Assurance Company	\$	1,041,268.01
Total Costs of Issuance		\$	<u><u>2,326,843.01</u></u>

* Additional expenses to be billed post-closing

KLETT ROONEY LIEBER & SCHORLING

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

40th FLOOR, ONE OXFORD CENTRE
PITTSBURGH, PENNSYLVANIA 15219-6498
Telephone (412) 392-2000

Patricia A. Junker
(412) 392-2082
Paralegal

FACSIMILE (412) 392-2128
E-MAIL: pajunker@klettrooney.com

September 26, 2003

VIA FEDERAL EXPRESS

UCC Division
Department of State
Corner Commonwealth Ave. & North St.
Harrisburg, PA 17120

Re: UCC Financing Statement

Dear Sir/Madam:

On behalf of First Union National Bank, as Trustee, enclosed for re-submission is one UCC Financing Statement. Also, enclosed is our check, in the amount of \$84.00, to cover your filing fee. The Financing Statement has been corrected to add the type of organization of the debtor.

The Financing Statement is an "in lieu" filing to continue previously filed UCC Financing Statements against Pennsylvania Intergovernmental Cooperation Authority. **Please note that the enclosed Financing Statement is filed in connection with a Public-Finance Transaction and, as such, is effective for 30 years.**

Please return evidence of filing to me. If you have any questions, please contact me.
Thank you.

Very truly yours,



Patricia A. Junker, Paralegal
For KLETT ROONEY LIEBER & SCHORLING
A PROFESSIONAL CORPORATION

PAJ/kw

cc: Brian S. Fetterolf, Esquire (w/enc.)

KRLSPGH:416045.2

PENNSYLVANIA DEPARTMENT OF STATE
CORPORATION BUREAU
206 NORTH OFFICE BUILDING
P.O. BOX 8721
HARRISBURG, PA 17105-8722

UNIFORM COMMERCIAL CODE DIVISION
(717) 787-1057

September 12, 2003

TO WHOM IT MAY CONCERN:

THE ENCLOSED FILING IS BEING RETURNED FOR THE FOLLOWING REASON(S):

- If identified as an organization, failure to provide organizational information for the debtor 9-516(b)(5)(C) - A type of organization or A jurisdiction of organization or An organizational ID# or indication that the debtor has none

HAD THIS BEEN APPROVED, IT WOULD HAVE BEEN FILED ON Aug 25 2003 8:00AM

UNIFORM COMMERCIAL CODE FEE SCHEDULE

UCC-1 FINANCING STATEMENT.....	\$84.00
FINANCING STATEMENT AMENDMENT.....	\$84.00
UCC-5 CORRECTION STATEMENT.....	\$84.00
UCC-11 REQUEST FOR INFORMATION.....	\$12.00
UCC-11 REQUEST FOR COPIES.....	\$12.00
PLUS \$2.00 PER PAGE COPIED	

For additional information, please visit our "Searchable Database"
at: WWW.DOS.STATE.PA.US/CORPS

Klett Rooney Lieber & Schorling,
Patricia Junker, Paralegal
One Oxford Centre, 40th Floor
Pittsburgh PA 15219
USA

phegedus

LETT ROONEY LIEBER & SCHORLING

A PROFESSIONAL CORPORATION

One Oxford Centre, 40th Floor

Pittsburgh, Pennsylvania 15219

CUSTOM BANKING

MELLON BANK

MELLON BANK, N.A.

PITTSBURGH, PA

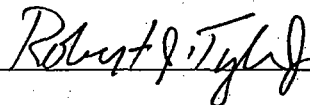
8-26
430

077601

CHECK DATE	CHECK NUMBER	CHECK AMOUNT
08/22/03	77601	84.00

PAY
TO THE
ORDER
OF

PENNSYLVANIA DEPT. OF STATE

TWO SIGNATURES REQUIRED FOR
AMOUNTS OF \$2,000.00 OR LARGER.

⑈077601⑈ ⑆043000261⑆ 105⑈5505⑈

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional)
B. SEND ACKNOWLEDGMENT TO: (Name and Address) Patricia Junker, Paralegal Klett Rooney Lieber & Schorling One Oxford Centre, 40th Floor Pittsburgh, PA 15219

6 *JP 879963*
THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME – insert only <u>one</u> debtor name (1a or 1b) – do not abbreviate or combine names					
OR	1a. ORGANIZATION'S NAME Pennsylvania Intergovernmental Cooperation Authority				
	1b. INDIVIDUAL'S LAST NAME	FIRST NAME		MIDDLE NAME	SUFFIX
1c. MAILING ADDRESS 1429 Walnut Street, 14th Floor		CITY Philadelphia	STATE PA	POSTAL CODE 19102	COUNTRY USA
1d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION Governmental Unit	1f. JURISDICTION OF ORGANIZATION Pennsylvania	1g. ORGANIZATIONAL ID #, IF ANY <input checked="" type="checkbox"/> NONE	
2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only <u>one</u> debtor name (2a or 2b) – do not abbreviate or combine names					
OR	2a. ORGANIZATION'S NAME				
	2b. INDIVIDUAL'S LAST NAME	FIRST NAME		MIDDLE NAME	SUFFIX
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
2d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID #, IF ANY <input type="checkbox"/> NONE	
3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) – insert only <u>one</u> secured party name (3a or 3b)					
OR	3a. ORGANIZATION'S NAME First Union National Bank, as Trustee				
	3b. INDIVIDUAL'S LAST NAME	FIRST NAME		MIDDLE NAME	SUFFIX
3c. MAILING ADDRESS 123 South Broad Street, 11th Floor		CITY Philadelphia	STATE PA	POSTAL CODE 19102	COUNTRY USA
4. This FINANCING STATEMENT covers the following collateral THIS FINANCING STATEMENT IS BEING FILED IN LIEU OF CONTINUATION STATEMENTS FOR PREVIOUSLY FILED FINANCING STATEMENTS (AS IDENTIFIED ON "EXHIBIT A" ATTACHED HERETO), EACH OF WHICH REMAINS EFFECTIVE.					
5. ALTERNATIVE DESIGNATION (if applicable) <input type="checkbox"/> LESSEE/LESSOR <input type="checkbox"/> CONSIGNEE/CONSIGNOR <input type="checkbox"/> BAILEE/BAIOLR <input type="checkbox"/> SELLER/BUYER <input type="checkbox"/> AG. LIEN <input type="checkbox"/> NON-UCC FILING					
6. <input type="checkbox"/> This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS. Attach Addendum (if applicable)			7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) (ADDITIONAL FEE) (if applicable) <input type="checkbox"/> All Debtors <input type="checkbox"/> Debtor 1 <input type="checkbox"/> Debtor 2		
8. OPTIONAL FILER REFERENCE DATA File with Pennsylvania Department of State					

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

OR	9a. ORGANIZATION'S NAME Pennsylvania Intergovernmental Cooperation Authority		
	9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one debtor name (11a or 11b) – do not abbreviate or combine names

OR	11a. ORGANIZATION'S NAME				
	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
11c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
11d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	11e. TYPE OF ORGANIZATION	11f. JURISDICTION OF ORGANIZATION	11g. ORGANIZATIONAL ID #, IF ANY <input type="checkbox"/> NONE	

12. ☐ ADDITIONAL SECURED PARTY'S or ☐ ASSIGNOR S/P'S NAME – insert only one name (12a or 12b)

OR	12a. ORGANIZATION'S NAME				
	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
12c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

13. This FINANCING STATEMENT covers ☐ timber to be cut or ☐ as-extracted collateral, or is filed as a ☐ fixture filing.

14. Description of real estate:

15. Name and address of a RECORD OWNER of above-described real estate (If Debtor does not have a record interest):

16. Additional collateral description:

17. Check only if applicable and check only one box.

Debtor is a ☐ Trust or ☐ Trustee with respect to property held in trust or ☐ Decedent's Estate

18. Check only if applicable and check only one box.

☐ Debtor is a TRANSMITTING UTILITY

☐ Filed in connection with a Manufactured-Home Transaction – effective 30 years

☒ Filed in connection with a Public-Finance Transaction – effective 30 years

EXHIBIT A
IN LIEU OF CONTINUATION ATTACHMENT

NAME OF DEBTOR ON RELATED FINANCING STATEMENT:
Pennsylvania Intergovernmental Cooperation Authority

This Financing Statement is filed in lieu of continuation for the following previously filed financing statements, each of which remains effective and copies of which are attached hereto:

Filing Office	Original Date	Original Number
Pennsylvania Department of State	April 16, 1999	30150787
Pennsylvania, Philadelphia County Prothonotary	April 15, 1999	992040

PARTIES

Debtor name (last name first if individual) and mailing address:

PENNSYLVANIA INTERGOVERNMENTAL
OPERATION AUTHORITY
9 WALNUT STREET, 14TH FLOOR
PHILADELPHIA, PA 19102

1

Debtor name (last name first if individual) and mailing address:

1a

Debtor name (last name first if individual) and mailing address:

1b

Secured Party(ies) names(s) (last name first if individual) and address
Security interest information:

ST UNION NATIONAL BANK, AS TRUSTEE
CORPORATE TRUST DEPARTMENT
SOUTH BROAD STREET, 11TH FLOOR
PHILADELPHIA, PA 19102

2

Name(s) of Secured party names(s) (last name first if individual)
Address for security interest information:

2a

Legal Types of Parties (check if applicable):

The terms "Debtor" and "Secured Party" mean "Lessee" and "Lessor," respectively.

The terms "Debtor" and "Secured Party" mean "Consignee" and "Lessor," respectively.

Debtor is a Transmitting Utility.

3

SECURED PARTY SIGNATURE(S)

Statement is filed with only the Secured Party's signature to perfect a security interest in collateral (check applicable box(es)):

Acquired after a change of name, identity or corporate structure of the Debtor.

As to which the filing has lapsed.

Already subject to a security interest in another county in Pennsylvania when the collateral was moved to this county
when the Debtor's residence or place of business was moved to this county.Already subject to a security interest in another jurisdiction when the collateral was moved to Pennsylvania
when the Debtor's location was moved to Pennsylvania.

Which is proceeds of the collateral describe in block 9, in which security interest was previously perfected (also describe proceeds in block 9, if purchased with cash proceeds and not adequately described on the original financing statement).

Secured Party Signature(s)

(required only if box(es) is checked above):

UNION NATIONAL BANK

4

FINANCING STATEMENT

Uniform Commercial Code Form UCC-1

IMPORTANT-Please read instructions on reverse side of page 4 before completing

Filing No. (stamped by filing officer):

Date, Time, Filing Office (stamped by filing officer):

5

This Financing Statement is presented for filing pursuant to the Uniform Commercial Code, and is to be filed with the (check applicable box):

☒ Secretary of the Commonwealth☐ Prothonotary of _____ County.☐ Real estate records of _____ County.

6

Number of Additional Sheets (if any): 1

7

Optional Special Identification (Max. 10 characters): PICA/TI

8

COLLATERAL

Identify collateral by item and/or type:

THE "PLEDGED REVENUES" AND OTHER PROPERTY PLEDGED AND ASSIGNED BY THE DEBTOR TO THE SECURED PARTY PURSUANT TO AN AMENDMENT RESTATED INDENTURE OF TRUST DATED AS OF DECEMBER 1, 1994, AS AMENDED AND SUPPLEMENTED (THE "INDENTURE"), MORE PARTICULARLY DESCRIBED ON THE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

☐ (check only if desired) Products of the collateral are also covered.

9

Identify related real estate, if applicable: The collateral is or includes (check appropriate box(es)):

a. ☐ crops growing or to be grown on-b. ☐ goods which are or are to become fixtures on-c. ☐ minerals or the like (including oil and gas) as extracted on -d. ☐ accounts resulting from the sale of minerals or the like (including oil and gas) at the wellhead or minehead on -

the following real estate:

Street Address:

Described at: Book _____ of (check one) ☐ Deeds ☐ Mortgages, at Page(s) _____

for _____ County. Uniform Parcel Identifier _____

☐ Described on Additional Sheet.

Name of record owner (required only if no Debtor has an interest of record):

10

DEBTOR SIGNATURE(S)

Debtor Signature(s):

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

1

1a

By:

1b

11

RETURN RECEIPT TO:

DAVID A. VIND, ESQUIRE
STEVENS & LEE, P.C.
111 N. SIXTH STREET
READING, PA 19601

12

EXHIBIT A

DEBTOR: PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SECURED PARTY: FIRST UNION NATIONAL BANK

The collateral covered by this Financing Statement is more particularly described as follows:

1. All right, title and interest of the Debtor in and to the Pledged Revenues (as hereinafter defined).

2. All right, title and interest of the Debtor in and to all moneys and securities from time to time held by the Secured Party under the terms of the Indenture except for the moneys and securities held in the Rebate Fund in trust for the United States of America.

3. Any and all other property rights and interests of every kind or nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected to the lien of the Indenture, as and for additional security under the Indenture, by the Debtor or any other person on its behalf or with its written consent.

"Pledged Revenues" means all amounts received by or payable to or at the direction of the Debtor constituting proceeds (including interest and penalties) of any PICA Taxes and all moneys and securities held by the Secured Party under the Indenture, together with any earnings thereon, except moneys and securities, together with any earnings thereon, held in the Rebate Fund under the Indenture.

"PICA Taxes" means the Income Tax and any other taxes which may be enacted hereafter by the City of Philadelphia pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class for the exclusive purposes of the Debtor and which are pledged by the Debtor to secure the Bonds issued under the Indenture.

"Income Tax" means a 1.5% tax enacted by the City of Philadelphia exclusively for the purpose of the Debtor pursuant to an Ordinance adopted by the City on June 12, 1991 (Bill No. 1437), on salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City of Philadelphia pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class.

PARTIES

Debtor name (last name first if individual) and mailing address:

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY
1429 WALNUT STREET, 14TH FLOOR
PHILADELPHIA, PA 19102

Debtor name (last name first if individual) and mailing address:

Debtor name (last name first if individual) and mailing address:

Secured Party(ies) names(s) (last name first if individual) and address for security interest information:

FIRST UNION NATIONAL BANK, AS TRUSTEE
CORPORATE TRUST DEPARTMENT
123 SOUTH BROAD STREET, 11TH FLOOR
PHILADELPHIA, PA 19102

Assignee(s) of Secured party names(s) (last name first if individual) and address for security interest information:

Special Types of Parties (check if applicable):

☐ The terms "Debtor" and "Secured Party" mean "Lessee" and "Lessor," respectively.☐ The terms "Debtor" and "Secured Party" mean "Consignee" and "Consignor," respectively.☐ Debtor is a Transmitting Utility.

SECURED PARTY SIGNATURE(S)

This statement is filed with only the Secured Party's signature to perfect a security interest in collateral (check applicable box(es)):

☐ acquired after a change of name, identity or corporate structure of the Debtor.☐ as to which the filing has lapsed.☐ already subject to a security interest in another county in Pennsylvania:
☐ when the collateral was moved to this county
☐ when the Debtor's residence or place of business was moved to this county.☐ already subject to a security interest in another jurisdiction:
☐ when the collateral was moved to Pennsylvania
☐ when the Debtor's location was moved to Pennsylvania.☐ which is proceeds of the collateral describe in block 9, in which a security interest was previously perfected (also describe proceeds in block 9, if purchased with cash proceeds and not adequately described on the original financing statement).

Secured Party Signature(s)

(required only if box(es) is checked above)

FIRST UNION NATIONAL BANK

By:

Check Amount \$ 59.35
Change \$ 0.00
Total Sale \$ 59.35

FINANCING STATEMENT

Uniform Commercial Code Form UCC-1
IMPORTANT-Please read instructions on
reverse side of page 4 before completing

Filing No. (stamped by filing officer):

Date, Time, Filing Office (stamped by filing officer):

APR 15 1999

99 2040

This Financing Statement is presented for filing pursuant to the Uniform Commercial Code, and is
to be filed with the (check applicable box):

☐ Secretary of the Commonwealth
☒ Prothonotary of PHILADELPHIA County.
☐ real estate records of _____ County.

Number of Additional Sheets (if any): 1

Optional Special Identification (Max. 10 characters): PICA/TI

COLLATERAL

Identify collateral by item and/or type:

THE "PLEDGED REVENUES" AND OTHER PROPERTY PLEDGED AND
ASSIGNED BY THE DEBTOR TO THE SECURED PARTY PURSUANT TO AN
AMENDMENT RESTATED INDENTURE OF TRUST DATED AS OF DECEMBER 1,
1994, AS AMENDED AND SUPPLEMENTED (THE "INDENTURE"), MORE
PARTICULARLY DESCRIBED ON THE EXHIBIT "A" ATTACHED HERETO AND
MADE A PART HEREOF.

☐ (check only if desired) Products of the collateral are also covered.

Identify related real estate, if applicable: The collateral is or includes (check appropriate box(es)):

- a. ☐ crops growing or to be grown on-
b. ☐ goods which are or are to become fixtures on-
c. ☐ minerals or the like (including oil and gas) as extracted on -
d. ☐ accounts resulting from the sale of minerals or the like (including oil and gas) at the
wellhead or minehead on -

the following real estate:

Street Address:

Described at: Book _____ of (check one) ☐ Deeds ☐ Mortgages, at Page(s) _____

for _____ County. Uniform Parcel Identifier _____

☐ Described on Additional Sheet.

Name of record owner (required only if no Debtor has an interest of record):

DEBTOR SIGNATURE(S)

Debtor Signature(s):

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

1

1a By: *Joseph J. Vind*

1b

RETURN RECEIPT TO:

Sub-Total \$ 59.35

Tax \$ 0.00

Total \$ 59.35

PRO

59.35 UCC

59.35

652056

04/15/99 at 15:10

20260 Sale C/L# 20260

Case #: 992040

RECEIVED

59 25

PRO

DAVID J. VIND, ESQUIRE

STEVENS & LEE, P.C.

111 N. SIXTH STREET

READING, PA 19601

APR 15 1999
99 2040

EXHIBIT A

DEBTOR: PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

SECURED PARTY: FIRST UNION NATIONAL BANK

The collateral covered by this Financing Statement is more particularly described as follows:

1. All right, title and interest of the Debtor in and to the Pledged Revenues (as hereinafter defined).
2. All right, title and interest of the Debtor in and to all moneys and securities from time to time held by the Secured Party under the terms of the Indenture except for the moneys and securities held in the Rebate Fund in trust for the United States of America.
3. Any and all other property rights and interests of every kind or nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected to the lien of the Indenture, as and for additional security under the Indenture, by the Debtor or any other person on its behalf or with its written consent.

"Pledged Revenues" means all amounts received by or payable to or at the direction of the Debtor constituting proceeds (including interest and penalties) of any PICA Taxes and all moneys and securities held by the Secured Party under the Indenture, together with any earnings thereon, except moneys and securities, together with any earnings thereon, held in the Rebate Fund under the Indenture.

"PICA Taxes" means the Income Tax and any other taxes which may be enacted hereafter by the City of Philadelphia pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class for the exclusive purposes of the Debtor and which are pledged by the Debtor to secure the Bonds issued under the Indenture.

"Income Tax" means a 1.5% tax enacted by the City of Philadelphia exclusively for the purpose of the Debtor pursuant to an Ordinance adopted by the City on June 12, 1991 (Bill No. 1437), on salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City of Philadelphia pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class.

Specimen Bonds

[See Item Exhibit E to Secretary Certificate of Authority, Item C-4]



Pennsylvania Intergovernmental Cooperation Authority

14th Floor - 1429 Walnut Street, Philadelphia, PA 19102
Telephone 215-561-9160 Fax 215-563-2570

June 16, 2003

The Honorable Barbara Hafer
Treasurer of the Commonwealth of Pennsylvania
Office of the State Treasurer
129 Finance Building
Harrisburg, PA 17120

Dear Ms. Hafer:

On June 16, 1992, the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") issued \$474,555,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 Bonds") pursuant to the provisions of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act No. 6 of June 5, 1991) (as such act has been or may be amended from time to time, the "Act") and an Indenture of Trust dated as of June 1, 1992 (the "Original Indenture") between the Authority and CoreStates Bank, N.A., as trustee.

The Original Indenture was amended and supplemented by a First Supplemental Indenture of Trust dated as of June 22, 1992 and a Second Supplemental Indenture of Trust dated as of July 15, 1993 (the Original Indenture, as so amended and supplemented, is referred to herein as the "Amended Indenture").

On July 29, 1993, the Authority issued \$643,430,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 Bonds") pursuant to the Act and the Amended Indenture. On September 14, 1993, the Authority issued \$178,675,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") pursuant to the Act and the Amended Indenture, as amended and supplemented by a Third Supplemental Indenture of Trust dated as of August 15, 1993. On December 15, 1994, the Authority issued \$122,020,000 aggregate principal amount of its Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1994 (the "1994 Bonds") pursuant to the Act and the Amended and Restated Indenture of Trust, dated as of December 1, 1994 (the "Amended and Restated Indenture"), between the Authority and Meridian Bank (successor to CoreStates Bank, N.A.), as Trustee, which amended and restated the Original Indenture as theretofore amended.

On May 30, 1996, the Authority issued \$343,030,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 Bonds") pursuant to the Amended and Restated Indenture, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "First Supplement to the Amended and Restated Indenture") between the Authority and Meridian Bank, N.A., as Trustee. On April 15, 1999, the Authority issued \$610,005,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999 (the "1999 Bonds") pursuant to the Amended and Restated Indenture, as amended and supplemented by a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "Second Supplement to the Amended and Restated Indenture") between the Authority and First Union National Bank (successor to Meridian Bank), as Trustee. The Authority is now issuing \$165,895,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "2003 Bonds") pursuant to the Amended and Restated Indenture, as amended and supplemented by a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplement to the Amended and Restated Indenture" and, collectively with the Amended and Restated Indenture, the First Supplement to the Amended and Restated Indenture and the Second Supplement to the Amended and Restated Indenture, the "Indenture") between the Authority and Wachovia Bank, National Association (successor to First Union National Bank), as Trustee (the "Trustee").

Pursuant to Section 601 of the Act, the City of Philadelphia (the "City") , by Ordinance (Bill No. 1437) approved June 12, 1991, enacted a tax of one and one-half percent (1-1/2%) on salaries, wages, commissions and other compensation earned by residents of the City and on the net profits earned in businesses, professions or other activities conducted by residents of the City (the "PICA Tax") to provide revenues for the purposes of the Authority. Pursuant to the Act, the PICA Tax is to be collected by the Department of Revenue of the Commonwealth of Pennsylvania (the "Department") and remitted by the Department to the Treasurer of the Commonwealth of Pennsylvania (the "Treasurer"), which is then to hold, invest and disburse such moneys as provided in the Act.

Pursuant to Section 603(a) of the Act, the Treasurer is custodian of the Pennsylvania Intergovernmental Cooperation Authority Tax Fund (the "PICA Tax Fund"), which shall be subject to the provisions of law applicable to funds listed in Section 302 of the Fiscal Code (Act of April 9, 1929, P.S. 343, No. 176). Pursuant to Section 603(a) of the Act, the PICA Tax collected by the Department and paid to the Treasurer is to be credited to the PICA Tax Fund not less frequently than every two weeks and, during any period prior to the credit of moneys to the PICA Tax Fund, interest earned on the PICA Tax paid to the Treasurer by the Department shall be deposited into the PICA Tax Fund. The Act also provides that moneys in the PICA Tax Fund shall not lapse or be transferred to any other fund, but shall remain in the PICA Tax Fund and shall at all times be the property of the Authority. Pending their disbursement to

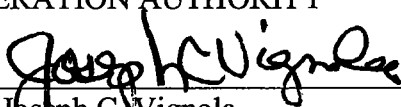
the Authority, moneys received by the Treasurer on behalf of or deposited into the PICA Tax Fund are to be invested or reinvested as are other funds in the custody of the Treasurer in the manner provided by law and all earnings received from the investment or deposit of such funds are to be credited to the PICA Tax Fund.

Pursuant to the Indenture, the Authority has assigned and pledged to the Trustee all of its right, title and interest in and to the PICA Tax for the equal and ratable benefit of the owners from time to time of the 1996 Bonds, the 1999 Bonds and the 2003 Bonds outstanding under the Indenture. The Indenture provides for the disbursement of the PICA Tax received by the Trustee in accordance with the provisions of the Act. Section 603(b) of the Act requires the Treasurer to disburse the total amount of moneys which are, as of the close of business of the previous week, contained in the PICA Tax Fund as a result of the tax imposed pursuant to Section 601 of the Act to or upon the order of the Authority and as provided in Section 312 of the Act. The Authority hereby directs that the weekly disbursements to be made by the Treasurer pursuant to Section 603(b) of the Act shall be made to the Trustee so long as any 1996 Bonds, 1999 Bonds or 2003 Bonds are outstanding under the Indenture. Such direction shall not be subject to modification by the Authority unless consented to by the Trustee so long as any 1996 Bonds, 1999 Bonds or 2003 Bonds are outstanding under the Indenture. The Treasurer shall continue to make such disbursement to the Trustee until it receives written notice from the Authority and the Trustee that the 1996 Bonds, 1999 Bonds and 2003 Bonds are no longer outstanding under the Indenture. The Treasurer is hereby notified that the 1992 Bonds, the 1993 Bonds, the 1993A Bonds and the 1994 Bonds are no longer outstanding under the Indenture.

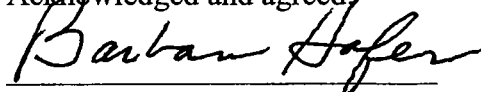
Please indicate your acknowledgement and agreement with the foregoing by signing and dating the enclosed copy of this letter and returning it to the Authority.

Very truly yours,

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

By: 
Joseph C. Vignola
Executive Director/ CEO

Acknowledged and agreed:



Treasurer of the Commonwealth of Pennsylvania

Dated: June 16, 2003

**Proof of Publication In The Philadelphia Inquirer
Under Act. No 160, P.L. 877, July 9, 1976**

**STATE OF PENNSYLVANIA
COUNTY OF PHILADELPHIA**


Anna Dickerson being duly sworn, deposes and says that **The Philadelphia Inquirer** is a daily newspaper published at Broad and Callowhill Streets, Philadelphia County, Pennsylvania, which was established in the year 1829, since which date said daily newspaper has been regularly published and distributed in said County, and that a copy of the printed notice of publication is attached hereto exactly as the same was printed and published in the regular editions and issues of said daily newspaper on the following dates:

March 21, 2003

Affiant further deposes and says that he is an employee of the publisher of said newspaper and has been authorized to verify the foregoing statement and that he is not interested in the subject matter of the aforesaid notice of publication, and that all allegations in the foregoing statement as to time, place and character of publication are true.



Sworn to and subscribed before me this 21st day of March, 2003.


Notary Public

My Commission Expires:

NOTARIAL SEAL
Margaret C. Ruchalski, Notary Public
City of Philadelphia, Phila. County
My Commission Expires May 27, 2006

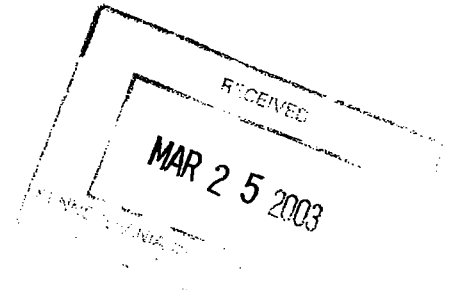
Copy of Notice of Publication

**Notice to Reconvene
Recessed Meeting
Pennsylvania
Intergovernmental
Cooperation Authority**
Pursuant to Act No. 84 of 1986, known as the Sunshine Act, and Act No. 6 of 1991, known as the Pennsylvania Intergovernmental Cooperation Authority Act for the Cities of the First Class, notice is hereby given that the scheduled March 18, 2003 meeting of the Board of the Pennsylvania Intergovernmental Cooperation Authority was recessed and will reconvene Monday, March 24, 2003 at 3:00 p.m. in the Authority's conference room located at 1429 Walnut Street, 14th floor, Philadelphia, PA 19102.
**Pennsylvania
Intergovernmental
Cooperation Authority**
**Lauri A. Kavulich, Esq.
Chairperson
Gregg R. Melinson, Esq.
Secretary**



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

THE GOVERNOR



March 25, 2003

Pennsylvania Intergovernmental Cooperation Authority
Attn: Joseph C. Vignola
1429 Walnut Street, 14th Floor
Philadelphia, PA 19102

To Whom It May Concern:

It is with pleasure that I write to inform you that I am appointing Mr. Ken Trujillo as my representative to serve on the Pennsylvania Intergovernmental Cooperation Authority.

Sincerely,

A handwritten signature in cursive script that reads "Edward G. Rendell".

Edward G. Rendell
Governor

Cc: Ken Trujillo
Trujillo, Rodriguez & Richards, LLC
The Penthouse
226 West Rittenhouse Square
Philadelphia, PA 19103

ROBERT C. JUBELIRER
SENATE BOX 203030
THE STATE CAPITOL
HARRISBURG, PA 17120-3030
717-787-5490

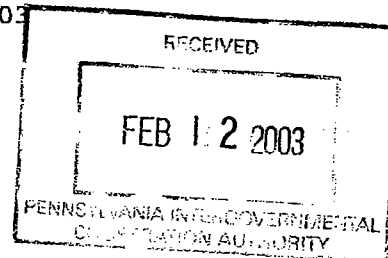
Office of the President Pro Tempore



Senate of Pennsylvania

30TH DISTRICT
PARK VIEW CENTER
TWELVE SHERATON DRIVE
P.O. BOX 2023
ALTOONA, PA 16803
814-942-5495

February 3, 2003



Gregg R. Melinson, Esquire
Drinker, Biddle & Reath, LLP
One Logan Square
18th and Cherry Streets
Philadelphia, PA 19103-6996

Dear Mr. Melinson: */Gregg*

Pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, as President Pro Tempore of the Senate, I am pleased to once again appoint you as a member of the governing board of the Pennsylvania Intergovernmental Cooperation Authority.

Thank you for your willingness to continue to represent the Senate in this capacity.

Sincerely,

A handwritten signature in dark ink, appearing to be "R. Jubelirer".

ROBERT C. JUBELIRER
PRESIDENT PRO TEMPORE

RCJ/bbk

cc/Secretary of the Senate
Executive Director, PA Intergovernmental
Cooperation Authority
Governor's Office on Boards and Commissions

bcc/Joint State Government Commission

22ND DISTRICT
ROBERT J. MELLOW
SENATE BOX 203022
THE STATE CAPITOL
HARRISBURG, PA 17120-3022
PHONE: (717)-787-6481
FAX: (717)-783-5198

524 MAIN STREET
P.O. BOX B
PECKVILLE, PA 18452
PHONE: (717) 489-0336
PHONE: (717) 346-5721
FAX: (717) 963-3170

The Democratic Leader

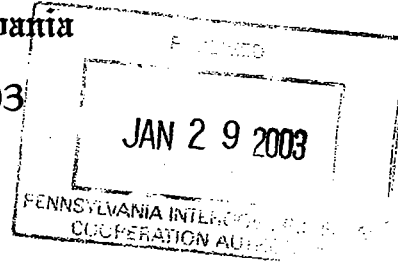


COMMITTEES

RULES AND EXECUTIVE NOMINATIONS
MINORITY CHAIRMAN
ETHICS, MINORITY CHAIRMAN
APPROPRIATIONS
BANKING & INSURANCE
1-800-364-1551 (TT)

Senate of Pennsylvania

January 27, 2003



Ms. Lauri A. Kavulich
Suite 1925
Two Penn Center Plaza
Philadelphia, PA 19102

Dear Ms. Kavulich:

As Democratic Leader of the Senate, it is my pleasure to reappoint you to serve on the Pennsylvania Intergovernmental Cooperation Authority (PICA).

I am sure you will make a positive contribution to the Authority.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Mellow".

ROBERT J. MELLOW
The Democratic Leader

RJM:jeb

cc: Hon. Mark R. Corrigan
Secretary of the Senate

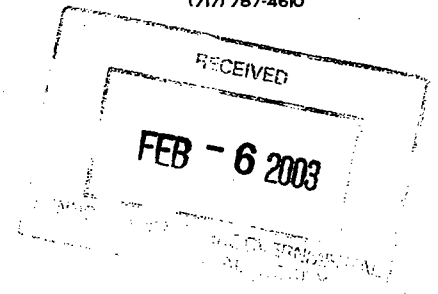
✓ Mr. Joseph C. Vignola
PA Intergovernmental Cooperation Authority

MATTHEW J. RYAN
THE SPEAKER



HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

ROOM 139, MAIN CAPITOL BUILDING
HARRISBURG, PENNSYLVANIA 17120-2020
(717) 787-4610



February 4, 2003

Mr. Joseph C. Vignola, Executive Director
Pennsylvania Intergovernmental Cooperation Authority
14th Floor
1429 Walnut Street
Philadelphia, PA 19102

Dear Mr. Vignola:

Please be advised that I have reappointed Mr. Michael Karp to the Pennsylvania Intergovernmental Cooperation Authority (PICA) for the 2003-2004 Legislative Sessions of the General Assembly.

Very truly yours,

A handwritten signature in cursive script that reads "Matt Ryan".

MATTHEW J. RYAN
The Speaker

MJR:nk

cc: Mr. Michael Karp
Joint State Government Commission
Governor's Office of Boards and Commissions
Jackie Jumper

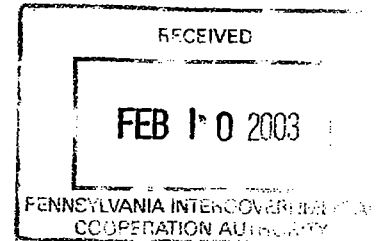
H. WILLIAM DeWEESE
THE MINORITY LEADER



THE STATE CAPITOL
HARRISBURG, PA 17120-2020
PHONE: (717) 783-3797

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

February 5, 2003



Mr. Joseph C. Vignola
Executive Director
PA Intergovernmental Cooperation Authority
1429 Walnut Street
Philadelphia, PA 19103

Dear Mr. Vignola:

This is to advise you that I have reappointed the following individual to serve as a member to the PA Intergovernmental Cooperation Authority for the 2003-2004 Legislative Sessions of the General Assembly:

William J. Leonard, Esq.
Obermayer Rebmann Maxwell & Hippel LLP
One Penn Center, 19th Floor
1617 JFK Boulevard
Philadelphia PA 19103
215-665-3228

Thank you for your continued cooperation.

Sincerely,

H. William DeWeese
The Minority Leader

HWD/kemm

cc: William J. Leonard, Esq.
Honorable Matthew J. Ryan, Speaker, PA House of Representatives
Clancy Myer, Esq., Parliamentarian
Governor's Office of Boards & Commissions
Dave Chick, Esq., Joint State Government Commission

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

**\$165,550,000
Special Tax Revenue Refunding Bonds
(City of Philadelphia Funding Program)
Series of 2003**

CERTIFICATE OF THE ASSISTANT SECRETARY OF THE AUTHORITY

This certificate is made in connection with the issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of the 2003 Bonds described below. As used herein the following terms have the indicated meanings:

"Act" means the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended.

"Bond Resolution" means collectively, the resolutions of the Authority adopted on March 25, 2003 authorizing and approving, among other things.

"Indenture" means the Amended and Restated Indenture of Trust dated as of December 1, 1994 between the Authority and the Trustee, as amended and supplemented by the First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996, the Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999, and the Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003, pursuant to which the 2003 Bonds are issued.

"2003 Bonds" means the \$165,550,000 aggregate principal amount Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 2003, authorized to be issued under the Indenture.

"Official Statement" means the Official Statement dated June 12, 2003 of the Authority relating to the 2003 Bonds.

"Preliminary Official Statement" means the Preliminary Official Statement dated June 5, 2003 relating to the 2003 Bonds.

"Purchase Contract" means the Bond Purchase Contract dated June 12, 2003, between the Authority and Raymond James & Associates, Inc., as Representative of the Underwriters.

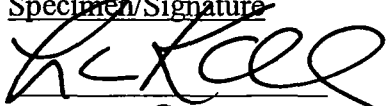
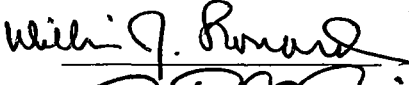

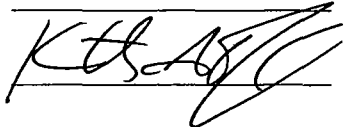
"Standby Purchase Contract" means the Standby Bond Purchase Agreement dated as of June 1, 2003, among the Authority, the Trustee and JPMorgan Chase Bank.

All terms not defined herein shall have the meanings set forth in the Indenture or the Act.

I, THE UNDERSIGNED ASSISTANT SECRETARY OF THE AUTHORITY, HEREBY CERTIFY THAT AT ALL PERTINENT TIMES:

1. The Authority is a body corporate and politic created by and validly existing under the Act, with full legal right, power and authority to execute and delivery the Indenture, to issue, sell and deliver the 2003 Bonds, and to carry out and consummate the transactions contemplated by the Indenture, the Purchase Contract, the Standby Purchase Contract and the Official Statement.

2. The voting members of the Board of the Authority and the office held by each such member are set forth below and, if a signature is set opposite the name of any such member, such signature is a genuine specimen of such member's signature:

<u>Name</u>	<u>Office</u>	<u>Specimen/Signature</u>
Lauri A. Kavulich, Esquire	Chairperson	
William J. Leonard, Esquire	Vice Chairperson	
Gregg R. Melinson, Esquire	Secretary/Treasurer	
Michael A. Karp,	Member	
Kenneth I. Trujillo, Esquire	Member	

3. The individuals named above constitute all of the voting members and officers of the Board of the Authority, each of such individuals is and was at all times pertinent hereto duly appointed or elected, qualified and acting as such member and officer.

4. Attached hereto as Exhibit A is a true, correct and complete copy of the by-laws of the Authority, which by-laws are in full force and effect on the date hereof and were in full force and effect on all dates that action was taken with respect to the transactions contemplated by the Indenture, the Purchase Contract, the Standby Purchase Contract and the Official Statement.

5. Attached hereto as Exhibit B is a true, correct and complete copy of the Bond Resolution; the Bond Resolution was duly adopted by a Qualified Majority at public meetings of the Authority after notice thereof had been duly given in accordance with all requirements of law and procedural rules of the Authority; and, except as

provided therein, the Bond Resolution has not been repealed, amended, rescinded or modified since its adoption and is in full force and effect on the date hereof. At all times since the date of adoption of the Bond Resolution, a true and correct copy of the Bond Resolution has been on file for public inspection at the offices of the Authority at 1429 Walnut Street, 14th Floor, Philadelphia, Pennsylvania.

6. Attached hereto as Exhibit C is a true, correct and complete copy of the resolution of the Authority approving the Intergovernmental Cooperation Agreement; such resolution was duly adopted by a Qualified Majority at a public meeting of the Authority after notice thereof had been duly given in accordance with all requirements of law and procedural rules of the Authority, and said resolution has not been repealed, amended, rescinded or modified since its adoption and is in full force and effect on the date hereof.

7. Attached hereto as Exhibit D is a true, correct and complete copy of the resolution of the Authority approving the City's eleventh Five-Year Financial Plan prepared pursuant to the Act and submitted to the Authority for approval pursuant to the Act; such resolution was duly adopted by a Qualified Majority at a public meeting of the Authority after notice thereof had been duly given in accordance with all requirements of law and procedural rules of the Authority; and said resolution has not been repealed, amended, rescinded or modified since its adoption and is in full force and effect on the date hereof.

8. Attached hereto as Exhibit E are true, correct and complete specimens of the form of the Issuer's 2003 Bonds. The signatures of the (Vice) Chairperson and the

(Asst.) Secretary of the Issuer signed on the Bonds are facsimile signatures of the individuals who hold said offices on the date of this Certificate. The seal which was impressed or otherwise reproduced on said specimens is the legally adopted official corporate seal of the Issuer.

9. Attached as Exhibit F is the Certificate of the Bond Pricing Authority of the Authority with respect to the 2003 Bonds.

10. Each of the 2003 Bonds delivered at the Closing held this day was duly executed on behalf of the Authority by the manual signatures of the Chairperson and the Secretary; the seal of the Authority impressed on each of the 2003 Bonds is the genuine and only corporate and common seal of the Authority; and attached hereto as Exhibit E is a true, correct and complete specimen of the 2003 Bonds so delivered this day and the 2003 Bonds are in substantially the form approved by the Bond Resolution.

11. The Third Supplement to the Amended and Restated Indenture delivered to the Trustee at the Closing held this day in respect of the 2003 Bonds was duly executed, acknowledged and delivered on behalf of the Authority by the Chairperson, and was duly sealed and attested on behalf of the Authority by the Secretary; the signatures of said officers thereon are their respective genuine signatures; the seal thereunto affixed is the genuine corporate and common seal of the Authority; and the Third Supplement to the Amended and Restated Indenture is in substantially the form approved by the Bond Resolution.

Signature appears on the following page

IN WITNESS WHEREOF, I have hereunto set my signature as Assistant Secretary of the Authority and affixed hereto the seal of the Authority this 16th day of June, 2003.

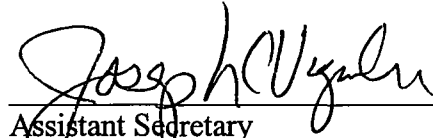

Assistant Secretary

Exhibit A

(By-laws of the Authority)

BYLAWS
OF THE
PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(As Amended Through July 18, 1994)

INDEX TO BYLAWS

Section

Page

ARTICLE I

GENERAL POWERS: INTERPRETATION OF BYLAWS

1.01	General Powers.....	1
1.02	Interpretation of Bylaws.....	1

ARTICLE II

OFFICES

2.01	Principal Office.....	1
2.02	Books and Records.....	1

ARTICLE III

GOVERNING BODY

3.01	Membership.....	1
3.02	Terms.....	2
3.03	Vacancies.....	2
3.04	Removal.....	2
3.05	Ex Officio Members.....	2
3.06	Qualified Majority.....	3
3.07	Compensation.....	3
3.08	Liability.....	3
3.09	Committees.....	3

ARTICLE IV

MEETINGS

4.01	Place of Meetings.....	3
4.02	Regular Meetings.....	3
4.03	Annual Meeting.....	3
4.04	Special Meetings.....	4
4.05	Notice of Meetings.....	4
4.06	Participation in Meetings by Conference Telephone..	4
4.07	Public Notice of Meetings.....	4
4.08	Quorum.....	5
4.09	Computing Time Periods.....	5

ARTICLE V

OFFICERS

5.01	Officers.....	5
5.02	Tenure of Office.....	5
5.03	Chairperson.....	6
5.04	Vice Chairperson.....	6
5.05	Secretary.....	6
5.06	Treasurer.....	6
5.07	Executive Director.....	6

5.08	Assistant Secretary.....	6
5.09	Other Officers.....	7
5.10	Removal of Officers.....	7
5.11	Vacancies.....	7

ARTICLE VI EMPLOYEES

6.01	Other Employees and Professional Services.....	7
------	--	---

ARTICLE VII AUDITS, FISCAL YEAR, MONIES OF THE AUTHORITY

7.01	Audit.....	7
7.02	Fiscal Year.....	8
7.03	Monies of the Authority.....	8

ARTICLE VIII CORPORATE SEAL

8.01	Corporate Seal.....	8
------	---------------------	---

ARTICLE IX SOVEREIGN IMMUNITY: INDEMNIFICATION

9.01	Sovereign Immunity.....	8
9.02	Indemnity.....	8
9.03	Advancement of Expenses.....	9
9.04	Employee Benefit Plans.....	9
9.05	Security for Indemnification Obligations.....	9
9.06	Reliance Upon Provisions.....	10
9.07	Amendment or Repeal.....	10
9.08	Scope of Article.....	10

ARTICLE X CONFLICTS OF INTEREST

10.01	Conflicts of Interest.....	10
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ARTICLE XI WAIVER OF NOTICE

11.01	Waiver of Notice.....	11
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ARTICLE XII AMENDMENT OF BYLAWS

12.01	Amendments.....	11
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BYLAWS OF THE
PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

ARTICLE I

GENERAL POWERS: INTERPRETATION OF BYLAWS

1.01 General Powers. The general powers of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") shall be as set forth in the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act of June 5, 1991, P.L. 9, No. 6 (the "Act"), as amended from time to time hereafter.

1.02 Interpretation of Bylaws. All words, terms and provisions of these bylaws of the Authority (the "Bylaws") shall be interpreted and defined by and in accordance with the Act, as amended from time to time hereafter. All references in these Bylaws to statutory provisions shall be deemed to incorporate amendments to such provisions and to corresponding provisions of any subsequent law.

ARTICLE II

OFFICES

2.01 Principal Office. The principal office of the Authority shall be located at such place as the governing board of the Authority (the "Board") may designate. The Board may establish such other office or offices as may be necessary for the purpose of performing the Authority's duties and functions.

2.02 Books and Records. Except as otherwise provided for by resolution or as the business of the Authority may require, the corporate seal and all books and records of the Authority shall be kept at the principal office designated in Section 2.01.

ARTICLE III

GOVERNING BODY

3.01 Membership. The powers of the Authority shall be exercised by the Board which shall be composed of five (5) appointed members, who shall not be elected public officials, and two (2) ex officio members. The members of the Board shall be as follows:

(a) One member appointed by the Governor of the Commonwealth of Pennsylvania;

(b) One member appointed by the President pro tempore of the Senate of the Commonwealth of Pennsylvania;

(c) One member appointed by the Minority Leader of the Senate of the Commonwealth of Pennsylvania;

(d) One member appointed by the Speaker of the House of Representatives of the Commonwealth of Pennsylvania;

(e) One member appointed by the Minority Leader of the House of Representatives of the Commonwealth of Pennsylvania;

(f) The Secretary of the Budget of the Commonwealth of Pennsylvania as an ex officio member; and

(g) The Director of Finance of the City of Philadelphia as an ex officio member.

All members of the Board shall be residents of the Commonwealth of Pennsylvania and, except for the Secretary of the Budget, shall either be residents of the City of Philadelphia or have their primary places of business or employment in the City of Philadelphia.

3.02 Terms. The term of a Board member shall begin on the date of appointment. A member's term shall extend not more than sixty (60) days beyond the current term of office of the appointing authorities from the House of Representatives or until his or her successor is appointed, whichever shall first occur. (amended on 7/18/94)

3.03 Vacancies. A vacancy shall occur upon the death, resignation, disqualification, removal or expiration of the term of a member. Whenever such a vacancy occurs on the Board, whether prior to or on the expiration of a term, the appointing authority designated in Section 3.01 which originally appointed the Board member whose seat has become vacant is required, pursuant to Section 202(b) of the Act, to appoint a successor member within thirty (30) days of the occurrence of the vacancy. A member appointed to fill a vacancy occurring prior to the expiration of a term shall serve the unexpired term. (amended on 7/18/94)

3.04 Removal. A member shall serve at the pleasure of his or her appointing authority.

3.05 Ex Officio Members. The ex officio members of the Board may not vote and shall not be counted for purposes of establishing a quorum. The ex officio members may designate in writing a representative of their respective offices to attend meetings of the Board on their behalf and such representatives shall retain such authority until the authority is expressly revoked by the appropriate ex officio member.

3.06 Qualified Majority. All actions of the Board shall be taken by a majority of the Board unless specific provisions of the Act, as may be amended from time to time hereafter, require that such action be taken by a "Qualified Majority", which shall be defined as a majority of the Board which includes four (4) of the five (5) members appointed pursuant to Sections 3.01(a), (b), (c), (d) and (e).

3.07 Compensation. The members of the Board shall serve without compensation or remuneration for their services but shall be entitled to reimbursement of all reasonable and necessary actual expenses.

3.08 Liability. The rights of creditors of the Authority shall be solely against the Authority and no member of the Board shall be liable personally on any obligations of the Authority, including, without limitation, bonds of the Authority. Any and all rights granted pursuant to this Section 3.08 shall be in addition to any rights granted to members of the Board pursuant to the sovereign immunity provisions of Section 9.01.

3.09 Committees. The Board shall initially have a Finance Committee, a Legal Affairs Committee, and a Personnel Committee. The Board may designate by resolution one or more additional standing or special committees, each committee to consist of three (3) or more members appointed by the Chairperson of the Board (the "Chairperson"). The respective committees shall supervise and monitor the execution of various aspects of the Authority's activities and policies as determined by the Board and, at the request of the Board, shall gather facts in their respective areas of concern, present alternatives to the Board for deliberation and decision by the Board, and implement Board decisions as directed by the Board. No committee is authorized to take any official action on behalf of the Board or the Authority.

ARTICLE IV

MEETINGS

4.01 Place of Meetings. The Board may hold its publicly advertised meetings at the principal office of the Authority or at such other place as may be determined by the Board, provided that all meetings shall be held at a location accessible to the public.

4.02 Regular Meetings. The Board shall meet as frequently as it deems appropriate, but at least once during each quarter of the Authority's fiscal year.

4.03 Annual Meeting. The annual meeting of the Authority shall be the first regular meeting of each fiscal year of the Authority.

4.04 Special Meetings. Special meetings of the Board shall be held if a request for such a meeting is submitted to the Chairperson by at least two (2) members of the Board. Such a request shall state the general nature of the business to be transacted at such special meeting.

4.05 Notice of Meetings. At its first regular meeting of each fiscal year, the Board shall establish a schedule of its remaining regular meetings for the fiscal year. No further notice of such regularly scheduled meetings need be given to any member of the Board, except that any member not in attendance at the meeting at which the schedule was adopted shall be notified in writing of such schedule at least three (3) days prior to the next regular meeting. Written notice of any special meeting shall be given to each member of the Board at least twenty-four (24) hours prior to the day named for the special meeting.

4.06 Participation in Meetings by Conference Telephone. To the extent permitted by law, any member may participate in any meetings of the Board or of any committee, may be counted for the purpose of determining a quorum thereof, and may exercise all rights and privileges to which he or she might be entitled were he or she personally in attendance (including the right to vote) by means of conference telephone or similar communications equipment by means of which all persons attending the meeting can hear each other.

4.07 Public Notice of Meetings. All meetings of the Board shall be open to the public. As soon as practical following the first regular meeting of each fiscal year, but in no event later than three (3) days prior to the next regularly scheduled meeting, the Secretary of the Board (the "Secretary") shall give public notice, in the manner hereinafter provided, of the remaining regularly scheduled meetings of the Board for the fiscal year. The Secretary shall also give public notice of each special meeting and rescheduled regular or special meeting at least twenty-four (24) hours prior to the time thereof, showing the date, time and place thereof. Public notice shall consist of the following: (a) publishing such notice in a newspaper of general circulation in the political subdivision where the meeting will be held, and (b) posting a copy of such notice prominently at the principal office of the Authority, or, if a meeting is to be held other than at such principal office, at the public building in which the meeting is to be held, provided that such posting may be given at both the principal office and at the actual place of meeting. The Secretary shall provide a copy of all public notices to any newspaper, radio station and/or television station which may request the same. Nothing herein, however, shall prevent the Board from holding executive sessions to which the public is not admitted, but no official action shall be taken nor official policy adopted at any such executive session, except as otherwise permitted by law.

4.08 Quorum. A majority of the Board shall constitute a quorum for the purpose of conducting business of the Board and for all other purposes. The ex officio members of the Board shall not be counted for purposes of establishing a quorum. All actions of the Board shall be taken by a majority of the Board unless specific provisions of the Act require that action be taken by a Qualified Majority.

4.09 Computing Time Periods. In computing the number of days during any period for purposes of these Bylaws, such period shall be computed so as to exclude the first and include the last day of such period. All days shall be counted, including Saturdays, Sundays, or any day made a legal holiday by the laws of the Commonwealth of Pennsylvania or of the United States (a "Holiday"); provided, however, that if the final day of any time period falls on a Saturday, Sunday or Holiday, then the final day shall be deemed to be the next day which is not a Saturday, Sunday or Holiday. In computing the number of days for the purpose of giving notice of any meeting, the date upon which the notice is given shall not be counted but the day set for the meeting shall be counted. Notice given twenty-four (24) hours before the time set for a meeting shall be deemed one day's notice.

ARTICLE V

OFFICERS

5.01 Officers. The officers of the Authority shall be the Chairperson, the Vice Chairperson, the Secretary, the Treasurer, the Executive Director, one or more Assistant Secretaries, and such other officers as the Board may determine. The members of the Board shall elect from among themselves a Chairperson, Vice Chairperson, Secretary, Treasurer, and such other officers as they may determine. A Qualified Majority of the Board shall appoint and may remove the Executive Director. The Board may elect or appoint such other officers, assistant officers, agents, and employees as the needs of the Authority may require, who need not be members of the Board. A member of the Board may hold more than one office of the Board at any time.

5.02 Tenure of Office. Except for the Executive Director, all officers who are members of the Board shall be elected at the annual meeting and shall hold office for one year and until their respective successors shall have been duly elected or until they have ceased to be members of the Board. Except for the Executive Director, officers who are not members of the Board may be elected or appointed at any meeting of the Board and shall serve at the pleasure of the Board. The Executive Director shall serve at the pleasure of a Qualified Majority of the Board for a term ending sixty (60) days beyond the current term of office of the appointing authorities from the House of Representatives or until his or her successor is

(amended
on
7/18/94)

retained pursuant to the Act, whichever shall first occur. A person named to fill a vacancy occurring in the office of Executive Director occurring prior to the expiration of the Executive Director's term shall serve the unexpired term.

5.03 Chairperson. The Chairperson shall have a general management role over the affairs of the Authority, shall conduct all meetings of the Board, and shall, in general, perform all duties incident to the office of the Chairperson and such other duties as may be assigned by the Board.

5.04 Vice Chairperson. The Vice Chairperson shall have all powers and duties of the Chairperson in the absence of the Chairperson and shall perform such other duties as may be assigned by the Board. Should both the Chairperson and Vice Chairperson be absent from any meeting of the Board, the members present shall appoint a Chairperson pro tempore.

5.05 Secretary. The Secretary shall act as clerk of all meetings of the Board, shall record all the proceedings of such meetings in a book for that purpose, shall give such notice as may be required of all meetings, shall record all votes and shall have custody of all books and records of the Authority, except those kept by the Treasurer, and shall, in general, perform all duties incident to the office of the Secretary and such other duties as may be assigned by the Board.

5.06 Treasurer. The Treasurer shall keep the financial records of the Authority, provide for the custody of the funds and other properties of the Authority, and shall perform all other duties incident to the office of the Treasurer and such other duties as may be assigned by the Board.

5.07 Executive Director. The Executive Director, who shall be appointed by a Qualified Majority of the Board, shall be the full-time chief operating officer of the Authority and, subject to the supervision and control of the Board, shall have general supervision and direction of the business affairs of the Authority. He or she may execute on behalf of the Authority contracts entered into in the ordinary course of business and any other duly authorized contracts, and shall have such other powers and perform such other duties as may be delegated to him or her by a Qualified Majority of the Board.

5.08 Assistant Secretary. The Board may appoint one or more Assistant Secretaries who need not be members of the Board. The Assistant Secretary, or the Assistant Secretaries designated in the resolution by the Board if there is more than one, shall have all the powers and duties of the Secretary in the absence of the Secretary. Should the Secretary and the Assistant Secretary or Assistant Secretaries be absent from any meeting of the Board, the members present shall appoint a secretary of the meeting.

5.09 Other Officers. Such other officers as may from time to time be elected or appointed by the Board shall perform such duties as may be specifically assigned to them by the Board.

5.10 Removal of Officers. Except for the Executive Director, any officer of the Authority may be removed by a majority of the Board. If an officer who is a member of the Board loses his or her membership on the Board for any reason, such officer shall cease to hold his or her office; provided, however, that the Board shall not be precluded from reappointing such officer provided that the office held is not one for which membership on the Board is a prerequisite.

5.11 Vacancies. A vacancy in any office shall occur upon the death, resignation, disqualification, removal or expiration of the term of an officer. A majority of the Board shall have the power to fill any vacancies occurring for whatever reason in any office, except for a vacancy in the Executive Director's office which shall require a Qualified Majority of the Board. All vacancies shall be filled as soon as practicable. (amended on 7/18/94)

ARTICLE VI

EMPLOYEES

6.01 Other Employees and Professional Services. The Board may employ such other agents, employees, technical experts, legal counsel and consultants as it may from time to time determine, to serve at the will of the Board and for such compensation as the Board may direct; provided that a Qualified Majority of the Board must approve any contract for professional services.

ARTICLE VII

AUDITS, FISCAL YEAR, MONIES OF THE AUTHORITY

7.01 Audit. The Authority shall file an annual report with the Chairperson and the Minority Chairperson of the Appropriations Committee of the Senate of the Commonwealth of Pennsylvania and the Chairperson and the Minority Chairperson of the Appropriations Committee of the House of Representatives of the Commonwealth of Pennsylvania, which annual report shall make provisions for the accounting of revenues and expenses of the Authority. The Authority shall have its books, accounts and records audited annually in accordance with generally accepted auditing standards by an independent auditor who shall be a certified public accountant, and a copy of the audit report shall be attached to and be made a part of the Authority's annual report. A concise financial statement shall be published annually in the *Pennsylvania Bulletin*. The Chairperson and Minority Chairperson of the Appropriations Committee of the Senate of the

Commonwealth of Pennsylvania and the Chairperson and Minority Chairperson of the Appropriations Committee of the House of Representatives of the Commonwealth of Pennsylvania shall have the right to examine, from time to time and at any time, the books, accounts and records of the Authority.

7.02 Fiscal Year. The fiscal year of the Authority shall end on June 30 of each year.

7.03 Monies of the Authority. All monies of the Authority, from whatever source derived, shall be paid to the Treasurer of the Authority. The Board shall invest the funds of the Authority in a manner consistent with sound business practice, subject to the restrictions contained in the Act and any other applicable statute or regulation.

ARTICLE VIII

CORPORATE SEAL

8.01 Corporate Seal. A seal with the words "Pennsylvania Intergovernmental Cooperation Authority, Pennsylvania Corporate Seal - 1991" upon it shall be the common and corporate seal of the Authority. Such seal may be used by causing it to be impressed upon, affixed to, or reproduced in fact similarly or otherwise to any documents or other writing.

ARTICLE IX

SOVEREIGN IMMUNITY: INDEMNIFICATION

9.01 Sovereign Immunity. The Authority and its members, officers, officials and employees shall enjoy sovereign and official immunity, as provided in 1 Pa. Cons. Stat. Ann. § 2310 (relating to sovereign immunity reaffirmed; specific waiver), and shall remain immune from suit except as provided by and subject to the provisions of 42 Pa. Cons. Stat. Ann. § 8501 (relating to definitions) through § 8528 (relating to limitations on damages). Notwithstanding the provisions of 42 Pa. Cons. Stat. Ann. § 8525, the Authority, through its legal counsel, shall defend actions brought against the Authority or its members, officers, officials and employees when acting within the scope of their official duties.

9.02 Indemnity. The Authority shall indemnify any member or officer of the Authority who was or is an "Authorized Representative" of the Authority (which shall mean, for purposes of this Article IX, a member or officer of the Authority, including the Executive Director, or such person serving at the request of the Authority as a director, officer, partner, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise) and who was or is a "party" (which shall include for purposes of this

Article IX the giving of testimony or similar involvement) or is threatened to be made a party to any "proceeding" (which shall mean for purposes of this Article IX any threatened, pending or completed action, suit, appeal or other proceeding of any nature, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the Authority or otherwise) by reason of the fact that such person was or is an Authorized Representative of the Authority to the fullest extent permitted by law, including without limitation indemnification against expenses (which shall include for purposes of this Article IX attorneys' fees and disbursements), damages, punitive damages, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such proceeding, unless the act or failure to act giving rise to the claim is finally determined by a court to have constituted willful misconduct or recklessness. If an Authorized Representative is not entitled to indemnification in respect of a portion of any liabilities to which such person may be subject, the Authority shall nonetheless indemnify such person to the maximum extent permitted by law for the remaining portion of the liabilities.

9.03 Advancement of Expenses. The Authority shall pay the expenses (including attorneys' fees and disbursements) actually and reasonably incurred in defending a proceeding on behalf of any person entitled to indemnification under Section 9.02 in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Authority as authorized in this Article IX. The financial ability of such Authorized Representative to make such repayment shall not be a prerequisite to the making of an advance.

9.04 Employee Benefit Plans. For purposes of this Article IX, the Authority shall be deemed to have requested a member or officer to serve as fiduciary with respect to an employee benefit plan where the performance by such person of duties to the Authority also imposes duties on, or otherwise involves services by, such person as a fiduciary with respect to the plan; excise taxes assessed on an Authorized Representative with respect to any transaction with an employee benefit plan shall be deemed "fines"; and action taken or omitted by such person with respect to an employee benefit plan in the performance of duties for a purpose reasonably believed to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the Authority.

9.05 Security for Indemnification Obligations. To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the Authority may maintain insurance, obtain a letter of credit, act as self-insurer, create

a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, pledge or grant a security interest in any assets or properties of the Authority, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the Board shall deem appropriate.

9.06 Reliance Upon Provisions. Each person who shall act as an Authorized Representative of the Authority shall be deemed to be doing so in reliance upon the rights of indemnification provided in this Article IX.

9.07 Amendment or Repeal. All rights of indemnification under this Article IX shall be deemed a contract between the Authority and the person entitled to indemnification under this Article IX pursuant to which the Authority and each such person intend to be legally bound. Any repeal, amendment or modification hereof shall be prospective only and shall not limit, but may expand, any rights or obligations in respect of any proceeding whether commenced prior to or after such change to the extent such proceeding pertains to actions or failures to act occurring prior to such change.

9.08 Scope of Article. The indemnification, as authorized by this Article IX, shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any statute, agreement or otherwise, both as to action in an official capacity and as to action in any other capacity while holding such office. The indemnification and advancement of expenses may be provided under any statute, agreement or otherwise, both as to action in an official capacity and as to action in any other capacity while holding office. The indemnification and advancement of expenses provided in, or granted pursuant to, this Article IX shall continue as to a person who has ceased to be a member or an officer in respect of proceedings pertaining to actions or failures to act occurring while such person was serving as a member or an officer, and shall inure to the benefit of such person's heirs, executors and administrators.

ARTICLE X

CONFLICTS OF INTEREST

10.01 Conflicts of Interest. All members, officers and employees of the Authority shall be subject to the provisions of the Act of October 4, 1978, P.L. 883, No. 170, referred to as the Public Official and Employee Ethics Law, and the Act of July 19, 1957, P.L. 1017, No. 451, known as the State Adverse Interest Act. For the purposes of application of such acts, employees of the Authority (including, but without limitation, the Executive Director) shall be regarded as public employees of the Commonwealth of Pennsylvania, and members and officers of the

Authority shall be regarded as public officials of the Commonwealth of Pennsylvania, whether or not they receive compensation.

ARTICLE XI

WAIVER OF NOTICE

11.01 Waiver of Notice. Any notice required to be given under these Bylaws may be effectively waived by the person entitled to such notice by written waiver signed before or after the meeting to which such notice related or by attendance at such meeting otherwise than for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

ARTICLE XII

AMENDMENT OF BYLAWS

12.01 Amendments. These Bylaws may be altered, amended or repealed, and new Bylaws may be adopted, by a Qualified Majority of the Board, at any meeting after fifteen (15) days' prior written notice of such an intention has been provided by the Secretary to each member of the Board; provided further, that no amendment may be made in contravention of the Act or any other applicable statute or regulation.

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NOTE

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Exhibit B
(Bond Resolution)

**AUTHORIZATION OF SPECIAL TAX
REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING
PROGRAM), SERIES OF 2003**

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

**Resolution No. 2003 - 04
March 25, 2003**

**AUTHORIZING THE ISSUANCE AND SALE OF A
NEW SERIES OF REFUNDING BONDS OF THE
AUTHORITY TO REFUND THE OUTSTANDING
SPECIAL TAX REVENUE REFUNDING BONDS (CITY
OF PHILADELPHIA FUNDING PROGRAM), SERIES
OF 1993A OF THE AUTHORITY; AUTHORIZING THE
EXECUTION AND DELIVERY OF A THIRD
SUPPLEMENT TO THE AMENDED AND RESTATED
INDENTURE OF TRUST, A BOND PURCHASE
CONTRACT AND OTHER AGREEMENTS AND
DOCUMENTS NECESSARY OR APPROPRIATE IN
CONNECTION WITH THE ISSUANCE OF THE BONDS
AND THE REFUNDING; AUTHORIZING THE
PREPARATION, DISTRIBUTION AND EXECUTION
OF A PRELIMINARY AND FINAL OFFICIAL
STATEMENT RELATING TO THE BONDS;
DETERMINING THAT A PRIVATE NEGOTIATED
SALE OF THE BONDS IS IN THE BEST INTEREST OF
THE AUTHORITY; APPROVING THE SALE OF THE
BONDS; AUTHORIZING THE APPLICATION FOR
MUNICIPAL BOND INSURANCE WITH RESPECT TO
THE BONDS; AND AUTHORIZING THE TAKING OF
ALL OTHER ACTIONS DEEMED NECESSARY OR
APPROPRIATE FOR THE CONSUMMATION OF THE
TRANSACTIONS CONTEMPLATED BY THIS
RESOLUTION.**

*** * * * ***

WHEREAS, pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"), the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") is authorized to issue its bonds for the purpose of, among other things, refunding any outstanding indebtedness of the Authority; and

WHEREAS, on December 6, 2001, the Authority and JPMorgan Chase Bank (the "Swap Counterparty") entered into a \$163,185,000 notional amount interest rate swaption transaction (the "Swaption Transaction") relating to the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A, currently outstanding in the aggregate principal amount of \$163,185,000 (the "Refunded 1993A Bonds"); and

WHEREAS, the Authority has been notified that the Swap Counterparty has exercised its option to cause the interest rate swap that is the subject of the Swaption Transaction to become effective on or about June 16, 2003; and

WHEREAS, in light of the foregoing, the Authority desires to issue and sell its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "Bonds") to refund the entire outstanding aggregate principal amount of the Refunded 1993A Bonds (the "Refunding"); and

WHEREAS, the Authority has determined that the public interest will be best served and that the purpose of the Act can be most advantageously achieved by the Authority's issuance of the Bonds in order to obtain funds to be used for the Refunding; and

WHEREAS, the Authority has determined that, because of the complexity of this financing, a private negotiated sale of the Bonds is in the best interest of the Authority; and

WHEREAS, the Authority deems it necessary, in connection with the issuance, sale and delivery of the Bonds, to authorize and direct the execution and delivery of the Bonds and to authorize the execution and delivery of all such other agreements, instruments, certificates, documents and papers and the performance of all such other acts as may be necessary or appropriate in connection with the issuance and sale of the Bonds and the implementation of this Resolution and the transactions authorized hereby;

NOW, THEREFORE, BE IT RESOLVED BY THE PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY AS FOLLOWS:

Section 1. In addition to the words and terms defined in the recitals above, the following words and terms used in this Resolution shall have the following respective meanings:

"Amended and Restated Indenture" means the Amended and Restated Indenture of Trust, dated as of December 1, 1994, as amended and supplemented by the First Supplement to the Amended and Restated Indenture of Trust, dated as of May 15, 1996, and as further amended and supplemented by the Second Supplement to the Amended and Restated Indenture of Trust, dated as of April 1, 1999, each between the Authority and the Trustee (or a predecessor trustee).

"Board" means the governing board of the Authority.

"Bond Committee" means the Executive Director, the Chairperson and the Treasurer of the Authority, acting unanimously.

"Bond Purchase Contract" means the Bond Purchase Contract to be entered into between the Authority and the Underwriters (or a representative of the Underwriters), providing for the sale and purchase of the Bonds.

“Chairperson” means the Chairperson of the Board, including any official authorized to carry out the duties of the Chairperson in the Chairperson’s absence (including without limitation any acting Chairperson or temporary Chairperson).

“City” means the City of Philadelphia.

“Commonwealth” means the Commonwealth of Pennsylvania.

“Executive Director” means the Executive Director of the Authority, including any official authorized to carry out the duties of the Executive Director in the Executive Director’s absence (including without limitation any acting Executive Director or the Deputy Executive Director).

“Indenture” means the Amended and Restated Indenture, as amended and supplemented by the Third Supplement to the Amended and Restated Indenture.

“Official Statement” means the final official statement (or other appropriate form of securities disclosure document) of the Authority with respect to the Bonds.

“Preliminary Official Statement” means the preliminary official statement (or other appropriate form of securities disclosure document) of the Authority with respect to the Bonds.

“Resolution” means this Resolution.

“Secretary” or “Assistant Secretary” means the Secretary or Assistant Secretary of the Board or any official authorized to carry out the duties of the Secretary or the Assistant Secretary in the Secretary’s or the Assistant Secretary’s absence (including, without limitation, any acting Secretary or acting Assistant Secretary of the Authority).

“Third Supplement to the Amended and Restated Indenture” means the Third Supplement to the Amended and Restated Indenture to be entered into between the Authority and the Trustee, amending and supplementing the Amended and Restated Indenture.

“Treasurer” means the Treasurer of the Authority, including any official authorized to carry out the duties of the Treasurer in the Treasurer’s absence (including without limitation any acting Treasurer or Assistant Treasurer).

“Trustee” means Wachovia Bank, National Association, as trustee under the Indenture, and its successors and assigns as such trustee.

“Underwriters” means the underwriters party to, or named in, the Bond Purchase Contract, to be selected by the Authority.

“Vice Chairperson” means the Vice Chairperson of the Board, including any official authorized to carry out the duties of the Vice Chairperson in the Vice Chairperson’s absence (including without limitation any acting Vice Chairperson or temporary Vice Chairperson).

Section 2. The Authority hereby finds and determines that the issuance and sale of the Bonds under the Indenture and the use of the proceeds of the Bonds for the Refunding is in furtherance of the public purposes set forth in the Act and is in compliance with the provisions of the Act.

Section 3. The sale of the Bonds to the Underwriters at a private negotiated sale is hereby determined to be in the best interest of the Authority and the Commonwealth, to best fulfill the objectives of the Act and to be necessary and appropriate in light of the circumstances under which the financing for the Refunding is being arranged. A public or invited sale of the Bonds is hereby determined to be impracticable and inadvisable. The complexity of the Refunding and the Bonds, the existence of the Swaption Transaction, and the corresponding necessity of careful and thorough disclosure in the Preliminary Official Statement and the Official Statement in connection with the offering and the sale of the Bonds will necessitate the ongoing participation of the Underwriters and their counsel in the planning and structuring of the financing for the Refunding and in the preparation of the Preliminary Official Statement, the Official Statement and the other financing documents and in the marketing of the Bonds. Such participation cannot be obtained in the absence of a commitment by the Authority to sell the Bonds to the Underwriters at a private negotiated sale.

Section 4. The Bond Committee is hereby expressly granted and delegated the full power and authority, for and on behalf of the Board, to review and approve the final terms, conditions and details of the Bonds and the issuance, sale and delivery thereof, pursuant to the Act and in accordance with and subject to the terms, conditions and limitations established in this Resolution, such approval to be conclusively evidenced by the execution and delivery of the Bonds at the closing therefor in the manner provided herein, provided, however, that the aggregate principal amount of the Bonds shall not exceed \$175,000,000, the final maturity date for the Bonds shall not be later than June 15, 2028, and the Underwriters' discount or fee in connection with the purchase of the Bonds shall not exceed 2.00% of the aggregate principal amount of the Bonds. The Bonds shall be designated "Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003." The proceeds of the Bonds shall be used for the Refunding and to pay all or a portion of the costs and expenses incurred by the Authority in connection with the issuance of the Bonds, including without limitation costs of credit and liquidity enhancement and deposits to any reserve funds.

Section 5. The Bonds shall be issued in fully registered form. The Bonds shall be dated; shall mature in such principal amounts on such dates; shall bear interest at such floating, variable, auction, adjustable or fixed rates of interest; shall be subject to redemption or mandatory or optional tender for purchase prior to maturity; and shall otherwise be subject to such additional terms, conditions and provisions, all as are approved by the Bond Committee and specified in the Bond Purchase Contract or the Third Supplement to the Amended and Restated Indenture. The form of the Third Supplement to the Amended and Restated Indenture is hereby incorporated herein by this reference, subject to appropriate insertions and revisions in order to comply with the provisions of the Third Supplement to the Amended and Restated Indenture, and the provisions for the signatures, authentication, payment, place of payment, medium of payment, transfer, exchange, registration, number, denominations and other provisions thereof, to the extent not provided herein, shall be as set forth in the Third Supplement to the Amended and Restated Indenture, as finally executed, and are hereby approved and incorporated herein by this reference. The Bonds, when the same shall be executed on behalf of the Authority in the manner contemplated by the Third Supplement to the Amended and Restated Indenture and this Resolution, shall represent the approved form of the Bonds.

Section 6. The Chairperson or Vice Chairperson is hereby authorized and directed to execute the Bonds in the name and on behalf of the Authority by his or her manual or facsimile signature, and the Secretary or Assistant Secretary is hereby authorized and directed to affix the corporate seal of the Authority or a facsimile thereof to the Bonds when so executed and to attest the same by his or her manual or facsimile signature, and each such officer is hereby authorized and directed to deliver the Bonds to the Trustee for authentication pursuant to the Third Supplement to the Amended and Restated Indenture.

Section 7. The Bonds are and shall be limited obligations of the Authority payable by the Authority solely from the sources specified or described in the Third Supplement to the Amended and Restated Indenture. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER. NO MEMBER OF THE BOARD SHALL BE LIABLE PERSONALLY ON THE BONDS OR ON ANY DOCUMENT OR INSTRUMENT EXECUTED IN CONNECTION THEREWITH.

Section 8. The Authority is hereby authorized to enter into the Third Supplement to the Amended and Restated Indenture. The Chairperson or Vice Chairperson is hereby authorized and directed to execute and deliver the Third Supplement to the Amended and Restated Indenture in the name and on behalf of the Authority, such document to be in such form and to contain such terms and conditions (not inconsistent with any of the other requirements of this Resolution) as shall be approved by either such officer with the advice of the Authority's legal counsel and financial advisors, such approval and the approval of the Board to be conclusively evidenced by the execution of the Third Supplement to the Amended and Restated Indenture by either such officer.

Section 9. The Authority is hereby authorized to enter into the Bond Purchase Contract and to sell the Bonds by private negotiated sale to the Underwriters pursuant thereto. The Chairperson or Vice Chairperson is hereby authorized and directed to execute and deliver the Bond Purchase Contract in the name and on behalf of the Authority, such document to be in such form and to contain such terms and conditions (not inconsistent with any of the other requirements or conditions of this Resolution) as shall be approved by the Chairperson or Vice Chairperson with the advice of the Authority's legal counsel and financial advisors, such approval and the approval of the Board to be conclusively evidenced by the execution of the Bond Purchase Contract by either such officer.

Section 10. By virtue of this Resolution and without further authorization from the Authority, the Trustee shall be authorized, directed and requested to apply the proceeds of the Bonds pursuant to the terms of the Indenture and to invest and reinvest, at the direction of the Authority, all moneys which by the terms of the Indenture may be invested, or to deposit and redeposit such moneys in such accounts as may be permitted by the Indenture, all subject to the terms and limitations contained in the Indenture.

Section 11. The Chairperson, the Vice Chairperson or the Executive Director is hereby authorized to negotiate on behalf of the Authority and, if such officer determines that they will be beneficial to the Authority, to accept in the name and on behalf of the Authority, commitments for the issuance of a policy of municipal bond insurance with respect to the Bonds, an insurance policy, surety bond or other credit facility for all or a portion of any reserve fund for the Bonds, and a credit facility providing liquidity support for the Bonds. The Chairperson, the Vice Chairperson or the Executive Director is hereby authorized, in the name and on behalf of the Authority, to execute and deliver all such documents, instruments and agreements as any such officer may deem to be necessary or appropriate in connection with any such policy, surety bond or credit facility, such documents to be in such form and to contain such terms and conditions (not inconsistent with any of the other requirements of this Resolution) as shall be approved by any such officer with the advice of the Authority's legal counsel and financial advisors, such approval and the approval of the Board to be conclusively evidenced by the execution of such documents by any such officer.

Section 12. The preparation and distribution of the Preliminary Official Statement in connection with the marketing of the Bonds to investors is hereby authorized and

approved. The Preliminary Official Statement shall be in such form and shall contain such information as shall be approved by the Executive Director of the Authority with the advice of the Authority's legal counsel and financial advisors, such approval to be conclusively evidenced by the mailing of the Preliminary Official Statement. The Executive Director is hereby expressly granted full power and authority on behalf of the Board to represent and warrant that the Preliminary Official Statement has been "deemed final" as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(1) of Rule 15c2-12. The preparation and distribution of the Official Statement is hereby authorized and approved in connection with the sale and delivery of the Bonds, and the Chairperson or Vice Chairperson is hereby authorized and directed to execute said Official Statement with such changes, omissions, inserts, deletions and variations from the Preliminary Official Statement as shall be approved by either such officer with the advice of the Authority's legal counsel and financial advisors, such approval and the approval of the Board to be conclusively evidenced by the execution of the Official Statement by either such officer.

Section 13. The Authority is hereby authorized to enter into such remarketing agreements, escrow deposit agreements, auction agency agreements, market agent agreements, broker-dealer agreements, standby bond purchase agreements, continuing disclosure agreements, tax compliance agreements, agreements with the Commonwealth or the State Treasurer or any other department or agency of the Commonwealth, agreements with the City or any department or agency of the City, agreements providing for the registration of the Bonds to be maintained in the name of a securities depository or its nominee pursuant to a book entry-only system, and all other agreements relating to or concerning the Bonds, the Refunding, and any liquidity support or credit enhancement for the Bonds, all as may be required under the Bond Purchase Contract or as may otherwise be necessary or appropriate for the proper, lawful and efficient consummation of the transactions contemplated by this Resolution. The Chairperson, the Vice Chairperson or the Executive Director is hereby authorized, in the name and on behalf of the Authority, to execute and deliver any and all such documents, which documents shall be in form and substance as shall be approved by any such officer with the advice of the Authority's legal counsel and financial advisors, such approval and the approval of the Board to be conclusively evidenced by the execution of such documents by any such officer.

Section 14. The redemption of the Refunded 1993 Bonds on or about June 16, 2003 (or such other date as may be necessary or appropriate under the circumstances) pursuant to rights of optional redemption by the Authority under the Amended and Restated Indenture is hereby authorized and approved, and the Chairperson, the Vice Chairperson and the Executive Director are each hereby authorized to take all such action as may be required under the Amended and Restated Indenture in order to effect such redemption of the Refunded 1993 Bonds, including the giving of all necessary notices.

Section 15. The Authority is hereby authorized to enter into one or more additional interest rate swap, cap, floor, collar, basis cap or similar interest rate hedging agreements or one or more amendments or supplements to the Swaption Transaction (collectively, "Additional Hedge Transactions"), as the Bond Committee may determine to be necessary or appropriate in connection with the Bonds and in the best financial interest of the Authority in managing the interest costs of the Authority with respect to the Bonds. The Bond Committee is hereby authorized and directed to approve all terms and details relating to such Additional Hedge Transactions, including without limitation identity of counterparty, interest rates, term, notional amount, amortization, collateral security and options as to commencement and termination of payments. The Chairperson, the Vice Chairperson or the Executive Director is hereby authorized, in the name and on behalf of the Authority, to execute and deliver all such documents, instruments and agreements as any such officer may deem to be necessary or

appropriate in connection with any such Additional Hedge Transactions, such documents to be in such form and to contain such terms and conditions (not inconsistent with any of the other requirements of this Resolution) as shall be approved by any such officer with the advice of the Authority's legal counsel and financial advisors, such approval and the approval of the Board to be conclusively evidenced by the execution of such documents by any such officer.

Section 16. The Chairperson, the Vice Chairperson, the Secretary, the Assistant Secretary, the Treasurer and the Executive Director are each hereby authorized and directed to execute, deliver and file any and all other documents, instruments, agreements, certificates and other papers of any kind whatsoever, and to do any and all other acts or things, that are necessary or appropriate in order to effect the issuance and sale of the Bonds, the Refunding, the investment of the proceeds of the Bonds, the execution, delivery and performance by the Authority of the Bond Purchase Contract, the Third Supplement to the Amended and Restated Indenture and the other financing documents relating to the Bonds, and to carry out the intent and purposes of this Resolution and the transactions contemplated hereby, including but not limited to the amendment, modification, restatement or the making of any other required changes to certain existing investment agreements or other contracts necessary or appropriate to effectuate the issuance of the Bonds, the Refunding and the transactions contemplated hereby. The Secretary or the Assistant Secretary is hereby authorized and directed, when requested, to affix the official corporate seal of the Authority to any and all documents, instruments, agreements and certificates executed on behalf of the Authority pursuant to this Resolution and to attest said seal. The Executive Director is hereby appointed as Assistant Secretary of the Authority.

Section 17. The proper officers of the Authority are hereby directed to file a copy of this Resolution for public inspection in the office of the Authority and in the office of the Chief Clerk of the Council of the City and to publish in a newspaper of general circulation published or circulating in the City a notice containing the information specified in Section 303(b)(1) through (4) of the Act.

Section 18. To the extent not paid from the proceeds of the Bonds or from other sources of funds available under the Indenture, the Treasurer is hereby authorized to pay all costs and expenses relating to the issuance and sale of the Bonds and the Refunding, including without limitation fees and costs for credit enhancement and liquidity support and deposits to funds under the Indenture, from the general funds of the Authority, including without limitation moneys previously received by the Authority from the Swap Counterparty under the Swaption Transaction.

Section 19. All prior resolutions or parts of prior resolutions inconsistent with this Resolution are hereby repealed, rescinded, cancelled and annulled insofar as they conflict herewith. Subject to the foregoing sentence, the Authority hereby ratifies and confirms any and all prior actions taken by or on behalf of the Authority consistent with the intent of this Resolution.

Section 20. This Resolution shall take effect immediately.

MOVED: William J. Leonard, Esquire

SECONDED: Gregg R. Melinson, Esquire

APPROVED: Yes

Qualified Majority Required: Yes X No _____

Vote:	<u>Yes</u>	<u>No</u>	<u>Abstain</u>
Leonard	X	_____	_____
Karp	X	_____	_____
Kavulich	X	_____	_____
Melinson	X	_____	_____

EXHIBIT C

**RESOLUTION APPROVING INTERGOVERNMENTAL
COOPERATION AGREEMENT**

INTERGOVERNMENTAL
COOPERATION
AGREEMENT

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Resolution No. 1992 - 02
January 8, 1992

WHEREAS, there has been submitted to this meeting a form of an Intergovernmental Cooperation Agreement (the "Intergovernmental Cooperation Agreement") between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and the City of Philadelphia (the "City"); and

WHEREAS, Section 203(d) of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6) provides that the Authority shall have the power and its duty shall be to enter into such intergovernmental cooperation agreements with cities of the first class as are approved by a qualified majority of the governing board of the Authority.

NOW THEREFORE, BE IT RESOLVED:

1. The Authority hereby authorizes and approves the execution, delivery and performance by the Authority of the Intergovernmental Cooperation Agreement substantially in the form submitted to this meeting and attached hereto as Exhibit "A". The Chairperson or Vice-Chairperson of the Authority is hereby authorized and directed to execute the Intergovernmental Cooperation Agreement in the name and on behalf of the Authority; the Secretary or the Assistant Secretary of the Authority is hereby authorized and directed to affix the seal of the Authority to the Intergovernmental Cooperation Agreement when so executed and to attest the same; and the said officers of the Authority are hereby authorized and directed to deliver the Intergovernmental Cooperation Agreement to the City.

2. The Authority hereby ratifies and confirms any and all prior actions taken by or on behalf of the Authority consistent with the intent of this Resolution.

3. All resolutions or parts of resolutions not in accordance with this Resolution are hereby repealed insofar as they conflict herewith.

MOVED: Carol G. Carroll

SECONDED: John J. Egan, Jr.

APPROVED: Yes

Qualified Majority Required: Y x N

Vote:	<u>YES</u>	<u>NO</u>	<u>ABSTAIN</u>
Anderson	<u>X</u>	<u> </u>	<u> </u>
Andes	<u>X</u>	<u> </u>	<u> </u>
Carroll	<u>X</u>	<u> </u>	<u> </u>
Egan	<u>X</u>	<u> </u>	<u> </u>

Exhibit D

(Resolution Approving City Plan)

**FIVE-YEAR FINANCIAL
PLAN FY1999-FY2003**

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Resolution No. 1998 - 03
June 9, 1998

WHEREAS, there has been submitted to this meeting a document entitled "City of Philadelphia, Five-Year Financial Plan, Fiscal Year 1999 - Fiscal Year 2003 (including Fiscal Year 1998)" (the "Plan") prepared by the City of Philadelphia (the "City"); and

WHEREAS, Section 209(e) of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6) (the "PICA Act") provides that the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") shall receive from the City an annual revision of the City's Five-Year Financial Plan; and

WHEREAS, the PICA Act provides that the Authority, by action of a qualified majority of its governing board, shall have the power to approve the Five-Year Financial Plan as so revised; and

WHEREAS, the Authority has received the City's annual revision of the Five-Year Financial Plan, in the form of the Plan, from the Mayor of the City; and

WHEREAS, the Authority has received and reviewed the report entitled "Pennsylvania Intergovernmental Cooperation Authority Staff Report on the City of Philadelphia's Five-Year Financial Plan for Fiscal Year 1999 - Fiscal Year 2003", dated June 9, 1998 (the "Staff Report"); and

WHEREAS, the Authority has determined to approve the Plan based upon the recommendation of the Staff Report; and

NOW THEREFORE, BE IT RESOLVED:

1. The Authority hereby approves the Plan in the form submitted to this meeting and attached hereto as Exhibit "A".

2. The Authority hereby ratifies and confirms any and all prior actions taken by or on behalf of the Authority consistent with the intent of this Resolution.

3. All resolutions or parts of resolutions not in accordance with this Resolution are hereby repealed insofar as they conflict herewith.

MOVED: Arnold S. Hoffman

SECONDED: William J. Leonard, Esq.

APPROVED: Yes

Qualified Majority Required: Y x N

Vote:	<u>YES</u>	<u>NO</u>	<u>ABSTAIN</u>
DiDonato	<u>x</u>	<u> </u>	<u> </u>
Hoffman	<u>x</u>	<u> </u>	<u> </u>
Kavulich	<u>x</u>	<u> </u>	<u> </u>
Leonard	<u>x</u>	<u> </u>	<u> </u>
Van Dyck	<u>x</u>	<u> </u>	<u> </u>

Exhibit F

(Certificate of Bond Pricing Authority)

**CERTIFICATION
OF
BOND COMMITTEE**

THE UNDERSIGNED, being the Chairperson, the Treasurer and the Executive Director, respectively, of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and the members of the "Bond Committee" designated in Resolution No. 2003-04 adopted by the governing board of the Authority on March 24, 2003 (the "Bond Resolution"), HEREBY CERTIFY AS FOLLOWS in connection with the issuance and sale by the Authority on or about the date hereof of \$165,550,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2003 (the "Series 2003 Bonds") and in connection with the basis cap transaction (the "Basis Cap Transaction") being entered into between the Authority and JPMorgan Chase Bank ("JPMorgan Chase") on or about the date hereof:

1. Attached hereto as Exhibit "A" is a true, correct and complete copy of the Bond Resolution as duly adopted by the affirmative vote of not less than four voting members of the governing board of the Authority at a meeting thereof duly called and held on March 24, 2003, at which meeting a quorum was present and acting throughout. Notice of said meeting was given in accordance with the Bylaws of the Authority and public notice of said meeting was given in accordance with the requirements of the Pennsylvania Sunshine Law. The Bond Resolution has not been amended, modified, repealed or rescinded in whole or in part and remains in full force and effect on and as of the date hereof.

2. Pursuant to the Bond Resolution, the members of the Bond Committee have unanimously approved all terms, conditions and details of the Series 2003 Bonds and the issuance, sale and delivery thereof, as reflected in (i) the Official Statement, dated June 12, 2003, of the Authority with respect to the Series 2003 Bonds; (ii) the Bond Purchase Contract, dated June 12, 2003, between the Authority and Raymond James & Associates, Inc., as Representative of the Underwriters named therein; and (iii) the Third Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2003, between the Authority and Wachovia Bank, National Association, as Trustee, all of which documents are attached hereto as Exhibit "B".

3. Pursuant to the Bond Resolution, the members of the Bond Committee unanimously selected JPMorgan Chase as the counterparty to the Basis Cap Transaction.

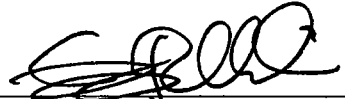
4. Pursuant to the Bond Resolution, the members of the Bond Committee have unanimously approved all terms and details of the Basis Cap Transaction and have unanimously approved the form and terms of the Master Agreement dated as of December 6, 2001, the Schedule to the Master Agreement dated as of December 6, 2001 (including the Credit Support Annex to said Schedule) and the Confirmation dated June 9, 2003, each between the Authority and JPMorgan Chase and attached hereto as Exhibit "C".

[Signatures appear on the following page.]

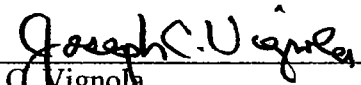
WITNESS the due execution hereof this 16th day of June 2003.



Lauri A. Kavulich
Chairperson



Gregg R. Melinson
Treasurer



Joseph C. Vignola
Executive Director

Signature Page to Certification of Bond Committee

EXHIBIT "A"

Bond Resolution

(Attached)

Bond Resolution

[See Item Exhibit B to Secretary Certificate of Authority, Item C-4]

EXHIBIT "B"

Bond Documents

(Attached)

Bond Documents

[For Third Supplement to Amended and Restated Indenture of Trust, See Item B-1]

[For Bond Purchase Contract, See Item B-3]

[For Official Statement, See Item B-9]

EXHIBIT "C"

Basis Cap Documents

(Attached)

ATTN: Joseph Vignola, Executive Director
PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY
1429 Walnut Street, 14th Floor, Philadelphia, PA 19102

FAX NO: 215 563 2570

FROM: SAMUEL GRUER
On behalf of JP MORGAN SECURITIES INCORPORATED
As Agent for JP MORGAN CHASE BANK – NEW YORK

RE: TRANSACTION CONFIRMATION

TRADE DATE: 6 June 2003

FIXED RATE EFFECTIVE
DATE: 15 June 2003

FLOATING RATE
EFFECTIVE DATE: 15 June 2005

YOUR REF:

OUR REF: 85002203

DATE SENT:

NO. OF PAGES: 8 (Excluding Cover)

**Transaction
(Basis Cap)**

Date: June 9, 2003

The purpose of this letter agreement is to confirm the terms and conditions of the Transaction entered into between:

JPMORGAN CHASE BANK

And

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

on the Trade Date and identified by the JPMorgan Deal Number specified below (the "Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

The definition and provisions contained in the 2000 ISDA Definitions, incorporating the June 2000 version of the Annex (the "2000 Definitions") and the 1992 ISDA U.S. Municipal Counterparty Definitions (the "1992 Muni Definitions"), each as amended and supplemented through the date of this Confirmation (as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between the 2000 Definitions and the 1992 Muni Definitions, the 1992 Muni Definitions will govern and in the event of any inconsistency between the 1992 Muni Definitions and this Confirmation, this Confirmation will govern.

1. In accordance with Part 5(c) of the Schedule to the ISDA Master Agreement dated as of December 6, 2001, as amended and supplemented from time to time (the "Agreement"), between JPMORGAN CHASE BANK ("JPMorgan") and the PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY (the "Counterparty"), JPMorgan and the Counterparty hereby agree that this Confirmation amends, supplements, forms part of, and is subject to, the Agreement. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

JPMorgan Deal Number: 85002203

Trade Date: June 6, 2003

Notional Amount:	See Schedule I, attached hereto
Fixed Rate Effective Date:	June 15, 2003
Termination Date:	June 15, 2022
Basis Cap Ratio Rate:	70%

Fixed Amounts

Fixed Rate Payer:	JPMorgan
Fixed Rate Payer Payment Dates:	The fifteenth of each calendar month, commencing with the first calendar month following the month in which the Fixed Rate Effective Date occurs, up to and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Fixed Rate:	0.40% per annum
Day Count Fraction for Fixed Rate:	30/360

Floating Amounts

Floating Rate Payer:	Counterparty
Floating Rate Effective Date:	June 15, 2005
Floating Rate Payer Payment Dates:	The fifteenth of each calendar month, commencing July 15, 2005, up to and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Floating Rate Index I:	Municipal Swap index (as defined below)

“Municipal Swap Index” means the BMA Municipal Swap IndexTM (formerly, the PSA Municipal Swap IndexTM), as defined in the 1992 Muni Definitions; provided, however, that if the BMA Municipal Swap IndexTM is no longer available, the Municipal Swap Index shall be deemed to be the Kenny IndexTM (as

defined in the 1992 Muni Definitions), and provided further, however, that if the Kenny Index TM is no longer available, JPMorgan, in consultation with the Counterparty, will select or calculate a comparable index (which comparable index shall reflect taxable bond rates in the event a legislative or regulatory change has the effect of eliminating tax-exempt bonds), which shall be deemed to be the Municipal Swap Index.

Designated Maturity for Floating Rate Index I:	1 week
Day Count Fraction for Floating Rate Index I:	Actual/Actual
Reset Dates for Floating Rate Index I:	Floating Rate Effective Date and thereafter weekly on Thursday, provided that the Floating Rate shall be determined on Wednesday of each week, and the Floating Rate Index I will be effective for the seven (7) day period from and including the Thursday for which such Floating Rate Index I Option is effective to and including the following Wednesday, without regard to the Modified Following Business Day Convention
Floating Rate Index II:	USD-LIBOR-BBA
Designated Maturity for Floating Rate Index II:	One Month
Reset Dates for Floating Index II:	Floating Rate Effective Date and, thereafter, the fifteenth day of each calendar month up to and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Floating Amounts Payable by Floating Rate Payer:	For each Calculation Period, the amount payable by the Floating Rate Payer on the applicable Floating Rate Payer Payment Date, shall equal the greater of: (a) the average of Floating Rate Index I during such Calculation Period divided by Floating Rate Index II (as of the Reset Date at the commencement of such Calculation Period) less the Basis Cap Ratio

Rate, multiplied by such Floating Rate Index II, times the Notional Amount times the Day Count Fraction for Floating Amount Payable and (b) zero.

For purposes of clarification, clause (a) can be depicted by the following equation: $[(BMA/1 \text{ Month LIBOR}) - 70\%] * 1 \text{ Month LIBOR} * \text{Notional} * \text{Day Count}$

Day Count Fraction for Floating Amount Payable: Actual/360

Other Provisions

Averaging: Applicable for Floating Rate Index I

Method of Averaging: Daily Weighted

Compounding: Not applicable

Business Day Locations for JPMorgan: New York, London

Business Day Locations for Counterparty: New York, London

Payments will be: Net

3. Termination Option

As provided in paragraph (h)(1) of Part 1 of the Schedule dated as of December 6, 2001 between JP Morgan Chase Bank and the Counterparty, it is the intention of the parties that the Counterparty shall have the right optionally to terminate the Transaction described in this Confirmation. In the event the Counterparty terminates the Transaction, the Termination payment shall be determined pursuant to Part 1(g) of the Schedule to Master Agreement.

4. Account Details

Payments to JPMorgan:

Account for payments in USD: JPMorgan Chase Bank
New York

Favour: JPMorgan Chase Bank, New York Branch

ABA/Bank No.: CHASUS33XXX

Account No.: 099997979
Reference: JPMorgan Deal Number: 85002203
Payments to Counterparty:
Account for payments in USD: JPMorgan Chase Bank
Favour: PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY c/o First Union
National Bank
ABA/Bank No.: 053000219
Account No.: 1556597839
Reference: Trust Operations DDA 500000006439
Attention: Howard Parker 215-670-4541

5. Offices

- (a) The Office of JPMorgan for the Swap Transaction is NEW YORK; and
- (b) The Office of the Counterparty for the Swap Transaction is PHILADELPHIA.

All enquiries regarding confirmations should be sent to:

JPMorgan Chase Bank
4 Metrotech Center
17th Floor
Brooklyn, New York 11246

Attention: Documentation Control

Telephone: 1-718-242-3100
Facsimile: 1-718-242-4809

Please quote the JPMorgan Deal Number indicated above.

6. Additional Representations

Each party represents that (i) it is entering into the transaction evidenced hereby as principal (and not as agent or in any other capacity); (ii) the other party is not acting as a fiduciary for it; (iii) it is not relying upon any representations except those expressly set forth in the Agreement or this Confirmation; (iv) it has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment, hedging and trading decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the other party; and (v) it is entering into

this transaction with a full understanding of the terms, conditions and risks thereof and it is capable of and willing to assume those risks.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation and returning it to us or by sending to us a letter, telex or facsimile substantially similar to this letter, which letter, telex or facsimile sets forth the material terms of the Transaction to which this Confirmation relates and indicates agreement to those terms. When referring to this Confirmation, please indicate: JPMorgan Deal Number: 85002203

Yours sincerely,

JPMORGAN CHASE BANK

By: _____

Name:

Title:

Confirmed as of the
date first above written:

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

By: _____

Name:

Title:

SCHEDULE I

NOTIONAL AMOUNT

<u>From and After</u>	<u>Notional Amount</u>	
15-Jun-2003	163,185,000.00	USD
15-Jun-2004	157,850,000.00	USD
15-Jun-2005	152,255,000.00	USD
15-Jun-2006	146,385,000.00	USD
15-Jun-2007	140,220,000.00	USD
15-Jun-2008	133,740,000.00	USD
15-Jun-2009	126,915,000.00	USD
15-Jun-2010	119,750,000.00	USD
15-Jun-2011	112,225,000.00	USD
15-Jun-2012	104,325,000.00	USD
15-Jun-2013	96,030,000.00	USD
15-Jun-2014	87,320,000.00	USD
15-Jun-2015	78,175,000.00	USD
15-Jun-2016	68,575,000.00	USD
15-Jun-2017	58,495,000.00	USD
15-Jun-2018	47,910,000.00	USD
15-Jun-2019	36,790,000.00	USD
15-Jun-2020	25,120,000.00	USD
15-Jun-2021	12,865,000.00	USD

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

**\$165,550,000
Special Tax Revenue Refunding Bonds
(City of Philadelphia Funding Program)
Series of 2003**

**CERTIFICATE OF AUTHORITY PURSUANT TO THE BOND CONTRACT AND
SECTION 2.11(f) OF THE INDENTURE**

This certificate is made in connection with the issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of the above-referenced bonds (the "2003 Bonds") as required by Sections 9(e)(ii) and 9(e)(x) of the Bond Purchase Contract dated June 12, 2003 (the "Purchase Contract" or the "Bond Contract") between the Authority and Raymond James & Associates, Inc. as representative of the several underwriters and Section 2.11(f) of the Indenture. Terms used but not defined herein shall have the meanings set forth in the Purchase Contract or the Indenture.

WE, THE CHAIRPERSON AND SECRETARY OF THE AUTHORITY,
HEREBY CERTIFY AS FOLLOWS:

1. Each of the Bond Documents to which the Authority is a party which has been executed and delivered prior to the date hereof is currently in full force and effect and no default on the part of the Authority, or event which with notice or upon lapse of time, or both, would constitute such a default, has occurred thereunder.

2. To the best of our knowledge and after reasonable investigation, the Resolutions are in full force and effect as of the date hereof and have not been amended or supplemented since the dates of their adoption, except as specifically provided therein.

3. To the best of our knowledge after reasonable investigation, the representations and warranties of the Authority contained in the Purchase Contract are true and correct as of the date hereof.

4. To the best of our knowledge after reasonable investigation, the Final Official Statement, except for information furnished by or with respect to the City, the Bond Insurer, the Liquidity Provider and DTC, as to which no representation is made, does not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

5. To the best of our knowledge after reasonable investigation, no litigation is pending against the Authority (i) to restrain or enjoin the issuance or delivery of any of the 2003 Bonds or the pledge or collection of revenues pledged under the Indenture, (ii) in any way contesting or affecting any authority for the issuance of the

2003 Bonds or the validity of the 2003 Bonds, the Bond Documents or the Purchase Contract, or the validity of the Resolutions or (iii) in any way contesting the existence or powers of the Authority.

6. To the best of our knowledge after reasonable investigation, no event affecting the Authority has occurred since the date of the Final Official Statement which should be disclosed in the Final Official Statement for the purpose for which it is to be used, or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which they were made, not misleading.

7. To the best of our knowledge after reasonable investigation, the Authority has complied with all agreements and satisfied all conditions, on its part to be performed or satisfied at or prior to the issuance and sale of the 2003 Bonds.

8. Based solely on the verification of Deloitte & Touche, independent certified public accountants with respect to the 2003 Bonds, attached as Exhibit A hereto, (the "Accountant Verification") we hereby certify as follows:

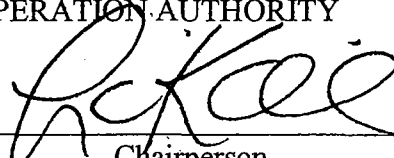
- a. The PICA Taxes (as defined in the Indenture) consisting solely of the Income Tax (as defined in the Indenture) collected with respect to the 12 month period detailed on the Accountant Verification, equaled at least one hundred seventy-five percent (175%) of the Maximum Annual Debt Service Requirement (as defined in the Indenture) on Bonds (as defined in the Indenture) to be outstanding after the issuance of the 2003 Bonds; and
- b. Based upon the projections contained in the City of Philadelphia's Financial Plan (as defined in the Indenture) for the fiscal years 2002-2007, the PICA Taxes (consisting solely of the Income Tax) projected to be collected during the 12 month period commencing June 17, 2003, and ending June 16, 2004, will equal at least one hundred seventy-five percent (175%) of the Debt Service Requirement (as defined in the Indenture) during such 12 month period on Bonds to be Outstanding (as defined in the Indenture) after the issuance of the 2003 Bonds.

Signatures appear on the following page.

IN WITNESS WHEREOF, we have executed this Certificate of the Authority pursuant to the Bond Contract and Section 2.11(f) of the Indenture and affixed hereto the seal of the Authority this 16th day of June, 2003.

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

By: _____


Chairperson

Attest: _____

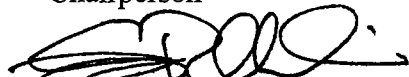

Secretary

Exhibit A

(Verification of Deloitte & Touche)



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

June 12, 2003

Pennsylvania Intergovernmental
Cooperation Authority
1429 Walnut Street
Philadelphia, Pennsylvania

We have performed the procedures enumerated in the Appendix attached, which were agreed to by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), solely to assist the Authority in evaluating its compliance with the requirements of Section 2.11(f) of the Amended and Restated Indenture of Trust dated as of December 1, 1994, as amended and supplemented, between the Authority and Wachovia Bank, National Association (the "Indenture"). The Authority's management is responsible for the Authority's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the Appendix either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are summarized in the Appendix to this report.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the requirements of Section 2.11(f) of the Indenture. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Pennsylvania Intergovernmental Cooperation Authority's management and parties to the Indenture and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP

Attachments – Appendix
– Exhibit I

APPENDIX

Our procedures and findings are summarized as follows:

1. We obtained the Certificate of Maximum Annual Debt Service in accordance with Section 2.11(f) of the Indenture of Trust (the "Certificate"), attached as Exhibit I, from the Authority's management. We compared the amounts shown on the Certificates as "PICA Taxes Collected" for the months from April 2002 to March 2003 to the monthly totals on a supporting schedule prepared by the Authority's management of individual PICA tax receipts received from the Treasurer of the Commonwealth of Pennsylvania and found such amounts to be in agreement. We recalculated such monthly totals and did not note any exceptions.
2. We confirmed the individual PICA Tax receipts listed on the supporting schedule obtained in (1) directly with the Assistant Deputy Treasurer for Fiscal Operations of the Commonwealth of Pennsylvania and did not note any exceptions.
3. We compared the individual PICA Tax receipts listed on the supporting schedule obtained in (1) to the Authority's monthly bank statements obtained from the Authority's management and did not note any exceptions.
4. We confirmed the amounts shown on the Certificate as "PICA Taxes Projected to be Collected" for the months from June 2003 to and including May 2004 directly with the Office of the Director of Finance for the City of Philadelphia and did not note any exceptions.
5. We recalculated the amounts shown as "Total" on the Certificate and did not note any exceptions.
6. We recalculated the amount shown on the Certificate as "Maximum Annual Debt Service Requirement" and did not note any exceptions.
7. We recalculated the amount shown on the Certificate as "Maximum Debt Service Requirement for Corresponding Period" and did not note any exceptions.
8. We compared the amounts shown on the Certificate under the heading "Total Debt Service" for each of the years shown to a schedule received directly from the Underwriters to the Authority with respect to the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2003 and did not note any exceptions.
9. We compared the amount shown on the Certificate as "Maximum Annual Debt Service Requirement" to amounts shown on the Certificate under the heading "Total Debt Service" for each year and noted that each of the amounts shown under the heading "Total Debt Service" were less than the amount shown as "Maximum Annual Debt Service Requirement".
10. We compared the amount shown as "Maximum Debt Service Requirement for Corresponding Period" to the amount shown on the Certificate under the heading "Total Debt Service" for each year and noted that each of the amounts shown under the heading "Total Debt Service" were less than the amount shown as "Maximum Debt Service Requirement for Corresponding Period".

EXHIBIT I

**Pennsylvania Intergovernmental Cooperation Authority
Certificate of Maximum Annual Debt Service
In Accordance with Section 2.11(f) of the Indenture of Trust**

PICA Taxes Collected:

April 2002	\$ 27,904,975
May 2002	26,039,549
June 2002	17,388,798
July 2002	24,771,495
August 2002	23,919,839
September 2002	19,078,853
October 2002	25,975,486
November 2002	22,737,281
December 2002	19,654,462
January 2003	25,258,231
February 2003	22,639,499
March 2003	<u>20,446,637</u>

Total \$ 275,815,105

Maximum Annual Debt Service Requirement (1) \$ 157,608,631

PICA Taxes Projected to be Collected:

June 2003	21,000,000
July 2003	13,300,000
August 2003	22,900,000
September 2003	24,400,000
October 2003	21,300,000
November 2003	24,900,000
December 2003	24,300,000
January 2004	19,900,000
February 2004	30,200,000
March 2004	22,100,000
April 2004	21,000,000
May 2004	<u>30,000,000</u>

Total \$ 275,300,000

Maximum Debt Service Requirement for Corresponding Period (2) \$ 157,314,286

- (1) As set forth in Section 2.11(f) of the Indenture, the total amount for "PICA Taxes Collected" must equal at least 175% of the Maximum Annual Debt Service Requirement.
- (2) As set forth in Section 2.11(f) of the Indenture, the total amount for "PICA Taxes Projected to be Collected" must equal at least 175% of the Debt Service Requirement for the corresponding 12-month period.

EXHIBIT I (Continued):

**Pennsylvania Intergovernmental Cooperation Authority
Certificate of Maximum Annual Debt Service
In Accordance with Section 2.11(f) of the Indenture of Trust**

Annual Debt Service Requirements After Issuance of Special Tax Revenue Refunding Bonds, Series of 2003.

<u>Year Ending June 15</u>	<u>Total Debt Service *</u>
2004	\$88,151,597
2005	97,396,776
2006	97,131,776
2007	96,706,626
2008	90,603,926
2009	81,532,286
2010	74,213,816
2011	70,036,091
2012	69,476,829
2013	68,897,531
2014	68,279,975
2015	67,642,238
2016	66,954,525
2017	66,245,475
2018	56,401,513
2019	46,926,363
2020	46,130,238
2021	35,908,613
2022	35,034,363
2023	20,489,100

* Calculated assuming the maximum interest rate of 12% for the Series of 2003 Bonds.

Consent of Financial Guaranty Insurance Company to Third Supplement to Amended and
Restated Indenture of Trust.

[See Item B-2]



**Pennsylvania Intergovernmental
Cooperation Authority**

14th Floor - 1429 Walnut Street, Philadelphia, PA 19102
Telephone 215-561-9160 Fax 215-563-2570

June 16, 2003

Janice D. Davis, Director of Finance
City of Philadelphia
1401 JFK Blvd.
MSB - Room 1330
Philadelphia, PA 19102-1693

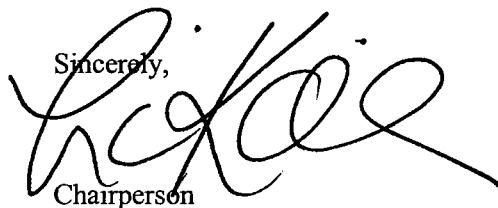
Re: Consent of the City of Philadelphia Regarding the Third Supplement to the
Amended and Restated Indenture of Trust

Dear Ms. Davis:

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and Wachovia Bank, National Association, as successor Trustee ("Trustee"), intend to enter into a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003, in the form attached in hereto as Exhibit A (the "Third Supplement to the Amended and Restated Indenture") in connection with the issuance by the Authority of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003, which will amend and supplement the Amended and Restated Indenture of Trust dated as of December 1, 1994 by and between the Authority and the Trustee (the "Amended and Restated Indenture") and in accordance with Section 10.03 of the Amended and Restated Indenture, the Authority hereby requests the consent of The City of Philadelphia, Pennsylvania (the "City"), to the execution and delivery of the Third Supplement to the Amended and Restated Indenture.

Please sign below and return this letter to the Authority at the above address (to the attention of the undersigned) as evidence of the City's consent to the execution and delivery of the Third Supplement to the Amended and Restated Indenture.

Sincerely,



Chairperson

CONSENTED TO BY THE CITY OF
PHILADELPHIA, PENNSYLVANIA

This 16th day of June, 2003

By: _____
Janice D. Davis, Director of Finance

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

1429 Walnut Street, 14th Floor
Philadelphia, PA 19102

June 16, 2003

Janice D. Davis, Director of Finance
City of Philadelphia
1401 JFK Blvd.
MSB - Room 1330
Philadelphia, PA 19102-1693

Re: Consent of the City of Philadelphia Regarding the Third Supplement to
the Amended and Restated Indenture of Trust

Dear Ms. Davis:

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and Wachovia Bank, National Association, as successor Trustee ("Trustee"), intend to enter into a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003, in the form attached in hereto as Exhibit A (the "Third Supplement to the Amended and Restated Indenture") in connection with the issuance by the Authority of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003, which will amend and supplement the Amended and Restated Indenture of Trust dated as of December 1, 1994 by and between the Authority and the Trustee (the "Amended and Restated Indenture") and in accordance with Section 10.03 of the Amended and Restated Indenture, the Authority hereby requests the consent of The City of Philadelphia, Pennsylvania (the "City"), to the execution and delivery of the Third Supplement to the Amended and Restated Indenture.

Please sign below and return this letter to the Authority at the above address (to the attention of the undersigned) as evidence of the City's consent to the execution and delivery of the Third Supplement to the Amended and Restated Indenture.

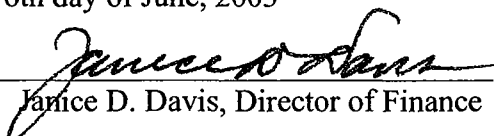
Sincerely,

Chairperson

CONSENTED TO BY THE CITY OF
PHILADELPHIA, PENNSYLVANIA

This 16th day of June, 2003

By: _____


Janice D. Davis, Director of Finance

***CERTIFICATE OF
JPMORGAN CHASE BANK***

The undersigned, an authorized officer of JPMorgan Chase Bank, hereby certifies as follows:

(i) The information concerning JPMorgan Chase Bank set forth below has been furnished by JPMorgan Chase Bank for use in the Preliminary Official Statement dated June 5, 2003 and the final Official Statement dated June 12, 2003 each relating to the \$165,550,000 Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2003 (together, the "Official Statement"), and is substantially accurate.

JPMorgan Chase Bank is a wholly owned bank subsidiary of J.P. Morgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. JPMorgan Chase Bank is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. Its business is subject to examination and regulation by Federal and New York State banking authorities. As of March 31, 2003, JPMorgan Chase Bank had total assets of \$621.7 billion, total net loans of \$183.4 billion, total deposits of \$300.1 billion, and total stockholder's equity of \$36.3 billion. As of December 31, 2002, JPMorgan Chase Bank had total assets of \$622.4 billion, total net loans of \$180.6 billion, total deposits of \$300.6 billion, and total stockholder's equity of \$35.5 billion.

Additional information, including the most recent Form 10-K for the year ended December 31, 2002 of J.P. Morgan Chase & Co., the 2002 Annual Report of J.P. Morgan Chase & Co. and additional annual, quarterly and current reports filed with the Securities and Exchange Commission by J.P. Morgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, J.P. Morgan Chase & Co., 270 Park Avenue, New York, New York 10017.

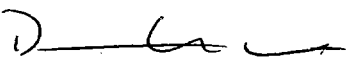
(ii) The consolidated statement of condition of JPMorgan Chase Bank dated as of March 31, 2003, referred to above, presents fairly the financial position of JPMorgan Chase Bank as of such date. This data has been taken from the Consolidated Reports of Condition and Income filed with the Board of Governors of the U.S. Federal Reserve System compiled in accordance with regulatory accounting principles.

(iii) There has been no material decrease since March 31, 2003, in the consolidated stockholder's equity of JPMorgan Chase Bank.

(iii) There has been no material decrease since March 31, 2003, in the consolidated stockholder's equity of JPMorgan Chase Bank.

IN WITNESS WHEREOF, I have hereunto set my hand and delivered this Certificate this 16th day of June, 2003.

JPMORGAN CHASE BANK

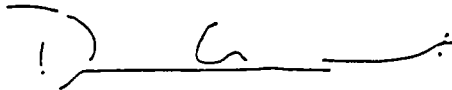
By: 
Vice President

I, Timothy H. Samson, an Assistant Corporate Secretary of JPMorgan Chase Bank, hereby certify that the following is a true and correct copy of resolutions adopted at a meeting of the Board of Directors of Chemical Bank, now known as JPMorgan Chase Bank (the "Bank"), a New York state chartered bank, on the 19th day of March 1996, which meeting was properly called and held and at which a quorum was present and voted in favor of said resolutions. I further certify that the said resolutions, at the date hereof, are still in full force and effect.

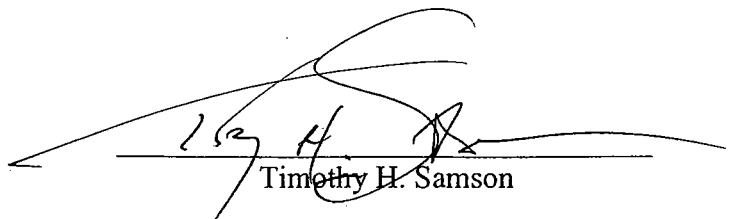
RESOLVED that loan agreements, contracts, indentures, mortgages, deeds, releases, conveyances, assignments, transfers, certificates, certifications, declarations, leases, discharges, satisfactions, settlements, petitions, schedules, accounts, affidavits, bonds, undertakings, guarantees, proxies, requisitions, demands, proofs of debt, claims, records, notes signifying indebtedness of this Bank, and any other contracts, instruments or documents in connection with the conduct of the business of this Bank, whether or not specified in the foregoing resolutions may be signed, executed, acknowledged, verified, delivered or accepted on behalf of this Bank by the Chairman of the Board, the Chief Executive Officer, the President, a Vice Chairman of the Board, a Vice Chairman, any member of the Executive Committee, any Executive Vice President, the Chief Financial Officer, the Chief Credit Officer, the Secretary, any Senior Vice President, any Vice President, any Managing Director or any other officer who the Secretary or any Assistant Corporate Secretary certifies as having a functional title or official status which is equivalent to any of the foregoing, and the seal of this Bank may be affixed to any thereof and attested by the Secretary, any Assistant Corporate Secretary, any Vice President or any Assistant Secretary;

RESOLVED that powers of attorney may be executed on behalf of this Bank by the Chairman of the Board, the Chief Executive Officer, the President, a Vice Chairman of the Board, a Vice Chairman, any member of the Executive Committee, any Executive Vice President, the Chief Financial Officer, the Chief Credit Officer, the Secretary, any Senior Vice President, and by any Managing Director having a rank equivalent to Senior Vice President.

I further certify that David I. Weinstein is a Vice President of JPMorgan Chase Bank and is empowered to act in conformity with the above resolutions. I also certify that the signature of said officer appearing below is a true and exact facsimile specimen of his or her signature.



WITNESS my hand and the seal of JPMorgan Chase Bank as of the 16th day of June, 2003.



Timothy H. Samson

Deloitte & Touche LLP
Twenty-Second Floor
1700 Market Street
Philadelphia, Pennsylvania 19103-3984

Tel: (215) 246-2300
Fax: (215) 569-2441
www.deloitte.com

**Deloitte
& Touche**

June 5, 2003

Pennsylvania Intergovernmental Cooperation Authority
1429 Walnut Street
14th Floor
Philadelphia, PA 19102

We consent to the use in the Preliminary Official Statement dated June 5, 2003, prepared in connection with the issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2003, of our report dated September 13, 2002 on our audit of the financial statements for the year ended June 30, 2002 of the Authority included in Appendix A of the above listed document.

Deloitte + Touche LLP

Deloitte & Touche LLP
Twenty-Second Floor
1700 Market Street
Philadelphia, Pennsylvania 19103-3984

Tel: (215) 246-2300
Fax: (215) 569-2441
www.deloitte.com

**Deloitte
& Touche**

June 12, 2003

Pennsylvania Intergovernmental Cooperation Authority
1429 Walnut Street
14th Floor
Philadelphia, PA 19102

We consent to the use in the Official Statement dated June 12, 2003, prepared in connection with the issuance by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2003, of our report dated September 13, 2002 on our audit of the financial statements for the year ended June 30, 2003 of the Authority included in Appendix A of the above listed document.

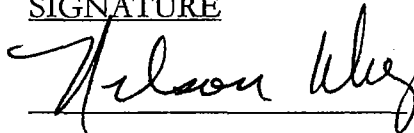

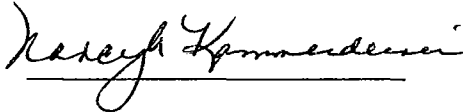
Deloitte & Touche LLP

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

\$165,550,000
Special Tax Revenue Refunding Bonds
(City of Philadelphia Funding Program)
Series of 2003

CERTIFICATE OF INCUMBENCY AND
SIGNATURES OF CITY OFFICIALS

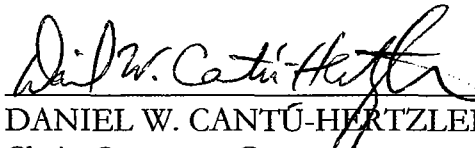
The undersigned, Chair, Corporate Group, of the Law Department of the City of Philadelphia, Pennsylvania (the "City"), hereby certifies that the persons named below are duly appointed or elected, qualified and acting incumbents of the respective offices of the City set out to the left of their names, and that the signatures set out to the right of their names are the genuine signatures of said officers:

<u>OFFICE</u>	<u>NAME</u>	<u>SIGNATURE</u>
City Solicitor	NELSON A. DIAZ	
Director of Finance	JANICE D. DAVIS	
Revenue Commissioner	NANCY KAMMERDEINER	

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the City this 16th day of June, 2003.

CITY OF PHILADELPHIA, PENNSYLVANIA

[SEAL]


DANIEL W. CANTÚ-HERTZLER
Chair, Corporate Group
Law Department of the City of
Philadelphia, Pennsylvania

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

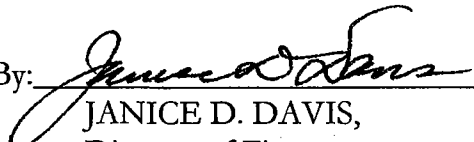
**\$165,550,000
Special Tax Revenue Refunding Bonds
(City of Philadelphia Funding Program)
Series of 2003**

**CERTIFICATE OF THE DIRECTOR OF FINANCE
OF THE CITY OF PHILADELPHIA, PENNSYLVANIA**

This Certificate is provided pursuant to Section 9(e)(viii) of the Bond Purchase Contract dated June 12, 2003 (the "Purchase Contract"), between the Pennsylvania Intergovernmental Cooperation Authority and Raymond James & Associates, Inc., as representative of the several underwriters. Terms used but not defined herein shall have the meanings set forth in the Purchase Contract. The undersigned Director of Finance of the City of Philadelphia, Pennsylvania (the "City"), hereby certifies as follows:

1. To the best of my knowledge, the representations and warranties of the City in the Letter of Representations are true and correct in all material respects.
2. The information concerning the City contained in the Official Statement including, without limitation, the financial information concerning the City, does not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
3. There has been no material adverse change in the financial condition of the City since the date of the Official Statement which has not been disclosed in the Official Statement.

CITY OF PHILADELPHIA,
PENNSYLVANIA

By: 
JANICE D. DAVIS,
Director of Finance

Dated: June 16, 2003

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

\$165,550,000

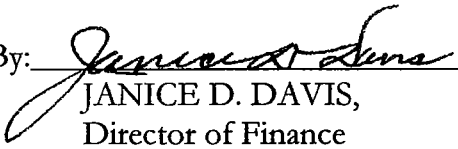
**Special Tax Revenue Refunding Bonds
(City of Philadelphia Funding Program)
Series of 2003**

CERTIFICATE AS TO FINANCIAL PLAN

The City of Philadelphia, Pennsylvania (the "City"), hereby certifies, in connection with the issuance and sale of the Pennsylvania Intergovernmental Cooperation Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003, in the aggregate principal amount of \$165,550,000, that attached hereto is a true, correct and complete copy of the current five-year financial plan of the City, duly approved by resolution of the City Council of the City, on May 2, 2002.

IN WITNESS WHEREOF, the City has executed this Certificate this 16th day of June, 2003.

CITY OF PHILADELPHIA,
PENNSYLVANIA

By: 
JANICE D. DAVIS,
Director of Finance

City of Philadelphia



Five-Year Financial Plan

**Fiscal Year 2003 - Fiscal Year 2007
(including Fiscal Year 2002)**

**Eleventh Five-Year Plan for the City of Philadelphia pursuant
to the Pennsylvania Intergovernmental Cooperation Act**

Presented by the Mayor, January 29, 2002

As Amended April 23, 2002

Approved by City Council, May 2, 2002

Approved by PICA, June 18, 2002

CITY OF PHILADELPHIA

MAYOR

John F. Street

MAYOR'S CABINET

Joyce S. Wilkerson Chief of Staff
Estelle Richman Managing Director
Janice D. Davis Secretary of Financial Oversight/Director of Finance
George Burrell Secretary of External Affairs
Augusta Clark Secretary of Boards, Agencies and Commissions
James J. Cuorato Director of Commerce/City Representative
Nelson Diaz City Solicitor
Maxine Griffith Secretary of Strategic Planning and Initiatives/
Executive Director of City Planning Commission
Sylvester Johnson Secretary of Public Safety/Police Commissioner
Debra Kahn Secretary of Education
Dianah Neff Chief Information Officer

Rob Dubow
Budget Director

COMMISSIONERS AND AGENCY HEADS

Thomas J. Costello
Prisons Commissioner

Joan Decker
Records Commissioner

John Domzalski
Health Commissioner

William Gamble
Procurement Commissioner

William Grab
Director, Office of Labor Relations

Rob Hess
Director of Adult Services

Harold Hairston
Fire Commissioner

Riley Harrison
Deputy Managing Director, Fleet Management

Charles Isdell
Aviation Director

William Johnson
Streets Commissioner

Nancy Kammerdeiner
Revenue Commissioner

Corey Kemp
City Treasurer

Kumar Kishinchand
Water Commissioner

Alba Martinez
Human Services Commissioner

Deborah McColloch
Director of Housing

Edward McLaughlin
Licenses and Inspections Commissioner

William Mifflin
Executive Director, Fairmount Park Commission

William Moore
Executive Director, Philadelphia Parking Authority

Lynda Orfanelli
Personnel Director

Andres Perez, Jr.
Public Property Commissioner

Joseph Perrello
Deputy Finance Director, Risk Management

Victor N. Richard III
Recreation Commissioner

Elliot Shelkrot
President and Director, Free Library of Philadelphia

Patricia L. Smith
Director of Neighborhood Transformation

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Director, Capital Program Office

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CITY OF PHILADELPHIA FIVE-YEAR FINANCIAL PLAN

Introduction	i
Fiscal Health	1
Neighborhood Transformation and Blight Elimination	27
Economic Development	41
High Quality Public Education-School District of Philadelphia	56
City Workforce	61
Citizen Services-Improving Public Safety and Quality of Life Standards	88
Fairmount Park	95
Fire Department	100
Free Library of Philadelphia	104
Department of Licenses and Inspections	109
Mayor's Office of Information Services	113
Police Department	119
Department of Streets	127
Water Department	133
Citizen Services-Comprehensive and Coordinated Social Services	142
Adult Services	147
Department of Human Services	152
Philadelphia Prison System	162
Department of Public Health	170
Department of Recreation	179
Internal Support Departments	184
Financial Administration	195
First Judicial District of Pennsylvania	207
Capital Program	212

Appendices:

- I. Enterprise Funds:
 - Division of Aviation, Philadelphia Parking Authority, Philadelphia Gas Works
- II. Long-Term Obligations
- III. Other Statutory Requirements - General Fund
- IV. Other Statutory Requirements - Cash Flows
- V. Base Obligation Methodology
- VI. FY2003 Capital Budget

City of Philadelphia
Five-Year Financial Plan

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Introduction

Introduction

Overview

Despite facing what could have been a devastating combination of slowing revenue growth and increased costs that are largely beyond its control, the City has made extraordinary progress in fulfilling the Mayor's primary objectives – maintaining fiscal stability, ensuring safe and clean neighborhoods, promoting business development, providing high quality public education and social services, and delivering exemplary public services. Since the start of Mayor Street's Administration, the City has managed to continue tax reductions and maintain a positive fund balance; begun to reverse decades of urban decay through abandoned vehicle removal, increased demolitions of vacant buildings, and lot cleaning; made the City more fertile for entrepreneurial ventures; reached an historic partnership with the Commonwealth in support of local schools; and received record high satisfaction ratings of City services in citizen surveys. To sustain this momentum, at a time when a recession converges with increased expenditures for anti-terrorism measures and school funding, City leaders must make exceptional efforts to continue to control costs and make prudent investments in the future of Philadelphia. Aligning efforts through effective partnerships with City Council and state government will be critical to the City's ability to succeed.

This is the eleventh Five-Year Financial Plan for the City of Philadelphia. As the subsequent sections of this Plan will reflect in greater detail, despite the limited resources that City departments have to meet their missions and objectives, they continue to develop new initiatives to ensure that citizens are provided with the high quality public services they deserve. The Plan will provide detail about the future initiatives intended to achieve the Mayor's overarching priorities as well as department-specific missions and objectives.

Mayor Street's Objectives

As the second year of Mayor Street's administration comes to a close, the City finds itself having made considerable progress toward fulfilling its primary objectives. Some of these accomplishments are highlighted below.

Maintain Fiscal Health with a Steady Tax Reduction

Historically, national economic downturns have affected Philadelphia more severely than other cities and the nation as a whole. However, as the nation's economic climate soured over the past year, the City finds itself relatively insulated from the worst of the storm. Other cities currently face significant unemployment and find themselves forced to deplete their financial reserves and severely cut critical services in order to make up for reduced tax revenues. Fortunately, Philadelphia's fiscal prudence over the past several years has led to a significant positive fund balance to help buffer this recession. Sound fiscal policies have allowed the City to balance its budget, stabilize the debilitating erosion of jobs and tax revenues, and steadily improve the delivery of services at lower costs to taxpayers.

This relative stability, however, cannot be sustained without continued fiscal vigilance. The Mayor and City Council, under the leadership of Council President Verna, must work

collaboratively to make responsible investments and, when necessary, curtail spending, to ensure that the City does not get pulled into spiraling deficits, reduced services, and ultimately, urban decay. This Administration has made a commitment to embrace new methods and reinforce successful past practices that will ensure the City lives within its means, especially during these challenging economic times, while at the same time combating and reversing years of blight.

The Plan as submitted by the Mayor to City Council in January proposed extending wage tax reductions through FY03 then freezing wage tax rates for the balance of the Plan. More than half of the savings realized from the rate reduction freeze were to be used to escalate the reduction in the gross receipts portion of the business privilege tax, with the remainder of the savings going to offset the combined impact of the national recession, weak pension fund earnings caused by a lagging stock market and increased security costs in the aftermath of September 11. The Plan said that those wage tax reductions would continue through FY03 so that if the national economy recovered, the stock market strengthened and there were no other major increases in city costs or reductions in city revenues, the wage tax reduction program would continue, but at a rate that, when combined with the accelerated reduction in the gross receipts tax, would cost the General Fund the same amount of revenue as contemplated in the prior tax reduction plan.

On April 18, 2002, City Council passed legislation that would reinstate wage tax reductions and continue them through the life of the Plan. That bill, when combined with the tax cuts already included in the Plan, brings the total value of the tax cut program in this Plan to \$290 million, \$120 million more than the amount initially included. In addition, the bill stipulates that if wage tax receipts grow by at least 3.5% over the previous year, the size of the wage tax reduction will increase. If the wage tax receipts grow at 3.5% in each year of the Plan, the wage tax rate for residents would drop to 3.98%.

As mentioned previously and discussed in the Fiscal Health chapter, the City will continue its plan to accelerate the rate reductions for the gross receipts portion of the business privilege tax. By 2007, this tax will be only 50 percent of the rate that prevailed when the City began its tax cuts in 1996.

Even before the wage tax reductions were reinstated, the Plan included over \$225 million worth of budget-cutting initiatives in order to remain balanced. While the Plan did not contemplate the type of harsh actions that other cities have had to take, including tax increases or service reductions, the City was forced to pursue a number of aggressive measures to ensure that it maintained a positive fund balance. These measures, which include consolidating the workforce by leveraging the significant number of employee departures through the Deferred Retirement Option Program (DROP), requesting the use of excess indemnity funds from PICA, temporarily modifying the pension-funding program, and reducing the Fleet acquisition budget to reflect a smaller vehicle pool, will not lead to any diminution of services. The proposed change to the pension-funding program (discussed in the Fiscal Health chapter) is a short-term modification that can be altered if the fiscal situation for the City improves.

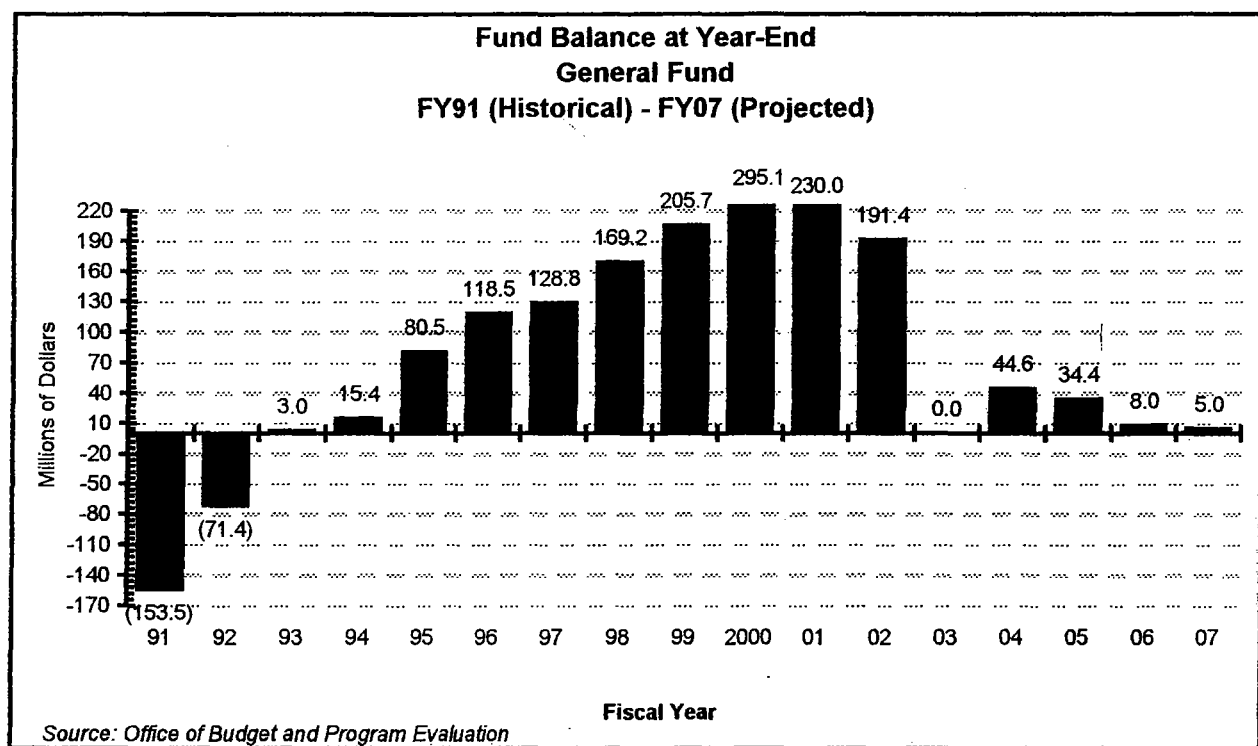
The City will also ask PICA for \$12 million from a special indemnities fund. At the City's request, PICA established a \$23.5 million special indemnities account out of the FY92 deficit financing. PICA had that \$23.5 million because the City's actual FY02 deficit turned out to be lower than the amount forecast when the deficit financing bonds were issued. The City asked to use those excess funds for indemnities payments that had been escalating rapidly as a result of a

Court program to eliminate a backlog of cases. A little over half of the funds, however, have never been spent because the City's indemnities costs leveled out and the City was able to pay them without seeking funds from PICA. The fiscal challenges underlying this Plan make it an appropriate time for the City to ask PICA for those funds.

The reinstated wage tax reductions now pose a further challenge to balancing the Plan. Specifically, the City will have to identify an additional \$120 million in revenue enhancing or cost cutting measures from FY04 through FY07 in order to afford the wage tax reduction. As of the printing of the amended Plan, the City is developing a list of initiatives to close this gap without producing significant reductions in services. If these initiatives do not produce the needed savings, the City may be forced to significantly reduce the number of staff positions. In order to generate \$30 million in annual savings, the City would have to eliminate an additional 600 positions. When combined with the proposed position reductions already included in the Plan, the additional cuts would bring the total number of positions eliminated to over 900. The City could not make those types of cuts without reducing services.

Accomplishments

- **Fiscal discipline.** The City ended FY01 with a positive fund balance of \$230 million, the ninth consecutive year of maintaining a significant fund balance. While that fund balance was about \$65 million lower than FY00's balance, a large part of that reduction was the result of changes imposed by the Governmental Accounting Standards Board (GASB) in its Statement 33, requiring the use of the full-accrual accounting method in FY01. Taking full advantage of the economy's unprecedented expansion, the City has effectively controlled expenditures and built a robust fund balance to provide a buffer against the inevitable threats to the City's budget.



- **Prudent fiscal policies.** During times of economic hardship, cities are often short-sighted in their need to find revenues and consider raising taxes. Philadelphia has made a long-standing commitment to incremental tax reductions and will target the reductions as effectively as possible. To ensure that the City maintains a prudent long-term approach, the Mayor formed a Council of Economic Advisors in early 2001 to provide guidance and insight regarding the City's fiscal policies. Comprised of leading local economists and business people, the Council met regularly during 2001 to assess the City's fiscal policies.
- **Cut gross receipts portion of business privilege tax in half.** Input from a survey of local businesses conducted by the Commerce Department last fall has confirmed that businesses find the Business Privilege Tax on Gross Receipts to be a particularly onerous tax. Research by economist Dr. Robert Inman of the Wharton School at the University of Pennsylvania has also shown that if this tax were eliminated, the increased revenues from other taxes that would result from greater businesses activity would lead to a net increase in overall City tax revenues. As a result, the City proposes to significantly accelerate the reduction of this tax so that by the end of this Five Year Plan (FY07), the Gross Receipts portion of the BPT will be 50 percent of its level before the reduction plan began.
- **Enhanced revenue collection.** The City continues to be aggressive in its collections of non-tax and tax revenues. In April 2000, the Law Department formed an Affirmative Litigation Unit to focus on increasing revenues to the City by acting as plaintiff, with a goal of raising \$1 million annually. In 2001 the Water Department expanded its customer base and began supplying wholesale potable water for customers of the Philadelphia Suburban Water Company. The Water Department also initiated a new revenue protection program to identify shut-off or non-billed accounts that had illegally restored service. From the program's inception in FY00 through the end of FY01, the Water Department recovered billings of over \$4.8 million. The Revenue Department continues to expand its use of compliance matching across the different tax categories and with IRS files, to identify taxpayers who may pay one tax, but fail to pay the other taxes they owe.
- **Efficiencies and cost savings.** The City has been steadfast in its efforts to uncover opportunities to tighten its operations and better leverage economies of scale.
 - There has been unprecedented progress toward consolidating efforts across departments to maximize existing resources. Activities such as after-school programs, snow removal, abandoned vehicle confiscation, truancy prevention, lot cleaning, IT procurement and support, housing development and custodial services are being approached holistically rather than department-by-department.
 - Planning has already begun to ensure the City takes advantage of the departure of over 1,000 non-uniform employees who are enrolled in the Deferred Retirement Option Program (DROP). Workflows and functions will be assessed to determine where departments can implement consolidated or streamlined operations with fewer employees, without affecting service delivery. Departments will be challenged to leave open a substantial percentage of the vacancies caused by DROP departures, substantially reducing the City's workforce by FY07 and lessening the City's costs by approximately \$55 million over the life of the Plan.

- In early FY02 the Office of Fleet Management (OFM) implemented a fleet reduction plan, which resulted in the elimination of 81 non-critical vehicles. OFM will continue to perform annual usage assessments, with the goal of reducing the City's fleet of vehicles and equipment by at least one percent each year. This reduction will allow the City to eliminate \$3 million annually out of the vehicle acquisition budget.
- The City will continue to use target budget reductions, which require departments to spend below appropriation levels, as an effective tool for encouraging departments to uncover cost savings and revenue generating opportunities.

Implement Neighborhood Transformation and Blight Elimination

For decades Philadelphia neighborhoods have been plagued by dilapidated vacant buildings, debris-filled lots, graffiti, and abandoned vehicles. This blight has led to an endless cycle of further abandonment by residents and businesses and an increase of crime. Although there are a number of long-term initiatives to address the problem that are still in the planning stages (as described in the Neighborhood Transformation and Blight Elimination chapter), significant accomplishments have already been reached.

Accomplishments

- **Initiated citywide vacant lot cleaning program.** On June 16, 2001, the City kicked off its Vacant Lot Clean-up program, an unprecedented effort to clean and maintain all of the city's vacant lots. In just six months, the City cleaned 17,557 lots and removed 11,099 tons of debris. After cleaning all 31,000 vacant lots by June 2002, the City will continue to maintain the lots at an annual cost of approximately \$4.5 million. The City also received \$600,000 from the federal government and the William Penn Foundation to support the Greene City Strategy, a comprehensive effort to transform vacant land into community assets such as parks, gardens and playgrounds. This strategy will build off the City's work in the American Street corridor of the Empowerment Zone, where 39 vacant lots (nine acres of land) were 'cleaned and greened' in the past two years and another 27 lots will be similarly treated by the end of FY03.
- **Continued streetscape improvement programs.** The City is continuing, and in some cases expanding, its vigorous efforts to keep streets and properties clean and attractive. By the end of FY02, the Police Department projects to remove 54,500 abandoned autos, bringing the total number removed since April 2000 to 170,295. The Police Department continues to respond to all reports of abandoned autos within 48 hours. During FY02, the City plans to complete 155 new and restored murals, clean 70,000 vandalized properties and fixtures, and provide \$90,825 to community groups to reimburse their graffiti-fighting efforts. Over 4,200 dangerous street trees will be removed in FY02, substantially reducing the City's backlog of 8,500 dangerous trees. Finally, the City is performing intense repeated clean-ups of illegal dumping sites and the Police Department has increased surveillance of these sites in order to better apprehend the illegal dumpers.
- **Received Renewal Community designation.** In January 2002, the City received one of 40 U.S. Housing and Urban Development Renewal Community designations. This

designation allows Philadelphia to offer tax and other financial incentives until December 2009, for the development of commercial properties, purchase of equipment and employment of area residents. Philadelphia's zone encompasses the parts of North, South and West Philadelphia that suffer from economic distress but are also areas where the City, Commonwealth and non-governmental organizations have initiated activities to promote economic growth.

- **Began creating national model for anti-predatory lending activities.** With the goal of becoming a national model in combating predatory lending, late in FY01, the City began strengthening Philadelphia's capacity to counsel residents about predatory loans and how to avoid becoming a victim of predatory lending. The Office of Housing and Community Development (OHCD) initiated an anti-predatory lending training program and trained 60 counselors. It also spent \$450,000 to fund 12 anti-predatory lending counseling programs throughout Philadelphia. Beginning in FY02, OHCD will spend \$50,000 to retain dedicated legal support from Community Legal Services for predatory lending victims.
- **Expanded the stock of decent, affordable housing.** During the first half of FY02, with assistance from OHCD and the Redevelopment Authority (RDA), 349 new affordable homeownership units were completed, 64 of which were for special needs populations. Another 353 new affordable rental units (127 for special needs) and 166 affordable homeownership units are currently under construction. Over 170 households received rehabilitation and home-improvement assistance from the City. In addition, the City implemented a new, innovative loan program designed to reduce development costs by providing City-supported developers with bridge loans of up to \$100,000 at zero percent interest. Finally, through the Philadelphia Housing Authority, Philadelphia was awarded \$40.2 million in federal HOPE VI grants to support an \$82 million revitalization of the Mill Creek public housing development.

Promote Economic Development, Including a New Emphasis on Supporting Entrepreneurship

Because the future of the national and local economy is filled with so much uncertainty, the City's targeted efforts are more important than ever. The City will continue to invest in its economy to help generate the sustained growth essential to reversing its long-term decline. Philadelphia, once the manufacturing capital of the nation, has witnessed the loss of more than 350,000 manufacturing jobs over the last 40 years. In the post-manufacturing era, the healthcare and financial/insurance services industries provided much of the foundation of Philadelphia's economy. In recent years, spurred by the completion of the Pennsylvania Convention Center in 1993, the City has experienced significant growth in its hospitality and tourism industry. While the City will continue efforts to support both its mature and new industries in Center City and within neighborhoods, the City has begun to focus economic development initiatives on entrepreneurs who participate in innovative "new economy" start-ups that fuel future growth.

Accomplishments

- **Innovation Philadelphia.** The Street Administration has joined forces with the leadership of the city's largest private employer and academic research institution (the University of Pennsylvania), its largest technology-oriented company (Comcast Corporation) and its largest life sciences company (GlaxoSmithKline) to create Innovation Philadelphia (IP). IP

is a public/private partnership committed to promoting entrepreneurship and the growth of a knowledge economy in Philadelphia. With City Council approval, the City pledged \$2.5 million in FY01 to IP. In December 2001, a nationally acclaimed knowledge economy leader was hired as the organization's president and chief executive officer.

- **Strengthened the hospitality and tourism sector.** Responding to the precipitous drop in tourism after September 11, the Street Administration, the Delaware River Port Authority and the Commonwealth created a special \$3 million marketing campaign aimed to draw visitors who are within driving distance of Philadelphia. Launched in November 2001, "Philly's More Fun When You Sleep Over" offers hotel packages and other visitor incentives, to stimulate short-term sales of hotel rooms and spending on historic and cultural attractions, performing arts, restaurants and retail purchases. In addition to this campaign, a number of amenities that support the hospitality and tourism industry are progressing and opening to the public:
 - The acclaimed Kimmel Center for the Performing Arts and the new Independence Visitors Center both opened in late 2001, securing Philadelphia's status as a world-class center for the arts and an historic destination second to none.
 - Construction is underway on Philadelphia's new, state-of-the-art athletic facilities in South Philadelphia. The Eagles' football stadium is scheduled to open in 2003 and the Phillies' ballpark opening is expected in 2004.
 - The Philadelphia International Airport opened the 38-gated Terminal F in June 2001 and anticipates opening the new International Terminal by the fall of 2002. Expanded airport capacity and international routes are critical to support local convention and tourism business growth.
- **Keystone Opportunity Expansion Zone (KOEZ) designation.** In 2001, the Commonwealth approved the designation of eight new Keystone Opportunity Expansion Zones (KOEZ) in Philadelphia. Tax exemptions for businesses that locate in KOEZs, including the BPT, net profits tax, use and occupancy tax, real estate tax, state business taxes, and state sales tax on items consumed at the site, extend through September 30, 2013. Since January 1999, the City has participated in deals with 56 new or existing companies within KOEZs, leveraged over \$141 million in private investment, and fostered the creation of 2,000 jobs and the retention of 1,400 jobs. In October 2001, a 1.1 million square foot warehouse and distribution center was opened by TJX Companies (TJ Maxx) in a KOEZ in Northeast Philadelphia. The center, which is one of the most significant new generators of private sector employment to open in the city in decades, is expected to employ 1,100 workers when fully operational.
- **Brownfield development.** In January 2002, a \$15 million, 110,000 square foot FedEx Express facility opened in Grays Ferry. The facility, which will employ approximately 150 people, is located on an industrial site that had been abandoned for 20 years and once suffered from significant environmental problems. The project was the result of cooperation between the Commerce Department, the Philadelphia Industrial Development Corporation, and various other City and state agencies and was supported by \$1 million from the City and \$500,000 from the Commonwealth's Industrial Site Re-Use Program.

- **Neighborhood economic development.** The Commerce Department provided critical deal-closing funding for a number of important neighborhood revitalization projects. Some recent examples of projects that were implemented as a result of City support include the:
 - Universal Business Support Center in South Philadelphia;
 - Commercial redevelopment and rehabilitation of the Oliver Wendell Holmes School in West Philadelphia;
 - Redevelopment of the historic Wagon Wheel property in Mt. Airy; and the
 - Philadelphia Development Partnership's Microloan program benefiting new small business entrepreneurs.

Provide High Quality Public Education and Comprehensive, Coordinated Social Services for Children, Adults and Families

The future of Philadelphia depends on the development of our youth. High quality public education leads to a capable, well-skilled workforce, a critical factor in attracting companies and jobs. One of the primary reasons for the migration of the City's middle class to the surrounding suburbs has been the lure of smaller class sizes and well-funded public school districts. Stable, healthy families and effective prevention programs, including quality after-school options, further ensure the progress of children and youth. The Mayor has made a commitment to improve the lives of youth and adults and help them realize their potential by setting higher performance goals and monitoring the outcome of the delivery of public education and social services.

Accomplishments

- **Public Education**
 - **City-Commonwealth partnership.** On December 21, 2001 the Governor and the Mayor announced that they had reached an agreement for a "full partnership" to manage the School District of Philadelphia. As part of the agreement, the City will increase its annual contribution to the District by \$45 million and the Commonwealth will increase its annual contribution by \$75 million. Rather than face a hostile takeover that could have required the City to make an even larger annual payment without the ability to have any meaningful input, the City was able to achieve an historic partnership. This collaborative effort, if coupled with statewide tax reform, has the potential to bring financial stability to the District while continuing and expanding the academic progress that District schools have made in recent years.
 - **Academic improvements.** Since 1996, even amidst a significant financial crisis, Philadelphia student test scores have reflected significant increases that outpace those of the Commonwealth overall. Scores from both the Pennsylvania System of School Assessment test (in reading and math for 5th, 8th and 11th graders) and the Stanford 9/Aprena Achievement test (in reading, math and science for 4th, 8th, and 11th graders) have substantially improved during the past five years, particularly in the lower grades.

The Commonwealth recently awarded \$4.7 million in school performance funding in recognition of the increase in PSSA results and in attendance that many schools are achieving. For the 2000-2001 school year, Philadelphia schools won over 23 percent of the funding while having less than 12 percent of the Commonwealth's students. While significant improvements in the School District's academic performance are still required, the considerable accomplishments in recent years are an important step forward.

- **Resources provided to School District.** The City has worked to alleviate the School District's financial burden by providing a variety of services that receive no or minimal reimbursement. For example, the City shares its data communications infrastructure (CityNet) with the School District, which eliminates all School District infrastructure development costs and provides regular savings in its usage bills. Since June 2001, the City's Risk Management Division has extended all of its services to the School District except for third party claims. The Police Department provides school crossing guards, police officers on school detail, and anti-truancy programs. The Revenue Department provides school district tax collection and enforcement services. The Department of Licenses and Inspections provides the School District with building and construction permit waivers and nuisance inspection and abatement support. In addition to allowing the School District to use City fuel sites and fuel management equipment, for which it is reimbursed, the Office of Fleet Management is currently exploring the possibility of consolidating with the District's maintenance and automotive services units to provide an estimated savings of \$5.9 million over five years.

- ***Social Services***

- **Expanded after-school and youth development programs.** During FY02 the Division of Social Services pooled \$14 million of Human Services Development Fund, Temporary Assistance to Needy Families (TANF) and other funds to expand the after-school initiative to 101 sites and to start up the Beacon Project in 9 local schools. These after-school programs are designed to provide positive, structured activities for school age children during non-school hours. The programs include recreation, academic enrichment, arts and culture, mentoring relationships and community service and serve approximately 6,000 youngsters.
- **Bolstered truancy prevention efforts.** The Street administration has made truancy reduction a priority. In FY01, four additional Truancy Courts – a joint effort of the School District, the Department of Human Services (DHS) and Family Court targeted at youth with 25 unexcused absences – were opened, bringing the total to seven. The number of social workers in Truancy Court grew from 23 in FY01 to 42 in FY02, allowing the Department to increase the number of families served from 840 to 2,500. The social workers work with the truant youth and their families for an extended period to resolve social service needs. During FY01 DHS also launched a major advertising campaign to raise awareness about the truancy crisis in Philadelphia and the prevention resources available, and plans to continue the campaign during FY02. DHS also introduced a school attendance hotline (215-IN-CROWD) to help youth address the issues that discouraged them from attending school, as well as established an early intervention program for elementary and middle school aged-children called the School Attendance Improvement Project. The Police Department has also instituted a truancy

program in which police officers work additional hours following a midnight shift, usually 8 AM to 12 PM, to patrol for truants. Officers stop truant students who are on the streets and return them to their schools or the central truancy site where the youth can be interviewed and counseled.

- **Introduced faith-based initiatives.** The Mayor's Office of Faith-based Initiatives (MOFI) was developed in April 2001 to foster partnerships between faith-based organizations, the City, and the School District to reduce truancy, help children achieve in school, and help bridge the "digital divide." In FY02, MOFI launched "Rebound," a series of exhibitions and workshops focused on bringing together approximately 400 children, their parents, school representatives and faith-based organizations to put support services in the school. During 2001, MOFI and the Mayor's Office of Information Services assisted five separate faith-based organizations in setting up computer labs with donated computers from the Philadelphia Stock Exchange.
- **Renewed focus on welfare-to-work efforts.** In 1997, federal welfare-reform legislation imposed a five-year, lifetime limit on cash assistance through TANF. In July 2001, to assist over 6,000 families who will reach their limit in March 2002, the state awarded a one-year, \$3.2 million contract to create the non-profit Maximizing Participation Project (MPP). MPP, under the direction of the City's Director of Social Services, identifies the multiple barriers to an individual's ability to work and finds ways to overcome those barriers, be it housing, mental health or substance abuse issues, prenatal or child care, or job training. Since its inception in July 2001, MPP has helped approximately 600 families find income alternatives to TANF, such as employment or SSI.
- **Raised health awareness.** The Office of Health and Fitness continued to develop and implement innovative methods to improve the health of Philadelphians. Initiatives implemented in 2001 included seminars on healthier lifestyle choices; cooking courses that taught individuals how to prepare healthy meals; and forums to educate and encourage youth to adopt positive lifestyle behaviors. In 2001 the Office worked directly with 347 residents and as many as 3,000 students through the seminar programs, and had approximately 26,000 participants in its citywide 76 TONS OF FUN weight-loss campaign. Seventy-five percent of the participants in these initiatives reported improvement in their overall health with seventy percent engaging in increased physical activity.

Enhance Public Safety and Quality of Life Standards for all Communities

As important as taxes are to business and residential location decisions, the quality and delivery of municipal services – what Philadelphians actually receive in return for taxes paid – are equally critical. The City must continue to enhance Philadelphia's quality of life by further strengthening municipal services and public safety to make the City an even more desirable place for employers and residents.

Accomplishments

- **Effective emergency response.** After being triggered by the tragic events on September 11, the City's Emergency Operations Plan, which is updated annually and approved by both the

Pennsylvania Emergency Management Agency (PEMA) and the Federal Emergency Management Agency (FEMA), was executed successfully. The Fire Department sent Heavy Rescue Unit personnel and its rescue dog to assist with the rescue mission at the World Trade Center in New York and continue to provide rescue and bomb scare response to the entire Philadelphia region. Employees from the Philadelphia Housing Authority joined the Fire Department in the recovery efforts, as part of the FEMA Urban Search and Rescue Team. The Police Department later sent its crime scene unit to the World Trade Center site to help collect evidence. Locally, the Police Department provided on-going enhanced security staffing and surveillance at high-profile locations and has intensified emergency-response training. In October 2001, in order to appropriately respond to citizen fears of anthrax contagion, the City formed six Rapid Assessment Teams. The Rapid Assessment Teams, each made up of two Fire Department hazardous material technicians, one police officer, and one Health Department representative, responded to an average of 41 calls per day in October.

- **Prepared for the implementation of Live Stop citywide.** In an effort to reduce the number of unlicensed drivers and unregistered vehicles on the streets of Philadelphia, the City has successfully piloted a Live Stop program since 1998 and made preparations to implement it citywide in early spring 2002. Under the program, a motorist who does not possess a valid drivers license or vehicle registration will have his or her vehicle impounded immediately. This program should ultimately reduce auto insurance rates as it curbs the number of uninsured drivers, who cannot get a vehicle registration and often drive without a license. Since the implementation of this pilot program along Roosevelt Boulevard, there has been a significant drop in the number of traffic accidents. The City is examining this trend to determine if the program is, in fact, increasing drivers' caution and a factor in the reduction.
- **Increased citizen satisfaction with services.** A citizen survey conducted at the end of FY01 found that 62 percent of respondents were either very or somewhat satisfied with how well the City performs services in general. This reflects a 21 percent increase from the 41 percent reporting satisfaction in FY97, the first year the survey was conducted. Each year since FY97, citizens have been increasingly satisfied with police protection and felt safer in their neighborhoods. During this Administration, well over 80 percent of citizen respondents have reported being satisfied with EMS response and fire protection. Complete survey results are available on the City's website as part of the Mayor's Report on City Services at www.phila.gov.
- **Expanded snow removal capacity.** During FY01, the City's enhanced snow-fighting plan was implemented and for the first time in the City's history, all tertiary residential streets were cleared during significant snowstorms. The City now boasts a reserve snow-fighting fleet of 163 mostly smaller and more maneuverable vehicles, expanding the total number of vehicles available to fight snow to over 600 vehicles during severe winter storms. During FY01 and FY02 the City continued to test new methods for snow removal including snow-melting machines and coating streets before storms with a salt-water solution.
- **Continued Mural Arts programs.** The extraordinary Mural Arts Program has created more than 2,000 indoor and outdoor murals since its inception in 1984, making Philadelphia home to the largest collection of public murals in the country. Mural Arts expanded from 13 workshop sites and 192 participants in FY00 to 36 workshop sites and 774 participants in

FY01. During 2001 Mural Arts was received the prestigious "Coming Up Taller Award," given annually by the President of the United States' Committee on the Arts and Humanities to outstanding art education programs that creatively engage young people. For FY02 the program expects to complete 115 murals and run 51 workshops with 992 participants.

Contingencies

Despite these significant accomplishments and prudent fiscal planning, the City remains exposed to severe and potentially unavoidable contingencies.

- **The local and national economy.** A key reason for the City's significant fund balances over the past few years has been strong wage tax collections, which are tightly correlated to employment levels and extremely vulnerable to changes in the broader regional and national economies. The national unemployment rate increased to 5.8 percent in December 2001, the highest rate since March 1995. From June through November 2001, on a seasonally adjusted basis, Philadelphia lost approximately 2,300 jobs. It is unclear how long or severe the current economic downturn will be, and the impact on the rate of growth of the City's tax revenues has already been felt. The City must be cautious in its revenue projections and brace itself for the compounding impact the recession could have on local criminal justice costs; hospitality and tourism, and other industry growth; and the demand for social services.
 - Economic downturns lead to an increase in crime and ultimately the prison population. Even when the economy was strong, from FY96 through FY01, criminal justice costs, including obligations for police overtime, the District Attorney's Office, the Juvenile Justice Services Division of the Department of Human Services, and the Prison System have grown 40 percent faster than total general fund obligations. A surge in crime may result in exploding criminal justice costs, limiting the City's ability to fund other critical services.
 - The City's success in stimulating business development is also highly dependent on the national economy. The hospitality and tourism industry is very susceptible to an economic slowdown, which leads people to postpone spending on non-essentials, luxuries, and travel. The events of September 11 in particular have severely curtailed tourism, and the Greater Philadelphia Tourism and Marketing Corporation estimates that within the first seven weeks of the attacks, tourism revenues fell by \$47 million. Manufacturing production and retail sales continue to shrink and may confound the City's efforts to encourage firms to relocate or expand their operations locally. Investors in entrepreneurial ventures are typically cautious in a weak economy and tend to postpone financing projects until the environment is healthier.
 - As unemployment grows, the corresponding increased demand for social services, including support for the homeless, is inevitable. The problem will likely be exacerbated by 1997 federal welfare reform that limits eligibility for Temporary Assistance to Needy Families (TANF) to five years. Approximately 6,100 local TANF households will reach their limit by March 2002 and the social and financial burden may be shifted completely onto the City. In fact, welfare reform has already led to an increase in the number of uninsured visitors to City health care centers. In FY96, 49 percent of the visits to health

care centers were by uninsured visitors; in FY02 the number has reached 64 percent. Further, the federal government will reallocate TANF funds in FY03 and could significantly reduce the level of federal support the City receives for critical services.

- **New collective bargaining agreements.** In July 2002, new interest arbitration agreements must be reached with Fraternal Order of Police Lodge 5 and the International Association of Fire Fighters Local 22. The costs of current collective bargaining agreements covering the City's workforce put significant pressure on the its fund balance and future agreements are likely to increase that pressure. As a labor-intensive enterprise, the City's single largest expense is employee wages and benefits – representing 57 percent of the FY01 General Fund budget at a cost of over \$1.6 billion. Under the agreements that were reached in 2000, wage increases in excess of inflation and a significant rise in health benefit costs have already substantially increased the City's expenditures over the term of the Plan. As is customary, the Plan includes no funding to cover increases for any bargaining unit beyond the expiration of the Fire and Police contracts in 2002 and AFSCME contracts in 2004.
- **Additional security costs in response to terrorist threat.** Since the events of September 11, the City has incurred a number of unanticipated expenditures resulting from increased security activity including an augmented police presence, the activation of the 24-hour Emergency Operations Center, heavy deployment of Rapid Assessment Teams in response to potential anthrax exposures, and extensive security at the airport and other public facilities. During FY02, the City will spend approximately \$21 million in unanticipated security costs in the General Fund and Aviation Fund. For example, the Police Department had already incurred over \$2.2 million in unanticipated security costs as of the end of December 2001 and projects that it will incur an additional \$15,100 in costs to the aviation and general fund every day for the rest of FY02. The extent to which future homeland security costs will have to be borne by the City remains uncertain.
- **Fund balance reserves.** Although the City's fund balances have been substantial over the past few years, it is important to recognize that they have represented a significantly smaller percentage of total expenditures than those of other American cities. In FY00, when Philadelphia had a record fund balance, its surplus was still just 10.9 percent of total expenditures, while the National League of Cities reported that the average fund balance for U.S. cities in 2000 was 72 percent higher, at 18.7 percent of total expenditures.

Fund Balance as a Percentage of Total Expenditures

Year	Philadelphia	National Average
1997	5.2%	16.1%
1998	6.8%	18.0%
1999	7.9%	18.5%
2000	10.9%	18.7%
2001 ¹	8.0%	16.9%

¹ The National League of Cities reports data on a calendar year, so the 2001 National Average data is based on projected ending balances, not actuals.
Source: National League of Cities – Research Report on America's Cities

- **The Philadelphia Gas Works.** The Philadelphia Gas Works (PGW) continues to struggle through financial crises. Over the past five years PGW has been forced to cope with instability brought about as a result of numerous transitions in its executive management, troubled automation efforts, and customer service practices that have failed to meet consumer expectations. PGW has received partial rate relief from the state Public Utility Commission, is enhancing service quality, and is employing fiscally sound strategies. With City Council's approval, the City loaned PGW \$45 million, which is scheduled to be repaid in FY07. The Five-Year Plan assumes the City will receive \$135 million (five annual payments of \$18 million plus the \$45 million loan) from PGW from FY03-FY07.

Conclusion

Although the accomplishments of this Administration have been significant, its goals are far from accomplished. Achieving the Mayor's vision of establishing Philadelphia as a premier city to live in and visit – with low crime, clean neighborhoods, quality public education, exemplary municipal services, and thriving new and traditional industries – requires planning, collaboration, and enormous effort from every City department and agency. The Plan will elaborate on what the City will do to realize this vision, what specific initiatives will be pursued and how the City will accommodate the costs involved.

City of Philadelphia
Five-Year Financial Plan

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Fiscal Health

Fiscal Health

Overview

The Street Administration is maintaining the City of Philadelphia's fiscal health during challenging times, even as it continues to reduce taxes, improve the climate for residents and businesses, and make strategic investments in the future of our city, its schools and its neighborhoods. While there are a number of sizable contingencies, including the economic recession, increasing labor costs, and the potential impact of welfare reform, the City's \$230.0 million fund balance at the end of FY01 provided a buffer against those uncertainties. A number of risks that the City had faced for years became realities during FY01, as tax collections slowed in the fourth quarter and the City had to provide an unanticipated \$45 million loan to the Philadelphia Gas Works. The slower than anticipated growth in tax collections coincided with the onset of a national recession in March 2001, the first in ten years. This recession continues to impact the City's budget in FY02, while new large-scale costs have also been incurred, such as the costs of responding to terrorism and the City's share of resolving the School District of Philadelphia's financial crisis. While this Plan illustrates how the City will adapt to the major fiscal burdens imposed by the national recession and the financial crisis of the School District of Philadelphia, the City continues to face a number of potential challenges to its fiscal stability.

These challenges include:

- Increasing labor costs and new collective bargaining agreements
- Increasing pension costs
- Increasing criminal justice costs and the response to terrorism
- Effects of welfare reform
- The financial crisis of the Philadelphia Gas Works
- An accelerated tax reduction program

In addition, if the lingering impact of the recent national recession is greater than currently forecasted, the revenue estimates described in this chapter will be negatively impacted.

It is particularly difficult for the City to meet these fiscal challenges due to on-going, inter-related pressures on the City's fiscal position, including:

- Ongoing loss of middle income population
- High poverty rates
- Low state government fiscal support
- A weak tax base
- A relatively low level of expenditures and staffing for core city government services, which limits the ability of the City to impose further cuts in those services, and relatively high and increasing expenditures and staffing on mandated, non-core, county government services.

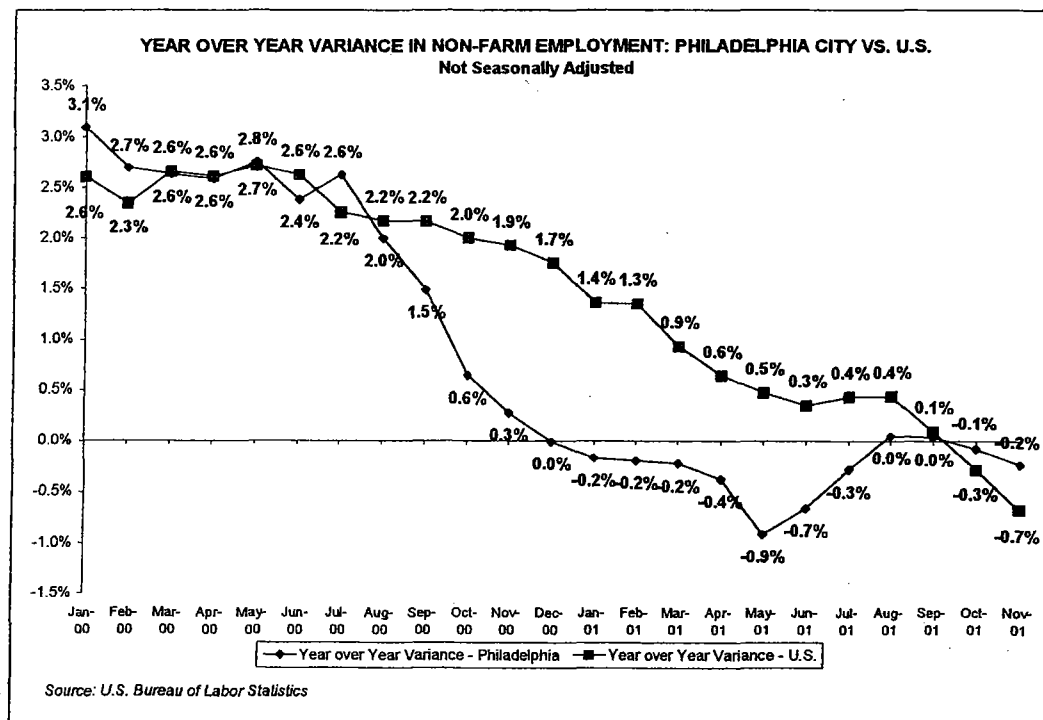
Further tax reductions are critical to the long-term viability of the City of Philadelphia as a place to live and work, but in the short-term these reductions add to the challenge of balancing the budget. Maintaining a balanced budget throughout the length of this Financial Plan while reducing taxes, supporting the Mayor's other strategic priorities, and overcoming financial challenges will require creativity and determination.

Budget Pressures and Contingencies

National Recession

The longest economic expansion in U.S. history ended in March 2001, according to the National Bureau of Economic Research, ten years to the month after it began. The 1.1 percent decline in real Gross Domestic Product (GDP) for the third quarter of 2001 ended 33 consecutive quarters of national growth. The national unemployment rate, which had already gone from 3.9 percent in October 2000 to 4.9 percent in August 2001, increased to 5.8 percent in December 2001 following the tragic attacks of September 11, which disrupted an already-fragile economy and cemented recessionary conditions.

While the Philadelphia economy weathered the recession relatively well compared to the previous two recessions, the economic downturn continues to cost the city jobs and wage tax revenues. Employment in Philadelphia was lower in December 2000 than in the previous December, the first time since October 1997 that employment was lower on a year-over-year basis. Philadelphia employment appeared to bottom out in May 2001, shortly after the onset of the national recession, with a .9 percent decline from the previous May, but gradual improvement on a year-over-year basis was halted by the effects of September 11.

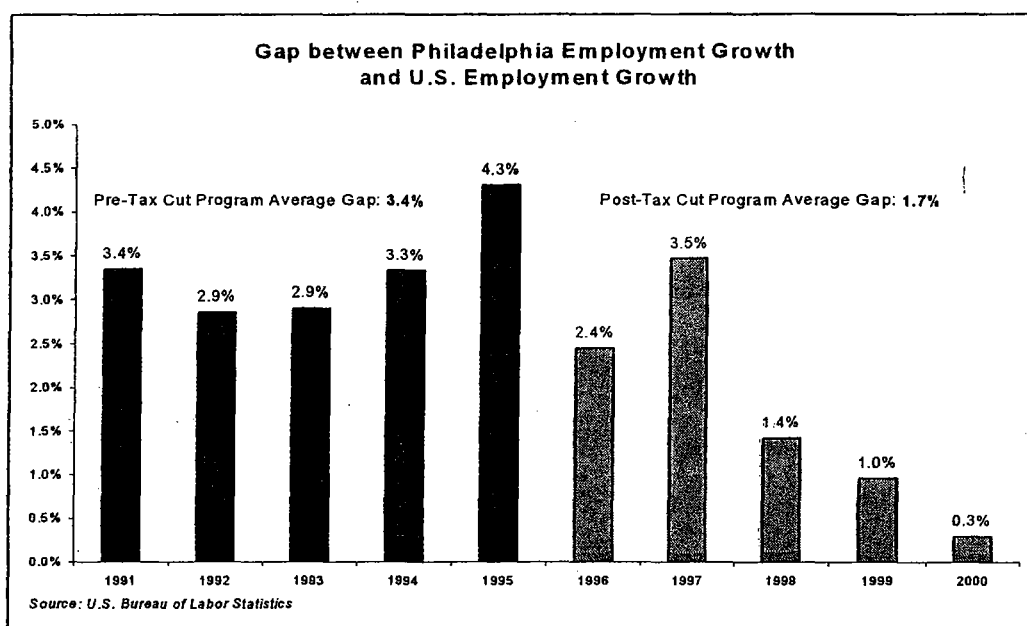


Although Philadelphia employment held up relatively well through November compared to the devastating job losses of the 1980-1982 and 1990-1991 recessions, additional employment losses have continued through February and are highly likely to continue because unemployment rates do not typically peak until well after the end of a recession. Such job losses not only impact the City's ability to meet its FY02 budgeted revenue projections, but they alter the wage tax base assumptions for future years as well. Economic forecasting always involves a great deal of uncertainty, but the threat of additional terrorist attacks on American soil and the disruptive impact on the economy of homeland defense initiatives increase the amount of uncertainty.

Accordingly, while predicting the future course of the local economy is a tenuous exercise, indications are that a recovery in employment in the City may not begin until early FY03. This timetable for Philadelphia's recovery clearly indicates that the City's wage, sales, and business privilege tax bases will be negatively impacted well into FY03.

Any recession can be particularly damaging to Philadelphia due to the continued weakness of Philadelphia's economy relative to the national economy. Prior to the 1980-1982 recession, unemployment rates in Philadelphia were roughly similar to state and national rates. Following that recession, however, the Philadelphia unemployment rate has been persistently higher than the state and national rates, and the 1990-1991 recession caused the city to further lose jobs that it has yet to recover. On average, the Philadelphia annual unemployment rate was two percent higher than the national unemployment rate between 1991 and 2000.

Similar to the gap in unemployment rates, Philadelphia employment growth rates are persistently lower than national employment growth rates, although that gap has lessened considerably following the inception of annual tax cuts in 1996, as shown in the following chart. The effectiveness of the tax reduction program is also supported by data indicating that while the year-over-year employment growth rate for Philadelphia was not higher than the national growth rate in any month between August 1987 and May 1999, it has been higher six times since, including October and November 2001.



The Financial Crisis of the School District of Philadelphia

In an historic agreement reached on December 21, 2001, the City of Philadelphia and Commonwealth of Pennsylvania committed significant additional resources as part of a plan to resolve the long-term financial and educational needs of the School District of Philadelphia. The plan was designed in part, to ease a financial crisis at the School District, which was projecting cumulative deficits of \$216.6 million for FY02 and \$786 million by the end of FY04. Effective January 1, 2002, the Commonwealth took over management of the School District pursuant to the amended Education Empowerment Act, which provides for state takeover of distressed school districts. This takeover has been achieved as a partnership between the City and Commonwealth, with mutual governance through a new five-member School Reform Commission and mutual financial contributions. The City committed to provide \$45 million annually in additional support beginning in FY02, while the Commonwealth committed to provide \$75 million annually in additional support. The cost of this agreement to the City has been incorporated into this Financial Plan, helping the City forge a partnership with the Commonwealth to address the School District's long-term financial problems but limiting the City's ability to respond to other contingencies. (For more information on the School District see the High Quality Public Education chapter).

Increasing Labor Costs

A majority of the City's expenditures are on salaries and benefits for predominantly union-represented workers. The growth in per-employee compensation exceeded the growth in inflation and the City's tax base from FY97 to FY00, and again from FY00 to FY01 following the implementation of the current labor agreements. The annual average gap between the growth in per-employee compensation and the growth in the tax base increased from 1.5 percent from FY97 and FY00 to 2.7 percent from FY00 to FY01. The City negotiated new four-year contracts with AFSCME District Councils 33 and 47 in FY00. While those costs are manageable within the context of this Plan, the Plan does not include any provision for wage increases after those contracts expire in FY04 or after the Fraternal Order of Police (FOP) and International Association of Fire Fighters (IAFF) contracts expire in FY02.

Increasing Pension Costs

One of the threats to the City's financial stability in this Plan is the dramatic spike in the City's required contribution to the pension fund. The downturn in the stock market prevented the City's pension fund from attaining its earnings assumptions, with earnings lower than the anticipated nine percent. As a result of those lower earnings, the City will have to contribute more to the pension fund to ensure that it can make payments to retirees and maintain a relatively flat stream of payments. Based on an analysis performed by the City's actuary, the General Fund would have paid about \$105.5 million more into the pension fund from FY03 through FY06 than the amount that the City had included in the FY02-FY06 Plan, if the City continued its existing funding policy.

The \$105.5 million in City payments assumed that the City would pay amounts that were consistent with its current funding policy, which are well in excess of the minimum municipal obligation defined by state law. While the City briefly examined paying the minimum

obligation, that level of funding would have resulted in a dramatic spike in the City's payments after FY14. By FY25, the City's projected payments would have been over \$200 million higher annually compared to the projected payments with the current funding policy. In order to avoid creating that type of spike in payments for future City budgets, the City will pay more than its minimum municipal obligation. However, the City will not continue its current funding policy and pay the full \$105.5 million in extra costs. These costs were created largely by what may be a temporary downturn in the stock market, and bearing all of those costs in the short-term would likely have forced the City to reduce services.

The City's approach will be to strike a balance between the current funding policy and the City's minimum municipal obligation. Under this approach, the City will make payments to the pension fund that are approximately equal to 50 percent of the difference between the payments required with the current funding policy, and those required by the minimum municipal obligation. In addition, the City will repay the pension fund the difference between the short-term payments of the new funding policy and the amount that it would have paid under its current funding policy. By repaying that amount with nine percent interest over ten years, the City will ensure that the long-term impact on the pension fund is minor.

The City is able to make this adjustment to its pension fund payment because the pension fund is currently funded at a level in excess of 70 percent. In 1997, the Commonwealth enabled the City to establish a rolling, ten-year amortization schedule to eliminate its unfunded pension liability once funding coverage had reached 70 percent. The 70 percent level is significant because it is adequate to ensure 100 percent pension liability payments for all current retirees and all current employees. Funding above the 70 percent level provides funding for the retirement of future employees. The City achieved the 70 percent level in FY99, thirteen years ahead of schedule. Since the 70 percent level is so significant, the Commonwealth has permitted other municipalities to alter the basis for amortizing the unfunded liability once this level has been achieved from the 10 year rolling amortization schedule to a 40 year rolling amortization schedule. The City intends to seek Commonwealth approval for this longer amortization period. While this shift in amortization schedule would create substantial savings for the City, those savings are not reflected in the projections in this Plan

Increasing Criminal Justice Costs

The increasing cost of providing criminal justice services has outpaced the growth of the General Fund as a whole from FY96 to FY02. Obligations for the District Attorney, Juvenile Justice Services, the Police Department, the Philadelphia Prison System, and the Sheriff's Office have increased by 46 percent, from \$516.8 million in FY96 to an estimated \$752.3 million in FY02, while the General Fund has increased by only 26 percent, from \$2.4 billion in FY96 to an estimated \$3.0 billion in FY02. This dedication of resources was partially spurred by the addition of 753 on-street police officers through the 1994 federal Crime Bill, which required the City to gradually assume the full cost of all Crime Bill officers by FY02. The enhanced resources have resulted in enhanced results, such as a projected 28 percent increase in arrests between FY96 and FY02, and substantial increases in citizen satisfaction with police protection as reflected in the City's annual Citizen Survey.

Enhancing public safety and the quality of life in Philadelphia's communities will require that there be continued support for the criminal justice system over the course of the Plan. For example, the consequences of the successful increase in law enforcement activity include a corresponding increase in the average prison inmate population. The average prison census increased 33 percent from FY96 to FY01, with an additional eight percent increase expected in FY02, driving up staffing levels and overtime, food, maintenance, health care and community housing costs. The City has increased its dedication to juvenile offender enforcement and remediation in particular, with a 71 percent increase in obligations for Juvenile Justice Services between FY96 and FY02.

The public safety response to the attacks of September 11 and the subsequent anthrax scare have had a significant impact on the City's FY02 budget, and the ongoing threat of terrorism and need for homeland defense initiatives are likely to have additional impacts in future years. The estimated increase in operating expenditures on Police, Fire, and other services for FY02 as a result of these events is approximately \$21 million. In addition, these unfortunate incidents drew attention to the relative lack of security at City Hall, the Municipal Services Building and the Criminal Justice Center, compared to government offices in other jurisdictions. Improving the security at the City's public facilities will cost the General Fund an estimated \$8 million in FY02. The ongoing budgetary impact of homeland defense is unclear and subject to the success of the war effort and the deterrence of future terrorist incidents on American soil.

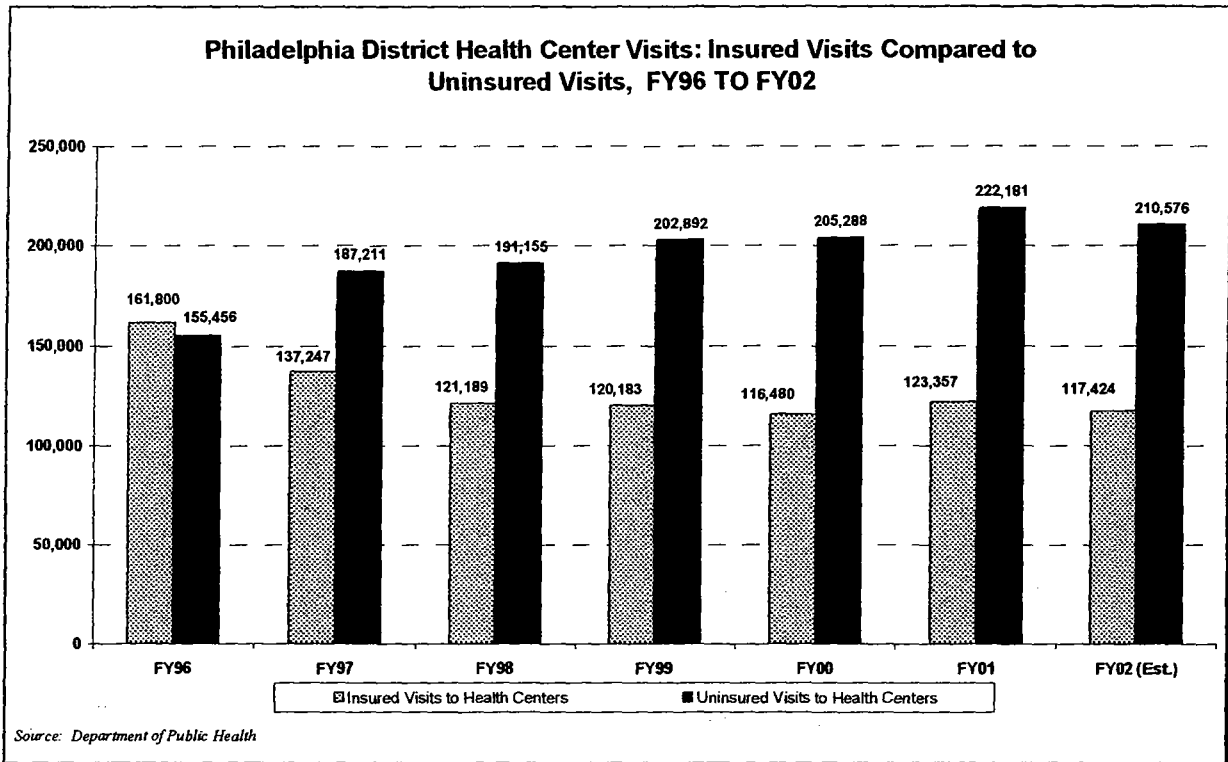
The increase in general criminal justice costs have occurred while the national Crime Index rate has gradually dropped to long-term lows. The national Crime Index rate for 2000 was the lowest since 1972, according to the Federal Bureau of Investigation's Uniform Crime Report. If crime rates rise again due to the recession or changing social conditions, the City's cost of providing effective criminal justice may increase even more rapidly.

Effects of Welfare Reform

Federal and state welfare reform will continue to have an effect on the City as residents lose benefits by exceeding their lifetime limit or by failing to meet the state's Act 35 work requirements. The first wave of Philadelphia families, totaling 6,100 recipients, will reach the five-year limit on cash benefits between March and June 2002. The Commonwealth released a plan in December 2001 to extend cash benefits for recipients who meet certain criteria, such as mental illness, physical limitations, or family crises. Recipients will have to apply to extend the benefits. The length of the extension and the number of recipients that will apply and be accepted are unclear. To date, the Commonwealth has also not fully enforced its regulations, sparing some families from a loss of benefits.

Losses of benefits are likely to result in increases in homelessness and the demand on other local government services. For example, the increasing numbers of Philadelphia residents lacking Medical Assistance/Medicaid has resulted in more visits to City health care centers by uninsured individuals, as shown in the table below. In FY96, 49 percent of visits to the City's health care centers were by uninsured individuals; in FY03, 64 percent of visits are projected to be by uninsured individuals. The number of residents without Medical Assistance also increases the demand on the EMS system, as uncovered residents turn to 911 EMS for basic medical care that cannot be reimbursed by an insurer. For each 1,000 families that receive City-provided shelter,

medical care, and foster care services, the City incurs unreimbursed costs of approximately \$10.8 million annually. While the City has been spared some of these costs to date, it is likely that there will be a rise in the number of welfare recipients losing benefits over the course of the Plan.



The Financial Crisis of the Philadelphia Gas Works

The Philadelphia Gas Works (PGW), the largest municipally owned gas utility in the nation, has encountered cash flow problems and long-term financial uncertainty in recent years as a result of numerous internal and environmental challenges. These challenges have included:

- Management instability, featuring five different management teams in nine years;
- Costly and inflexible labor agreements;
- Fluctuating natural gas prices, particularly during the winter of 2000-2001 when prices skyrocketed;
- A high proportion of low-income and senior citizen customers that receive discounted rates;
- A high proportion of non-paying customers;
- Severely flawed financial and customer service operations; and
- Failure to receive timely and adequate rate relief from the Pennsylvania Public Utility Commission (PUC).

As a result of these issues, the City was forced to loan PGW \$45 million in FY01 in order to provide sufficient cash to operate until PUC rate relief took effect. Following the loan, PGW made significant progress in meeting these challenges. Most prominently, a new three-year labor

agreement is projected to save \$76.5 million over five years. Reductions in natural gas prices and rate relief from the PUC in January, March and October 2001 – albeit less relief than requested by PGW – eased cash flow pressures. Finally, enhancements to the billing and collections system and to customer service operations have improved revenues and PGW's long-term ability to retain customers. Despite this progress, the financial situation of PGW remains tenuous. This Financial Plan incorporates the continued transfer of PGW's annual \$18 million payment to the City's General Fund, as required by statute, in addition to repayment of the \$45 million loan in FY07. The inability of PGW to meet these obligations to the City would have serious impacts to the City's General Fund and to the fund balances estimated in this Financial Plan.

An Accelerated Tax Reduction Program

The Plan as submitted by the Mayor to City Council in January proposed extending wage tax reductions through FY03 and then freezing wage tax rates for the balance of the Plan. More than half of the savings realized from the rate reduction freeze were to be used to escalate the reduction in the gross receipts portion of the business privilege tax, with the remainder of the savings going to offset the combined impact of the national recession, weak pension fund earnings caused by a lagging stock market and increased security costs in the aftermath of September 11. The Plan said that those wage tax reductions would continue through FY03 so that if the national economy recovered, the stock market strengthened and there were no other major increases in city costs or reductions in city revenues, the wage tax reduction program would continue, but at a rate that, when combined with the accelerated reduction in the gross receipts tax, would cost the General Fund the same amount of revenue as contemplated in the prior tax reduction plan.

On April 18, 2002, City Council passed legislation that would reinstate wage tax reductions and continue them through the life of the Plan. That bill, when combined with the tax cuts already included in the Plan, brings the total value of the tax cut program in this Plan to \$290 million, \$120 million more than the amount initially included. In addition, the bill stipulates that if wage tax receipts grow by at least 3.5% over the previous year, the size of the wage tax reduction will increase. If the wage tax receipts grow at 3.5% in each year of the Plan, the wage tax rate for residents would drop to 3.98%.

While the reductions in the wage tax rate will help make the City more competitive, they also pose a substantial challenge for the City's general fund.

The challenges discussed in this section could create substantial strains on the City's budget. Further, a series of factors make it particularly difficult for the City to meet these challenges.

Factors Inhibiting the City's Ability to Meet Fiscal Challenges

Ongoing Loss of Middle Income Population

The 2000 U.S. Census confirmed that Philadelphia continued to lose population in the 1990s. This loss of 68,027 residents, or 4.3 percent of the population, was not as severe as the annual Census estimates had predicted, and it was not as severe on a numeric or percentage basis as the

losses of the 1970s and 1980s. While other cities in the region such as Baltimore and Washington, D.C. experienced greater population losses over the same period, major cities in the Northeast and Midwest such as New York City, Boston, and Chicago actually gained population. Census demographic data indicates that the nature of the population loss continues to negatively impact both the City of Philadelphia's tax base and its service demands.

Contrary to regional and national trends, key indicators of economic health continued to deteriorate in Philadelphia between the 1990 Census and the 2000 Census, as shown in the following table. Median household income declined by over seven percent in Philadelphia over this period after adjusting for inflation, while the inflation-adjusted median household income increased in the four Pennsylvania suburban counties, as well as the state and nation as a whole. In addition, the poverty rate in Philadelphia increased over this period, even as it fell in the rest of the state and nation. This data indicates that the net population loss in Philadelphia is disproportionately made up of middle-income residents, leaving behind a population that is proportionately poorer, less able to contribute to the tax base, and more in need of public services.

Demographic Trends between the 1990 and 2000 Census								
	1990 Population	2000 Population	% Change	1990 Median Household Income ¹	2000 Median Household Income ¹	% Inflation- Adjusted Change	1990 Poverty Rate	2000 Poverty Rate
Philadelphia	1,585,577	1,517,550	-4.3%	32,415	29,866	-7.9%	20.3%	22.8%
Bucks County	541,174	597,635	10.4%	57,111	57,449	0.6%	4.0%	4.5%
Chester County	376,396	433,501	15.2%	60,134	63,248	5.2%	4.7%	3.7%
Delaware County	547,651	550,864	0.6%	49,192	50,651	3.0%	7.0%	6.2%
Montgomery County	678,111	750,097	10.6%	57,602	58,137	0.9%	3.6%	4.7%
Pennsylvania	11,881,643	11,847,753	-0.3%	38,299	39,560	3.3%	11.1%	10.6%
United States	248,709,873	273,643,274	10.0%	39,599	41,349	4.4%	13.1%	12.5%

¹ Constant (2000) inflation-adjusted dollars.

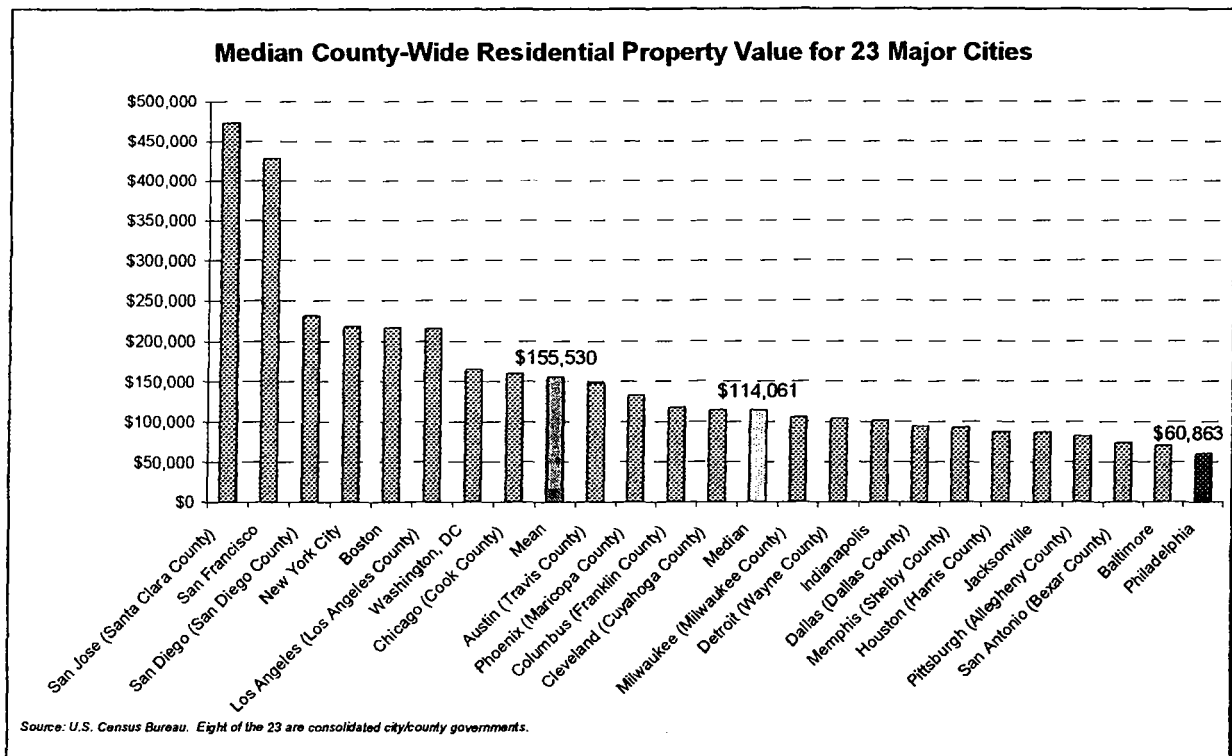
Source: U.S. Census Bureau

This trend has severe consequences for the fiscal health of the City. On a per-capita basis, Philadelphia's public service needs are at least as high or perhaps higher than those in other major cities, and certainly higher than needs in suburban areas, yet these services are supported by an increasingly weak tax base. A comparative analysis of overlapping city and county expenditures per capita, based on Census data, indicated that Philadelphia ranked sixth in total non-education expenditures. Overlapping expenditures in Philadelphia were comparable to those of Northeastern, Great Lakes, and California cities. Among these jurisdictions, Philadelphia expenditures were relatively high for county government functions, such as welfare, public health, corrections and the court system, while Philadelphia expenditures on predominantly city government functions such as police, fire, and streets ranked 17th among the 23 cities. The county government services are largely mandated by the federal or state governments and are driven by local socio-economic conditions. Additional loss of middle-income residents and the accompanying deterioration in the tax base will likely increase the relative demand for county services, which increases the fiscal pressure on the City of Philadelphia.

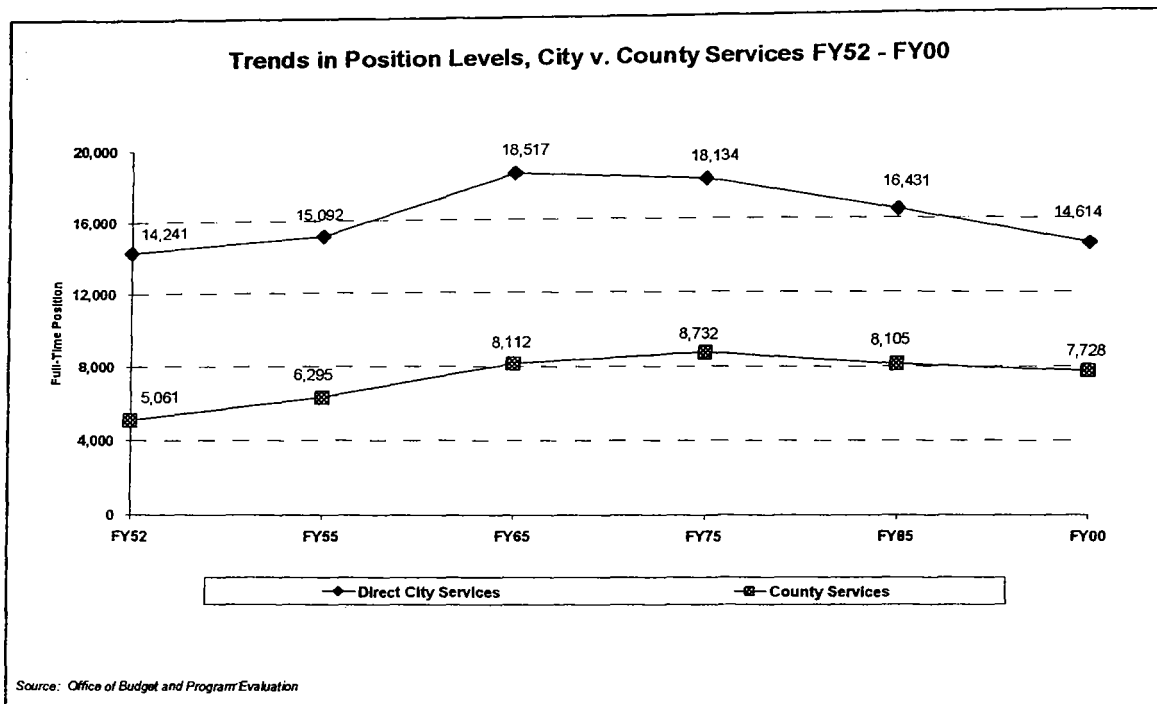
The City's ability to pay for these services is undermined by relatively low state funding. Compared strictly to other major city governments, Philadelphia's state funding can appear to be average. However, analysis of Census Bureau data on state funding as a percentage of total overlapping city and county revenues indicated that Philadelphia ranked 16th of the 16 cities that are located in states where welfare funds are granted to the local jurisdiction. The six cities and overlapping counties analyzed that received a lower proportion of revenues from their state government were located in states where the state government directly operates welfare programs rather than granting funds to the local jurisdiction. Philadelphia's state funding as a percentage of total revenue is nearly 50 percent lower than the median when compared to the other cities that are reimbursed by their state governments for a portion of child welfare and other human services. Philadelphia's percentage was also 50 percent lower than the total for Pittsburgh and Allegheny County.

In addition, other states directly operate some services that in Pennsylvania are locally funded and operated, which alleviates the financial pressure on comparable central cities such as Baltimore, New York City, and Boston. For example, welfare, homeless, court, and corrections services are operated for Baltimore by the State of Maryland, while in New York and Massachusetts, the court system is funded and operated by the state government. The Pennsylvania Supreme Court directed the Commonwealth of Pennsylvania to fund its courts in 1987 and again in 1996, but the Commonwealth has yet to comply. Compliance could save the City more than \$110 million per year.

Philadelphia's property and income tax bases, which account for over 70 percent of General Fund tax revenues and 48 percent of total General Fund revenues, are extremely weak when compared to other major U.S. cities or to other counties in Pennsylvania. Only one of 23 large cities analyzed, Pittsburgh, had a lower median residential property value in the 2000 Census. Philadelphia's median residential property value represented 42 percent of the mean and 60 percent of the median for the cities analyzed. Philadelphia lagged even further when compared to other county jurisdictions. Pittsburgh is located in Allegheny County, which had a significantly higher median residential property value than in Philadelphia, as shown in the chart below. The 2000 Census data also indicate that Philadelphia ranked 20th of the 23 cities in median household income, and last among the overlapping county governments for those cities. Finally, comparisons of Philadelphia to the fourteen next-largest counties in Pennsylvania indicated that Philadelphia had by far the lowest property values and income per-capita, based on State Tax Equalization Board and Department of Education data.



Continued losses of middle income population will threaten the City's fiscal stability by eroding the tax base while increasing the proportionate demand for local government services, particularly the county and public safety services that are closely linked to socio-economic conditions. As demonstrated previously, the City's expenditures per capita on predominantly city government functions are relatively low compared to those in other major U.S. cities. While there are always opportunities for improvements, historical analysis of the City's workforce also indicates that expenditures and staffing in city government functions have largely been controlled over time. The number of full-time General Fund employees providing direct city services declined by 3.2 percent from FY55 to FY00, with a decrease of 32.8 percent over this period if Police positions are excluded. From FY65 to FY00, this number dropped by 21.1 percent, with a decrease of 37.7 percent excluding Police positions. Staffing and expenditures for county functions, which are less discretionary than city functions due to federal and state mandates and increasing joblessness and poverty rates, have been more difficult to control. The number of full-time General Fund employees providing direct county services increased by 22.8 percent from FY55 to FY00, and decreased by 4.7 percent from FY65 to FY00 – a slower rate of decline than for direct city services. Additional middle-income population losses will contract the tax base but may not lessen the need for county and public safety services, expenditures, and staffing.



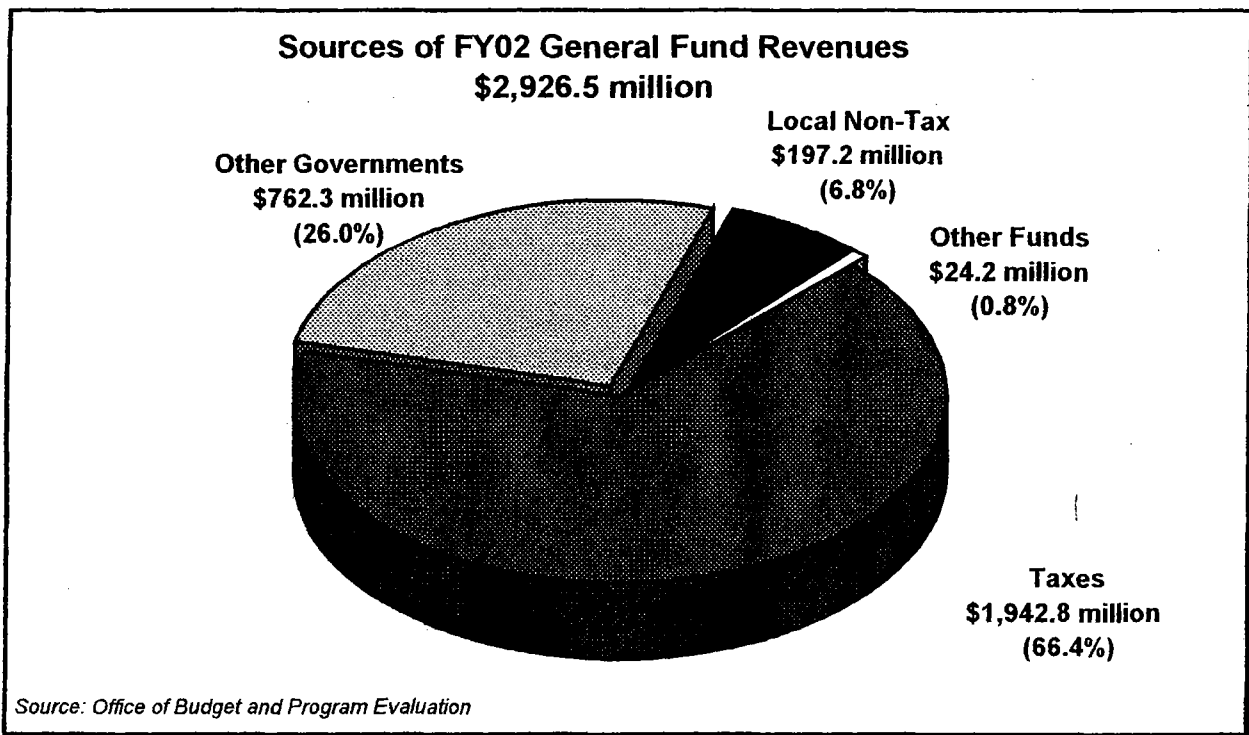
One key to the City's ability to handle the challenges facing its budget is the health of its revenues. The remainder of this chapter will discuss those revenues.

General Fund Revenues

Overview

The City's General Fund projected FY02 revenues of \$2,924.5 million are divided into four major categories:

- Taxes (66.4 percent of the estimated FY02 total);
- Revenues from other governments (26.0 percent), which consist primarily of federal and state reimbursements for the costs of social service programs and the Pennsylvania Intergovernmental Cooperation Authority (PICA) City Account revenues. PICA City Account revenues are monies collected from the PICA wage, earnings, and net profits tax, after deductions for PICA debt service and expenses;
- Locally generated non-tax revenues (6.8 percent), which include various fees, fines, and charges assessed by the City; and
- Revenues from other funds (0.8 percent), which are primarily payments to the General Fund by the Water and Aviation Funds for services performed by other City agencies.



General Fund revenue growth exceeded inflation during each of the last eight fiscal years after adjusting for the effects of deductions for PICA debt service and non-recurring revenues. Revenues, excluding the effects of PICA debt service and non-recurring revenues, increased by an average of 3.5 percent from FY90 through FY00, well above inflation. This positive trend

continued during FY01 with revenue growth of 4.4 percent compared to fiscal year inflation of 3.4 percent.

However, fourth quarter FY01 tax revenue results showed a flattening of collections, particularly for the wage tax. This trend continued with first quarter FY02 wage tax growth of .16 percent. Second quarter wage tax results have shown improvement, but the combination of the national recession and the aftermath of the events of September 11, 2001 have caused the Administration to make downward revisions in tax revenue growth assumptions for at least the near term.

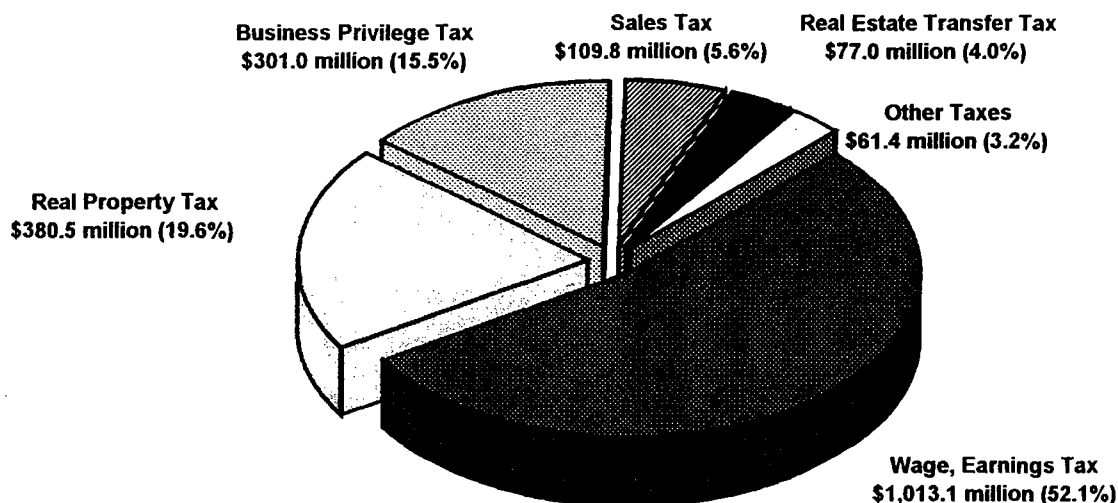
The Five-Year Plan assumes that revenue growth will remain largely stagnant through FY02 and gradually rebound over the life of the Plan. The Plan assumes that growth will stay in the range of 2.5 to 3.2 percent through FY07, while inflation is projected to be 2.5 percent. Last year's Five-Year Plan assumed 3.5 percent growth for FY02 and FY03.

The City has achieved and maintained a balanced budget, with a cumulative positive fund balance of \$230.0 million at the end of FY01. This fund balance will be difficult to maintain during periods where revenue growth is below inflation, and this Plan projects that the fund balance will be almost completely gone by the end of FY07. Even during periods of positive growth, this fund balance was achieved largely as a result of numerous management and productivity initiatives pursued by the City and strict budget management over the past ten years. Since it is unlikely that the City will experience revenue growth significantly above inflation during the next several years of the Plan period, it is clear that budget balance can only be maintained if tight spending controls remain in effect.

Taxes

The City's principal taxes are the wage and earnings tax, the real property tax, the business privilege tax, the sales tax, and the real estate transfer tax. The City wage tax alone, not including the PICA portion of the tax, accounts for 52 percent of the City's tax revenues and, as the following chart indicates, the five principal taxes together generate just under 97 percent of the City's total tax revenues. Additionally, the City received almost \$173 million in FY01 from the Pennsylvania Intergovernmental Cooperation Authority (PICA) tax. Monies remitted to the City for the PICA wage and earnings net profits tax are not considered City tax revenues, but are classified as revenue from other governments. The revenues of the PICA tax secure the debt PICA incurred when it borrowed money on the City's behalf in FY91, FY92 and FY93, which is a portion of the City's tax collections equaling 1.5 percent of wages and net profits earned by City residents. This portion of those taxes is dedicated to cover PICA debt service and operating expenses, with the remaining funds paid to the City.

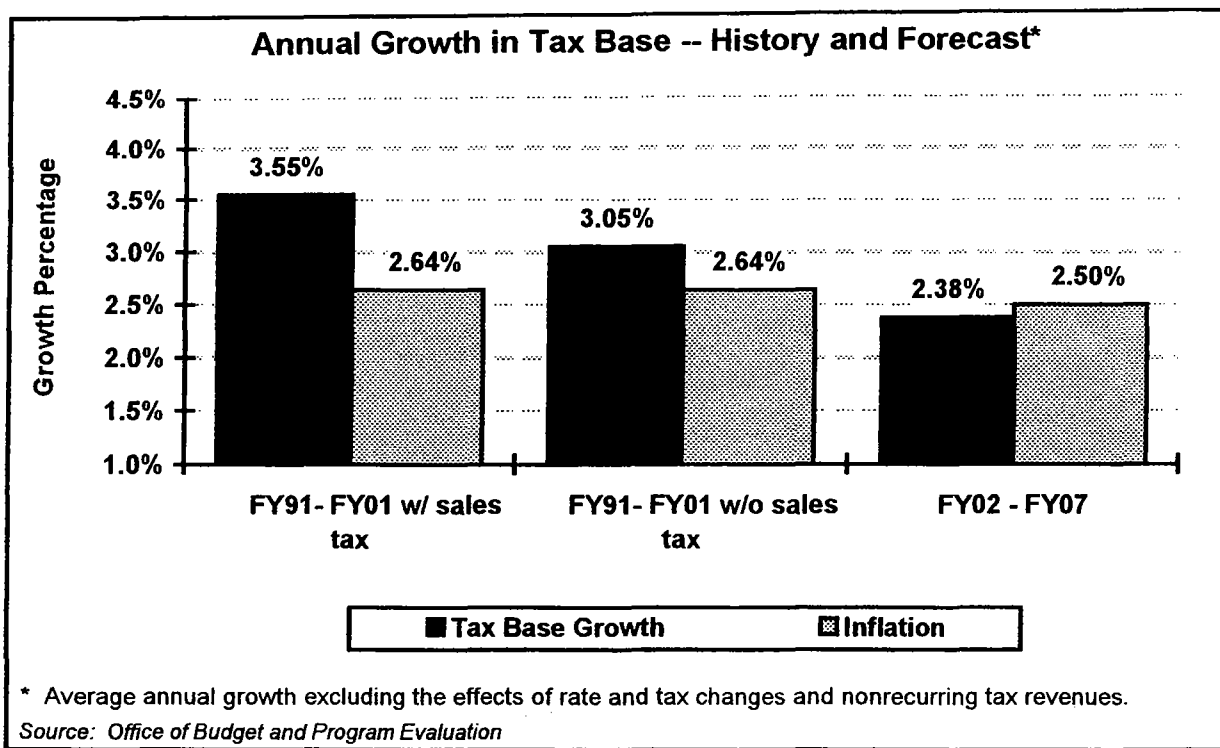
Percentage Distribution of FY02 General Fund Tax Revenue
\$1,942.8 million



Source: Office of Budget and Program Evaluation

Tax Base Growth

Philadelphia's tax base – its tax revenues adjusted for rate and tax changes and non-recurring tax revenue – grew from FY91 to FY01 at an average annual rate of 3.6 percent including the sales tax (which was implemented in FY93) and 3.1 percent excluding the sales tax. The growth rate was greater than the 2.6 percent rate of inflation during the same period, likely as a result of the sustained national economic expansion. As the following chart shows, based on the impact of the recession this Five-Year Plan assumes that the tax base will no longer grow more quickly than inflation, averaging 2.4 percent from FY02 to FY07, compared to an average inflation rate of 2.5 percent.



Wage and Earnings Tax

The wage and earnings tax is the City's largest source of tax revenue, projected to account for approximately 52 percent of total tax revenue in FY02. It consists of a 3.0385 percent tax on the wages of city residents, who also pay the 1.5 percent PICA wage tax for a total wage tax rate of 4.5385 percent, and a 3.9462 percent tax on non-residents working inside Philadelphia. These rates were reduced on January 1, 1996, and on each July 1st from 1996 through 2001 as the first seven steps in the City's incremental tax reduction program. Prior to January 1, 1996, the rate was 4.96 percent for city residents (including the PICA tax) and 4.31 percent for non-residents.

As discussed above, the wage tax rate will decrease each year during the Plan.

Wage Tax Rate Reductions - Actual & Proposed				
	Residents		Non-Residents	
Fiscal Year	Rate (Proposed FY03-FY07)	Change from FY95 Rate	Rate (Proposed FY03-FY07)	Change from FY95 Rate
1995	4.9600%		4.3125%	
1996	4.8600%	-2.02%	4.2256%	-2.02%
1997	4.8400%	-2.42%	4.2082%	-2.42%
1998	4.7900%	-3.43%	4.1647%	-3.43%
1999	4.6869%	-5.51%	4.0750%	-5.51%
2000	4.6135%	-7.00%	4.0112%	-7.00%
2001	4.5635%	-8.00%	3.9672%	-8.00%
2002	4.5385%	-8.50%	3.9462%	-8.50%
2003	4.5000%	-9.27%	3.9127%	-9.27%
2004	4.4625%	-10.03%	3.8801%	-10.03%
2005	4.4250%	-10.78%	3.8475%	-10.78%
2006	4.3875%	-11.54%	3.8149%	-11.54%
2007	4.3500%	-12.29%	3.7823%	-12.29%
TOTAL REDUCTION 1996-2007		-12.29%		-12.29%
(a) With City Council's approval, the FY96 reductions took effect January 1, 1996. (b) With City Council's approval, the FY97 reductions took effect July 1, 1996. (c) With City Council's approval, the FY98 reductions took effect July 1, 1997. (d) With City Council's approval, the FY99 reductions took effect July 1, 1998. (e) With City Council's approval, the FY2000 reductions took effect July 1, 1999. (f) With City Council's approval, the FY2001 reductions took effect July 1, 2000. Source: Office of Budget and Program Evaluation				

Forecast

The Five-Year Plan's wage tax forecast, which is shown in the following table, is based on five- and ten-year historical average annual growth rates, an econometric forecasting model, and discussions with economists.

Wage Tax Collection History and Forecast										
	History				Forecast					
	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
PICA Wage Tax	221.7	233.9	247.6	262.5	269.0	276.4	285.4	294.7	304.3	314.1
City Wage Tax	914.3	934.3	973.0	1,047.2	1,013.0	1,028.3	1,050.0	1,071.0	1,093.4	1,116.2
Total Wage Tax	1,136.0	1,168.2	1,220.6	1,309.7	1,282.0	1,304.7	1,335.4	1,365.7	1,397.7	1,430.3
Tax Rates										
Resident	4.79%	4.69%	4.61%	4.56%	4.54%	4.50%	4.46%	4.42%	4.39%	4.35%
Non-resident	4.16%	4.08%	4.01%	3.97%	3.95%	3.91%	3.88%	3.85%	3.81%	3.78%
FY01 collections include \$50.5 million in one-time accruals related to the GASB 33 accounting change. Collection amounts are in millions of dollars. Source: Office of Budget and Program Evaluation										

The following table illustrates how employment and average wage per employee – the two key variables considered in formulating the City's revenue forecasts – changed in FY01, from FY96 through FY01, and from FY91 through FY01.

Wage Tax Forecast Variables - Historical Average Annual Growth Rates			
	FY00-01	FY96-01	FY91-01
Wage and Earnings Tax Base ⁽¹⁾	4.4%	4.7%	3.7%
Non-agricultural Employment (Phila. City) ⁽²⁾	0.4%	0.7%	-0.5%
Average Wage/Employee (Phila. City)	3.6%	3.5%	3.4%
Consumer Price Index (Phila. Metro)	3.4%	2.5%	2.6%
⁽¹⁾ The PICA wage tax is included in the base for comparative purposes. The base is also adjusted to reflect changes in tax rates.			
⁽²⁾ The fiscal year 2001 numbers are preliminary.			
Source: U.S. Bureau of Labor Statistics and Pennsylvania Department of Labor and Industry			

Employment declined by an average of 0.5 percent per year from FY91 through FY01, with that decline beginning to reverse by 1997 as the city registered job growth of slightly less than 1.0 percent annually from FY96 through FY01.

However, employment growth began to flatten during the middle of FY01 and by May 2001, the city saw a .9 percent decline in non-farm employment when compared to the previous May. During the first five months of FY02, the city continued to experience employment losses but at annual rates lower than in May 2001, with November showing a .2 percent decline from November 2000.

The average wage per employee increased by about 3.6 percent in the last year, 3.5 percent per year over the past five years, and by 3.4 percent per year over the past ten years. These wage increases have led to a growth in wage tax revenues, thereby offsetting declines in employment from 1990 to 1997 and the revenue impact of the City's tax reduction program. The Five-Year Plan forecast assumes that average wage-per-employee growth will be between 2.75 percent in FY03 and 3.2 percent annually from FY04 through FY07. REMI, the City's econometric forecasting model, supports the City's job and wage growth projections, predicting a 3.2 percent average annual growth in wages-per-employee through FY07. The REMI model assumes a return to national economic growth for the Plan period rather than continued national economic contraction. As a result, the model predicts employment growth of .9 percent annually. The Plan, however, is slightly more conservative than the REMI model, assuming gradual recovery into FY03 and projecting flat employment growth over the course of the Plan.

The following table shows the assumptions underlying the City's wage tax forecast.

	FY03	FY04	FY05	FY06	FY07
Avg. Wage/Employee Growth	2.75%	3.2%	3.2%	3.2%	3.2%
+ Employment Change	<u>0.00%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
= Gross Growth Forecast	2.75%	3.2%	3.2%	3.2%	3.2%
- Effect of Tax Cut	<u>-0.85%</u>	<u>-0.83%</u>	<u>-0.84%</u>	<u>-0.85%</u>	<u>-0.85%</u>
= Net Growth Forecast	1.90%	2.37%	2.36%	2.35%	2.35%

Wage Tax Rate Reductions

While the Plan calls for the City to continue its incremental wage tax reduction plan through FY07, much steeper reductions are required to allow the City to make substantial strides toward being more competitive. Unfortunately, the City cannot afford to make dramatic reductions without making substantial cuts to important services.

A cut to 3.5%, for example, would reduce the City's revenues by well over a billion dollars. The only way the City can make those kind of cuts without sacrificing services is if the state implements a comprehensive tax reform proposal. The City would also be more able to absorb a cut if the state assumed costs for a unified judiciary system as required by two Supreme Court orders.

Under one of the reform proposals being considered, the City would put \$250 million annually toward tax reduction. That \$250 million annually, when combined with the reductions already included in the Plan, would allow the City to reduce the wage tax rate to 3.59% for residents and 3.1215% for nonresidents in FY07.

If the State assumed the costs for the First Judicial District, the Register of Wills and the Clerk of Quarter Sessions, as ordered by the State Supreme Court, the City would be able to reduce the wage tax rate to 4.11% for residents and 3.5736% for nonresidents.

If the State both implemented tax reform and assumed county court costs, the City could reduce the wage tax rate to 3.3575% for residents and 2.9193% for nonresidents by FY07.

The City will continue to advocate for both statewide tax reform and the State's assumption of its responsibility for court financing. The Administration is committed to working with the business community and City Council on these crucial issues.

Real Property Tax

The real property tax is the General Fund's second largest source of tax revenue, accounting for an estimated \$380.5 million in FY02, or almost 20 percent of all General Fund tax revenue. The tax is levied on behalf of both the School District and the City's General Fund at a combined rate of 8.264 percent of the assessed value of residential and commercial property. Of this rate, for FY02 and prior years, the General Fund's share is 3.745 percent and the School District's is 4.519 percent.

This Plan proposes to shift an additional 2.71 mills to the School District in FY03 to provide \$25 million of the \$45 million in additional funding the City pledged to provide to the District as part of its School District agreement with the state. In FY02, the full \$45 million in additional funding will be provided as a contribution because it is too late in the fiscal year for the City to change its millage allocation. The millage shift would increase the School District's portion of the tax from 4.519 percent to 4.79 percent and the City's portion of the tax would decrease from 3.745 percent to 3.474 percent. At the same time, the City's cash transfer to the School District would be reduced by \$25 million so that there would be no net change in the amount of combined property tax revenues and city cash transfers that the School District receives.

This millage change is contingent on the City receiving assurances from the state that it will provide a waiver from Act 46, the legislation covering the state takeover of the School District, which requires that the maximum combination of contribution and millage allocation made during any three year period will be locked in as the base for future year contributions. Under Act 46 the City would have to maintain the increased millage rate enacted for FY03 *and* the increased cash transfer amount provided in FY02. As a result, instead of providing \$45 million in additional funding to the School District, the City would have to provide an additional \$70 million (the added \$45 million cash contribution in FY02 plus the millage shift in FY03). Neither the City nor the state intended for the City to provide more than \$45 million in additional funding for the School District. As a result, if the City does not get assurance that the millage shift will be exempted from the provisions of Act 46, the City's entire \$45 million in additional funding for the School District will be in the form of a cash transfer contribution.

Residential assessments, including condominiums, account for approximately two-thirds of all real property tax revenue, while commercial assessments provide the remaining third. Each November, the Board of Revision of Taxes (BRT) certifies what it believes the assessments will be in the upcoming tax year. As the year progresses, BRT adjusts the assessments because of additions to the tax rolls and reductions in assessments that it grants in response to requests from commercial and residential property owners and as a result of Court of Common Pleas decisions on appeals of assessments. The Revenue Department's net billings for each year reflect these adjustments.

As the following table shows, real estate billings have steadily increased each year since 1997.

Growth in Real Estate Tax Assessments, 1997-2002						
	1997	1998	1999	2000	2001	2002
Certified Assessments	9,219	9,201	9,241	9,452	9,741	10,159
Growth Over Prior Year	+0.3%	-0.2%	+0.4%	+2.3%	+3.1%	+4.3%
Adjustments	(176)	(124)	(61)	(70)	(62)	N/A
Net Billings	9,043	9,077	9,180	9,382	9,679*	N/A
Growth Over Prior Year	+0.5%	+0.4%	+1.0%	+2.2%	+3.2%*	N/A
* Projected based on ten months of data.						
Assessments in millions of dollars; years are fiscal years.						
Source: Board of Revision of Taxes, Department of Revenue, and Office of Budget and Program Evaluation						

Since 1997, the value of appeal adjustments has steadily declined while the value of assessment increases has steadily grown except for 1998. This is due to a strong residential and commercial real estate market combined with improved assessment techniques employed by the Board of Revision of Taxes. The BRT has created an enhanced sales data system to refine the editing of sales data from sheriff sales, blanket transactions and family transfers. Unverified sales are now distributed to evaluators for review and editing. The Board has also developed defined Geographic Market Areas (GMAs), which allow for much greater precision in creating meaningful groupings of parcels. These improvements have led to better market data that in turn have resulted in declining value of appeals.

The following table shows real property tax collections since FY98 and shows the Plan's forecast through FY07, assuming that additional millage is transferred to the School District.

Real Property Tax Revenue History and Forecast										
	History				Forecast					
	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Current	305.8	311.9	315.9	325.8	338.5	321.7	328.9	335.2	341.4	346.4
Prior*	28.1	30.7	37.7	37.0	42.0	28.0	27.0	27.0	26.0	26.0
Total	333.9	342.6	353.6	363.4	380.5	349.7	355.9	362.2	367.4	372.4
* Structured tax lien sale proceeds are included in prior year estimates as follows: FY00 \$8.0 million, FY01 \$9.0 million and FY02 \$14.0 million. Collection amounts in millions of dollars. Source: Office of Budget and Program Evaluation										

Forecast

The commercial real estate sector appears to be relatively stable despite the national recession and the aftermath of the events of September 11. Vacancy rates for office buildings in the Central Business District (CBD) stood at 10.1 percent in the third quarter of 2001, up slightly from the 9.5 percent experienced in the third quarter of 2000 but well below the peak rate of 18 percent recorded from 1992 to 1994.

Certified assessments for 2002 are almost five percent higher than in 2001. This is yet another indication of the renewed health in the commercial market and the result of recent major commercial developments coming on line. Major renovations and construction projects have recently been completed for a number of major industrial complexes and Center City buildings, including the \$61.5 million construction of a distribution center for T.J. Maxx and the approximately \$80 million renovation of Four Penn Center.

Because abatements and construction timelines normally create a lag between improvements in market conditions and changes in assessments, the Five-Year Plan revenue forecast assumes moderate growth rates. Additionally, three new and or expanded real estate abatement programs were signed by the Mayor in September and October 2000: Bill #225 extends the exemption on improvements to commercial and industrial buildings from three years to ten years; Bill #226 extends the exemption on new residential construction from three years to ten years; and Bill #227 grants a full ten-year exemption on improvements to residential properties. Previously, residential improvements were granted on a ten-year sliding scale. While these abatement programs will have long-term positive economic impact, they reduce short-term real property tax growth. Therefore, the Plan assumes that commercial assessments will increase by an average of 1.7 percent annually through FY07, and residential assessments will grow approximately 2.2 percent annually through FY07. Combined residential and commercial assessments are forecast to grow an average of 2.0 percent per year throughout the Plan period. The Plan's assumptions about assessments lead to moderate growth projections as current real property tax revenues grow by 2.3 percent over the life of the Plan after adjusting for the real estate millage transfer to the School District, from \$338.5 million in FY02 to \$346.4 million in FY07.

Business Privilege Tax

The business privilege tax (BPT) is the General Fund's third largest tax revenue source, contributing an estimated \$301 million in FY02, or 15.5 percent of the City's tax revenue. The BPT is a composite tax on net income and gross receipts, which varies depending on industry classification. The current standard rates are 0.24 percent on gross receipts and 6.5 percent on net income, although there are numerous exceptions. Regulated industries such as financial institutions and public utilities are taxed at the lesser of either 0.24 percent of receipts or 6.5 percent of net income; non-regulated industries, such as manufacturers, wholesalers, and retailers, can opt for an alternative tax on receipts that lets them subtract certain product and labor costs from their receipts for purposes of their tax calculation. Due each April, the BPT is a tax for the privilege of doing business in the current year, although it is based on the prior year's financial results.

Business Privilege Tax Collections History and Forecast											
	History					Forecast					
	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Current	210.6	214.0	233.9	251.7	275.5	266.0	264.2	262.6	260.5	261.3	264.1
Prior	35.8	23.4	20.7	38.4	38.5	35.0	35.0	34.0	33.0	33.0	33.0
Total	246.4	237.4	254.6	290.1	314.0	301.0	299.2	296.6	293.5	294.3	297.1
Tax Rates											
Net Income	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%
Gross Receipt	0.295%	0.287%	0.278%	0.265%	0.253%	0.240%	0.230%	0.210%	0.190%	0.175%	0.163%
Tax collection amounts in millions of dollars.											
Source: Office of Budget and Program Evaluation											

The preceding table shows the City's BPT collections from FY97 through FY01 and shows projections through FY07. The large increase for prior year collections in FY97 was the result of the resolution of two long-standing tax disputes with major automotive companies that produced \$10.9 million in settlement revenue to the City. The large increase for prior year collections in FY00 and all subsequent years was due primarily to a change in accounting, which increased the FY00 BPT prior year collection amount by \$8.6 million.

BPT collections have grown in recent years, benefiting from the continuing strength of corporate profits. Current revenues grew by 7.6 percent in FY00 and 9.4 percent in FY01 even with the tax cut. Without the tax cut, growth would have been 9.3 percent in FY00 and 11.4 percent in FY01. However, BPT tax growth projections are more conservative, reflecting dramatically reduced corporate earnings estimates, economists' predictions on the length of the national recession, and the results of a survey of Philadelphia businesses conducted in November and December by the Revenue Department. The Plan assumes the BPT will experience no growth in FY02, grow by one percent in FY03 and rebound to growth rates between three and four percent for the remainder of the Plan, prior to the impact of the proposed tax rate reductions, which are discussed later in this chapter.

While BPT growth is expected to slow, a change in the definition of which firms have to pay the BPT has increased the number of companies that are required to pay the tax, which partially offsets the expected slowdown. The new, broader definition, which became effective in FY99,

requires that any firm with ongoing activity in Philadelphia pay the BPT. The previous practice was to charge BPT to only those businesses engaging in activities such as accepting sales, installing products, or leasing warehouse space within Philadelphia. In some cases, firms moving from the City could lower the amount of taxes paid on sales made in the city. The change has helped level the playing field for Philadelphia companies by ensuring that all companies that transact business in Philadelphia pay the BPT.

Tax Cuts

As part of the first seven phases of the City's multi-year incremental tax reduction program, the rate on the gross receipts portion of the BPT was reduced annually, going from .325 percent before the program started in FY96 to .24 percent in FY02. In addition, in 1996 the tax cut program also changed the methodology for calculating a firm's tax liability by double-weighting the gross receipts factor in the BPT's net income calculation. This change in methodology has reduced the liability of firms located in Philadelphia but increased the tax on firms located outside the city that do business in the city. There are three factors used in determining the percentage of net income attributable to Philadelphia operations – property, payroll, and receipts – and before January 1, 1996, each was equally weighted. The revised calculation was particularly beneficial to firms that have a large amount of property and a large number of employees in the City, resulting in a \$5.4 million net reduction in FY98 BPT collections.

As the following table shows, the Administration's tax reduction program cuts the tax rate on gross receipts to 0.23 percent in FY03 and then lowers it to .1625 percent in FY07. These rate reductions are significantly increased over those in the FY02-06 Five Year Plan. The City's REMI model, a survey done by the Commerce Department and discussions with economists have all shown that the gross receipts portion of the business privilege tax is particularly onerous. The gross receipts tax imposes a harsh burden on city businesses, particularly small businesses and new companies struggling for profitability. As a general rule the tax cannot be "shifted" onto firm customers, since those customers can always purchase the good or service from a non-Philadelphia business, with the exception of some retail and service businesses that can shift the tax to low-income and senior citizen consumers with relatively little mobility. High volume, low margin businesses are particularly penalized, as the tax can represent a significant portion of their pre-tax profit margin – a higher proportion than that imposed by the net income tax. Empirical research by Robert Inman of the Wharton School of Business and his colleagues indicates that accelerated reductions in the gross receipts tax could act as a job creation program, stimulating the Philadelphia economy and providing tax revenue gains that may largely offset the short-term revenue effects of the tax rate reductions. The revenue forecasts in this Plan do not rely on any such offsetting revenues, which are speculative in nature, but rather maintain the conservative budgeting practices that have enabled the City to regain its fiscal health over the past decade.

Business Privilege Tax (BPT) Rate Reductions* – Actual & Proposed			
Fiscal Year	Gross Receipts Rate (FY95-FY07)	Change from FY95 Gross Receipts Rate	Reduction in Total BPT Burden**
1995	.3250%		
1996	.3000%	-7.69%	-5.14%
1997	.2950%	-9.23%	-5.85%
1998	.2875%	-11.54%	-6.90%
1999	.2775%	-14.62%	-8.28%
2000	.2650%	-18.46%	-10.00%
2001	.2525%	-22.31%	-10.70%
2002	.2400%	-26.15%	-12.88%
2003	.2300%	-29.23%	-16.23%
2004	.2100%	-35.38%	-18.11%
2005	.1900%	-41.54%	-19.07%
2006	.1750%	-46.15%	-21.18%
2007	.1625%	-50.00%	-23.00%
TOTAL REDUCTION 1996-2007		-50.00%	-23.00%
<p>* The Business Privilege Tax consists of a tax on gross receipts combined with a tax on net income. The proposed rate reductions affect only the rate of the gross receipts portion of the tax.</p> <p>** This percentage includes the effects of (1) the reductions in the gross receipts portion of the BPT and (2) the double weighting of the sales factor in calculating the net income portion of the BPT.</p> <p>Source: Office of Budget and Program Evaluation</p>			

Forecast

Of all City taxes, the BPT is probably the most volatile and difficult to predict. An accurate assessment of each fiscal year's results is not possible until the end of April. In addition, about 60 percent of BPT collections are derived from the net income component, which fluctuates depending on corporate profits and the use of net losses that businesses are allowed to carry forward into a succeeding year to offset tax liabilities.

The Five-Year Plan forecast assumes that base growth in business privilege taxes will average slightly less than 2.5 percent annually for the life of the Plan before the effects of the tax cut are included. This forecast assumes that the tax will remain stagnant for FY02 and FY03, rebounding in FY04.

Sales Tax

The sales tax is the General Fund's fourth largest tax revenue source, accounting for almost six percent of all tax revenues. The state legislature authorized imposition of a local one percent sales-and-use tax under the PICA Act of 1991, and the tax was first collected in October 1991. The local sales tax is collected by the state and remitted to the City monthly.

Sales Tax Collections History and Forecast									
History					Forecast				
FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
94.5	101.4	103.7	111.3	109.8	112.5	115.4	118.2	121.2	124.2
<p>Amounts in millions of dollars.</p> <p>Source: Office of Budget and Program Evaluation</p>									

Forecast

Sales tax revenues are projected to increase by 2.5 percent annually between FY03 and FY07, reflecting the assumed inflation rate. Collections are projected to be flat in FY02 after adjusting for the impact of the Republican National Convention in FY01, which temporarily inflated revenues. The City's econometric model, which forecasts disposable income – a key predictor of sales growth – shows a 3.5 percent average annual increase in disposable income between 2001 and 2007 for city residents. Two and one half percent growth is also below the 5.6 percent average annual growth experienced the past three years.

Real Property Transfer Tax

The real property transfer tax (RPTT) is a tax on the sale of real property in the city. The RPTT generates slightly less than four percent of the City's tax revenues. The current rate is 3.0 percent on the value of property transferred.

Forecast

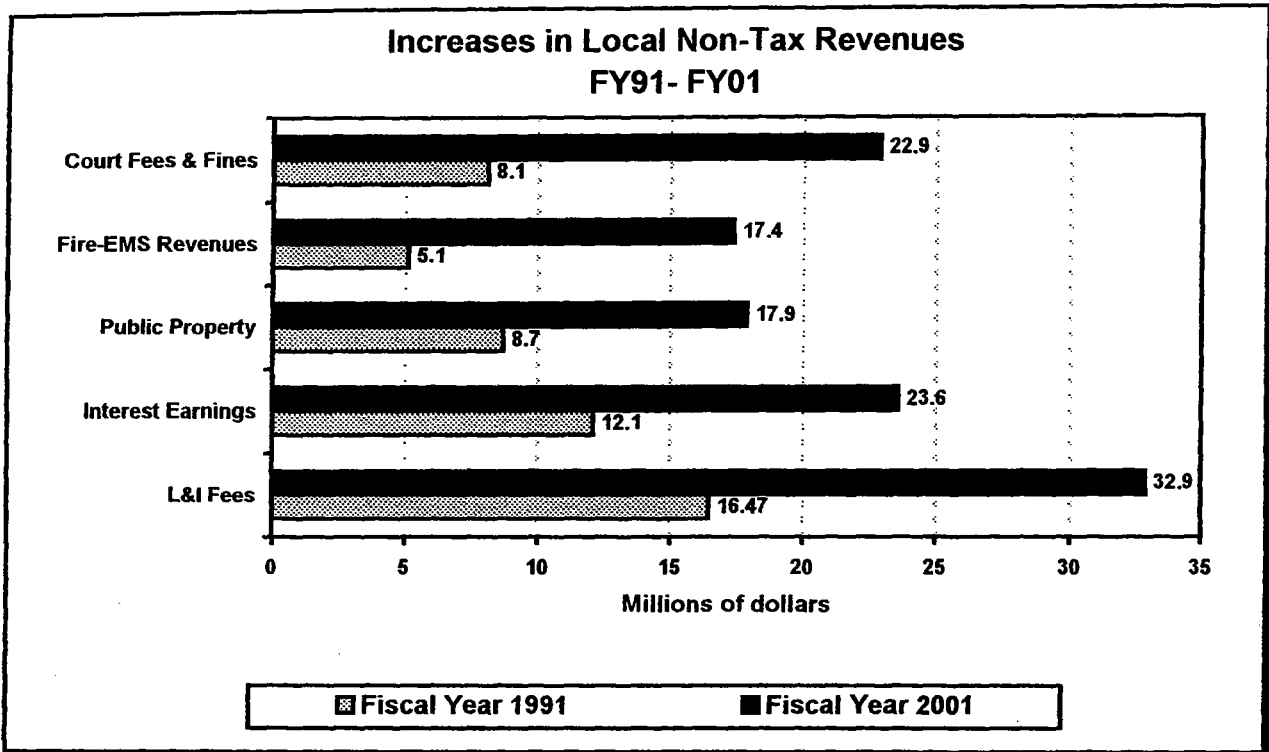
Revenues from the RPTT have remained relatively stable over the past several years. In FY98, revenues reached \$82.5 million as the Records Department eliminated a large backlog in deeds and other land-title documents, creating a one-time increase in transfer tax deposits. While FY99 receipts dropped back to \$74.9 million, actual results exceeded expectations. FY00 collections of \$77.7 million remained high due to the sale of One Liberty Place in October 1999. This one transaction alone generated over \$7 million in RPTT receipts. FY01 collections of \$77.0 million included several large commercial transactions such as the Aramark Tower and the Fidelity Building. FY02 collections through December appear to have remained strong. As the following table shows, RPTT collections are assumed to grow at approximately 2.5 percent per year from FY03 through FY07. For the 12-month period ending October 31, 2001, in the Philadelphia metropolitan area, the median housing price rose by 6.8%, according to the National Association of Realtors.

Real Property Transfer Tax History and Forecast										
	History					Forecast				
	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Collections	82.5	74.9	77.7	77.0	77.0	78.9	80.9	82.9	85.0	87.1
Tax Rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Amounts in millions of dollars.										
Source: Office of Budget and Program Evaluation										

Non-Tax Revenues

Local non-tax revenue collection initiatives have played an important role in increasing the City's revenues since FY91. These initiatives have included improved license and permit fee enforcement and fee increases by the Department of Licenses and Inspections; the Public Property Department's cable television franchise fee; improved EMS collection efforts, and increased court fees (see the following chart). In part because of these initiatives, local non-tax revenues have increased 93 percent from \$105.9 million in FY91 to \$204.5 million in FY01. Collections are projected at \$197.2 million in FY02 and \$198.9 million in FY03. The Street

Administration will continue to evaluate fine, fee and permit costs and rates to ensure that rates and charges accurately reflect the cost of services. The Department of Licenses and Inspections will also continue to use its expanded ability to issue tickets and fines for code violations as part of the Neighborhood Transformation Initiative.



Source: Office of Budget and Program Evaluation

City of Philadelphia
Five-Year Financial Plan

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**Neighborhood Transformation
and Blight Elimination**

Neighborhood Transformation and Blight Elimination

Overview

In April 2001, Mayor Street unveiled his Neighborhood Transformation Initiative (NTI), a strategy to rebuild Philadelphia's neighborhoods as thriving communities with clean and secure streets, recreational and cultural outlets, and quality housing. NTI addresses the unprecedented technological, economic and demographic changes of the past fifty years that have undermined the stability of Philadelphia's neighborhoods. The initiative demonstrates the Mayor's commitment to protect the health, safety and welfare of Philadelphia residents while stabilizing and revitalizing their neighborhoods. NTI takes a multi-faceted, comprehensive approach that stresses inter-agency cooperation and coordination in addressing every aspect of neighborhood development. The initiative also creates opportunities for government and citizens to work together, restoring civic pride and building community spirit. Through its various activities, the Neighborhood Transformation Initiative will help Philadelphia's neighborhoods meet their potential as clean, safe, and thriving places to live, to work, and to play.

Nature of the Problem

Today, many Philadelphia neighborhoods are in some state of decline. The magnitude of conditions citywide is striking. In FY01, the City re-inspected all 365-census tracts to identify vacant buildings and lots. That survey found 30,730 vacant lots and 25,922 vacant buildings. In addition, as of December 31, 2001, 7,371 vacant buildings posed a real danger to the health and safety of neighborhood residents.

Long-term historic changes in the global economy initiated Philadelphia's decline, and when those changes overtook the City's capacity to adjust, the decline accelerated. Over the past 50 years, suburban growth and the demise of industrialization resulted in a flight of population and jobs from Philadelphia. Despite this flight, the City service systems critical to neighborhood development—such as blight removal, code enforcement, and housing creation—are still designed for an industrial city experiencing high population and economic growth. Responsibility for neighborhood development is divided among multiple City agencies and departments that follow outdated procedures and processes. Solving the problems in Philadelphia's neighborhoods requires a dramatic change in government structure, policies, and priorities.

Overview of NTI's Six Framework Goals

The Neighborhood Transformation Initiative establishes a framework with six goals to revitalize Philadelphia's neighborhoods and to change the way the City operates. Each of these goals is discussed in depth below.

NTI Framework Goals

- Goal 1: Neighborhood Planning.**
Facilitate and support community-based planning and the development of area plans that reflect citywide and neighborhood visions.
- Goal 2: Blight Elimination.**
Eradicate blight caused by dangerous buildings, debris-filled lots, abandoned cars, litter, and graffiti to improve the appearance of Philadelphia streetscapes.
- Goal 3: Blight Prevention.**
Advance the quality of life in Philadelphia neighborhoods with a targeted and coordinated blight prevention program that enforces City codes and abates public nuisances.
- Goal 4: Assembling Land for Development.**
Improve the City's ability to assemble land for development.
- Goal 5: Neighborhood Investments.**
Stimulate and attract investment in Philadelphia neighborhoods.
- Goal 6: Leveraging Resources.**
Leverage resources to the fullest extent possible and invest them in neighborhoods strategically.

Neighborhood Planning: Facilitate and Support Community-based Planning and the Development of Area Plans that Reflect Citywide and Neighborhood Visions

Successful neighborhood development requires careful and extensive preparation. Planning is the process that helps communities sort through and prioritize needs while assisting the City in allocating resources to meet those needs. NTI is committed to a comprehensive community planning effort that will underlie its revitalization activities. The Philadelphia City Planning Commission (PCPC) is coordinating this community planning effort.

- **Begin NTI neighborhood planning efforts based on established criteria and processes.** In FY02, PCPC conducted best practice research on planning review and citizen participation processes and on the characteristics of optimal neighborhoods. PCPC used this research to develop planning criteria that provide a consistent basis for determining community needs and measuring redevelopment success. In FY03, PCPC plans to hire and train six new community planners, adding to the three it hired in FY02. This staff increase will enable PCPC to coordinate planning activities in more neighborhoods, ensuring that residents help shape the transformation of their neighborhoods.
- **Review and enhance existing neighborhood plans.** Some neighborhoods have already developed community plans, usually through neighborhood-based organizations or elected officials. In FY02, PCPC began a review of existing community plans. To date, 30 plans have been evaluated against NTI goals and investment criteria. In the coming year, PCPC

staff will coordinate implementation assessments of these plans in conjunction with community leadership and elected officials in each neighborhood.

- **Inventory Philadelphia's commercial corridors.** Philadelphia's 260 commercial corridors developed when the city was much more populous, and depopulation has unfortunately made some no longer viable. Beginning in winter FY02, PCPC staff will work with the Commerce Department and other agencies to update PHILASHOPS, PCPC's inventory of the city's commercial corridors. PCPC anticipates that the inventory, when linked to Census2000 household and income findings, will provide information that will guide future commercial stabilization and redevelopment efforts. A final report is anticipated by fall FY03.
- **Analyze the City's approach to neighborhood development.** PCPC has secured a number of grants to commission and conduct studies on new approaches to neighborhood development, including transit-oriented development, community heritage opportunities, potential university-City partnerships, and the possible joint use of public facilities by multiple City agencies.
- **Continue updating the plan for the North Delaware Riverfront.** PCPC, with funding provided by both the City and the Delaware River Port Authority, is updating the City's land use and development plans for the North Delaware Riverfront (from Center City to Bucks County). This effort seeks to apply world-class standards for land use and design to one of the Philadelphia Regions major assets—its riverfront. The project also provides public and private entities with policy and design guidance regarding future investment in land use and infrastructure in and near the study area. In FY02, PCPC's study team produced a new, overall Concept Plan for the study area and subsequent detailed Plans for three specific sub-areas within the study area. In FY03, PCPC will continue this effort, which exemplifies NTI's approach of rethinking Philadelphia's neighborhoods in relation to development opportunities and constraints.
- **Continue the American Street Empowerment Zone's Neighborhood planning effort.** The Philadelphia Empowerment Zone (EZ) engages in neighborhood planning, funding and implementation of projects to revitalize three of Philadelphia's most devastated neighborhoods. In FY02, the EZ conducted pilot projects to test various NTI operating assumptions and approaches. Since May 2001, the EZ has convened monthly meetings of a coalition of community based organizations, developers, institutions, elected and public officials, and small business owners located within the American Street EZ. In FY03, the EZ will work with PCPC, the American Street coalition, and the Redevelopment Authority (RDA) to establish an Industrial Urban Renewal area, create a coherent plan for the Girard Avenue commercial corridor and expand quality of life services.

Blight Elimination: Eradicate Blight Caused by Dangerous Buildings, Debris-filled Lots, Abandoned Cars, Litter, and Graffiti to Improve the Appearance of Philadelphia Streetscapes

Before growth can occur, its impediments must be removed. In the case of neighborhood development, the greatest impediment is blight in all its forms—vacant buildings, trash-strewn vacant lots, abandoned autos, litter, graffiti and dangerous street trees. Blight undermines a community's quality of life by depressing property values and creating a perception that an area

is unclean and unsafe. Because the presence of blight is crucial to family and business location decisions, the City must eradicate it to successfully revitalize Philadelphia's neighborhoods.

Remove Dangerous Buildings

- **In year one, demolish 2,000 dangerous residential buildings in the neighborhoods.** A key component of NTI is the removal of all known dangerous buildings in the city. The demolition program will proceed based on three guiding principles: (1) conduct the demolition in a safe, orderly manner; (2) minimize community disruption; and (3) structure bid documents to decrease costs and meet goals for community participation.

A demolition program of this magnitude requires a capacity for program management and supervision that exceeds the current capacity of municipal agencies. Recognizing its constrained capacity, in early FY02, the City hired Hill International to oversee day-to-day program delivery. Supervised by the City's Capital Program Office, in FY02 Hill International is working with City departments to create program procedures, develop a computer model to assist with project scheduling, and design community outreach and communication strategies.

In FY03, the City, through the Department of Licenses and Inspections (L&I) and in consultation with City Council, will demolish 2,000 dangerous residential buildings. The demolition program will begin in April 2002 with two prototype projects. These prototypes will allow the City to test its operating assumptions, procedures and communications/outreach efforts before the program is fully implemented.

- **In year one, spend approximately \$4 million demolishing commercial/industrial buildings.** Separate from residential demolitions, in FY03, the City will spend approximately \$4 million of NTI bond proceeds (discussed under Goal 6) to demolish vacant commercial and industrial buildings. The Commerce Department, in consultation with City Council, will prioritize properties for demolition, based on the danger they pose to the community and their potential for redevelopment. Due to their variable cost, the City cannot estimate the number of commercial/industrial demolitions.
- **In year one, stabilize up to 350 properties according to a new encapsulation-stabilization policy.** Encapsulation-stabilization involves sealing and protecting vacant buildings to prevent their deterioration and to improve the appearance of the blocks on which they stand. Working in collaboration with City agencies and departments, the Mayor's Office drafted a policy that identifies and prioritizes the criteria for encapsulating-stabilizing a property. The encapsulation-stabilization work will be implemented through L&I using Public Housing Authority crews. To couple encapsulation-stabilization with viable rehabilitation and reuse, the City is streamlining the property acquisition and disposition processes (discussed under Goal 5). Except in extraordinary circumstances (such as historic preservation), the City will stabilize a property only when it can be quickly resold and rehabilitated.

Over the next five years, NTI will stabilize between 1,000 and 2,500 buildings. The actual number will depend on the number of properties that the City can acquire within the overall encapsulation-stabilization budget of \$30 million. In FY03, the City will spend

approximately \$6 million of NTI bond proceeds to stabilize no more than 350 buildings. This activity level represents a seven-fold increase over FY02's level.

Clean Vacant Land

- **Continue citywide vacant lot clean up and maintenance program.** In FY02, the City developed a standard for surface cleaning vacant lots that keeps them 'reasonably free of debris.' Through the Managing Director's Office, from June to December 31, 2001, the City cleaned 17,557 vacant lots and removed 11,099 tons of debris. By June 2002, the City will clean all 30,730 vacant lots at a cost of \$6.5 million. Beginning in FY03, the maintenance of these vacant lots will be contracted out at a cost of \$4.5 million per year.

Ultimately, the successful maintenance of vacant land will require community involvement. Through its Community Caretaker Program, the Mayor's Office of Community Services (MOCS) is enlisting and training volunteers to work with block captains to maintain and beautify vacant properties after they have been cleaned.

- **Implement the early action stages of the "Greene City Strategy."** While essential, surface cleaning is insufficient to transform urban vacant land into community assets. Without additional treatments, soon after lots are cleaned, illegal dumping recreates the previous trash-strewn conditions. Working with the Pennsylvania Horticultural Society (PHS), the City will break this cycle of cleaning and deterioration through its "Greene City Strategy." The Greene City Strategy engages community residents, organizations and businesses to (1) conduct basic housekeeping of all vacant lots; (2) "clean and green" select vacant lots; (3) landscape community gateways and key lots; (4) plant street trees; (5) improve municipal parks and public spaces; and (6) plan open spaces. These efforts build off the City's successful three-year, \$800,000 collaboration with PHS and community residents in the Philadelphia Empowerment Zone. Since this collaboration began in April 2000, it has successfully cleaned and greened 39 vacant lots-over nine acres-in the American Street neighborhood of the EZ.

In FY02, the City and PHS raised a total of \$600,000 from the federal government and the William Penn Foundation to support the Greene City Strategy. In FY03, the City and PHS will develop a five-year strategic action plan defining specific goals for the strategy and describing the scope of work and implementation steps. PHS and the City will implement early actions-stabilizing eight to ten residential sites, two sites associated with institutions, and two commercial corridors. Whenever feasible, the City will also transfer ownership of abandoned land to private individuals, organizations and businesses that agree to maintain the property. In addition, the EZ will clean and green 27 vacant lots, maintain the lots that were already treated, and fund a \$93,000 maintenance program in the EZ's West Philadelphia neighborhood.

Remove Abandoned Autos, Graffiti and Litter

- **Maintain NTI's ongoing successful neighborhood streetscape improvement programs.** The City will continue its vigorous efforts to keep streets and properties clean and attractive through the abandoned auto removal, anti-graffiti, mural arts and Sparkle Plus programs.

Abandoned Auto Removal – Since the program began in April 2000, the Police Department has removed 109,626 abandoned autos from the streets of Philadelphia. The Police Department projects to remove 55,000 abandoned vehicles in FY03 and FY04 while continuing to respond to all reports of abandoned autos within 48 hours.

Anti-Graffiti Programs – In FY03, the Anti-Graffiti program projects to clean 70,000 properties and fixtures while providing \$68,325 in vouchers to reimburse approximately 375 community groups for the cost of paint supplies used to remove graffiti. An additional \$22,500 will be made available for related supplies.

Mural Arts Program – The mural arts program will complete approximately 140 new and restored murals during FY03 matching its FY02 production.

Sparkle Plus – The Public Housing Authority's Sparkle Plus Program implements community beautification efforts to improve the curbside appeal and marketability of PHA sites through volunteerism and community partnerships. In 2001, Sparkle Plus installed new lighting at 18 sites, new signs at 37 sites, and new landscaping at 25 conventional sites. Over 18,000 volunteers (over 200 through the Managing Director's Office) participated in the program's two citywide Clean Sweep volunteer days, and the Sparkle Plus program was awarded a 2001 Best Practices Award by the Pennsylvania Housing and Redevelopment Association.

- **Enhance the City's recycling and anti-litter efforts.** In FY02, the City received \$1.2 million from the Commonwealth of Pennsylvania's Department of Environmental Protection to fund a multi-media advertising campaign to increase recycling rates and reduce litter. The campaign will begin in March 2002. In addition, last summer the City worked with Keep Philadelphia Beautiful, the Pennsylvania Resources Council, and other organizations to develop an indexing tool to quickly and reliably assess the presence of litter in communities. This litter index will allow the City and its partner organizations to design effective litter prevention and community improvement programs, and the City will continue using the index in FY03.

Removing Dangerous Street Trees

Remove backlog of dangerous street trees and implement street tree management program. Approximately 8,500 dangerous street trees were in need of removal in Philadelphia in 2001. By the end of FY02, the City will have removed 4,200, at an expanded program cost of \$3.5 million over FY01's level. This higher activity level will be maintained in FY03 to continue reducing the current backlog. Once the backlog is eliminated (expected in FY05 after accounting for new dangerous trees), funds will be shifted to an on-going management program that will increase the level of tree planting and pruning activities.

Blight Prevention: Advance the Quality of Life in Philadelphia Neighborhoods with a Targeted and Coordinated Blight Prevention Program that Enforces City Codes and Abates Public Nuisances

Blight elimination is inherently reactive, expending scarce resources without addressing the root causes of blight. Blight often begins as a small manageable problem on a single property—

whether illegal dumping; zoning, property maintenance and building code violations; or a predatory loan to a household. When these small problems are not addressed, they quickly become large and unmanageable, negatively affecting the entire neighborhood's quality of life. As part of NTI, the City will institute comprehensive systems changes to prevent blight from appearing in Philadelphia's neighborhoods.

- **Increase coordination and leverage resources between the agencies and departments involved in code enforcement.** The City's code enforcement system includes the Departments of Licenses and Inspections, Health, Public Property, Streets, and Police and the Redevelopment Authority and Public Housing Authority. These agencies and departments historically did not adequately coordinate their activities, reducing the effectiveness of the overall system.

In FY02, the City developed the "L&I – Law Department Training Program" to train L&I inspectors on evidentiary and due process requirements, inspection procedures, and current code law. The program was created to address the City's failure to adequately prosecute egregious code violations because the records and procedures involved in citing violations fail to withstand legal scrutiny. In FY02, more than 180 L&I employees took part in this training program, which used existing City resources and personnel. In FY03, the City will institutionalize the program by offering additional training.

The City is examining other ways to make the code enforcement system more efficient. The Managing Director's Office is evaluating the feasibility of consolidating enforcement of quality of life codes in a single body through the proposed Community Life Improvement Program. The Law Department is exploring the possibility of deputizing PHA inspectors to authorize them to issue code violation notices, and it is working with PHA to amend its leases so code violations at PHA properties qualify as lease violations. In the American Street Empowerment Zone, L&I, the Commerce Department, and the EZ are tracking neighborhood and business complaints, promoting aggressive enforcement against nuisance businesses, coordinating efforts with state and federal enforcement agencies and assessing gaps in local codes.

- **Involve citizens in enforcing the City code.** Effective code enforcement must involve community residents in changing the behavior of violators. In FY02, the Law Department compiled a list of the top code violations that concern community residents. In FY03, the City will print a brochure that will enable residents to recognize these violations and contact the City agencies responsible for addressing them. The City is also examining whether the City should implement a version of Minneapolis' Citizen Inspection Program (MCIP), which empowers community volunteers to survey streets for minor external code violations.
- **Propose local and state legislative changes to enhance code compliance efforts.** The City is preparing recommendations to amend the Philadelphia Code to (1) post notices on vacant lots using alternative methods; (2) allow designated Code Officials to hear non-technical appeals; (3) allow the City to recover the prosecution and litigation costs of correcting code violations; and (4) prohibit the transfer of property to persons delinquent in paying taxes. The City is proposing state legislation that will allow the City to increase the maximum fine for code violations from \$300 to \$5,000. The City would also like the Commonwealth to decrease the time for assuming title through adverse possession from 21 to seven years.

- **Continue efforts to proactively combat illegal dumping.** One of the most obvious and problematic public nuisances is illegal dumping of trash on vacant lots. In FY02, the City identified the top illegal dumpsites in Philadelphia, and the Streets Department focused intense and repeated cleanup at these top sites. The Police Department also increased its apprehension of illegal dumpers by expanding its patrols and surveillance and by strengthening its response to citizen complaints. However, illegal dumping will only stop if violators have additional locations to legally dispose of their trash. By the start of FY03, the Streets Department will open an additional neighborhood trash drop-off facility at a capital cost of approximately \$25,000 to \$50,000 and annual operating cost of approximately \$100,000.
- **Expand the City's efforts to combat predatory lending.** Predatory lending is the practice of charging excessive interest rates and up-front fees on loans secured by the borrower's home. Targeting vulnerable, financially unsophisticated homeowners, predatory lenders drain equity from communities, forcing homeowners to foreclosure and increasing vacancy rates throughout the city. In FY02, through the Office of Housing and Community Development (OHCD), the City spent \$500,000 to train 60 anti-predatory lending counselors and fund 12 anti-predatory lending counseling programs throughout Philadelphia. In FY03 the City will expand these efforts by funding a lawyer at Community Legal Services to prosecute predatory lending cases. Also, it will explore the feasibility of developing a sub-prime loan product using NTI bond proceeds to provide an alternative to predatory loans. The City will also add a public education component to its efforts by participating in Freddie Mac's "Don't Borrow Trouble" national anti-predatory lending advertising campaign. Once final negotiations are completed in the spring, the City expects to be named one of the two dozen cities that are participating in this campaign.

Assembling Land for Development: Improve the City's Ability to Assemble Land for Development

NTI's success will depend on the City's ability to facilitate private investment to redevelop vacant land. Although Philadelphia has 30,730 vacant lots, few are large enough to sustain significant commercial, industrial or residential investment. Even when adequately-sized parcels exist, the land acquisition, assembly, and disposition processes can involve up to 15 city agencies, departments and authorities, each subject to different administrative and legislative requirements. By re-engineering its housing and community development delivery systems, the City will cut through the bureaucracy attendant to the assembly of land for redevelopment.

- **Continue the American Street Empowerment Zone land assembly demonstration.** As a case study to better understand the difficulty of assembling land in Philadelphia, the Empowerment Zone and the Commerce Department are directing a demonstration project that will assemble 72 individual, formerly vacant and blighted parcels to create one 3.5-acre site. Working through the existing system, this demonstration is identifying the inter-agency hurdles that must be overcome to redevelop Philadelphia's neighborhoods. Begun in January 2001, this demonstration should be completed by June 2002. It will permit the construction of a 50,000 square foot facility that will keep 30 jobs in Philadelphia while providing 30 new jobs.

- **Establish the Philadelphia Land Bank.** As part of NTI, the City will acquire vacant land on a regular and consistent basis and consolidate title to this land in a new entity, the Philadelphia Land Bank. In FY02, Fairmount Ventures conducted a study of a similar successful entity—the Cleveland Land Bank—and recommended a set of principles for the establishment of a land bank in Philadelphia. Working with the Law Department, the Office of Management and Productivity began examining the legal, operational, and governance details of establishing this entity. Although the Philadelphia Land Bank will have ultimate responsibility for the management, maintenance and marketing of City-owned vacant property, its approach must be one that limits City liability for potential claims and preserves City Council prerogatives in land-disposition decisions. In FY03, the City will move forward with establishing the Philadelphia Land Bank as part of the re-engineering of the City's housing and community development systems.
- **Develop a Vacant Property Management Information System.** Improving the City's acquisition and disposition systems requires an efficient electronic tracking system that produces a comprehensive database with accurate up-to-date information on every vacant property in the city. Such a system will streamline the acquisition-disposition processes by (1) eliminating data-entry redundancies and inefficiencies; (2) facilitating the tracking of a property through the City's administrative pipeline; and (3) enabling managers to identify bottlenecks in the system. Aided by a consultant, MOIS and the RDA have begun an in-depth analysis of the data and workflow policies and operational procedures of the City's land acquisition and disposition system. This analysis will form the foundation for the automation of these systems.

The Land Bank's vacant property management information system will depend on the City's geographic information system to perform spatial analysis and obtain information efficiently from other City departments and agencies. Therefore, the Mayor's Office of Information Services will use \$1.96 million of NTI bond proceeds to accelerate necessary improvements to the City's GIS so it will be fully operational within three years.

- **Propose changes to state legislation.** The City is proposing legislative changes to the Commonwealth's Urban Redevelopment Law to enhance and facilitate the City's ability to acquire vacant properties while still protecting the property rights of lawful owners. The first change would add "abandoned properties" to the types of vacant properties that are eligible for "spot taking" by RDA. Abandoned properties would be defined as properties that (1) an owner has declared to be abandoned; (2) have municipal tax liens or other claims exceeding 150% of the property's value; or (3) are a vacant or unimproved lot with demolition liens of over six months. The City is also proposing language that makes clear that a property is "vacant" under the Act if its only occupants are not authorized by the owner. Finally, the City is proposing that the Commonwealth reduce the statute of limitations for property owners to challenge compensation offers for property condemnations to two years. The current five-year limit ties up government resources in contingency reserves and adds litigation risk to development projects. These costs are unnecessary as in many cases, the owner never challenges the offer amount. The City believes two years is sufficient time for owners to respond to property condemnations. In FY02, the RDA submitted its legislative proposals to the Pennsylvania Association of Housing and Redevelopment Authorities for review and endorsement.

Neighborhood Investments: Stimulate and Attract Investment in Philadelphia Neighborhoods

Neighborhood redevelopment will only occur if the City facilitates investment within a cohesive, comprehensive City strategy for housing and neighborhood preservation and revitalization. In his April 2001 NTI presentation, Mayor Street provided the broad parameters of such a strategy. The City is repositioning its housing and community development system to meet measurable five-year goals among four types of housing investments: affordable housing; new urban communities; preservation investment; and market rate housing. The Mayor's Office is convening working groups of external stakeholders to rethink the City's housing and neighborhood preservation programs and to identify ways the City can best facilitate and promote these four categories of housing investments. By implementing the working group recommendations and re-engineering its housing and community development systems, the City will promote the development of 16,000 housing units over the next five years.

- **Over the next five years, ensure 3,500 new affordable housing units exist.** The City is committed to providing quality, affordable housing for its most vulnerable citizens—low income, elderly, and special needs populations. Through OHCD, RDA, and PHDC, the City partially funds the planning, acquisition, and production of affordable housing developments. As of December 31, 2001, in FY02, 349 new affordable rental units (64 for special needs populations) supported by the City were completed as were 67 new affordable homeownership units. Another 353 new affordable rental units (127 for special needs) and 166 new affordable homeownership units are under construction (79 affordable homeownership units are in pre-development).

A particularly noteworthy project is the City's successful joint application with the Asociacion de Puertorriquenos en Marcha (APM) to construct 50 units under the Pennsylvania Housing Finance Agencies' homeownership demonstration project. The APM-Norris Street Homeownership project is also noteworthy because it is one of the first developments to utilize the RDA's new float loan program. This program, begun in FY02, provides bridge loans of up to \$100,000 at zero percent interest for City-supported projects. Such bridge loans reduce development costs by allowing developers to avoid interest rates charged by private lenders. This revolving loan fund is capitalized at \$10 million for two years.

- **Over the next five years, promote the construction of 2,000 housing units within new urban communities.** NTI's demolition and land assembly activities present fantastic opportunities to construct new urban communities. In FY03, the City will streamline the land assembly processes for the necessary large tracts of vacant land, and it will develop policies and procedures to guide the development of these new urban communities. Some examples of new urban communities that are currently under construction include PHA's Schuylkill Falls, Richard Allen, and Martin Luther King, Jr. HOPE VI projects

In FY02, PHA was awarded \$40.2 million in federal HOPE VI grants to revitalize the Mill Creek public housing development. This money will enable PHA and the City to embark on an \$82 million redevelopment plan that will demolish 179 distressed housing units and

replace them with 627 new mixed-income units and a 2.5-acre park. PHA also plans to revitalize its Tasker Homes development in Grays Ferry. Through this project PHA will demolish 920 housing units and 31 other structures and replace them with 546 new twins and duplexes, 250 of which will be homeownership units. In addition, PHA will replace the current street pattern with a more traditional grid, rebuild Lanier Park with a new community center and recreational area, and make other improvements to the surrounding neighborhoods. The result will be a modern, low-density development that will be fully integrated into the larger community. The \$160 million project will be funded primarily through PHA's issuance of \$150 million in tax-exempt bonds.

- **Over the next five years, invest in the preservation of 4,500 units in blocks and neighborhoods showing incipient signs of decline.** Capital investments are required to preserve Philadelphia's older housing stock so it remains occupied or can be sold to new homebuyers. Preservation activities take two forms: subsidies to rehabilitate vacant properties and assistance to current homeowners so they can repair and improve their homes.

Several City programs subsidize the rehabilitation of homes. RDA's Homeownership Rehabilitation Program (HRP) provides an average subsidy of \$40,000 per property for the acquisition and moderate rehabilitation of vacant houses by community development corporations for sale to low and moderate-income first-time homebuyers. By the end of FY02, HRP is projected to support the rehabilitation of 65 homeownership units. The City plans to expand this program in FY03 using NTI bond proceeds to permit participation by private developers and first-time homebuyers earning more than 80 percent of median income.

The City also provides financial assistance to homeowners for home improvements and repairs. The RDA's Philadelphia Home Improvement Loan (PHIL) program lends up to \$25,000 at below market rates to existing homeowners. In FY02, RDA expects to provide approximately 100 to 150 loans. In FY03, the City plans to expand this program using NTI bond proceeds to permit families earning more than 115% of median income to participate.

In FY02, the City worked with the Ogontz Avenue Revitalization Corporation (OARC), the Philadelphia Local Initiatives Support Corporation (LISC), GMAC Mortgage Corporation, and Nationwide Insurance to create the "It's Your Turn" program. This \$3.1 million program provides a maximum grant of \$3,000 for basic systems improvements in combination with a minimum home improvement loan of \$5,000. Philadelphia LISC, Nationwide Insurance, and the City fund this program, which is available to qualified homeowners in West Oak Lane. Adding a grant component to home improvement assistance benefits very low-income and elderly homeowners who lack the resources to repay loan principal, even at reduced interest rates.

- **Over the next five years, facilitate the development of 6,000 market rate unsubsidized units.** Market rate units are homeownership and rental housing developments that receive little or no direct public subsidies and that are constructed in response to market supply and demand considerations. As part of NTI, the City will encourage an expansion in the production of market rate housing by: (1) facilitating the private acquisition of property from public and private owners; (2) creating an ombudsman position to shepherd developers

through the City's various approval processes; and (3) assisting developers in understanding local housing market trends and developments through better information data systems and analyses.

- **Reorganize the City's three agencies involved in housing and neighborhood revitalization.** The City's housing and neighborhood revitalization programs are carried out principally by OHCD, RDA, and PHDC. Although these agencies operate with significant coordination, they lack a single point of accountability for designing, articulating, and implementing an overall housing and neighborhood preservation strategy for the City. Beginning in the second half of FY02, the City will begin an intensive effort of at least 18 months to reorganize, reengineer, and integrate many of the City's housing and community development functions within a new Office of Housing and Neighborhood Preservation (HNP). A cabinet-level secretary reporting directly to the Mayor will lead HNP.

Reorganization will design and implement streamlined program processes, define the size and complexity of workloads, and determine the numbers of staff and the skills needed to handle the work. Employees will be trained in new processes and programs, and uniform and updated policies, procedures and standards will be developed. Modern information-technology systems for the organization will also be created. By eliminating unnecessary redundancy in administration, the reorganization could free up several million dollars a year for reallocation to program activities.

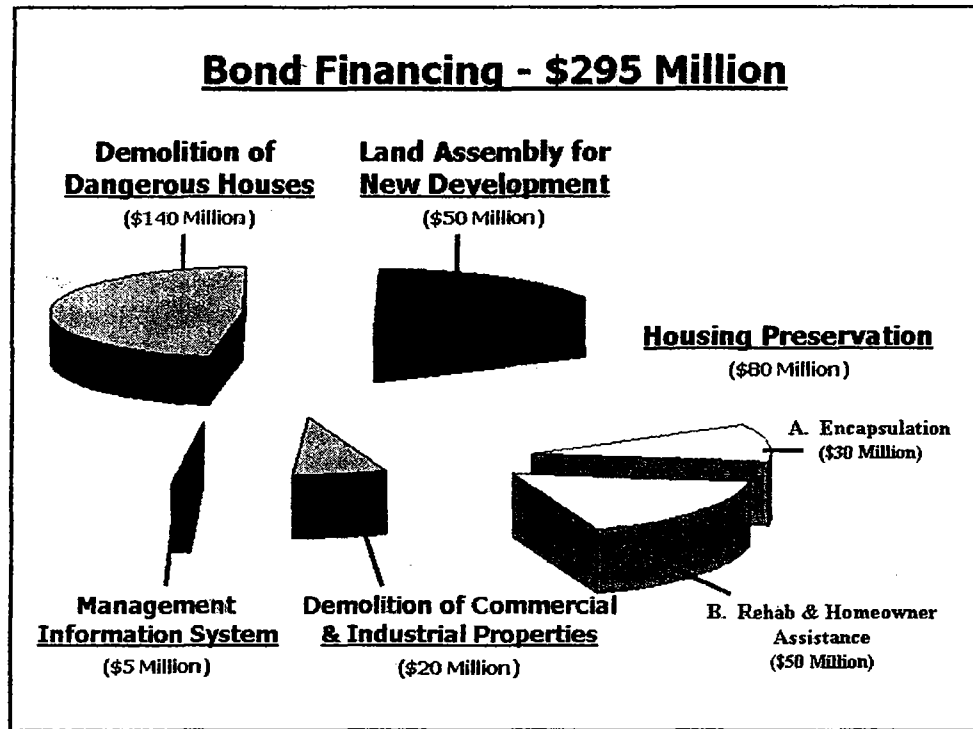
Of great concern to the City is the fair treatment of the 359 OHCD, RDA, and PHDC employees who may be affected by the reorganization. Although none of these employees are covered by the City's civil-service system, AFSCME District Council 33 represents approximately 80 percent of them. The City is committed to assist these employees in every possible way to smoothly transition them to positions in the new organization or elsewhere in government. The City recognizes that the skills, knowledge, experience and involvement of the current workforce will be essential to the success of the Office of Housing and Neighborhood Preservation.

Leveraging Resources: Leverage Resources to the Fullest Extent Possible and Invest them in Neighborhoods Strategically

Achieving NTI's bold targets and goals requires more than cooperation and collaboration; it also requires a commitment of economic resources. The City is projected to provide \$145 million in new funding from the General Fund over the next five years to support NTI projects. Of these projected funds, \$100 million (\$20 million annually) will cover debt service payments and \$45 million will be allocated to street tree and vacant lot remediation. While significant, these amounts are insufficient to address the backlog of problems in Philadelphia's neighborhoods. The City must leverage these General Fund investments with funds from other sources.

- **Issue the NTI bonds for the redevelopment of Philadelphia's neighborhoods.** The cornerstone of the Neighborhood Transformation Initiative is approximately \$295 million in tax-exempt "government purpose," tax-exempt "private activity," and taxable bonds. These bonds will be issued by the RDA on behalf of the City of Philadelphia over the next five years, leveraging \$20 million in debt service payments annually.

No more than \$160 million of the total bond proceeds will fund the demolition of abandoned residential, commercial and industrial buildings. Approximately \$80 million will finance preservation activities including encapsulations-stabilizations and housing rehabilitation and home improvement programs. An estimated \$50 million of private activity and/or taxable bonds will be used to assemble land for development and land banking, and a final \$5 million in government purpose bonds will be used to upgrade the City's land management information systems (See "NTI Bond Financing Chart").



- **Leverage PHA resources.** The Philadelphia Housing Authority (PHA) has a variety of resources that can support NTI's objectives. Federal HOPE VI grants are enabling PHA to transform public housing in neighborhoods throughout the city. The Sparkle Plus program is beautifying the areas around PHA developments. In FY02, PHA was one of only two housing authorities (the other was Chicago) awarded the highly competitive federal Moving-to-Work program. Finally, pending HUD approval, PHA plans to issue \$150 million in tax-exempt bonds to revitalize the Tasker Homes development and surrounding neighborhood in Gray's Ferry.

Because of its unique role and the extensive federal requirements under which it operates, PHA will not be part of the reorganization of the City's housing and community development systems. Instead, PHA will continue to carry out its special statutory powers, guided by the strategic direction established by the City through intergovernmental cooperation agreements

- **Attract business investment to Philadelphia's newly designated Renewal Community.** In January of 2002, the City was proud to receive one of forty U.S. Department of Housing and Urban Development Renewal Community designations. This designation offers tax and other financial incentives until December 2009 for the development of commercial

properties, purchase of equipment and employment of area residents. Philadelphia's zone encompasses the parts of North, South, and West Philadelphia that suffer from economic distress but are also areas where the City, Commonwealth, and non-governmental organizations have initiated activities to promote economic growth. Specifically included in Philadelphia's Renewal Community are the commercial corridors of C.B. Moore Avenue, Washington Avenue, South Street, Point Breeze Avenue, Grays Ferry, Hunting Park Avenue, Germantown Avenue, Allegheny Avenue, Lancaster Avenue, Girard Avenue, and North Broad Street.

The Commonwealth of Pennsylvania supported Philadelphia's application, which was developed by an inter-departmental team of representatives from the Mayor's Office, the Empowerment Zone, the Philadelphia City Planning Commission, the Office of Housing and Community Development and the Law and Commerce Departments. This team evaluated neighborhood commercial centers and communicated with community residents, legislators and neighborhood leaders to design Philadelphia's zone. The Renewal Community exemplifies NTI's approach of involving local, state and federal governments, private businesses, community-based organizations and neighborhood residents in efforts to revitalize Philadelphia's neighborhoods.

- **Proactively seek federal and state support for NTI's efforts.** In addition to the Renewal Community designation, in FY02, the City secured federal and state resources to support NTI's activities. Through the efforts of U.S. Senators Specter and Santorum, the City secured \$300,000 in federal funding for NTI's Greene City Strategy. Pennsylvania's Department of Environmental Protection provided the City with a \$1.2 million grant to implement a multi-media recycling and anti-litter advertising campaign. Pennsylvania's Department of Conservation and Natural Resources awarded the City \$2.1 million in grants to pay to improve community parks, upgrade recreational facilities and enhance open space in Philadelphia.
- **Secure corporate and philanthropic support through an aggressive fund-raising strategy.** The Mayor's Office has identified five areas that require corporate and philanthropic support: (1) establishment of an urban green fund; (2) public sector capacity building through management training and systems building; (3) select land use planning in high impact areas of the city; (4) develop a flexible fund to support the creation of new urban communities. Securing additional philanthropic support reinforces Mayor Street's vision that all of Philadelphia must rally behind the cause of transforming Philadelphia's neighborhoods to create a renewed Philadelphia for the 21st century.

City of Philadelphia
Five-Year Financial Plan



Economic Development

Economic Development

Mission

The goal of the City's economic development strategy is to create, maintain, and develop jobs within the City of Philadelphia in order to grow the City's tax base.

Under the direction of the Commerce Department, this Administration will focus its efforts on five priorities:

- Stimulating Neighborhood Economic Activity
- Fostering the Next Stage of Hospitality & Tourism
- Reducing the Cost of Doing Business
- Creating a More Vibrant Entrepreneurial Environment
- Addressing Workforce Deficiencies

The City's economic development efforts will focus on Philadelphia's strengths and capitalize on private sector initiative, as well as use a combination of targeted marketing, professional support and effective financing tools to create and retain jobs. The priorities of this Administration require fresh, bold approaches and creative financing instruments as well as the continuation and refinement of previously developed programs that have proven to be effective.

Overview

Major Industry Sectors

The relatively healthy response of Philadelphia's economy to the current recession reflects the growth in Philadelphia's service sector, and the increasing similarities between the local and national economies. In a January 8, 2002 speech to the Philadelphia Chamber of Commerce, Philadelphia Federal Reserve Bank President Anthony Santomero stated that, "Thus far in this downturn, we [the Philadelphia region] are running on an even keel with the national economy... This closer alignment of Greater Philadelphia's economic performance with the nation's is a result of our region's evolution from a manufacturing based to a more service based economy. This bodes well in a new economy that favors the service sector." Employment in Philadelphia's service sector, including health care, education, hospitality, and other services, increased by 12.4 percent from 1990 to 2000. This sector's growth has been key to stabilizing the local economy, which added jobs in 1998, 1999, and 2000, and will continue to play a large role in Philadelphia's future. According to Dr. Santomero, "As our region's economy continues this evolution, I think this bodes well for the future of Greater Philadelphia in the years ahead. We will continue to benefit from growth in the service industries, including education, pharmaceuticals and tourism and move more in sync with the national economy." Philadelphia itself will continue to be the region's engine at the center of these growth industries.

In the early 1990's the City focused on capitalizing on its existing, yet underdeveloped, hospitality and tourism assets as a means of replacing some of the manufacturing jobs lost in

previous decades. The completion of the Convention Center in 1993 spurred a surge of hotel development and new visitor destination developments. New destinations either recently completed or in the construction stages of development include the Kimmel Center for the Performing Arts, new stadiums for the Eagles and Phillies, and a new Constitution Center and Independence Visitors Center.

One aspect of the economy that shows great promise for the city's future is the "knowledge industry," also referred to as the "new economy" or "knowledge economy." In the knowledge industry, which relies on the supply of new college graduates, competing and cooperating companies that apply new and emerging technologies work together to deliver high quality knowledge-based services. The knowledge industry includes sectors as diverse as financial services, engineering, health care, insurance, law, life sciences, printing, publishing and academia. The Street Administration will partner with the City's major academic and research institutions, technology companies, and life sciences companies, to promote strategic development in areas such as life sciences, precision manufacturing, and creative services.

To this end, Innovation Philadelphia (IP), which received \$2.5 million in start up money from the City in FY01 and is discussed later in this chapter, was launched in FY02. IP will guide the City's efforts in creating, retaining, and recruiting knowledge economy companies to Philadelphia. IP will also nurture more collaboration among the public, private, and academic sectors to maximize return on the City's existing knowledge assets.

Philadelphia's Competitive Advantages

Philadelphia's competitive advantages as a business location are based on its size, location, relative affordability for a major city, cultural advantages, and its growing strength in key knowledge industries. The City of Philadelphia, the fifth-largest city in the U.S., is at the center of a metropolitan region that ranks sixth in population. This size provides high demand from consumers – the fourth-largest retail sales in the nation – as well as a diverse network of business suppliers and complementary industries. Furthermore, this major market is at the center of the densely-populated, affluent region along the Atlantic Coast, a region which stretches from Boston through New York and Philadelphia to Baltimore and Washington, D.C. Philadelphia is in a key position to access the markets through this region due to the transportation infrastructure centered within the city, including Philadelphia International Airport, Amtrak's Northeast Corridor service, major interstate highway access, and regional SEPTA service. The success of Philadelphia's transportation infrastructure is demonstrated by its median commuting time, which is 19 percent below the national metropolitan average.

Philadelphia is increasingly gaining national recognition for the cultural advantages it possesses as a major urban center with a rich historical legacy. The many tourism assets of the region – overwhelmingly concentrated in Philadelphia itself – include Independence National Park, the Philadelphia Art Museum, the Franklin Institute, and many other museums and historical sites. Recent developments such as the construction of the Kimmel Center for the Performing Arts and the Center City restaurant and retail revitalization are increasingly drawing national attention. The development of new first class sports facilities, the Penn's Landing entertainment center, and increased linkages with attractions in neighboring Camden will add to this concentration.

Yet, Philadelphia remains uniquely affordable when compared to its peers. The National Association of Realtors Affordability Index ranks the Philadelphia region as the 22nd most affordable housing market out of 180 sampled in the U.S. According to a study by The Reinvestment Fund, a household with median income can afford a home in 79 percent of the Philadelphia region, with this proportion likely even higher within Philadelphia. The ACCRA Cost of Living Index rates Philadelphia as significantly more affordable than regional peers New York City, which is approximately 90 percent more expensive, and Boston, which is approximately 27 percent more expensive than Philadelphia.

These advantages prepare Philadelphia to continue to build its knowledge industries. A January 2002 report by the Philadelphia Federal Reserve Bank found that Philadelphia ranked first among 14 major metropolitan areas in its concentration of education sector employment, and third in life, physical, social sciences and health care professionals. Philadelphia houses a predominant share of the regional educational employment and enrollment, based on its major colleges and universities. The education sector not only provides a stable support to the local economy, it also generates a steady supply of potential 'knowledge workers' for employers. Philadelphia has a strong core of knowledge-based industries, but the City must capitalize on these advantages to ensure future growth and dynamism.

Economic Development Challenges and Targeted Initiatives

The City faces enormous challenges in its endeavor to create and retain jobs within Philadelphia. Those challenges and the City's strategy for managing its challenges are identified in the following discussion.

Challenge: *Stimulating Neighborhood Economic Activity*

Over the past fifty years, Philadelphia has experienced a decline in business, jobs, and population. As the population density dropped and some residential areas began to deteriorate, the abandonment of once thriving commercial strips soon followed. The cycle of economic disinvestment and the failure of small businesses to compete with large retail and commercial chains have caused many commercial corridors to become vacant or dilapidated. While social and economic conditions were partially caused by the loss of employment opportunities, they are now reasons why businesses are discouraged from locating in some commercial corridors.

Strategy: Financial incentives, targeted outreach through place-based initiatives and major infrastructure improvements will be implemented in conjunction with NTI to overcome the challenges presented by declining neighborhoods. The Street administration will put as much emphasis on attracting and retaining small and mid-size companies in neighborhoods as it does on attracting and retaining major corporations and will continue to support the diminished but significant manufacturing and industrial sector.

Attract and maintain small businesses in neighborhoods. The City recognizes the value of small neighborhood businesses, primarily retail and restaurants, and the fact that convenient amenities serve to make a community more livable. The City will continue to support the efforts of the Philadelphia Commercial Development Corporation (PCDC), the Mayor's Business Action

Team (MBAT), neighborhood special service districts, community development corporations and business associations. In order to ensure strong commercial corridors, those agencies will continue to run a series of initiatives including storefront façade matching grants, assistance with street paving and sidewalk replacement, neighborhood business education seminars, street lighting improvements, small business loans and technical assistance.

In FY01 and FY02 the Commerce Department embarked on an intensive business outreach program. Teams of client service professionals surveyed 300 neighborhood businesses about current and future needs and explained available City services. In FY02 and FY03, the Commerce Department will continue to gather data through an online business satisfaction survey and personal client interviews. The Department will use the feedback to direct how it provides business support services and will share the feedback with City departments to ensure that the business community's needs are being met.

Expand place-based incentive programs. One of the most powerful incentives the City can provide to prospective and existing businesses continues to be exemption from taxes. The Keystone Opportunity Zones and Renewal Community Designation provide place-based exemptions within specific areas targeted for economic development.

Keystone Opportunity Zones/Keystone Opportunity Expansion Zones. In January of 1999, the Commonwealth of Pennsylvania designated twelve Keystone Opportunity Zones (KOZs) in Philadelphia. Zones that encompass underutilized and often vacant land were formed to encourage existing businesses to expand and new businesses to relocate in the targeted locations within struggling neighborhoods. Businesses that locate within a KOZ are exempt from the Business Privilege Tax (BPT), net profits tax, use and occupancy tax, real estate tax, state business taxes, and state sales tax on items consumed at the site, through December of 2010. In 2001, the Commonwealth approved designation of eight new zones as part of a second round of KOZs, newly entitled Keystone Opportunity Expansion Zones (KOEZs). Tax exemptions for businesses that locate in KOEZs are effective through September 30, 2013. Since January 1999, the City has participated in deals with 56 new or existing companies within KOZs or KOEZs, leveraged over \$141 million in private investment, and fostered the creation of 2,147 jobs and the retention of 1,456 jobs.

Renewal Community Designation. The Community Renewal Tax Relief Act of 2000, among other things, extended the Philadelphia Empowerment Zone, a federal economic place-based program that offers tax benefits to businesses locating within economically distressed areas, through December 2009. It also authorized the creation of 40 Renewal Communities (RC), 28 of which were to be urban. An area within Philadelphia was awarded the RC designation by the U.S. Department of Housing and Urban Development in January 2002. As a designated Renewal Community, Philadelphia will be equipped with an attractive package of federal tax incentives that will attract business investment to some of Philadelphia's underdeveloped neighborhood commercial corridors. During FY02 and FY03, in partnership with Commerce Department and NTI efforts, the City will market the RC incentives listed below.

- **Renewal Community Employment Credit** - offers businesses located in the RC a tax credit based upon wages paid to employees who live in a designated RC area.

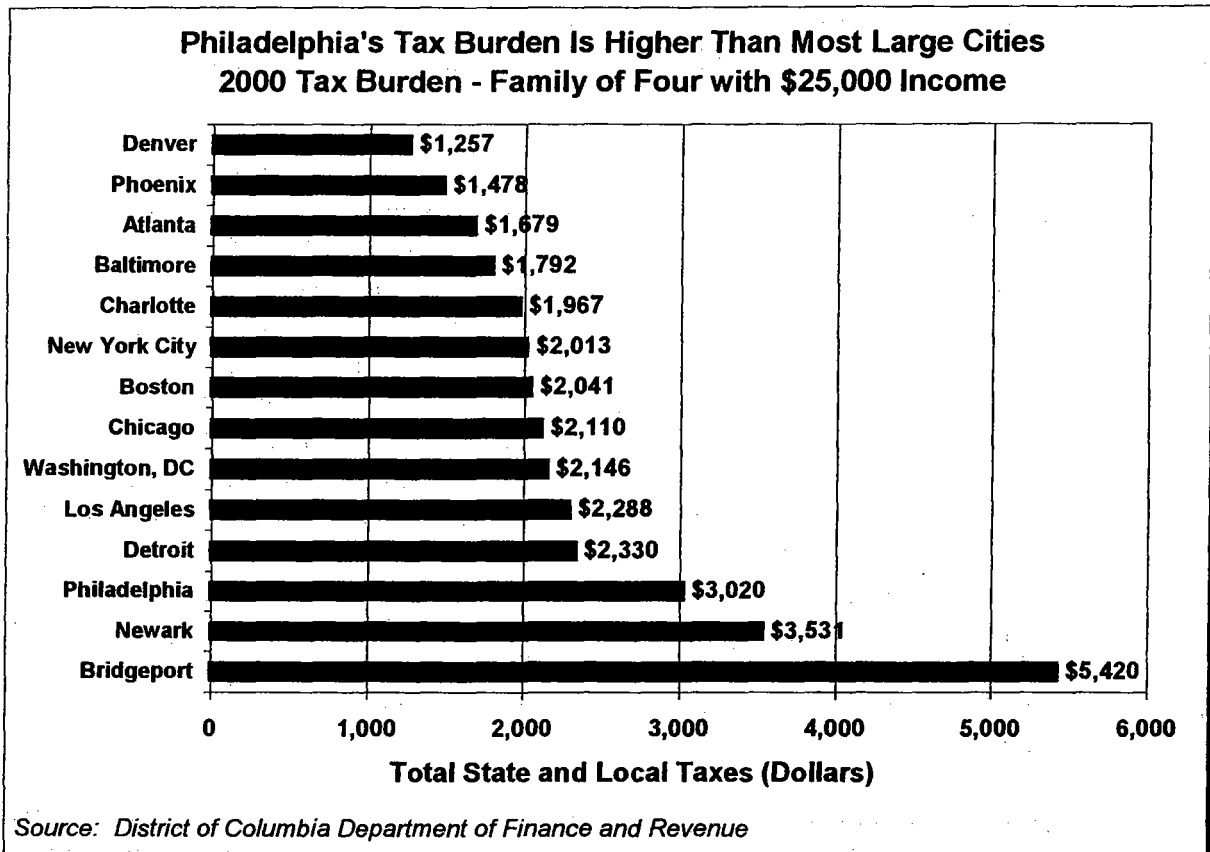
- Increase Depreciation Deduction - allows a company to accelerate the depreciation of real property in each year of the designation. This incentive will encourage businesses to invest in equipment.
- Commercial Revitalization Deduction - provides developers and companies with the option of either deducting as a business expense 50 percent of the cost of rehabilitating or constructing a commercial property in the first year of operation, or pro rating that cost over a 10 year period (up to \$10 million).
- Environmental Clean-up Cost Deduction - provides the option of taking an environmental cleanup deduction in the years that expenses are incurred or in the year a project opens.
- Zero Percent Capital Gains Rate for RC Assets - companies can gain an exemption from capital gains tax for the sale of assets (including stocks) held for at least 5 years, if those assets are acquired after 1/1/2002.

Support efforts to attract large industry. A small but strong pocket of manufacturing and warehousing industry still thrives in Philadelphia. The Commerce Department will work with various partners to support the expansion of these industries. One strategy has been the collaboration of neighboring industrial businesses to form Business Improvement Districts (BIDs). BIDs are formed to address problems within a community's control such as graffiti, unclean streets, and vacant properties. BIDs organize community clean-ups, pool financial resources together for security services, and hold job fairs to improve the local business economy. The Commerce Department and PIDC have encouraged formation of BIDs by providing financial support and technical assistance. Another strategy is the Urban Industry Initiative (UII), a pilot project established in FY97 to retain neighborhood-based manufacturing jobs. The UII has helped strengthen individual companies and the relationship between neighboring companies by organizing purchasing forums to connect small businesses to large corporations and strengthening the relationship between local residents and neighborhood-based companies. In its fifth year, UII has expanded its target area within the lower Northeast and the Hunting Park industrial area. The City will continue to join efforts with businesses to rejuvenate the neighborhoods where industry exists.

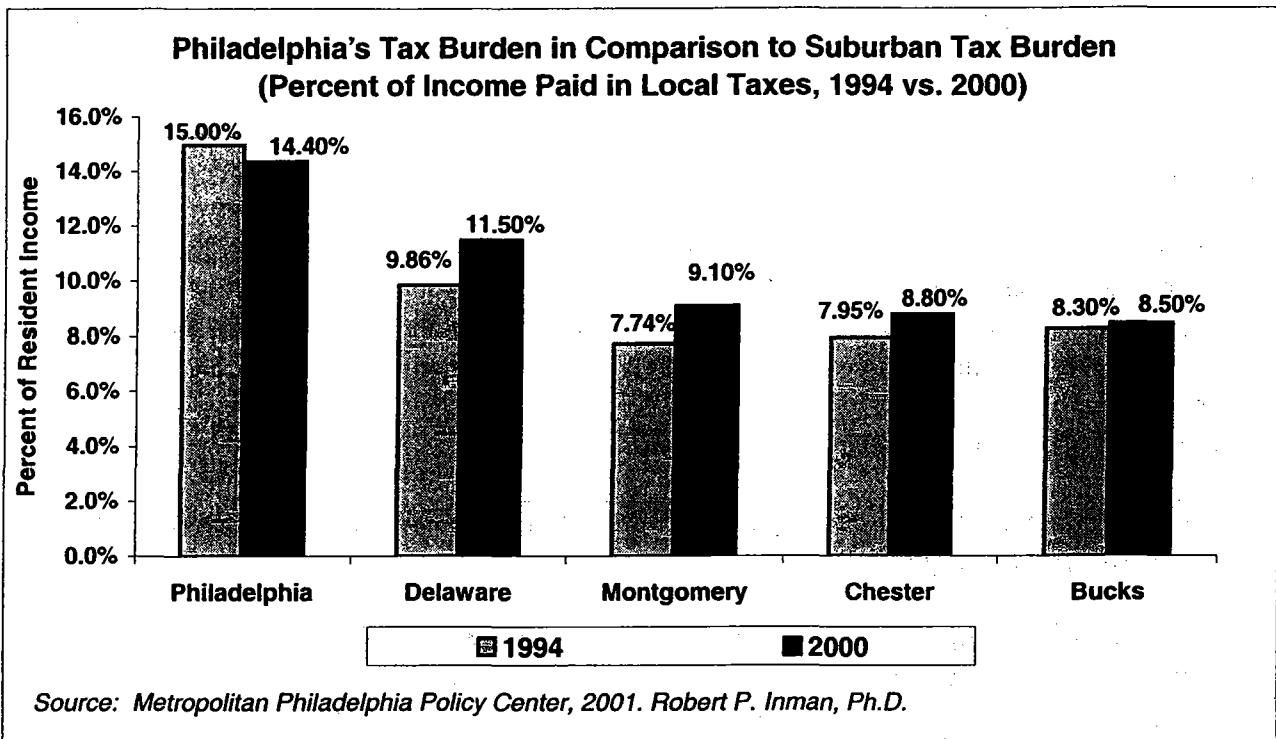
Facilitate private investment to redevelop vacant land. In addition to the efforts to accelerate the assembly and disposal of land discussed as part of NTI, the Department of Commerce works with local economic development organizations and private developers to redevelop land with potential environmental liability. The Department helps identify and access City, state and federal funding for environmental assessments and remedial activities. The January 2002 opening of a \$15 million, 110,000 square foot FedEx Express facility on an industrial site that had been abandoned for 20 years is an example of a successful development on a vacant industrial site with environmental problems, also known as a "brownfield." The facility, which will employ approximately 150 people, was the result of cooperation between the Commerce Department, the Philadelphia Industrial Development Corporation, and various other City and state agencies and was supported by \$1 million from the City and \$500,000 from the Commonwealth's Industrial Site Re-Use Program.

Challenge: Reduce the Cost of Doing Business

Strides have been made to decrease the cost of doing business in Philadelphia through affordable incremental wage and business privilege tax reductions, and this Plan proposes to continue wage tax and business privilege tax reductions through FY07 (see Fiscal Health Chapter of this Plan). However, the following chart shows that despite the incremental tax reduction program, Philadelphia's tax burden is the third highest among comparison cities.



Philadelphia's tax burden is also high compared to those in surrounding counties, as the following graph shows. However, that gap closed between 1994 and 2000. In addition, since 2000 Philadelphia has continued to lower its burden while the surrounding counties have been increasing taxes.



Navigating through the City's permit and zoning regulations can add to the cost of doing business in Philadelphia. The Department of Licenses and Inspections, for example, issues over 200 different licenses and permits from building and sign permits, to zoning permits, certificates of occupancy, business privilege licenses, and roofing permits. Businesses participating in the Commerce Department's Business Outreach Survey reported having difficulty navigating through all of the City's regulatory requirements and were generally frustrated by the City's licensing and permitting process. The City's zoning laws further inhibit City development because the laws are often complicated and include archaic language.

Strategy: A key objective of the Commerce Department's strategy is lowering the cost of conducting business in the City. In addition to continued tax reductions and tax abatements for new construction, the City will reduce regulatory burdens and begin to incorporate additional City services online.

Accelerate the reduction in the gross receipts portion of the Business Privilege Tax (BPT). In this Five-Year Plan, more aggressive reductions have been made to the gross receipts portion of the BPT than were proposed in last year's Plan. The gross receipts portion will be reduced from .2400 percent in FY02 to .1625 percent in FY07. By FY07, the gross receipts portion of the BPT will be 50 percent lower than it had been in FY95 (.3250 percent) and 23.9 percent lower than it is in FY02. The change would allow the City to make a meaningful dent in an onerous tax without having a detrimental impact on the City's budget (see Fiscal Health chapter of this plan).

Continue real estate tax exemptions. In January 2001, Philadelphia began granting 10-year real estate tax abatements for all new construction and permanent structural improvements. These are part of an effort to expand Philadelphia's population and to stimulate the development of

underutilized buildings and parcels. The impact of the tax abatement program can be seen across the City in new residential construction and revitalized commercial and industrial properties.

Reduce regulatory burdens. In FY03 the City will begin to streamline and consolidate licensing and permitting process by:

- Continuing efforts begun in FY02 to consolidate the current list of 135 licenses into ten to fifteen master categories.
- Creating informative “packets” to distribute to the business community. Each packet will contain all the permits and licenses required for a specific type of business (restaurant, retail store).
- Making simple or routine permits and licenses available online.

Several City departments are also working to reduce regulatory burdens on businesses and increase electronic access to services.

- The City Planning Commission is in the early stages of revising the zoning code by eliminating contradictory and redundant regulations and making the code easier to understand. The first step will add easy-to-use reference charts to eliminate many pages of repetitive text. The new charts will be sent to City Council for approval in FY02.
- In FY01, the Redevelopment Authority began developing a computer system to streamline the flow of information involved in land acquisition and disposition activities. The City will use this new accountability system to store parcel records of publicly owned land, to compile parcel research, and to assist policy formulation. By FY03 all City departments should be fully integrated onto the system (see NTI chapter for further details).
- Beginning in FY01, the Commerce Department redesigned its website, expected to launch in early 2002, to be design-savvy, easy to use, and serve as the primary resource for business services in the City.

Challenge: *Fostering the Next Stage of Hospitality and Tourism*

The tragic events of September 11 exacerbated a problem that had begun in early spring 2001 when spending on luxuries and non-essentials slowed down as a result of the national economic decline. Safety concerns and schedule disruptions brought on by the terrorist attacks caused a sharp drop in travel, which in turn caused further economic contractions. The Greater Philadelphia Tourism and Marketing Corporation estimates that within the first seven weeks after the attacks, tourism revenues fell by \$47 million. In addition, the Pennsylvania Convention Center and the Philadelphia International Airport, two vital economic generators in Philadelphia, each have vulnerabilities that could lead to decreased economic activity.

The Pennsylvania Convention Center (PCC) has been a driver of the City’s hospitality and tourism sector growth, but its ability to attract future conventions had been threatened by labor-management issues and continues to be threatened by heightened competition from new larger convention centers in other cities. According to an informal survey conducted by the

Philadelphia Convention and Visitors Bureau (PCVB), while successful convention centers nationwide rebook about 75 percent of annual business, the Pennsylvania Convention Center has had only 25 percent of its large conventions rebooked since 1994. One of the primary contributors to that low rebooking rate was confusion about the roles and responsibilities of the various Convention Center unions. In January 2001 the Mayor helped resolve labor disputes to improve the future rate of convention rebooking. The trade labor unions, contractors, decorators, and representatives from the Pennsylvania Convention Center Association signed a two-year labor agreement to ensure that projects at the PCC are carried out at the lowest reasonable cost, highest level of efficiency, and maximum degree of quality.

The current PCC is also limited by its capacity. Philadelphia ranks 18th in exhibit hall size in the nation and will have trouble competing against the regional convention centers in Atlantic City, Baltimore, or the soon to be completed centers in Boston and Washington DC, both of which will have more useable space than the convention center. The current business generated by the PCC does not satiate the supply of hotel rooms in Center City. The number of hotel rooms in Center City has increased from 6,700 rooms in June 1993, when the PCC opened, to 10,000 rooms. According to the 2001 Lodging Survey Report conducted by the Greater Philadelphia Hotel Association, hotel occupancy has decreased substantially as a result of this dramatic increase in supply, with occupancy rates averaging just 58 percent in 2001 compared with 73 percent in 1997. Establishing Philadelphia as a premier convention and tourist destination is key to capitalizing on the hospitality infrastructure in place. Expanding the Convention Center is essential to the City's efforts to draw an increasing number of guests to Philadelphia's hotels.

Philadelphia International Airport (PHL) is also a significant economic generator for the City and the region. According to an economic impact study, conducted in August 2001, over 147,000 jobs and over \$7.38 billion per year in spending can be attributed to PHL. However, the Airport's limited airfield space poses a competitive disadvantage. Delays often occur at peak periods because jet activity exceeds available runway space. Without additional jet runway space, PHL will have additional delays and increased airline expenses resulting from additional fuel usage, additional crew time costs, and costs associated with accommodating delayed passengers. Another outcome of increased congestion and delay is that competitive airlines are less likely to enter the market. Low cost airlines particularly tend to avoid overcrowded, delay-ridden airports. Most importantly, tourism, convention business, and the attractiveness of Philadelphia to prospective new companies are all hurt by the perception of an inconvenient airport crippled by delays.

Strategy: With a tremendous hospitality infrastructure in place, Philadelphia must continue to support large development projects and initiatives that bring conventioners and visitors to the region. Coupled with this "big-ticket" strategy, the City must encourage conventioners and day trippers to stay longer and visit frequently.

Implement hospitality and tourism marketing efforts. Responding to the precipitous drop in tourism business after September 11, the Street Administration, the Delaware River Port Authority (DRPA) and the Commonwealth created a special \$3 million marketing and advertising campaign aimed at attracting visitors who are within driving distance of Philadelphia. The campaign, launched in mid-November 2001 and in effect through March 31, 2002, is titled,

"Philly's More Fun When You Sleep Over." The primary objective of the program, which offers hotel packages and other visitor incentives, is to stimulate short-term sales of hotel rooms and spending for historic and cultural attractions, performing arts, restaurants and retail. The projected impact is a five percent increase in hotel occupancy for 2002; with the impact from the ad campaign, hotel occupancy is currently projected to average 60 percent for 2002.

Support the Planning Effort for Convention Center Expansion. The Pennsylvania Convention Center, which served as the catalyst for the development of the City's hospitality industry in the 1990s, will be the key driver of the industry's future growth if it has the capacity to host major conventions. In order to have that capacity the center will have to be expanded. The Pennsylvania Convention Center Authority has crafted a \$460 million proposal that would enlarge the center from 440,000 square feet to 685,00 square feet of exhibit space, making it the 8th largest convention facility in the United States. The additional capacity will allow the convention center to compete for larger shows and to host more than one large show at a time. PCVB estimates that by 2008, the center's expansion would increase sold hotel room nights by over 300,000 annually and increase direct spending from conventioners by over \$12 million annually. Once a financing plan is developed and funds are secured, the expansion could be completed within four years.

Airport Expansion and Attraction of Low Fare Carriers. The Airport will address its challenges and further its competitive advantage through a number of initiatives. During the summer of 2002 the Airport will expand Terminal E to provide an additional four gates as well as an additional 49,700 square feet of concourse space and 11,700 square feet for ticket counters. By FY03, PENNDOT will complete the \$95 million construction of new ramps from I-95 to allow direct access to the airport from both north and southbound. In FY03 PHL plans to develop and implement an aggressive air service and marketing plan in order to attract at least one new international destination and increase the number of domestic city pairs. PHL will also develop a separate marketing campaign to attract low fare carriers to the Philadelphia market; a successful coup in the Philadelphia market in FY02 is the introduction of service by AirTran.

Furthermore, in FY02 the Airport completed a new Master Plan outlining options for expanding airfield capacity and identifying facility improvement needs. Many of the nation's major airports are configured so that aircraft can depart or land simultaneously, but PHL's runways are spaced too close together (according to Federal Aviation regulations) for simultaneous runway departures and landings. The Master Plan will propose options of how to reconfigure the airfield to have dual simultaneous runway capacity and in FY03 the City will analyze the proposed options and hold public hearings. PHL has developed the Master Plan and the other initiatives to build a thriving airport that attracts low fare carriers and encourages business and leisure travelers to use PHL over regional competitors.

Construct new sports stadiums. Construction is underway for new football and baseball stadiums in South Philadelphia. The Eagles football stadium is under construction and scheduled to open in 2003, and site preparation for construction of the Phillies baseball stadium is progressing with an opening expected in 2004. The new stadium complex will be situated adjacent to the current Veterans Stadium, which houses both teams. Philadelphia will have a four-facility complex that will be unmatched anywhere in the United States. The total project

cost for both stadiums, which are being funded by the City, the teams and the State, is over \$1 billion. Both the Phillies and the Eagles signed long-term 30-year leases.

Support waterfront development. The City's rivers are a tremendous resource that this Administration looks to further develop by supporting public and private waterfront initiatives. Along the Delaware River, Penn's Landing continues to be Philadelphia's premier waterfront destination. A \$330 million development proposal for retail and entertainment use, which includes destination shopping and dining opportunities, an expanded Please Touch Museum, and an outdoor amphitheater, is expected to break ground by mid-2002. Intensive planning is underway, led by the City Planning Commission, regarding the potential for new residential, retail, and commercial development going north along the Delaware River beyond the Betsy Ross Bridge. Privately led planning efforts along the Schuylkill River call for a recreational greenway and the creation of new mixed-use communities and business incubators. These plans – as well as others designed to attract more people to live in the City of Philadelphia – will expand the tax base and entice new businesses, residents, and visitors to consider Philadelphia.

Complete key projects to attract visitors. The recent slate of landmark development initiatives opening or set to open in Philadelphia contributes positively to the expansion of the City's tourism and visitor market. The Kimmel Center for the Performing Arts and the new Independence Visitors Center both opened in 2001 and the Constitution Center is slated to open July 4, 2003. Support for new development initiatives such as the Calder Museum and the revitalization of the historic Blue Horizon boxing center will also contribute to expansion of the City's visitor market.

Host Major Events. The Pennsylvania Convention Center and the large sport arenas enable Philadelphia to attract major events that generate significant spending and help satiate the hotel room supply. In February 2002 Philadelphia will host the NBA All-Star Weekend and in the summer of 2002 will once again host the ESPN X-Games. In spring 2003 the Liberty Bell Center is expected to open, the new complex includes a new interpretive center, and in summer of 2003 the National Constitution Center will be unveiled as the first-ever national museum honoring and explaining the U.S. Constitution.

Challenge: *Creating a More Vibrant Entrepreneurial Environment*

The technology sector, which at one time appeared to have the potential for limitless growth, has experienced steep declines over the last year. Biotechnology, information and life science firms have emerged as new economic generators more likely to have high growth potential, but the amount of seed capital available for entrepreneurs in these areas, as well as the level of city-based incentives specifically targeting these firms, is limited. As Philadelphia works to grow and attract healthy technology companies, it faces severe competition from Boston's Route 128 Corridor, Raleigh-Durham's Research Triangle Park and DC's Dulles Corridor. Philadelphia is competing against cities that already have a well-developed technology/life sciences infrastructure and reputation.

Strategy: The City recognizes the potential future value of the information technology, biotechnology, telecommunication, and life sciences industries within Philadelphia and will continue to guide development of these industries in FY03.

Create a more vibrant entrepreneurial environment through Innovation Philadelphia.

The Street Administration has joined forces with the leadership of its largest private employer and academic research institution (the University of Pennsylvania), its largest technology-oriented company (Comcast Corporation) and its largest life sciences company (GlaxoSmithKline) to create Innovation Philadelphia (IP). With City Council approval, the City has pledged \$2.5 million to IP and a nationally acclaimed knowledge economy leader has been hired as the organization's president and chief executive officer. IP will be a forward-thinking public/private partnership, comprised of local governmental, business, university and civic leaders. IP will be committed to innovation and creating new opportunities for future growth of a knowledge economy in Philadelphia.

IP initiatives in FY02 and FY03 will include:

- Create the appropriate "buzz" to highlight and publicize IP's efforts to elevate Philadelphia as a world-class player in the knowledge economy.
- Formulate a detailed strategic vision for future knowledge economy development in the city and the region.
- Implement programs specifically targeted to the special issues and requirements of knowledge economy businesses.
- Leverage state, federal, private and venture investment, as well as increase the flow of seed capital and research funds to Greater Philadelphia.
- Accelerate the successful commercialization of new ideas and technologies being discovered at local universities and research labs.

Support new incubator development.

The best way to ensure that the City becomes home to new technology is to grow them locally. Business incubators, which provide expandable office space, technical and administrative supports services and direction on securing grants and financing, are launching pads for major corporations. In FY00, the Science Center opened the Port of Technology, the first of the five planned buildings that will serve as incubators. The 144,000 square ft. Port of Technology was 80 percent leased when the project was completed in September 2000. Other incubator development around the City includes the Enterprise Center in West Philadelphia, the conversion of an abandoned factory in Northern Liberties, plans by the University of Pennsylvania for a facility at the former U.S. Post Office building at 31st and Walnut Street and tentative plans for an incubator in the old SmithKline building at 15th and Race.

A major new development unfolding in the Greater Philadelphia region in FY02 is the recognition of the Biotechnology Greenhouse Corporation of Southeastern Pennsylvania (BGC) by the Commonwealth of Pennsylvania. The General Assembly and Governor passed legislation to use \$100 million of the state's tobacco claim settlement towards creation of three biotechnology greenhouses in Pennsylvania. Due to the collaboration and hard work of life sciences industries, academic research and medical institutions, venture capitalists, economic

development entities and business entities in the Southeastern Pennsylvania region, the Commonwealth recognized the BGC as one of three statewide greenhouses. The BGC, whose headquarters will possibly be located in Philadelphia, is seeking \$45 million from the Commonwealth to launch the enterprise.

BGC's current strategic proposal to the Commonwealth plans to concentrate resources on "product investments" in biopharmaceuticals, biomedical devices, and in clinical trials to bridge funding gaps that usually occur before a product is completed and other sources of operating revenue become available. Supplemental funding will get innovations through the final stages of product development so that new businesses are created and new licenses formed. In addition, resources will be used to market Greater Philadelphia as a life sciences center in support of other synergies already underway in the region. The intellectual collaboration of the region's industries and academic universities, potentially supported by \$45 million from the Commonwealth to aid product development and business ventures, provides an unparalleled opportunity to increase the number of new enterprises in the Greater Philadelphia region.

Challenge: *Developing a Skilled Workforce*

Key determinants of where a company decides to locate – and stay – are the quantity and quality of the area's workforce. With 1.5 million residents, Philadelphia offers a vast labor pool. However, Philadelphia's unemployment rate hovers consistently above regional and national rates; the Philadelphia unemployment rate was an average of two percentage points higher than the national unemployment rate from 1990 to 2000. In addition, the city's labor force participation rate, or the percent of the population in the workforce, is 58 percent, the lowest in the region by six percentage points and eight percentage points lower than the national average. Further, anecdotal evidence from City businesses identify a gap between desired employment skills and the workforce readiness of the City's labor pool. Workforce issues continue to be an obstacle that Philadelphia must overcome.

Strategy: The City is proactively addressing workforce issues through implementation of several workforce development initiatives.

Address skill deficiencies in the current labor pool. The Philadelphia Workforce Investment Board (WIB) – a private sector-led commission appointed by the Mayor under the provisions of the Workforce Investment Act – leverages City resources with state, federal, and private job training funds to offer job readiness training. Beginning in 2002, the WIB will work to increase the number of unemployed and underemployed City residents engaged in accredited technical training and degree-granting programs. By increasing educational attainment levels, Philadelphia will be better positioned to meet the workforce needs of existing employers and attract new employers into the City.

The WIB has also partnered with employers, industry-based associations, and organized labor to identify and characterize skill gaps in the City's workforce. This information is being shared with institutions of higher learning and other training providers so that workforce development services can be better focused on the needs of employers.

Invest in connecting potential workers to the local labor market. In FY01, tremendous headway was made in developing the City's CareerLink system. As of December 2001, four CareerLink Centers were open in neighborhoods across the City, averaging over 1500 customers per month. The demand is growing for CareerLink services and at least half a dozen more centers are expected to be operational by July 2002. The CareerLink system, which is a partnership of state and local organizations and is funded by the federal government, provides resources to help underemployed, unemployed and dislocated workers receive the training and skills necessary to attain gainful employment. CareerLink counselors work with employers, such as ARAMARK and UPS, to fill job openings and close skill gaps.

Focus on growth industries that have a demand for workers. The City has also actively engaged in several industry-specific initiatives where demand for workers outpaces supply. For example, to respond to serious shortages in the healthcare industry, the City has been collaborating with the Delaware Valley Health Care Council (DVHC) to provide career information, counseling, and training to those seeking employment in the health and life science fields.

In FY03, the City will continue to cultivate partnerships like the one with DVHC to assist employers in key industry sectors find appropriately skilled workers and to help residents access a continuum of services leading to jobs paying family-sustaining wages.

Implement student retention initiatives. The Philadelphia region hosts over 213,000 full-time enrollment college students annually, 80,000 in the City alone. Retaining a greater percentage of those college students would allow the City and region to fuel economic expansion in strategic high-growth industries such as biotechnology or entrepreneurial ventures, as well as support growth in the City's middle class population. The City's strategy to engage area college students in Philadelphia's lifestyle and economy and connect them to jobs upon graduation is to:

- Work with local groups to attract new domestic and international students to Philadelphia's universities.
- Create and/or promote local lifestyle experiences, including the annual Philadelphia College Festival that will be expanded into a week-long marketing and events program in Fall 2002.
- Fill the information gap about what Philadelphia offers and the continuing relevance of the City and region to students.
- Connect students to retention-decision resources, such as jobs and housing.
- Organize student leaders to become engaged as meaningful local citizens.

In addition, in 2001 the City formed a coalition of student government leaders from over 50 area schools and a network of staff advisors through the Greater Philadelphia CollegeTown Project. This group will help facilitate communication among campuses and secure valuable contributions from student volunteers in executing retention efforts.

In FY02, the Commerce Department will seek retention funding from the Pennsylvania Department of Community and Economic Development, through the Commonwealth's Stay and Invent the Future (SITF) initiative. SITF, a multi-county initiative, provides a unique opportunity to connect the City's student retention efforts with other dynamic student and worker retention initiatives across the region. The success of the City's student retention efforts will be

based upon the overall development of a regional identity as a competitive place for young people to live when compared with other metropolitan areas such as New York, Boston or San Francisco.

While the challenges facing the City are daunting, the economic development strategy for FY03 will help overcome those challenges and ensure that Philadelphia has a growing, vibrant economy.

City of Philadelphia
Five-Year Financial Plan

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**High Quality Public Education –
School District of Philadelphia**

High Quality Public Education

School District of Philadelphia

Overview

Improving the quality of public education is one of the Street Administration's primary strategic goals. In order for Philadelphia to succeed as a city, it must have a successful school system. Philadelphia's future economic success will depend, in large measure, on its ability to supply a skilled, trained work force - many of whom will be educated in the classrooms of the School District of Philadelphia. In January 2000, one of the first actions of the newly elected Mayor was to approve an amendment to the Home Rule Charter giving the Mayor authority to appoint members of the School Board for four years. Before this change, Board members were appointed to staggered terms, limiting a Mayor's control over the School District. The Charter Amendment gave the Mayor more direct influence over the management of the Philadelphia School District's educational and financial policies.

The 2001 calendar year ended with the Mayor and the Governor negotiating an historic partnership to improve the School District's financial situation while maintaining and enhancing the academic performance gains the City's schools have achieved in recent years. This new partnership is embodied in a new governance structure for the District - the School Reform Commission - drawn from the distressed school district law, known as Act 46 of 1998. The partnership addresses the fiscal stability of the School District and maintains the City's role in its governance, avoiding a hostile takeover by the Commonwealth. While this new partnership is designed to bring financial stability to the District over the next several years, it does not represent a permanent solution for the District's financial situation. That instead will depend upon statewide school district funding reform.

Background

School District Finances

In March 2000, the District's preliminary budget estimated a deficit of \$204 million by the end of FY01 and projected that the District would run out of cash by the end of the year. As a result, Mayor Street challenged the Board to identify \$100 million in combined savings and revenue enhancements over the next several years. He also initiated a series of meetings between representatives of the School District, the City and the Governor's office, to search for a way to provide the District with enough cash to complete the 2000-2001 school year. These meetings resulted in a budget accord on May 31, 2000, which provided the District with sufficient cash to operate schools for the entire 2000-2001 school year. However, even this interim accord left the District with a projected \$80.2 million fund balance deficit on a \$1.6 billion adopted operating budget. Although the financial crisis was averted for the year, it was clear that a long-term solution was needed. As a result, both the Mayor and the Governor pledged to work together to achieve a long-term solution for the District's financial and academic situation.

On May 31, 2001, the Board adopted an Operating Budget with total spending of \$1.7 billion and a projected \$176 million operating deficit that would increase the District's cumulative

deficit to \$216.6 million. To close this gap and ensure that the School District would have sufficient cash resources available to operate in Fiscal Year 2002 and have balanced budgets in future years, it became clear that substantial recurring revenue increases or expenditure reductions, or a combination of both, would be needed in order for the District to achieve balanced budgets in future fiscal years.

Memorandum of Understanding

Due to the growing severity of the financial crisis at the District, the Mayor initiated another series of meetings between representatives of the School District, City and the Governor's office in July 2001. During these discussions, the Mayor proposed that the Commonwealth join in a true partnership with the City and the School District to develop a long-term financial solution for the School District. These discussions culminated in an unprecedented Memorandum of Understanding ("MOU") between the Mayor and the Governor on July 31, 2001.

Under the MOU, the Mayor and the Governor agreed that the Governor would submit a plan that would provide a long-term solution for both the financial and educational needs of the District after a 60-day review period. The Mayor and the Governor would then have an additional 30 days to discuss and negotiate the Governor's proposal. If the Mayor and the Governor were unable to reach an agreement on how to proceed, then it was agreed that the Commonwealth would takeover the School District pursuant to Act 46 of 1998 at the end of the 90-day MOU period. Act 46 modified state law regarding financially distressed school districts for a school district of the first class by adding several new circumstances to the list of conditions that could trigger a declaration of distress and by establishing a new governance structure and procedures in the event of a declaration of distress.

The Governor hired the for-profit education management organization, Edison Schools, Inc., to conduct an analysis of the School District and to identify options that would address the financial and academic needs of the District. To promote a thorough and fair review of the District by Edison Schools, Mayor Street ensured that Edison Schools' representatives were given full and complete access to School District personnel and documents. Mayor Street also agreed to a 30-day extension of the MOU deadline after Governor Ridge became the Nation's Homeland Security Director and Lieutenant Governor Mark S. Schweiker became Governor.

State Takeover Law Amendment

During the extended review period under the MOU, an amendment to Act 46 of 1998, known as Act 83, was signed into law on October 30, 2001. Under the amended takeover law, a five-member School Reform Commission ("Commission") would govern the School District of Philadelphia in the event of a declaration of distress by the Pennsylvania Secretary of Education. Upon the issuance of a declaration of distress, the Governor would first appoint an interim chairman of the Commission, who would have the full power and authority of the Commission, including the authority to enter into contracts for educational or other services for the District with for-profit or not-for-profit companies. Within thirty (30) days of a declaration of distress, a five-member Commission must be established. The amendment provided that four members were to be appointed by the Governor. The fifth member was to be appointed by the Mayor.

The five Commission members would serve staggered terms from three to seven years, and may nly be removed for malfeasance or misfeasance in office.

The Governor's Proposal

On October 31, 2001, the Governor submitted a Plan to address the long-term financial and academic needs of the District. In it, the Governor proposed that 60 of the District's lowest performing schools and the top 55 positions in the District's central administration be turned over to private management. The Governor also proposed significant new resources from the City and Commonwealth as well as drastic cost savings through a combination of cuts and outsourcing. In the face of intense community opposition and at the Mayor's insistence, the Governor withdrew his proposal to privatize the District's central administration.

Historic Partnership Between the Mayor and the Governor

Negotiations were extended until December 21st, when the Governor and the Mayor announced that they had reached an agreement for a "full partnership." Pursuant to that agreement, the Mayor received two of the five appointments to the Commission while the Governor received the other three. The City will also increase its annual contribution to the District by \$45 million, in addition to the \$589 million already provided locally in 2001, and the Commonwealth will provide an additional \$75 million annually.

A declaration of financial distress was effective December 22, 2001, pursuant to the new partnership. The Commission was appointed on January 14, 2002.

This historic new City-State partnership has the potential to bring financial stability to the District over the next several years while continuing and expanding the academic progress District schools have made in recent years. It does not, however, represent a permanent solution for the District's long-term financial difficulties that are attributable to chronic under-funding, but it provides a bridge to enable the School District to maintain fiscal stability until statewide school funding reform is implemented. The Commission has pledged to pursue such reform.

Other Objectives, Goals and Targeted Initiatives

New Leadership and Management Structure

Prior to the negotiated City-State partnership, the School District completed a reorganization of its educational administration, under the direction of the interim Chief Executive Officer, who served from November 1, 2000 to December 14, 2001. The District's 264 schools are now organized into 10 area academic offices, each of which focuses solely on supporting principals and teachers to improve instruction and academic achievement. Central administration offices have been scaled back and realigned to focus on teacher and principal support, district-wide curriculum development, parent and student support services and secondary school support.

This administrative reorganization was an important step towards addressing the School District's educational and financial challenges. Educationally, the reorganization returned more

than 100 administrative employees to the classroom, thereby reducing the number of teacher vacancies, and eliminated 195 administrative positions. Elimination of these administrative positions generates annual savings in excess of \$10 million.

Curriculum Renewal Plan

In September 2001, the School District of Philadelphia developed and adopted a new Curriculum Renewal Plan. The Curriculum Plan reflects the District's commitment to providing an educational program that is responsive to the needs of a diverse student population, adheres to State standards, and is rigorous enough to enable students to have access to a full range of higher educational and career options. The Plan is centered around four critical goals: implementing a core curriculum, matching curriculum and assessment, meeting the needs of special populations, and connecting professional education to the core curriculum. Implementation of specific strategies in support of these goals is being led by the District's Chief Academic Officer. The Curriculum Renewal Plan was reviewed and approved by the Commonwealth Court of Pennsylvania in September 2001, as part of a long-running desegregation lawsuit brought by the Pennsylvania Human Relations Commission against the School District.

Comprehensive Safety Plan

At the same time that the School District was developing its Curriculum Renewal Plan, its new management team also developed and began to implement a Comprehensive Safety Plan. The Safety Plan details specific strategies undertaken by the District in support of its goals to improve school climate, minimize classroom disruption, and increase the safety and security of students and teachers. Implementation of the Plan's strategies, which include reducing truancy, improving deployment of security personnel, applying consistent and effective discipline for disruptive students, and improving reporting and use of safety-related data, is directed by the District's Chief Safety Executive. The Comprehensive Safety Plan was also reviewed and approved by the Commonwealth Court of Pennsylvania in September 2001, along with the Curriculum Plan.

Continued Improvement in Academic Performance

For the fifth consecutive year, student test scores have shown an overall increase. Since 1996, the School District has been administering the Pennsylvania system of Student Assessment in grades 5, 8, and 11 for reading and mathematics, and the Stanford-9 in grades 4, 8, and 11 for reading, math, and science. On both tests, the District has shown substantial improvements over this time period, especially in the earlier grade levels. This has occurred despite large increases in the proportion of English Language Learners, students with disabilities, and the inclusion of low attenders in the testing.

Pennsylvania System of School Assessment, 1996-2001
Average PSSA scale score gain/year (reading and math)

Grade	Philadelphia	State
Grade 5	10 points per year	2 points per year
Grade 8	13 points per year	2 points per year
Grade 11	4 points per year	1 point per year

Stanford 9/Aprena Achievement Test (reading, mathematics, science)

Grade	1996		2001		Change
	Participation Rate	% at or above Basic Level	Participation Rate	% at or above Basic Level	
Grade 4	85%	39%	96%	58%	19 points
Grade 8	72%	31%	90%	41%	10 points
Grade 11	51%	14%	78%	22%	8 points

Under the most trying circumstances, student achievement continued to move in the right direction. In fact, the Commonwealth recently awarded \$4.7 million in school performance funding in recognition of the progress that many of our schools are achieving. Schools earn these grants because of improvements in the State's standardized test (PSSA) and school attendance. Philadelphia students' gains have been outpacing state averages, and for the 2000-2001 school year, Philadelphia schools won over 23 percent of the funding while having just 11.8 percent of the Commonwealth's students.

The partnership between the Commonwealth and the City to improve the School District's financial future is a significant achievement, but true financial stability will not be made until the Commonwealth re-examines education funding on a state-wide basis. The most recent U.S. Census Bureau data indicates Pennsylvania ranked 33rd of the 50 states in per-pupil funding. When per-pupil funding was compared to personal income and the ability to pay for education, Pennsylvania ranked 42nd of the 50 states – only eight states provided less funding per-pupil per dollar of personal income. According to a November 2001 Education Week article, over the past 30 years, Pennsylvania's share of public school funding has dropped from 54 percent to 37 percent. Nationally, the average state contribution is 48 percent of school costs.

Every county and school district in Pennsylvania is impacted by this relatively low state support, particularly when compared to their neighbors in New York, New Jersey, and Delaware – all of which provided at least \$1,000 more per-pupil in state support than the Commonwealth did in the 1998-1999 school year. Furthermore, this relatively low state support is inequitable. It places a higher burden on the local area's real estate tax rate. Older urban centers such as Philadelphia, Pittsburgh, Allentown, Scranton, and Harrisburg, as well as numerous rural counties throughout the state are forced to set real estate tax rates at inequitable and uncompetitive rates to provide a similar level of education as growing, affluent suburban counties. Diverse groups representing broad constituencies such as the Pennsylvania State Board of Education and Greater Philadelphia First have recently endorsed statewide education funding reform that increases the state's participation and eases reliance on local real estate taxes.

City of Philadelphia
Five-Year Financial Plan

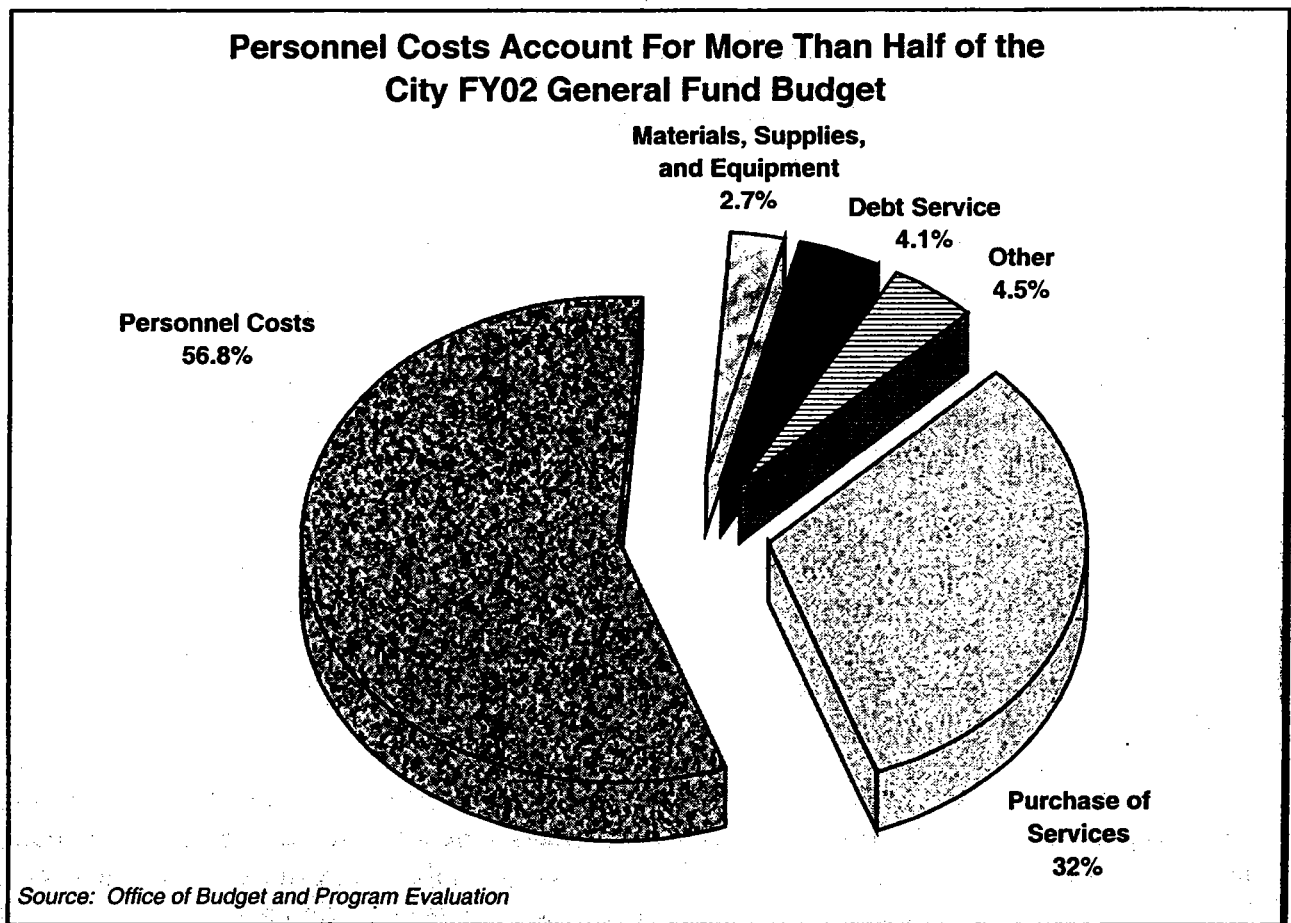
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City Workforce

City Workforce

Overview

It is the people who work for municipal government who fight the City's fires, patrol its streets, collect its trash, keep its water safe to drink, investigate child abuse and neglect, maintain its parks and libraries, and deliver all the other public services that make Philadelphia work. As a labor-intensive enterprise, City government's single largest expense is employee wages and benefits – representing 56.8 percent of the FY02 General Fund budget at a cost of over \$1.6 billion.



As detailed in the following chart, more than nine out of ten City workers are represented by one of four major bargaining units. As a consequence, the challenge of controlling the cost and managing the effectiveness of the City workforce can only be addressed through contract negotiations and effective labor-management relations.

City Workforce as of October 2001 (All Funds, Excluding Court Employees)		
Union	Description	# of City Employees
AFSCME District Council 33 (DC 33)	Labor, trades, and clerical employees, including first-line supervisors	11,003
AFSCME District Council 47 (DC 47)	Professional and technical employees such as engineers, accountants, and social workers, including first-line supervisors	3,445
International Association of Fire Fighters, Local 22 (IAFF)	Uniformed fire fighters and paramedics, all ranks up to Deputy Commissioner	2,431
Fraternal Order of Police, Lodge 5 (FOP)	Sworn police officers including prosecution detectives, all ranks up to Deputy Commissioner	6,986
Fraternal Order of Police, Lodge 5 (Sheriffs)	Uniformed deputy sheriffs and clerical employees of the Register of Wills	222
Not Union Represented	Exempt employees, civil service managers, and higher-level civil service supervisors	2,730

Because so much of the City's budget is consumed by the cost of wages and benefits, it is essential that any changes in total compensation remain within the City's limited means. Without a financially stable municipal government, there can be no stability in either public services or the compensation structure for City employees. Without a growing City economy and tax base, future labor negotiations will always be about how to divide a shrinking pie.

At the same time, given the need to attract and retain a well-qualified labor force, it is important that the City provide a competitive compensation package in balance with the local labor market. In addition, the City's collective bargaining agreements should strive to treat all employee groups equitably, promoting positive morale and labor relations. Finally, to the maximum extent possible, labor agreements should foster productivity, integrity, and accountability in the delivery of service to the public.

In 2000, the Street Administration concluded its first round of collective bargaining with the four major unions that represent City workers. Four-year contracts were reached with AFSCME District Councils 33 and 47, while the Fraternal Order of Police (FOP) and the International Association of Fire Fighters (IAFF) received two-year contracts through the interest arbitration process. It is critical to note the success of the City in creating a framework for settlement that shared the City's fiscal strength at the time, while avoiding long-term commitment to future increases that may not be affordable. This is especially true in light of the recent downturn in the economy, the slowing of the City's tax collections, the City's increased contribution to the School District of Philadelphia, and additional costs associated with the aftermath of the events of September 11, 2001. Terrorism has injected a further layer of uncertainty about the economy, future revenue growth, and expenditures.

In a significant evolution of the City's contribution for health insurance for City workers, the 2000 contracts eliminated automatic increases based upon inflation and local market rates in favor of a system of specific negotiated City contributions. Under this new system, the City has agreed to pay

only what it can reasonably expect to afford. Further, the City's contribution for health insurance is now fully recognized as part of the compensation package for employees so that money may be placed into wages or benefits with the total cost still within the range of manageable increases.

In FY02, the City is focusing on the next round of bargaining with the FOP and the IAFF, which began in December 2001. This bargaining will be conducted through the prism of the national recession and events of September 11, which have not only given the City a renewed appreciation of the dedication and the sacrifice offered by our police officers, fire fighters, and emergency medical personnel, but also a heightened awareness of the vulnerability of the City's economic position to events beyond our control. The City's fiscal fragility has been dramatically affected by the impact of the terrorist attacks on an economy already weakened by recession, as reflected in the growing number of layoffs by companies across the country. The U.S. Bureau of Labor Statistics reports that nationally there were 18,920 mass layoffs, affecting 2,228,945 people, in the period of January through November 2001, 45 percent higher than during the same period in 2000. The need for increased security in the aftermath of the attacks has led to \$21 million in unanticipated General Fund expenditures for FY02, further shrinking the pool of available resources. Additionally, as the Fiscal Health chapter of this Plan details, a number of other risks still threaten the City's finances. All of these factors serve to place severe constraints on the ability of the City to absorb further cost increases.

In light of these events and conditions, it is critical that new FOP and IAFF agreements do not mortgage the City's future or limit its flexibility to reshape the workforce to meet changing conditions and demands.

Labor Relations

Contract Negotiations 2000

Just after taking office, Mayor Street faced the challenge of negotiating new contracts covering over 25,000 City workers. In the 2000 round of bargaining, the City sought to reasonably share the results of the City's improved financial condition, while maintaining the capacity to address the other pressing needs facing the government without resorting to counterproductive tax increases. To maintain flexibility in future years, the City needed to avoid contract items that would commit the City to future levels of expenditure that were beyond the City's ability to control. Two major items that have tied the City to uncontrolled or unanticipated levels of spending are health insurance and pension improvements. Although pension benefits were not changed in the 2000 negotiations, health insurance did undergo significant change with all four unions.

Each of the four unions rejected the City's proposal to consolidate their respective health insurance plans into one City-administered plan, demanding instead to maintain their independent funds. As a final resolution, the two civilian unions agreed to a package that eliminated the automatic increase formula in favor of fixed percent increases annually over the term of the contract. With this predictability in health and welfare costs for more than 19,000 employees, the City was able to apply additional money for wage increases effective close to the start of each fiscal year. Both unions received lump sum bonuses of \$1,500, in addition to general wage increases of 3 percent in each of the out-years of the agreement.

The FOP had accumulated millions of dollars in reserves and did not require an increase in City health and welfare contributions over the next two years. The FOP arbitration panel froze the City contribution for health insurance at current levels over the life of the contract, but directed that members receive a one time \$1,000 bonus, in addition to 3 and 4 percent general wage increases, effective July 1, 2000 and July 1, 2001, respectively.

The Fire arbitration panel also eliminated the formula guaranteeing future increases in the City contribution for health insurance. However, the panel's initial award provided for increases in the City's contribution by more than had been budgeted. The panel also provided for lump sum payments to the fund totaling \$4.8 million, and the same general wage increases as ordered for police officers. The achievement of the City's goal of a flat rate for future increases in health insurance contributions was blunted by the Fire panel's award of wage and benefit increases in excess of the pattern established by the other unions.

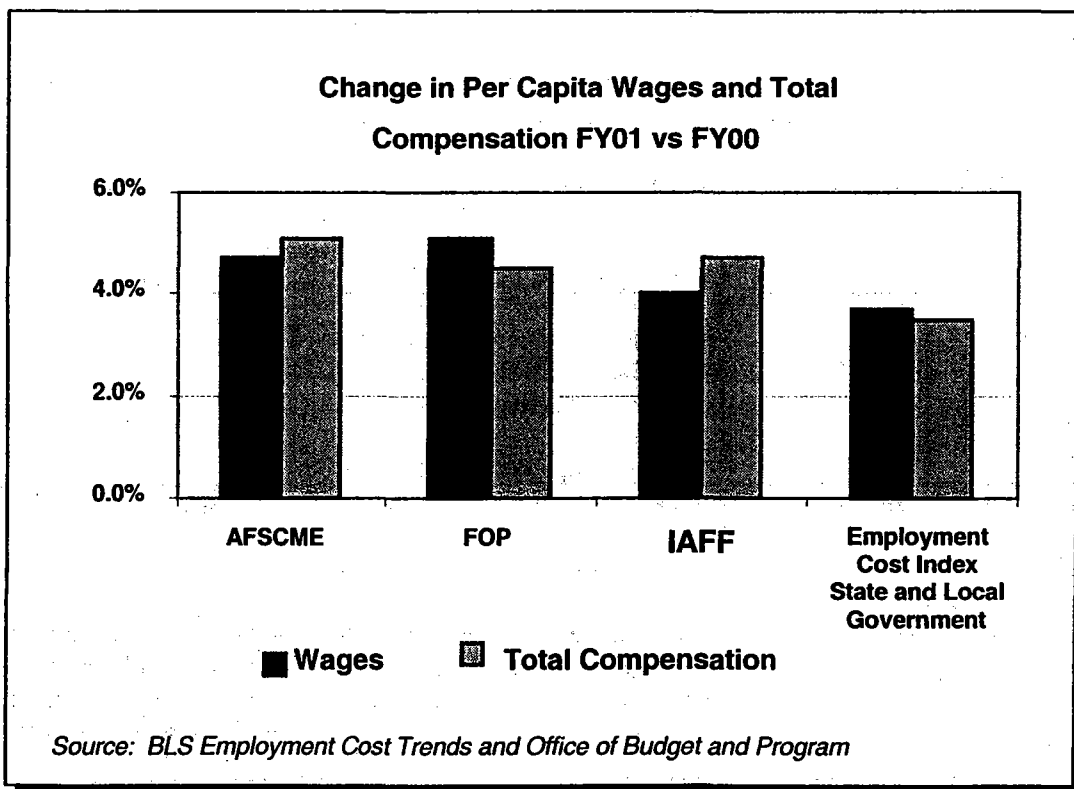
The initial Fire award deviated significantly from the contracts negotiated with AFSCME and from the Police Award, exceeding projected costs over FY01 and FY02 by \$25 million. The total deviation to the FY01-FY05 Plan caused by the Fire award totaled \$62.7 million over five years. The initial Fire award also contained items not placed before the panel as issues in dispute, which the panel had no authority to address. Moreover, some items in the award improperly delegated the authority of the panel to other arbitration panels, asking that they review some of the basic management policies of the Fire Department, including the use of "task force" operations in the Fire Department. A task force operation efficiently deploys two fire-fighting companies to an emergency as a single unit under the direction of one officer. While the union contends that such operations are inherently unsafe, the evidence presented by the City demonstrated that in 1999 task force operations resulted in 23 percent fewer injuries during emergency responses than non-task force operations. The award also attempted to direct the use of a \$3 million Hepatitis C fund. Initially, the Mayor voluntarily established the fund to reimburse firefighters for out-of-pocket medical expenses, while the award would have required that the fund be used to reimburse employees for sick leave and lost wages as a result of the disease. The initial award created expensive and unworkable situations that left the City with no choice but to file an appeal.

After a month-long effort to resolve the dispute without litigation, the City reluctantly decided to appeal the award. The City's appeal was not without precedent in the bargaining relationship between the City and the Fire union. In 1988, the union unsuccessfully appealed the provision of an arbitration award that permitted the City to search for alternative health insurance providers who could offer comparable benefits at lower costs. In 1993, both the City and the union appealed several provisions of the 1992-96 award. While the City filed its appeal of the 2000 award, the union filed a request for the courts to direct the City to implement the award. The courts rejected the union request, finding that the City had "an absolute right of appeal." In December 2000, a Common Pleas Court judge ruled in the City's favor by reversing the arbitration award's provisions regarding "task force" staffing and Hepatitis C liability, but denying the City's request to overturn any of the other terms of the award. Both the City and the union appealed the Common Pleas decision to the Commonwealth Court. In January 2001, the City and the union hammered out a settlement agreement that significantly modified many of the

terms of the initial arbitration award and the Common Pleas Court decision, including health and welfare payments, bringing the Fire contract more into line with the FOP award. The City contribution toward health and welfare was increased by 9.5 percent in the first year and then frozen in the second year, while the lump sum was increased to a one-time contribution of \$5.2 million to the fund. The settlement agreement also modified provisions concerning paramedic rotation, task forces, Hepatitis C and infectious disease, and wellness. However, there remain unresolved issues surrounding the interpretation of some remaining provisions of the initial award.

The current collective bargaining agreements and arbitration awards increase costs to significantly higher levels than previous awards. Even assuming that Police and Fire Awards in 2002 provide for no increase at all in health costs or wages, the City's four labor agreements are projected to have a total cost of \$310.5 million from FY01 through FY04 as compared to the \$233.5 million cost of the agreements which covered the period from FY97 through FY00. That cost will grow to \$362.7 million if the FOP and Firefighters receive wage and benefit increases equal to those negotiated for the over 14,000 employees represented by AFSCME. When added to the impact of the weakened economy on City revenues and uncertainty regarding the future direction of the economy, the costs of the collective bargaining agreements have an even greater impact on the City's fragile fiscal stability.

As a result of the 2000 contracts, employees represented by each of the four unions received increases in wages and total compensation for FY01 over FY00 in excess of those calculated nationally by the Bureau of Labor Statistics for employees of state and local governments.



The major economic provisions of the current agreements are detailed in the following chart:

	AFSCME	IAFF	FOP
Term	4 Years	2 Years	2 Years
Wages	FY01: 4.7% bonus (\$1,500) FY02: 3% FY03: 3% FY04: 3%	FY01: 3% FY02: 4% FY03: TBD FY04: TBD Differential between Fire Battalion Chief and Fire Captain increased from 14% to 16%. Salary progression for new hires restructured to match FOP. Longevity increments increased by \$500.	FY01: 5.1% (3% general wage increase and \$1,000 bonus) FY02: 4% FY03: TBD FY04: TBD Differential between Police Captain and Police Lieutenant increased from 14% to 16%.
Health Benefits	1992 structure continued; FY01 and FY02 City funding rates adjusted by 7%. Increase post-retirement City contribution from 4 to 5 years.	1992 structure continued; FY01 contribution set at \$600.93 per month (a 9.5% increase), but frozen in FY02. \$5.2 million lump sum payment in FY01, with \$800,000 held in reserve for add'l premium costs Increase post-retirement City contribution from 4 to 5 years.	1992 structure continued; City contribution frozen at current levels. Employees receive \$1,000 bonus as described in Wages above. Increase post-retirement City contribution from 4 to 5 years.
Leave	Minor changes to funeral leave.	Permit employees to trade sick leave at retirement for additional post-retirement health insurance coverage. Establishment of a Hepatitis C Sick Bank with City match of days contributed Minor changes to funeral leave.	Permit employees to trade sick leave at retirement for additional post-retirement health insurance coverage.
Legal Services and other payments	Unchanged.	Increased by \$3 per month. Uniform allowance increased by \$100.	Unchanged
Pensions	Unchanged.	Payments to Union Health Fund to supplement retiree health insurance of \$1,007,000 in FY01 and FY02.	Payments to Union Health Fund to supplement retiree health insurance of \$2.5 million in FY01 and FY02.

The 2000 labor agreements also had a positive impact on the continuing ability of the City to manage its operations economically by reaffirming the significant productivity reforms negotiated by the City in 1992, and the AFSCME agreements also extended the Redesigning Government Initiative first negotiated in 1996. This program provides a framework for labor and management to cooperate in redesigning work processes to improve the economy and efficiency of government operations. The FOP and the Firefighters awards provided for an expansion of the probationary period for new hires, and an enhancement of drug testing procedures. The FOP award also provided additional flexibility to deploy tactical squads in each district to enhance the Department's response to crime without automatically incurring additional overtime costs.

Contract Negotiations 2002

In December 2001, the Street Administration entered its second round of contract negotiations with the FOP and the IAFF (the AFSCME contracts do not expire until 2004). Although there will be clear pressure in these negotiations to follow the pattern established in negotiations between the City and the larger AFSCME District Councils, even wage increases of three percent in each year and benefit cost increases of seven percent will present significant challenges to the City's fragile financial position. To balance even these increases, the City will need to find additional economies. Such economies must be pursued because they offer one of the very few defenses against the constant assault on the City's fragile financial recovery. The City continues to fall behind its surrounding counties in terms of unemployment and per capita income:

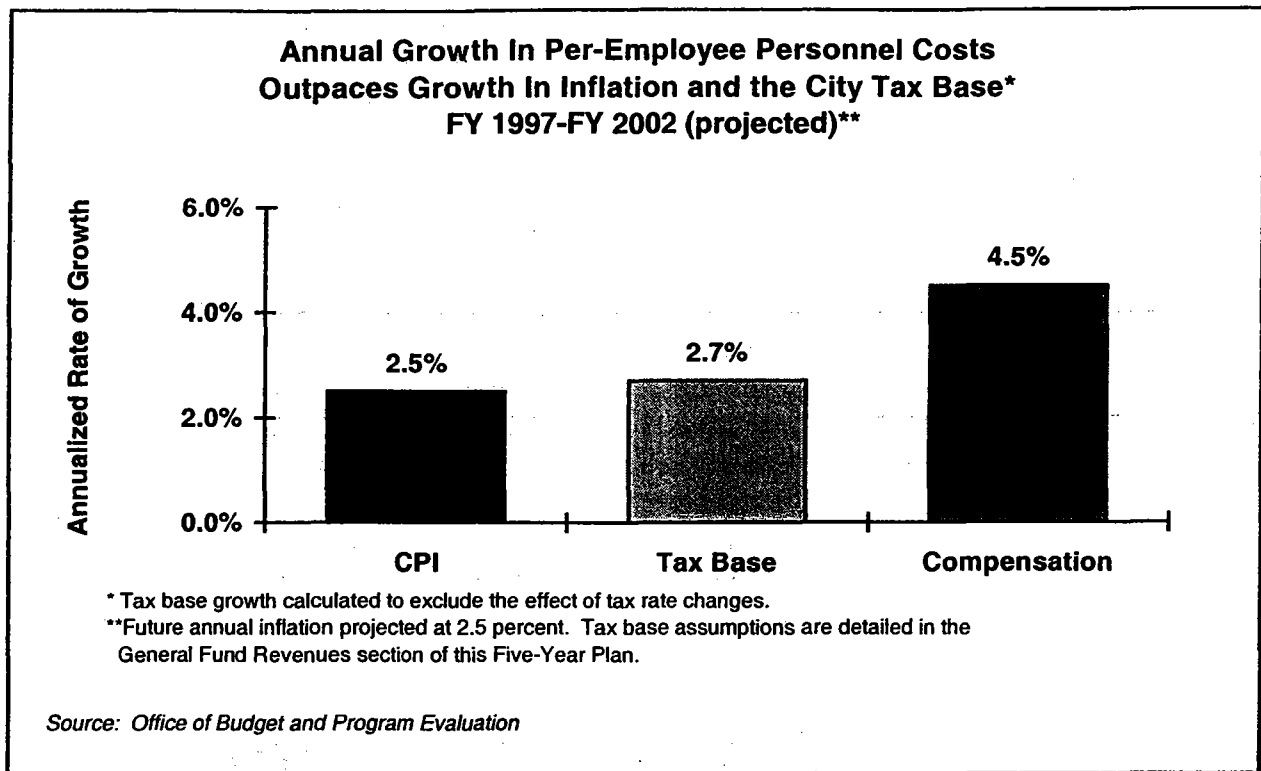
Unemployment and Personal Income		
	Unemployment Rate October 2001	Per Capita Personal Income 1999
Philadelphia	6.6 percent	25,436
Chester County	2.9 percent	44,219
Montgomery County	3.7 percent	44,446
Bucks County	3.9 percent	33,978
Delaware County	4.0 percent	33,919
Nationally	5.4 percent	28,546

Source: Bureau of Labor Statistics, Pennsylvania Bureau of Labor and Industry, Bureau of Economic Analysis

The City continues to face fiscal challenges that are particularly difficult to address due to on-going, inter-related pressures. Fiscal challenges such as a downturn in the economy, addressing the School District's financial crisis, and financial and management turmoil at the Philadelphia Gas Works have been realized in FY01 and FY02, while these threats as well as the effects of welfare reform and increasing criminal justice costs will continue to challenge the City over the course of the Plan. Resolving these challenges is difficult due to the on-going pressures brought on by the City's continued loss of middle income population, its high poverty rates, low state government fiscal support, and weak tax base.

In order to strengthen the City's economic recovery in the face of these factors, the City must successfully compete in the regional economy. Successful competition requires City government to carefully manage the costs of operations, especially per-employee labor costs, while continually improving the quality of City services. Hence, in this current round of negotiations, the focus must be on moderate growth in wage and benefit costs and the search for new economies and efficiencies that can pay for these increases.

The challenge for the City is to balance the growth in the cost of employee compensation against the growth in the City's tax base. For the period from FY97 through FY02, employee compensation costs are projected to grow at a faster rate than either the City tax base or inflation.



Given the fiscal constraints faced by the City, the challenge of negotiating fair but affordable contracts will require careful adherence to the following principles:

- Overall, increases in wages and benefits must not exceed the growth of the local tax base that funds employee compensation, impede the incremental tax reduction effort so essential to Philadelphia's effort to retain and strengthen this base, or grow out of balance with the wages and benefits earned in the local labor market by the general public that ultimately funds most costs of municipal government;
- To help fund the cost of any compensation increases, the City must capture any economies in its personnel cost structure that would not substantially affect the quality of life for individual employees if changed – for example, by working with its unions to develop more cost-effective systems for administering benefits;
- The City must retain the tools it needs to deliver public services effectively and efficiently – including the ability to set schedules, redesign jobs, introduce new technology, contract for services, and determine the size of the workforce – and ensure that the Fire Department has the flexibility to respond to any type of emergency that might arise;
- The City must continue to improve accountability within the ranks of the Police Department.

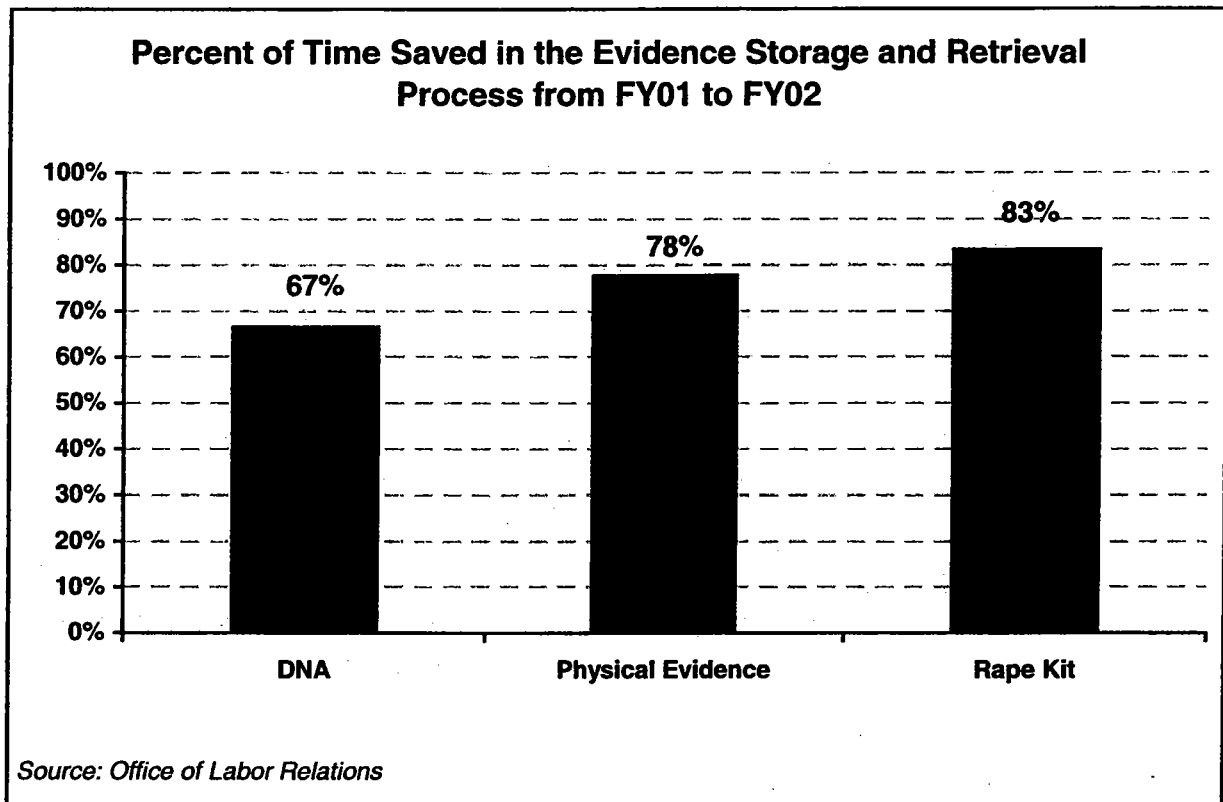
If these principles are followed, the City, its workers, and their unions can continue to build on the progress of the last nine years. The destructive and adversarial era of service erosion, layoffs, and feast or famine contracts can remain a part of the past. In contrast – in a spirit of partnership – a stabilized City government must continue providing decent and responsible wage increases, maintaining a package of quality benefits, and ensuring a strong sense of job security, while having a balanced budget.

Labor-Management Cooperation

The success of the City's recovery depends not only on controlling the cost of wages and benefits provided to its workforce, but also on tapping the creativity and energy of the workforce to find new ways to deliver the highest quality of service to the public. In 1996, the City and AFSCME agreed to a new program to promote such cooperation. The Redesigning Government Initiative (RGI) selects projects proposed by both management and labor and seeks to redesign work processes to improve the economy and efficiency of operations. Because of the success to date of this program, the parties agreed to carry it forward into the 2000 labor agreements. Below are highlights of some of the active RGI Committees:

- Through the federally funded Summer Lunch Program, the Recreation Department's RGI Food Committee has continued to facilitate the service of over 450,000 meals to children in need at neighborhood recreation centers, despite more stringent distribution and storage requirements being enforced by the Commonwealth of Pennsylvania. The Committee met with State representatives and resolved outstanding issues over program requirements. They then devised a plan for reducing costs to the vendor by providing some distribution by Recreation staff. In turn, the Committee was able to negotiate the provision of a better quality juice that can be stored at room temperature, eliminating problems in meeting State requirements for snack storage.
- To make the City's licensing process less onerous to businesses and residents alike, the Department of Licenses and Inspections and the AFSCME unions are engaged in an RGI project to streamline the ten most complex license issuance processes. As of the middle of FY02, the License Committee has completed revising seven license issuance processes, and as a result, reduced the amount of "down time" in which applications or licenses are on hold waiting for other activity to occur. By eliminating steps, redesigning license applications, or reordering the necessary steps, they also reduced the actual processing time itself. For example, by redesigning the Newsstand License process, the Committee reduced the total process time from application to license issuance by up to 73 percent, while reducing the labor involved by 30 percent. For the Sidewalk Café license, the group was able to eliminate over 40 percent of the steps in the previous process, reducing the cost of issuing the license by 32 percent. The Committee continues to work on the remaining licenses and to look for ways to better coordinate issuance and renewal activities in order to simplify the transaction for business customers and to encourage compliance with licensing requirements.
- The Police Department Forensic Sciences Division continues to experience dramatic annual increases in the number of DNA tests being requested, because of the technique's usefulness in aiding positive identification. The number of DNA tests performed by the laboratory has increased more than tenfold since 1996, from 277 to an estimated 3,000 in calendar 2001. To

better deal with this volume, in FY01, the Criminalistics Laboratory committee mapped and analyzed their process of evidence handling and storage. After mapping the DNA processes, the committee was then able to identify ways to dramatically improve the efficiency of the evidence storage and retrieval process and eliminate duplicative steps. As a result, the Criminalistics Laboratory significantly reduced the time it took to locate and retrieve samples for testing. This allowed the laboratory to substantially increase the volume of cases analyzed with the same resources.



Office of Labor Relations (OLR)

The mission of the OLR is to coordinate the various elements of the City's labor relations program—including contract negotiation, contract administration, dispute resolution, and the Redesigning Government Initiative. To help prepare managers and supervisors function effectively in the City's highly unionized environment, the OLR conducts a series of training programs on topics that include effective supervision, discipline and grievance handling. During FY01, the OLR trained over 200 supervisors and managers. At present, the OLR is working with the two AFSCME District Councils to consolidate over twenty years of labor agreements into master documents that will then become the basis for an intensive training effort for all City managers that will be conducted in FY02. In addition, the OLR has worked closely with representatives of AFSCME to reduce a longstanding backlog of employee grievances. In FY01, the two AFSCME District Councils filed 176 grievances regarding issues ranging from one-day suspensions to the interpretation of contract language governing the payments for health insurance. As a result of the OLR's efforts, 202 labor grievances were resolved in FY01, reducing the backlog to 136 from 162 in FY00.

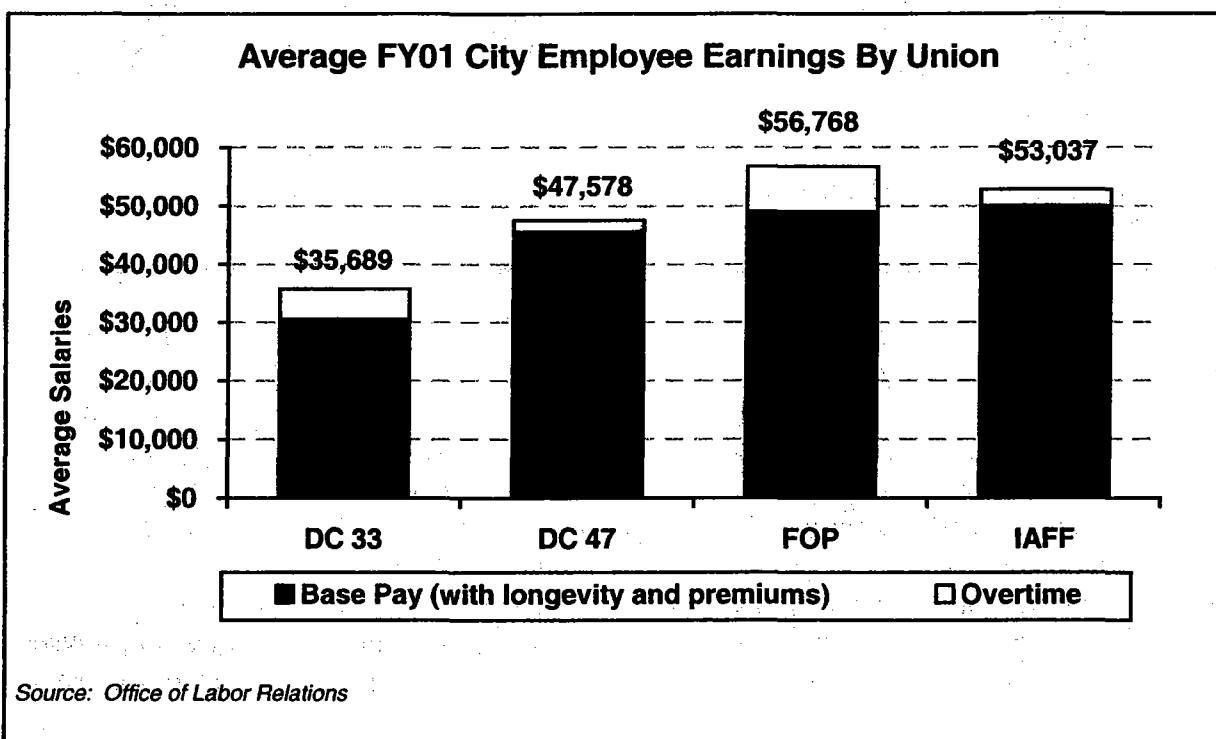
A Review of the Current City Compensation Package

In general, Philadelphia City workers receive a highly competitive wage and benefit package. As noted above, total compensation for union represented City workers increased by 4.9 percent from FY00 to FY01.

The following are among the highlights of the City's current compensation package.

Wages

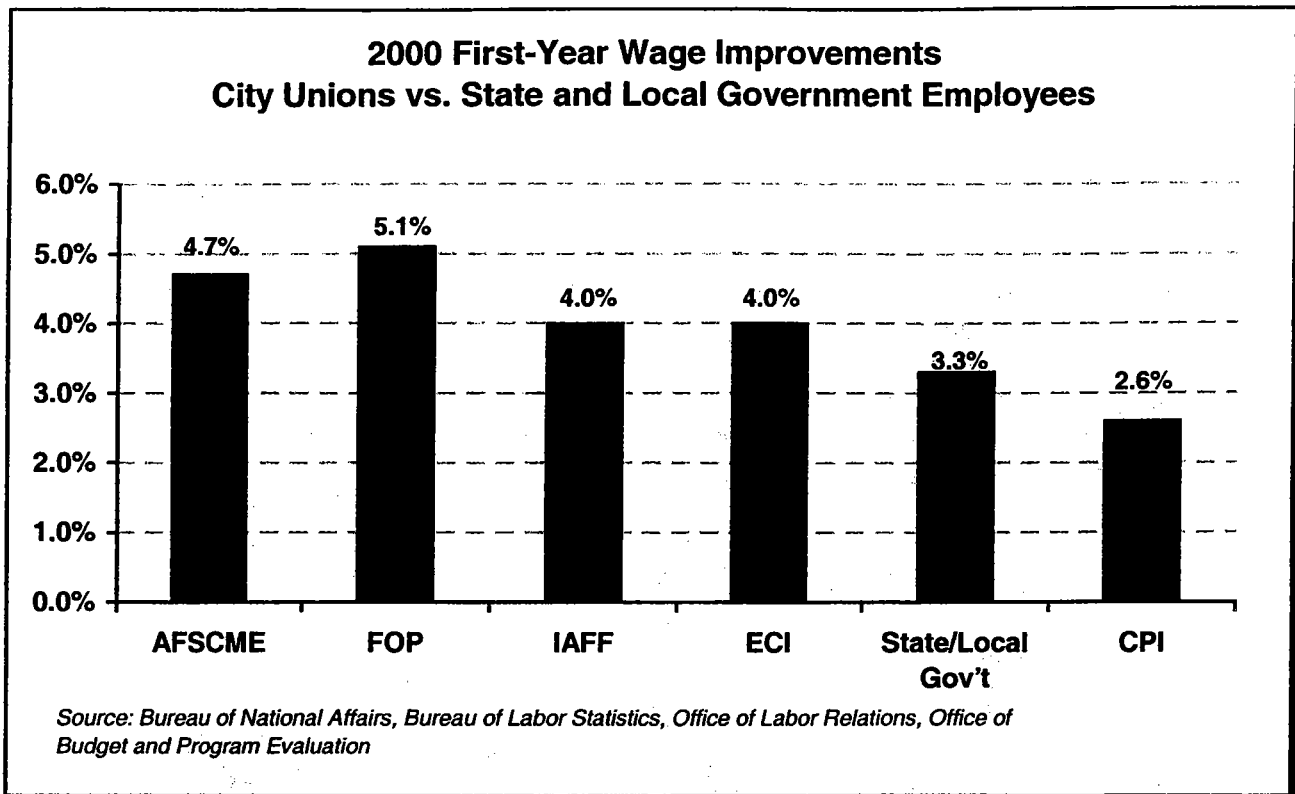
In addition to providing benefits and job security superior to those generally found in the private sector, City jobs provide good wages. Both base pay and overtime earning opportunities for City employees are highly competitive. For FY01, the average District Council 33 member earned over \$35,000, the average District Council 47 member earned over \$47,000, the average firefighter earned over \$53,000, and the average police officer earned over \$56,000—all before receiving additional wage increases already received in FY02.



Between July 1, 1992 and June 30, 1996, the rate of increase in wages for City workers slowed and private industry outpaced City workers. However, under the contracts covering the period FY97 to FY00, City workers were at or above both private industry gains as measured by the Employment Cost Index (ECI) and inflation as measured by the Consumer Price Index (CPI-W).

As detailed in the chart below, the 2000 agreements provided for first-year wage improvements including lump sum payments and salary increases that were significantly higher than the projected rise in inflation and the ECI. The average first-year increase for the City's unionized

workforce, totaling 4.7 percent, also outstripped the 3.3 percent median first-year wage increase for state and local government workers as reported through the first three quarters of calendar 2000 by the Bureau of National Affairs.



Such comparisons among negotiated salary increases over specific periods of time, however, only tell part of the wage story. In the City system, most civil service positions also feature pay steps through which an employee moves up automatically so long as overall performance remains rated above “unsatisfactory.” In addition, City employees earn automatic longevity increases to their base salaries after three to five years of City service and at regular increments thereafter. As a result of such increases and promotions, City employees can earn substantial pay raises even without a union-negotiated percentage increase. For example, between January 1, 1993 and December 31, 1994, more than half of the City’s unionized employees received an increase in pay, even though there were no across-the-board raises during this period. For these employees, the average increase of \$2,255 was equivalent to a raise of 7.8 percent over the same two years.

As a further illustration, a City of Philadelphia police recruit starts off at an annual rate of \$31,763 during six months of paid training at the Police Academy and receives his or her first increase, to \$33,967, upon graduation. Four months later, the officer begins on-street duty, at which point a four-percent stress differential is added to the annual salary for a total of \$35,326. By the end of four years, at July 1, 2001 salary levels, automatic increases will bring the officer’s salary to \$47,283, a cumulative raise of 48.9 percent *without* any across-the-board pay increases pursuant to a collective bargaining agreement. Similarly, a social worker hired by the City at \$26,249 a year will earn automatic raises totaling 75.4 percent over just six years to end up with a \$46,038 annual salary. Moreover, even employees in a job classification such as Automotive Technician – for

which the private sector would typically pay all employees one set rate – would receive guaranteed increases totaling 11.8 percent on top of the two annual three percent negotiated general increases that were included in the existing collective bargaining agreements with AFSCME. As detailed in the following chart, these increases also exclude any raises that might be earned as a result of merit promotion.

SELECTED AUTOMATIC STEP AND LONGEVITY PAY INCREASES (as of 7/1/2001) (Excludes merit promotions, overtime, and additional across-the-board negotiated increases; Includes stress/shift premium pay received by police officers in on-street duty status)						
	Title	Salary	Raise	Title	Salary	Raise
Entry	Police Recruit	31,763		Firefighter	31,763	
After Academy	Police Officer	35,326	11.22%	Firefighter	33,666	5.99%
After 1 yr	Police Officer	38,538	9.09%	Firefighter	36,004	6.94%
After 2 yrs	Police Officer	41,291	7.14%	Firefighter	39,277	9.09%
After 3 yrs	Police Officer	45,188	9.44%	Firefighter	43,248	10.11%
After 4 yrs	Police Officer	47,023	4.06%	Firefighter	46,053	6.49%
After 5 yrs	Police Officer	47,283	0.53%	Firefighter	48,188	4.64%
Total			48.9%			51.7%
Entry	Soc. Wk. Trainee	26,249		Auto Main. Tech.	30,983	
After 1 yr	Soc. Wk. Trainee	28,121	7.1%	Auto Main. Tech.	31,961	3.16%
After 2 yrs	Social Worker I	31,956	13.6%	Auto Main. Tech.	32,985	3.20%
After 3 yrs	Social Worker II	37,844	18.4%	Auto Main. Tech.	34,000	3.08%
After 4 yrs	Social Worker II	40,368	6.7%	Auto Main. Tech.	34,000	-
After 5 yrs	Social Worker II	43,515	7.8%	Auto Main. Tech.	34,625	1.84%
After 6 yrs	Social Worker II	46,038	5.8%	Auto Main. Tech.	34,625	—
Total			75.4%			11.8%

Source: Office of Labor Relations

Further, while the step increases illustrated in the chart above are essentially automatic for adequate performance, even larger raises are possible for higher-performing employees promoted on the basis of merit. A police officer promoted to sergeant after five years, for example, receives a 9 percent increase from \$47,283 to \$51,532, while a firefighter promoted to lieutenant after five years receives a 9 percent raise from \$48,188 to \$52,519. After two more years of additional automatic step increases totaling 4.2 percent, the police sergeant will receive \$53,706 and the fire lieutenant will be paid \$54,735.

Perhaps even more important than the specific increments that City employees can earn over time, however, is the current competitiveness of the City's wage and benefit package overall.

City Job Classification	Average City Annual Pay	Average Private Sector Pay	City Wage Premium/(Gap)
Heavy Equipment Operator	\$34,087	\$30,900	\$3,187
Maintenance Mechanic	\$30,547	\$28,900	\$1,347
Laborer	\$26,238	\$24,900	\$1,338
Account Clerk	\$29,142	\$28,900	\$242
Clerk Typist	\$25,388	\$23,300	\$2,088
Auditor	\$45,819	\$44,800	\$1,019
Network Support Specialist	\$41,167	\$40,000	\$1,167
<i>All data is for private sector employers Source: Personnel Department, Watson Wyatt Data Services</i>			

Moreover, this favorable position of City salaries is particularly striking in light of the widespread perception that government employees are paid somewhat lower wages than private sector workers, in return for more generous benefits and greater job security. As further detailed in the remainder of this chapter, the City of Philadelphia does indeed provide an extraordinarily rich benefits package and its workers have enjoyed a high degree of job security. At the same time, however, its wages alone are also quite strong.

Health Benefits

Nonunion City employees receive a first-rate health and welfare plan administered by the City, including a fully paid health maintenance organization (HMO) managed care plan providing full family medical coverage (or the option to select one of three higher-option plans requiring an employee contribution); dental, vision, and prescription plans with no employee contributions for premiums; free life and accidental death and dismemberment insurance; and annual cash bonuses for low sick leave usage. Through competitive bidding for covered services and a shift from traditional indemnity coverage into more cost-effective managed care, the City has been able to maintain the high quality of its health plan while keeping costs at a steady and affordable level.

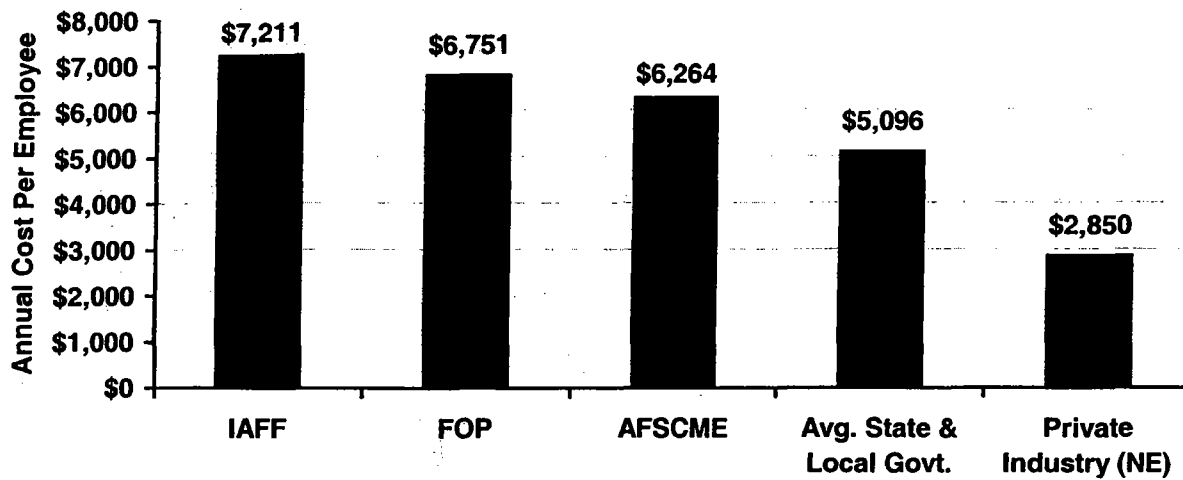
Benefits Under the City-Administered 2002 Flex Plan
<ul style="list-style-type: none"> Fully-paid family HMO managed care health plan (Keystone HPE), a Point-of-Service Plan (Keystone POS) requiring a small employee contribution, or a more expensive plan requiring a larger employee contribution (Blue Cross/Blue Shield Personal Choice)
<ul style="list-style-type: none"> Delta Dental Plan, including 100 percent coverage for preventive dentistry, periodontal care, and oral surgery, and 80 percent coverage for orthodontics; or Humana Healthnet Affiliates Managed Care Dental Program
<ul style="list-style-type: none"> Prescription Plan, requiring a co-pay of \$5.00 for each new or refill generic prescription with a co-pay of \$10.00 for covered formulary brand name prescriptions and \$16.00 for non-covered formulary brand prescriptions
<ul style="list-style-type: none"> Vision Services Plan, fully covering eye examinations and lenses, and partially covering frames
<ul style="list-style-type: none"> Free life insurance coverage in the amount of \$15,000, with options to increase coverage
<ul style="list-style-type: none"> Free accidental death and dismemberment coverage of \$15,000, with options to increase coverage
<ul style="list-style-type: none"> A bonus for low sick leave usage, options to purchase Dependent Life Insurance and Salary Continuation Benefit for Survivors, and the option to establish before-taxes spending accounts for additional medical or day care expenses

Union members receive their health benefits through plans designed and administered by their union, but largely financed by monthly contributions for each covered employee paid by the City. The City's level of contribution is now set by negotiation or by interest arbitration award at a flat rate for each year of the contract. As of July 2001, the City's monthly contribution was set at \$541.98 per employee for AFSCME, \$562.61 for the FOP, and \$600.93 for the IAFF.

Because union members participate in union-administered plans with the City providing a set contribution per employee per month to purchase coverage, the actual benefits provided may cost more or less than the City's contribution. If benefit costs are less than the City's contribution, the unions retain the additional funds. If benefit costs are more than the City's contribution, the unions may redesign their plans and institute an employee contribution. For example, District Council 47, which currently offers the same preferred provider plans that the City administered health program does, has realized that funding those types of health plans requires some level of employee contributions. If a DC 47-represented employee chooses either of the two Personal Choice plans the union offers, a biweekly contribution is required. However, the Police and Fire unions continue to fund the entire cost of members' health benefits from City contributions and reserves in their respective funds, without requiring any contribution even for the most expensive plan. In this regard, the small number of City employees making a contribution toward their own health coverage premiums contrasts sharply with national trends. According to the 2001 *Hay Benefits Report*, more than two-thirds of all plans nationally now require an employee contribution for single coverage and 90 percent require a contribution for family coverage. According to the 2001 *Watson Wyatt Survey of Employers, Providers and Health Care Plans*, overall health care premium costs for 2001 increased 10.3 percent, with pharmaceutical costs rising 14.6 percent. Seventy percent of employers plan to pass at least some of the increase on to the employees by raising employee premiums or co-pays or both.

In evaluating the City's health benefits contributions, it is instructive to compare the amount paid by the City to its unions to the amount typically contributed for health coverage by other employers. According to the Bureau of Labor Statistics, the City contribution level for calendar year 2001 is well in excess of an average government benefit—and more than double the average private sector employer's share of health insurance costs.

2001 Employer Cost For Health Insurance City vs. Other Govts. and Private Industry



Note: 2001 City costs are presented as an average of rates provided through June 30, 2001 and the increased, current level of July 1, 2001.

Source: Bureau of Labor Statistics, March 2001 ECI

In fact, not only does the City contribute a relatively high amount towards health benefits, but its funding level is also higher than the average full cost of health insurance in this region. According to a Mercer Foster-Higgins survey of more than 1,800 employer-sponsored health plans, the annual 2000 benefit cost per-employee—including those costs funded through employee contributions—averaged \$4,931 for Northeast-region employers, \$4,604 for large employers (and only \$4,430 nationwide). In that same year, the City contribution to its four unions averaged \$6,540. Under the current arrangement of four separate plans, with each union negotiating separately with the local insurance providers, the gap of almost \$2,000 will continue to grow.

The health and welfare benefit package is a key element in overall employee compensation, which is critical to the City's ability to attract and retain qualified workers. The fact that the unions control the health and welfare benefits offered to most employees hired by the City creates additional difficulty in ensuring that the overall compensation package remains competitive enough to aid in the recruitment and retention of workers. As illustrated by their delayed redesign of their health and welfare plans in response to changes in negotiated funding levels over the past ten years, the unions typically have difficulty responding to changing market conditions, and few markets have been more volatile in recent years than the health care and insurance markets. With health care increases outstripping inflation, it is imperative that the City be able to respond quickly to contain costs while continuing to offer competitive benefits at a minimal cost to the employee. The City should follow the pattern prevalent in private industry, that of true joint administration of health and welfare to better answer the needs of the employees while responsibly managing costs.

Legal Services

In FY01, the City spent over \$4.7 million to fund free legal benefits provided through all four of the City's unions.

Legal Plan Costs By Bargaining Unit	
	Cost Per Member
District Council 33	\$12/month
District Council 47	\$12/month
IAFF	\$19/month
FOP — Deputy Sheriffs	\$16/month
FOP	\$24/month

This free legal benefits package is not only costly, but also extremely uncommon. According to the 2001 *Hay Benefits Report*, the few employers that do provide legal services plans (seven percent of Mid-Atlantic employers in 2001) typically offer the most basic legal services such as consultation, drafting of documents, letter writing or estate planning. Few include litigation services, and most require employee contributions.

Even if the legal services benefit were not entirely eliminated or redesigned as an employee-funded benefit, it could still be productively restructured. For example, if the City's subsidy to the FOP were reduced to the AFSCME level, it would save the City more than \$1 million each year. Reducing the IAFF and Deputy Sheriffs subsidies to the same level would save an additional \$300,000 a year. If necessary, co-pays could then be instituted for employees using the service, thereby allocating a fairer share of the cost to heavier users and discouraging excessive use.

Disability Benefits

The City provides its employees with an alternative disability program superior to the Workers' Compensation benefits available to most Pennsylvanians injured on the job. For example, while Workers' Compensation pays injured employees two-thirds of their regular pay tax-free, the City's program pays 75 to 100 percent tax-free. In addition, the City's program provides full family medical benefits, sick leave accrual, and pension credits to employees on injury leave. Under Workers' Compensation, no such additional benefits are provided.

The City has also sought to reinvest much of the savings generated by its 1992 disability reforms in improved workplace safety. The Safety and Loss Control Unit, created within the Division of Risk Management in 1993, initiates and develops safety audits that affect hundreds of employees Citywide. Through these improved safety measures and strengthened medical case management, the City achieved a 75 percent reduction in time lost to injuries between FY91 and FY01. With the advantage of an in-house staff of professionals, the City was able to respond to the concerns of uniformed fire employees over the issue of Hepatitis C exposure. Risk Management provided training sessions to all firefighter and paramedic personnel in FY00 to ensure that they received the necessary information on this disease. The Fire Department has worked with the Public Health Department to continue to provide training to new employees.

Pension Benefits

City employees also receive a blue-chip retirement plan. Non-uniformed City employees covered by the current 1987 City plan can retire at age 60, earning benefits accrued at 2.2 percent per year for ten years and 2.0 percent per year thereafter (for example, 72 percent of average final compensation after 35 years of service, with no offset for Social Security). Uniformed employees can retire at 50 and accrue benefits at a straight 2.2 percent per year. Veteran workers remain in older City plans with even more favorable formulas, such as retirement eligibility at age 45 for uniformed employees, or a maximum of 80 percent of average final compensation after 35 years of service for civilian workers.

Pension contributions continue to represent a major drain on the overall resources available for employee compensation. Under current assumptions, the City's pension contributions are projected to cost \$205.3 million in FY02, about seven percent of the City's General Fund budget.

In Philadelphia, City workers enjoy a defined benefit plan, while most private sector workers receive a defined contribution plan. Essentially, City workers contribute a percentage of salary each year and, upon retirement, receive a percentage of their average salary for life. In contrast, most private sector workers participate in a defined contribution plan where money is set aside in a 401(k) or other investment vehicle, and a lump sum is made available at retirement.

Retirement income under such private sector plans depends on the continued earnings from investing that lump sum and is not subject to any cost of living adjustments. Further, even among defined benefit plans, the City's are unusually generous. For example, one significant measure of the differences among pension plans is their "replacement rate"—that is, the percentage of pre-retirement salary replaced by the pension payment. According to the Bureau of Labor Statistics, a typical public employee eligible for Social Security who retired at age 65 with 30 years of service can expect his or her public pension to replace 51 percent of salary. In comparison, a non-uniformed City worker would receive substantially more – between 62 percent and 70 percent of salary.

In addition, Philadelphia employees are able to take advantage of the relatively low retirement ages found in the City pension plans. Uniformed employees hired before 1988 can retire with full benefits at age 45, age 55 for non-uniformed employees hired before 1992. In 1997, the average police officer retired at age 48. While there are no available data on individuals once they leave City employment, it is reasonable to assume that many young retirees will choose to work in other positions while they collect their municipal pensions. By age 65, such employees may well have received years of salary from non-City employers, while also accumulating credits for Social Security eligibility (and even participating in the pension plans of their new employer). Yet, City pension plans do not include offsets for other pensions or Social Security.

In 1999, when the City sought to reform its pension plan to conform to federal guidelines and to refinance the City's pension debt, the labor unions successfully lobbied for enhancements to this already generous pension benefit. Under approved amendments to the Pension Ordinance, some employees may now choose to continue working for the City, while having their pension paid into a deferred account under the Deferred Retirement Option Plan (DROP). At present, over

2,500 employees have elected to participate in this program, including over 650 police officers and over 450 firefighters. The typical police officer or firefighter who, after 25 years of service, enrolls in the plan and stays for the maximum four-year period will, upon separation from City service, receive a monthly pension benefit of \$2,430 and a lump sum of \$127,000 in deferred compensation. Additionally, retirees receive payment for accumulated vacation and a substantial portion of accumulated sick leave, as well as continuation of their medical coverage for five years, which they can opt to defer until later.

While current employees have the opportunity to participate in DROP and can substantially improve their financial position at retirement, the pension reforms of 1999 also established a Pension Adjustment Fund, which dedicates a percentage of investment earnings to be paid as additional benefits for current retirees. The Board of Pensions, which includes four employee-elected representatives who are typically officials in the City's four major bargaining units, determines the nature of these payments. While the fund was accumulating over the first two years of its existence, the Pension Board made other bonus payments ranging from \$1,000 to \$1,500 to those retirees who had been separated from the City for ten years or more. It is critical to note that the Pension Adjustment Fund may only make these extra payments if the overall fund is no more than 23 percent unfunded (the level as of July 1, 1999). Hence, any excessive changes in the pension benefit for existing workers in one union may create a situation that denies other pensioners an adjustment payment in future years.

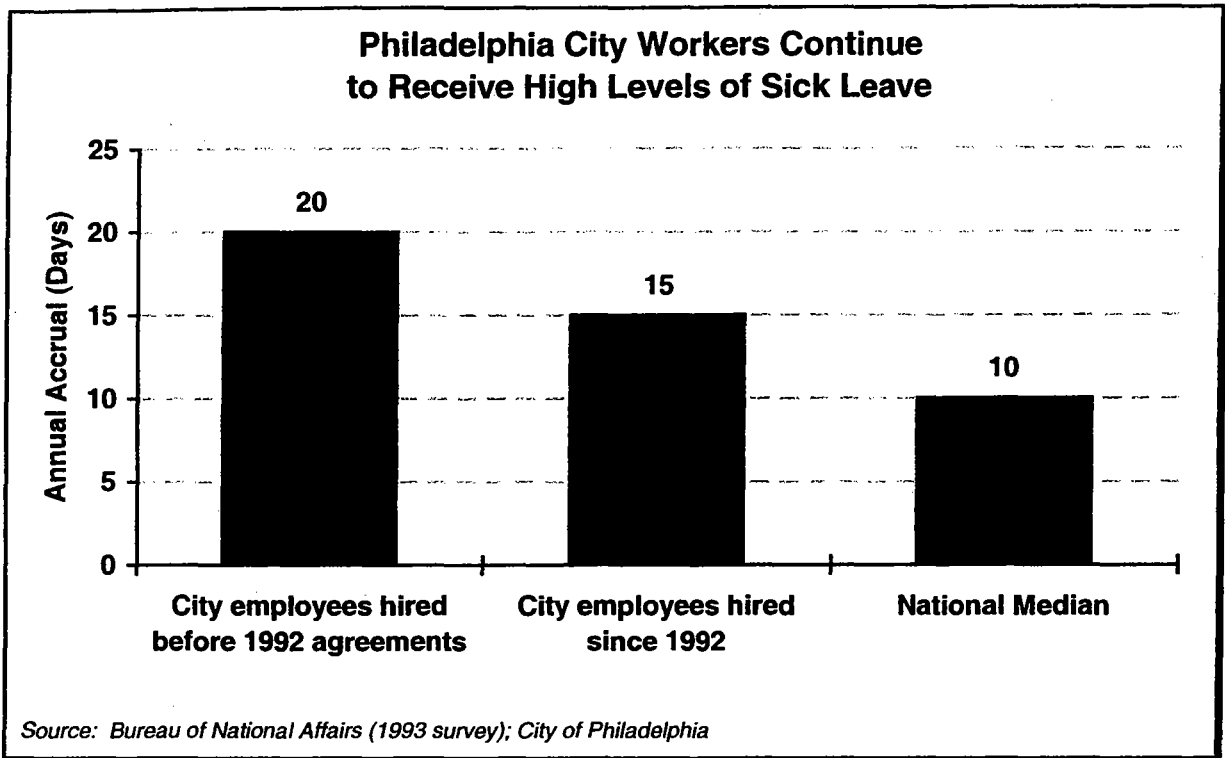
In sum, Philadelphia's retirement plans already feature a high level of benefits, the ability to supplement City pension payments with Social Security, and the opportunity to accrue savings (and potentially even second pensions) from subsequent employers given the relatively early retirement ages permitted. This makes additional pension improvements unnecessary.

Leave Benefits

In 2000, the last full year of available data, the average civilian civil service employee was off work for more than 40 days, even without including disability leave or jury service. In other words, for the typical non-uniformed municipal worker, the City lost eight weeks of workdays – almost two full months of the year. Of course, a reasonable level of leave usage for holidays, vacation, illness, and personal emergencies is needed for maintaining a productive and positive work environment. The City, however, provides high levels of leave in almost every category, resulting in an overall paid leave package, and overall leave usage, well in excess of competitive norms. When the City benchmarks its costs against those of the private sector – for example, when considering whether to contract out a municipal service – the relative generosity of the City's leave benefits is consistently among the key factors that make City operations more costly and its workforce less competitive.

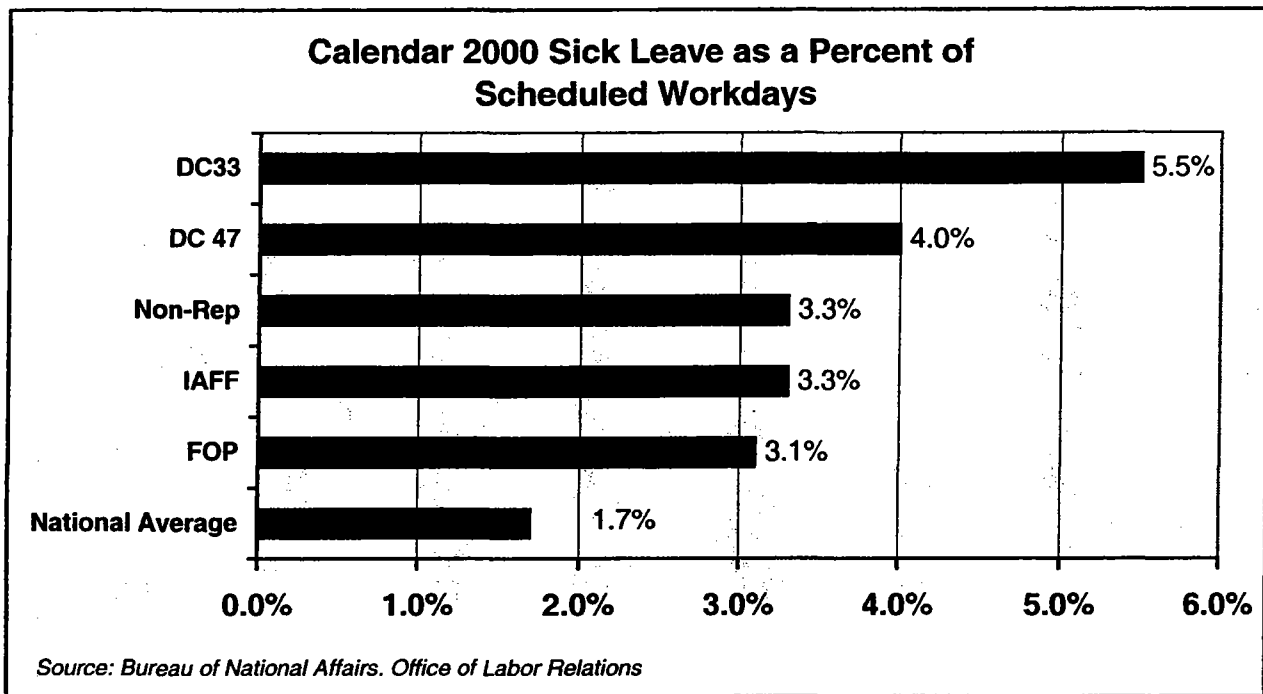
On top of generous vacation benefits, military leave, and funeral leave, City employees also receive 11 paid holidays annually and four personal days or "floating holidays" for a total of 15. According to the 2001 *Hay Benefits Report*, the average number of fixed and floating holidays provided nationally is only 10.3. More than 75 percent of government survey respondents provide two or fewer personal days, with 39 percent providing none at all.

In addition, City employees receive 15 or 20 sick days per year, an extraordinary benefit that drives high leave usage and overtime replacement costs. In comparison, the 2001 Hay Group survey found that only six percent of employers provided as many as 15 days per year, and only three percent provided more than 15 days. Of 488 employers allowing uniform accumulation of sick leave, 88 percent provide 12 or fewer days per year.

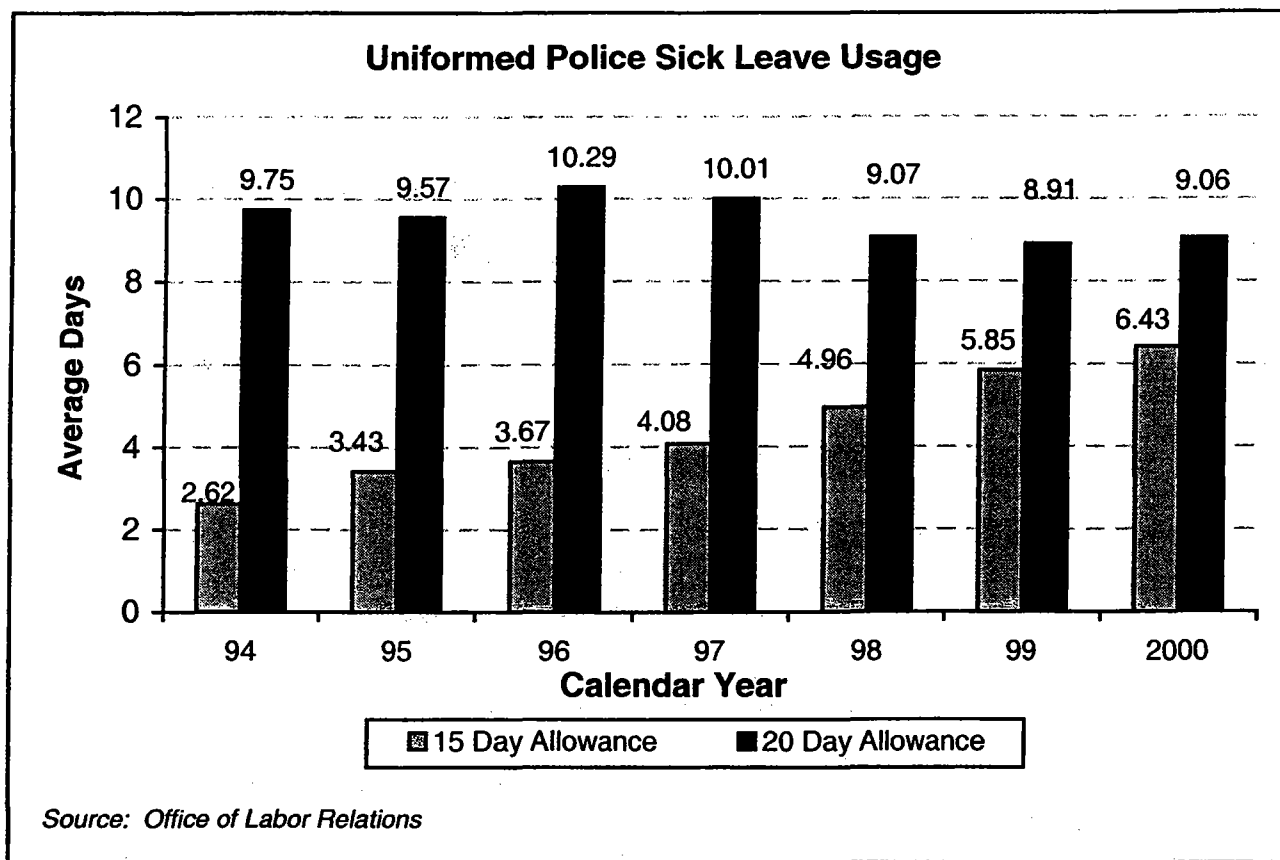


As a result of this extraordinary benefit, lost productivity due to heavy sick-leave usage continues to be a major personnel problem Citywide. According to the *Bureau of National Affairs Job Absence & Turnover Report for the 4th Quarter of 2000*, the national average for sick leave used was 1.7 percent of scheduled work time. In contrast, the City's nonuniformed civil service employees working an annual schedule of 37.5 to 40 hours per week missed 3.3 percent to 5.5 percent of their scheduled workdays because of illness.

When these percentages are converted to annual days lost, the averages for civilian employees range from 8.6 days to 12.7 days per year. Unfortunately, even these averages fail to provide a complete picture of the impact of absenteeism. The averages include many employees who use little or no sick leave, as well as those who regularly use twenty days each year.



Although incentive schemes have been developed to address excessive use of sick leave, the City's research and experience suggests that the simplest approach would be the most effective. If the number of days available were reduced, there would be less opportunity for excessive use. In fact, in 1992 collective bargaining, the City and its unions took the first step toward this principle by reducing earned sick leave for new employees from 20 days per year to 15. While 15 days continues to be a generous benefit, this reduction appears to be helping to rein in overuse. One of the clearest examples of this has been in the Police Department, as shown in the following chart. The average number of days of sick leave used by police officers hired since 1992 has steadily increased due to the accumulation of earned sick days over time as well as the increase in the average age of such officers. Nevertheless, the average number of sick days used by police officers with a 15 day per year allowance remains significantly lower than the average usage by officers with the 20 day per year allowance.



In addition to restructuring the sick leave benefit further (possibly including the addition of some form of short-term illness and accident insurance to replace the protection that high levels of sick leave accrual now afford to employees who do not use excessive leave), several other measures might be considered. For example, sick-leave abuse could be minimized by tightening the criteria for approval, regardless of whether doctors' notes are provided for absences. Similarly, it would encourage and reward good attendance if the rate of accrual of personal days were linked to attendance.

Other Benefits

City employees also receive a variety of other benefits—ranging from City-funded insurance, to clothing, tool, and meal allowances:

- City-funded insurance benefits include \$25,000 double-indemnity life insurance policies for police, firefighters, and AFSCME-represented corrections workers; \$20,000 double-indemnity life insurance policies for other AFSCME members; optional, additional life insurance up to the amount of a DC 47 employee's annual salary (if the employee pays 30 percent of the cost); additional \$25,000 accidental death and dismemberment policies for police and firefighters; \$7,500 group life insurance for retired firefighters with ten or more years of service; \$6,000 group life insurance for other City retirees with ten or more years of service; and an extra \$5 per member per month contribution to an IAFF trust fund for purchasing extra insurance coverage for firefighters.

- In addition to supplying free uniforms to those newly hired employees who are required to wear them, the City's labor agreements also provide for a range of uniform maintenance and replacement allowances. For example, firefighters receive a total of \$775 each year for uniforms and police officers receive \$800.

Overall Competitiveness—Recruitment and Retention Experience

Perhaps the best gauges of the continued competitiveness of the City's compensation package—as the following examples illustrate—are the overwhelming number of people who apply for the relatively few open positions within City government and the extraordinarily low number who choose to leave City service before retirement age.

- When the City's civil service examination to become an entry-level clerk or library assistant was announced in 1999, 5,040 people applied, 1,325 applicants passed, but only 158 had been hired from the eligible list by the time it expired on November 23, 2001.
- Similarly, 11,385 people applied for a recent firefighter examination, 4,911 applicants took the test, and 3,646 passed and were placed on the eligible list dated November 14, 1997. As of the list's November 13, 2001 expiration, only 165 employees had been hired from this list.
- For the most recent police officer recruit examination, 7,167 people filed applications, 3,382 took the examination, and 2,070 were placed on the eligible list dated November 3, 1999. As of December 2001, only 387 had been hired.
- For the laborer list established in January 2000, 15,846 people applied. As of December 2001, only 217 had been hired.

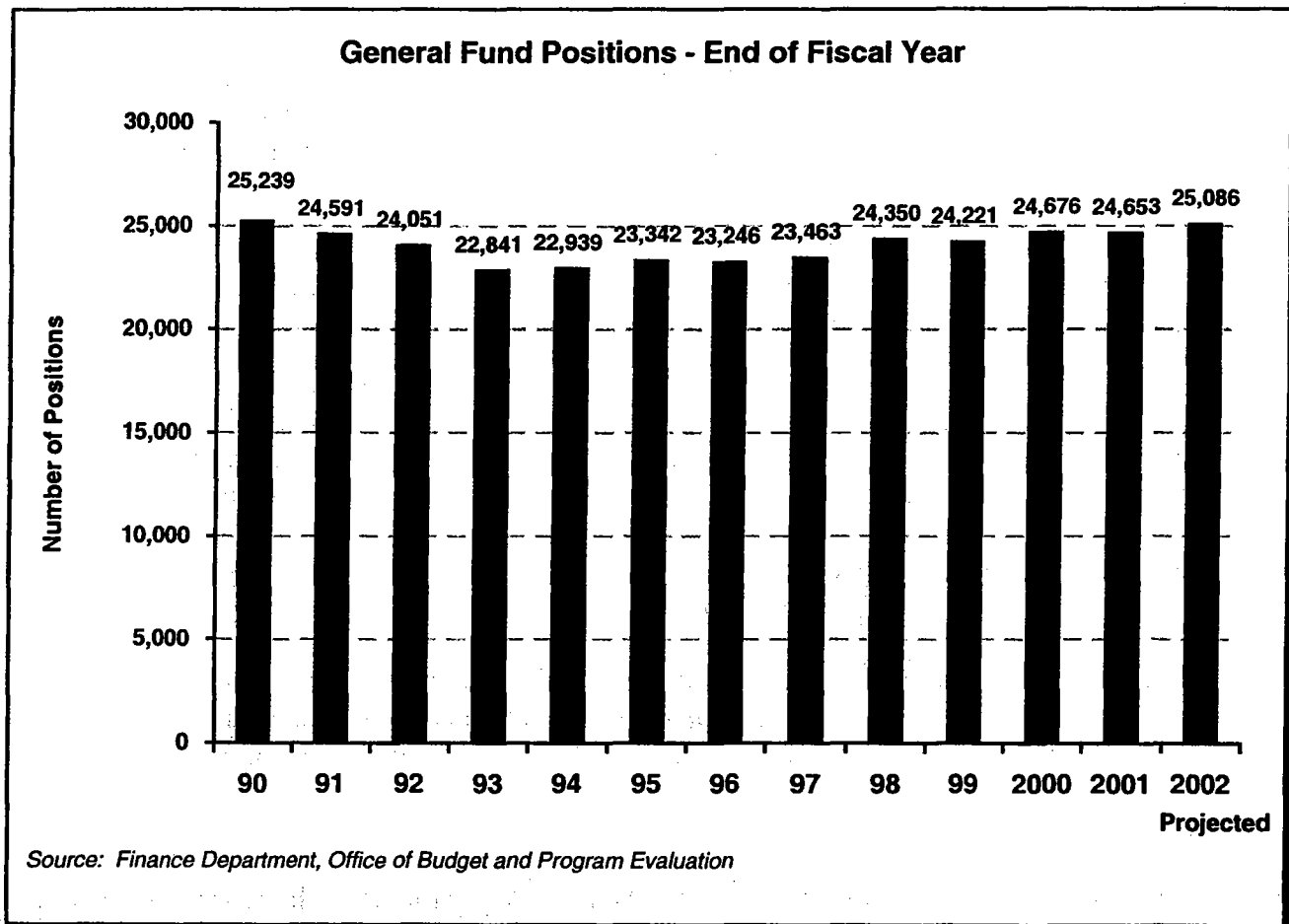
Notwithstanding the restructuring negotiated in 1992 and maintained in subsequent agreements and awards, Philadelphia's total compensation package remains highly competitive in the context of the regional marketplace. This package is summarized in the table at the end of this chapter.

Workforce Size

In addition to per-employee compensation costs, the other key variable in the labor-cost equation is the total number of workers on the payroll. In the past, in order to balance the budget in the aftermath of unaffordable growth in compensation costs, the City had often reduced its workforce. From FY88 to FY93, for example, as the City struggled with fiscal crisis, the overall General Fund workforce was cut by more than 3,600 positions from 26,455 to 22,841. Too often, however, those reductions were achieved by across-the-board layoffs. Too many times, the wrong job was eliminated, the person who was really needed chose to retire, critical positions went unfilled, and services declined.

As the City began to regain its financial health since FY93, new investments in critical services have required the stabilization of, and even incremental growth in, the overall size of the General Fund workforce. More 911 radio room employees are now on board, the number of uniformed

police officers has increased significantly, social worker staffing has improved, correctional officer staffing has expanded, and additional City workers have been hired to maintain and provide after-school care at recreation facilities. While budgeting changes somewhat complicate direct comparison of year-end, filled-position levels, the overall trend of stabilization has been evident over the last several years. With the burgeoning number of layoffs across the country and uncertainty about the length and depth of the current recession, the degree to which Philadelphia's economy and the City's tax revenues will continue to grow is in doubt. Faced with making additional contributions to the School District, increasing criminal justice costs, the impact of welfare reform, and numerous other contingencies, the potential impact of labor settlements with the Police and Fire unions threaten to further reduce the City's ability to weather an economic storm.



Planning for Future Workforce Needs

Looking forward over the next five years, the growing number of employees enrolled in the Deferred Retirement Option Program will have a definite impact on the size of the workforce. Since its inception in October 1999, more than 2,500 employees, ten percent of the City's workforce, have enrolled in the program, which allows them to defer retiring for up to four years while accumulating a lump sum equal to the amount of the pension payments deferred. In the last two years, only one-half of one percent of the enrollees has since retired, after an average of 373 days in the program. The City is anticipating that the greatest impact of the program will begin to

be felt in the fall of 2003, when the first, and largest, group of DROP participants reaches the five-year time limit.

The number and organizational breadth of employees enrolled in DROP have necessitated a different, more widespread and formal approach to succession planning. To manage the impact of the loss of these employees, the City has undertaken a process that will ensure that all affected departments and agencies have made appropriate succession plans so that the City does not experience interruption in service due to loss of knowledge and skills. As part of this process, the City will identify and implement alternative solutions such as organizational restructuring, automation, job simplification or elimination, and reassignment of work.

While the City's staffing has been stable overall in recent years due to the strength of the economy and investments in key service areas, the City has reduced staffing slightly in some areas, and the DROP represents an opportunity to further adjust the size of the workforce to correctly reflect service needs without displacing workers. For example, the City has added personnel in criminal justice services to enhance the quality of life in Philadelphia, with dramatic results in service and citizen satisfaction. The growth in social workers has been necessary to meet state guidelines and provide better service. However, the City has reduced staffing over time in other services to reflect efficiency and productivity enhancements as well as the gradual decline in the City's population. The DROP is one tool that the City can use to manage the size of its workforce without disrupting services or workers. These types of disruptions can only be avoided by strengthening the City's fiscal health and increasing per-employee costs at reasonable

s. However, if per-employee costs are allowed to grow at excessive rates, layoffs or other reductions in the workforce, along with their unfortunate consequences for employees and the public, would likely be unavoidable.

City of Philadelphia Compensation Package By Bargaining Units

	AFSCME	FOP	IAFF	Comparisons
Wages	<p>Average FY01 earnings of \$35,689 for DC 33 and \$47,578 for DC 47.</p> <p>FY01 earnings do not reflect 3 percent increase received after December 15, 2001.</p>	<p>Average FY01 earnings of \$56,768.</p> <p>FY01 earnings do not reflect 4 percent general increase received after July 1, 2001.</p>	<p>Average FY2000 earnings of \$53,037.</p> <p>FY01 earnings do not reflect 4 percent general increase received after July 1, 2001.</p>	<p>Average earnings for full time City unionized employees in FY 2000 were \$42,831 compared to calendar 1998 per capita wage earnings for workers in Philadelphia region of \$34,449 according to Bureau of Economic Analysis.</p> <p>Average wage increases nationally for State and Local Government through first three quarters of 2001 are 3.5 percent (based on the Employment Cost Index published October 25, 2001).</p>
Health	<p>City funds union plan at cost of \$6,264 in calendar 2001.</p>	<p>City funds union plan at cost of \$6,751 in calendar 2001.</p>	<p>City funds union plan at cost of \$7,211 in calendar 2001.</p>	<p>All union plans funded by the City at levels more than double the average northeast employer contribution level for 2001 of \$2,850 (based on Employment Cost Index 2001).</p>
Retiree health	<p>City provides five years of free post-retirement coverage to all pension-eligible employees.</p>	<p>City provides five years of free post-retirement coverage to all pension-eligible employees.</p>	<p>City provides five years of free post-retirement coverage to all pension-eligible employees.</p>	<p>According to the most recent Foster-Higgins national survey (2001 data), only 31 percent of employers offer retiree health coverage to employees under age 65. This has declined from 46 percent in 1993. In contrast, City has increased coverage from four to five years.</p>
Disability	<p>City Injured-On-Duty (IOD) system pays 75 percent of pre-injury pay, tax-free, and continues family medical coverage, sick leave accrual, and pension credits.</p>	<p>City Injured-On-Duty (IOD) system pays 100 percent of pre-injury pay, tax-free, and continues family medical coverage, sick leave accrual, and pension credits.</p>	<p>City Injured-On-Duty (IOD) system pays 100 percent of pre-injury pay, tax-free, and continues family medical coverage, sick leave accrual, and pension credits.</p>	<p>Workers' Compensation pays only 66 2/3 percent of pre-injury pay, tax-free, and does not continue general medical benefits, sick leave accrual, or pension credits.</p>

City of Philadelphia Compensation Package By Bargaining Units

	AFSCME	FOP	IAFF	Comparisons
Pension	Under the current 1987 City plan, AFSCME members can retire at age 60, earning benefits accrued at 2.2 percent per year for ten years and 2 percent per year thereafter (for example, 72 percent of average final compensation after 35 years of service, with no offset for Social Security). Veteran workers remain in older City plans with even more favorable formulas (e.g., retirement at age 55).	Under the current 1987 City plan, police officers can retire at 50 and accrue benefits at 2.2 percent for the first 20 years and 2 percent per year thereafter. Veteran workers remain in older City plans with even more favorable formulas (e.g., retirement at age 45). In addition, the City contributed \$2.5 million in FY01 to a union fund for supplemental retiree benefits.	Under the current 1987 City plan, firefighters can retire at 50 and accrue benefits at 2.2 percent for the first 20 years and 2 percent per year thereafter. Veteran workers remain in older City plans with even more favorable formulas (e.g., retirement at age 45). In addition, the City contributed \$1 million in FY01 to a union fund for supplemental retiree benefits.	The City's retirement plans are extremely generous relative to most employers', offering a defined benefit (instead of the increasingly common defined contribution), a relatively early age for retirement, and no social security offset. Recent changes to Pension Plan permit employees to begin receiving pension payments as deferred compensation while still working, for up to four years. Additionally, Pension Adjustment Fund provides for possible sharing of investment earnings with current retirees.
Paid leave	Eleven paid holidays, four annual personal days, 15 to 20 sick days per year, 10 to 25 vacation days, plus paid funeral and military leave.	Eleven paid holidays, four annual personal days, 15 to 20 sick days per year, 10 to 25 vacation days, plus paid funeral and military leave.	Eleven paid holidays, four annual personal days, 15 to 20 sick days per year, 96 to 192 vacation hours, plus paid funeral and military leave.	Combined 15 paid holidays and personal days exceeds national average of 10.3 found in 2001 Hay/Huggins Benefits Report.
Legal	Free legal coverage funded by the City at a cost of \$12 per-employee per month.	Free legal coverage funded by the City at a cost of \$24 per-employee per month.	Free legal coverage funded by the City at a cost of \$19 per-employee per month.	Legal benefits rarely provided in either the public or private sectors.
Job Security	Layoffs prohibited except to reduce or eliminate deficits. No layoffs or demotions as a result of contracting out during labor-management cooperation program (through FY02, with a mutual option through FY04).	While permitted under collective bargaining agreements, no layoffs have occurred since 1980.	While permitted under collective bargaining agreements, no layoffs have occurred since 1980.	Through the first three quarters of 2001, the Bureau of Labor Statistics reported 5,509 layoffs of 50 or more employees nationwide resulting in separation of 1,171,572 workers, more than in all of 2000.
Miscellaneous	Uniform and tool allowances provided where job-related. Life insurance benefits provided.	Free uniforms supplied to new employees, and a total of \$800 each year provided in cash uniform allowances. Life and accidental death and dismemberment insurance benefits provided.	Free uniforms supplied to new employees, and a total of \$775 each year provided in cash uniform allowances. Life and accidental death and dismemberment insurance benefits provided.	Varies. Generally, City benefits are competitive and often more than competitive.



City of Philadelphia
Five-Year Financial Plan

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Citizen Services:
Public Safety and Quality of Life Standards

Citizen Services

Improving Public Safety and Quality of Life Standards

Overview

In an effort to provide an improved quality of life for its residents, the City of Philadelphia continues to build upon past initiatives as well as to develop new initiatives that deliver services in a coordinated and comprehensive manner. Many of these initiatives involve the delivery of service by an individual department and are detailed in the following chapters. Some of these initiatives, however, cut across departments and require centralized oversight and expertise.

To help coordinate the City's response to specific inter-departmental issues, the Managing Director's Office (MDO) provides project planning and supervision. The MDO ensures that redundant efforts are reduced and resources are efficiently allocated through its oversight of each of the City's operating departments. The MDO will continue to coordinate resources in support of Mayor Street's five strategic objectives, particularly in its role as the oversight and implementation agency responsible for public safety and maintaining quality of life standards. The MDO's key programs and initiatives that support public safety and quality of life standards are presented below.

Objectives and Targeted Initiatives

Improve Neighborhood Quality of Life through Coordinated Implementation of Programs

- **Vacant Lot Clean-Up Program.** As part of the Mayor's Neighborhood Transformation Initiative, in July 2001, the City began a program to clean all the city's vacant lots in one year. Through a land survey completed in FY01, the Department of Licenses and Inspections identified 31,000 vacant lots that have become neighborhood eyesores and safety hazards. The goal of the program is to clean all the vacant lots by July 2002 and establish a follow-up cleaning program that will keep those lots reasonably free of debris. The City will also re-clean lots annually and will work closely with communities to promote continual lot maintenance. Community caretakers will be elected and residents and community organizations will be encouraged to adopt a lot as their own to assist with the upkeep. As of January 2002, the lot clean-up program had cleaned 17,557 lots and removed 11,099 tons of debris. The program, which is funded through the MDO, will cost \$4.5 million annually from FY02 through FY07.
- **Live Stop Program.** Act No. 1996-93 of the Pennsylvania General Assembly, also known as "The Impoundment Law," became effective in October 1996, authorizing the Philadelphia Police Department (PPD) to immobilize, tow, and store vehicles of individuals driving without operating privileges or registration. To work towards compliance with the law, in 1998 the Philadelphia Traffic Court of the First Judicial District of Pennsylvania selected the Philadelphia Parking Authority to work with the PPD to pilot a Live Stop Program in the 3rd, 4th, 6th and 25th police districts and on major highways.

While the Live Stop law applies directly to persons operating a vehicle without a proper driver's license or registration, it is expected that the program will also have a positive impact on lowering the number of uninsured drivers on the streets of Philadelphia. The pilot program has shown that the majority of persons operating without a license or registration also lack proper insurance. Philadelphia has one of the highest insurance rates in the country due, in large part, to the high number of unregistered and uninsured drivers. The Live Stop Program is a major step in the City's efforts to reduce auto insurance rates citywide.

The Live Stop Program will be implemented citywide in the spring of 2002. Under this program, a person operating a vehicle without a valid driver's license or a vehicle registration will have their vehicle immediately impounded. The vehicle operators will have to appear in Traffic Court and will not be allowed to reclaim their vehicles until they can present all the documentation necessary to operate a vehicle in Pennsylvania.

- **Anti-Graffiti Network.** The Anti-Graffiti Network develops aggressive anti-graffiti initiatives and provides a framework for coordinating graffiti-fighting measures across a number of departments, City-related agencies and volunteer organizations in an effort to promote the beautification of Philadelphia. In FY01 graffiti was removed from 54,508 properties and street fixtures, and crews anticipate cleaning a total of 70,000 properties and fixtures in both FY02 and FY03.

The MDO's Anti-Graffiti Voucher Program also distributes cash grants and vouchers to help neighborhood organizations fight graffiti. In each of FY02 and FY03, the Program expects to provide \$68,325 to approximately 375 organizations that will receive 6,500 gallons of paint and \$22,500 for related supplies.

In order to better address especially troubled areas that are consistently defaced by graffiti, the Network has embarked on new initiatives aimed at expanding the graffiti removal areas:

- The Market-Frankford Elevated Train project, which began in October 2001, has already resulted in graffiti removal at over 400 properties. The project, which is estimated to cost \$285,444 annually, is a massive clean-up project that addresses the increasing amount of graffiti vandalism on the second floors of homes and businesses along SEPTA's Elevated Train route. The Office of Fleet Management has been a crucial partner in this project by providing vehicles and mechanical lifts so that the anti-graffiti crews can remove graffiti from the upper stories of buildings along the route.
- The presence of illegal posters and stickers negatively impacts the quality of life of residents throughout the city in much the same way as graffiti. Beginning in April 2001, the Network began deploying its Graffiti Abatement Crews to aggressively remove illegal posters and stickers from street fixtures. The Network runs the Poster and Sticker Removal Project at an annual cost of \$278,458.

The Network supports the Mural Arts Program's efforts to restore and create murals throughout the city and provide workshops on drawing and painting. To further enhance the beauty that murals contribute, Mural Arts seeks out world-renowned artists who specialize in

murals to ensure that the finished products are of the highest quality and design for the citizens who see them every day. To date, Mural Arts has completed 2,228 murals throughout the City and has worked with communities to develop programs that enhance the quality of life for citizens through art.

- Building on strong relationships with the private sector and local community groups, the Mural Arts Program is in the final year of a three-year, \$466,400 grant from the William Penn Foundation that helps fund The Big Picture, a year-long workshop in the history and technique of mural painting for 1,200 adolescents at 20 sites around the city. The Mural Arts Program plans to make The Big Picture a permanent program in FY03 through an allocation of \$316,000 in City Funds that will be supplemented by private sources.
- The Network continues to build upon graffiti prevention efforts aimed at deterring would-be graffiti vandals. In late 1999, the Mural Arts Program used Department of Human Services' delinquency prevention funding to pilot a 10-week pilot program in which juvenile offenders can fulfill community service sentences through mural workshops. The pilot program was so successful that it is now a permanent program, called Urban Artscape, and it supports 19 youth in 2-hour workshops for 36 weeks each year.
- The success of The Big Picture and the Urban Artscape program have inspired additional mural arts programs at area shelters, the Philadelphia Prison System, and the Youth Study Center. The Mural Arts Program also offers eight-week internships each summer to provide 11 college students with the opportunity to work with experienced mural artists. Finally, the Mural Arts Program offers Mural Tours via walking, biking, or trolley that are quickly becoming part of the Philadelphia tourist experience.
- **Operation Town Watch.** The City's Operation Town Watch serves as a model program to cities nationwide by promoting public safety through citizen participation in crime prevention patrols and community programs. The MDO works with the Police Department to provide training, equipment, annual grants, organizational support and communication to approximately 17,000 citizen volunteers in over 600 Town Watch groups in every City police district to promote and maximize the effects of community policing in our neighborhoods. Operation Town Watch also supports Junior Town Watch and the Safe Corridors program, which provides parents with training and equipment to monitor children on their route to and from school.

Plan and Implement Effective Responses to Citywide Emergencies and Special Events

- **Emergency Management.** The MDO directs the operations of the City's Office of Emergency Management (OEM), which runs the Emergency Operations Center (EOC), coordinates all City contingency planning and all interdepartmental activities during crisis situations, and publishes the City of Philadelphia Emergency Operations Plan. The OEM administers the state mandated Hazardous Materials Response Fund (HMRF), which is used to purchase equipment and training to improve the City's response to hazardous material emergencies. Further, OEM administers the grant programs associated with the federal

Weapons of Mass Destruction Act, which, together with the HMRF, has provided Philadelphia emergency response departments with over \$2 million worth of equipment and training over the last four years, and is likely to expand exponentially in the next several years.

After the tragic events of September 11, 2001, U.S. Secretary of Health and Human Services Thomas Thompson stated "Although we are prepared to respond, we must do more to strengthen our response." Today, the City of Philadelphia is as prepared to respond to an attack as any major city in America. The Philadelphia Emergency Operations Plan has been updated every year since its creation in 1987 to address the changing nature of environmental and man made threats and emergencies to our city. The plan, which has been approved by both the Pennsylvania Emergency Management Agency and the Federal Emergency Management Agency, contains established procedures for responding to a variety of emergency situations, including chemical, biological and nuclear events. The City also meets monthly with neighboring counties to ensure that a coordinated response is in place.

Over the past several years, the City has invested significant resources in its emergency preparedness capabilities including the purchase of specialized equipment and supplies. The City has also conducted detailed exercises simulating responses to a variety of emergency situations. The City's plan is built around an incident command model in which the appropriate department representative is designated as the on-scene incident commander to direct City operations and implement the directives of the Mayor and the Managing Director.

On September 11, the plan was executed successfully; within minutes of the first plane crashing into the World Trade Center, the EOC was in partial activation staffed by members of the Managing Director's Office and the Police and Fire departments. When the second plane crashed, the City immediately went into a full activation of the EOC. Within thirty minutes after the full activation, representatives from virtually every City operating department, PGW, PECO and SEPTA were at their stations in the EOC. The Mayor was in contact with the Chamber of Commerce and other leaders in the business community, the Port Authority, the School District of Philadelphia, the Archdiocese of Philadelphia and the Philadelphia International Airport. Shortly after the activation of the EOC, the Police Department deployed additional officers to strategic locations throughout the City and the Fire Department moved additional emergency medical and firefighting personnel into the Center City area. The Police Department has designed rapid deployment teams (consisting of 2 lieutenants, six sergeants, and 46 police officers), capable of responding to any critical incident citywide within 30 minutes and intensified emergency-response training. The City is also prepared to respond to citizen fears of bio-terrorism contagion through the deployment of Rapid Assessment Teams, each made up of two Fire Department hazardous material technicians, one police officer, and one Health Department representative. In FY02 the City projects that it will spend \$21 million in unanticipated security expenditures in response to terrorism concerns.

- **Snow-Fighting Plan.** The Managing Director's Office, the Streets Department, and the Office of Fleet Management have developed a snow-fighting plan with procedures for alerting, assembling and deploying personnel for every type of snow storm. The chief

objective for the City in all cases is to allow all Philadelphians to return to their normal daily activities as quickly as possible. The plan also reduces the number of occasions when the City government will have to be closed or City services, like curbside trash collection, halted due to winter weather.

The plan created a reserve snow fighting fleet of 163 vehicles, which increases the total number of vehicles available to fight snow to over 600 vehicles. The majority of the reserve vehicles are smaller and more maneuverable than the City's original fleet, and can plow and salt all tertiary street routes, which contain most of the residential neighborhood streets.

In addition, the City is leasing two snow-melting machines during the FY02 winter snow season. These melters are set to be deployed in Center City, other neighborhood business corridors and in areas of South Philadelphia with extremely narrow streets and will replace the traditional and more costly lifting operations. During FY02, the City is also testing the use of six trucks that will use brine instead of salt as a pre-storm application. As opposed to conventional rock salt, the less-expensive brine can be applied up to 24 hours in advance and still function as a "bond-breaker" for snow. If this pilot test proves successful, the replacement of salting operations with brine vehicles could reduce costs and increase the City's effectiveness in fighting snow during its first day.

- **Special Events.** The MDO provides oversight of and coordination for more than 350 special events held annually in the city of Philadelphia. The success of these events typically requires the involvement of the Departments of Streets, Public Property, Police, Fire and Law. In FY02, over a million people converged upon Philadelphia to celebrate the 4th of July and experience the city's nationally renowned Welcome America festival. Philadelphia will continue to be the proud host of the X-Games in August 2002, attracting over 400,000 fans from all over the globe, as well as the highly anticipated second annual Splendor in Florence festival that attracted over 10,000 visitors each day during its first year, and the NBA All-Star game.

Coordinate the City's Response to Major Policy and Regulatory Issues

- **Americans with Disabilities Act (ADA) Compliance.** The MDO's Accessibility Compliance Office (ACO), is charged with ensuring the City's compliance with the Americans with Disabilities Act of 1990, the Fair Housing Amendments Act, and any other laws involving people with disabilities and their relationship with the City. The ACO provides technical support to all City departments regarding compliance with federal ADA and local Building Code requirements and serves as the point of contact for citizen concerns about accessibility.

The ACO continues to assist the Free Library by expanding the use of assistive technology throughout its own facilities and promotes the City's 911 Program for people with disabilities. The 911 Program encourages people with disabilities to register their residence and disability with the Police Department's premise history system, so police officers can respond appropriately in the case of an emergency. The ACO also plans to work with the

Minority Business Enterprise Council (MBEC) to increase the City's pool of disabled vendors.

The ACO developed a new website in FY02 called "Accessible Philadelphia" to be used as a resource for people with disabilities and is also currently reviewing accessibility compliance in the new Phillies and Eagles stadiums. In addition, during FY02 the ACO will be developing a citywide compliance strategy on Title I (Employment) of the ADA and is coordinating an accessibility review of behavioral healthcare provider facilities.

- **Inventory Management.** In an effort to maximize the use and productivity of all its resources, the City has conducted an intensive review of its inventory management practices. The final report, completed in March 2000, concluded that the City has too much inventory, much of which is obsolete and is needlessly wasting space and money. To remedy this problem, in FY02 the City will contract with consultants who specialize in inventory practices and warehouse management to review five targeted City departments chosen for their inventory size and complexity. The five departments included in the project's initial phase are the Water Department, the Office of Fleet Management, the Streets Department, the Recreation Department and the Department of Public Property. The consultant will review existing inventory purchases and usage levels to identify opportunities for cost reductions, improve information sharing between departments and the MDO regarding space needs, and identify unneeded inventories for public sale or disposal. The City received responses to an RFP and a review committee is being assembled to select a consultant.
- **Environmental Issues.** The MDO has developed and/or participates in several environmental programs focusing on issues that directly impact the health and safety of City residents. Two on-going programs are the Greater Philadelphia Clean Cities Program, a regional effort designed to expand alternative fuels, and the Ozone Action Program, a voluntary effort by government and business to limit ground-level ozone exposure during the summer. In FY02, with the assistance of several City agencies, the MDO will release a Climate Protection Plan to reduce carbon dioxide and other greenhouse gases in the Philadelphia area to 10 percent below 1990 levels by the year 2010. In 1990, approximately 14,177,526 tons of carbon dioxide were emitted into the Philadelphia atmosphere from fixed facilities and vehicles as well as from energy consumption and waste. To date, the City is 7.5 percent below 1990 levels.

During FY02, the MDO is also implementing the "Livable Neighborhood Program" with the other City agencies, the U.S. Environmental Protection Agency (EPA) and the Pennsylvania Department of Environmental Protection. The first step of this program is the development of a guidebook for Philadelphia neighborhoods that provides suggestions for improving the environment, including developing community greenspace, saving energy in a household, mitigating lead paint problems, and so on. By FY03, the program will then work in a few communities to implement some of the guidebook suggestions on a pilot basis, funded by the MDO (\$55,000), Health (\$30,000), the Mayor's Energy Office (\$7,500) and Water (\$7,500) for a total of \$100,000.

In FY02, the MDO acquired the services of a senior level environmental specialist from the EPA for two years, to provide technical assistance to the City for no charge. The EPA specialist will work to accelerate environmental assessments of major contaminated sites in the City and facilitate the site redevelopment. The MDO has reached a similar partnership with the U.S. Forest Service, which has contributed one full time staff person to coordinate open space planning and greening efforts among City agencies, in conjunction with the Neighborhood Transformation Initiative. Finally, the MDO is working with the EPA to develop a technical assistance agreement for the City that will include 16 other federal agencies that will provide resource support and technical assistance on selected projects at no cost.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Anti-Graffiti Network						
Number of Fixtures Cleaned	10,852	8,887	15,600	20,000	20,000	20,000
Number of Properties Cleaned	30,0093	24,773	37,933	50,000	50,000	50,000
Number of Murals Completed	138	99	93	140	140	140
Number of Murals Restored	9	10	10	15	15	15
Number of Lots Cleaned	N/A	N/A	N/A	31,000	31,000	31,000
Number of Abandoned Vehicles Towed	N/A	62,762	53,033	55,000	54,534	55,000

City of Philadelphia
Five-Year Financial Plan

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Fairmount Park

Fairmount Park

Mission

The mission of the Fairmount Park Commission is to preserve and protect City park open space, provide opportunities for active and passive recreation and maintain the landscapes and structures, streams and woodlands within the 8,900-acre City park system.

In addition to managing open spaces and hosting special events, the Park Commission operates seven recreation centers; 11 day camps; 22 playgrounds; 127 tennis courts at 15 locations; 160 baseball, football, soccer and softball fields; 35 basketball courts; three outdoor pools; and over 100 miles of recreation trails.

Organizational Objectives and Targeted Initiatives

Preserve and Maintain Park and City Landscapes

- **Implement Trail Master Plan recommendations.** In April 2001 the Fairmount Park Commission completed master plans to renovate and enhance trails in five watershed parks. Over the next five years, the Park will eliminate 20 miles of unplanned or redundant trails and renovate 25 miles of existing trails. The closed trails will be replanted to control erosion and increase the woodland plant diversity. Beginning in FY02 and continuing over the next five years, Fairmount Park plans to annually spend \$1,000 on closing trails and \$5,000 on trail maintenance.
- **Expand the neighborhood street tree program.** As part of the Mayor's Neighborhood Transformation Initiative's efforts to enhance streetscapes, the City began a multi-year program to dramatically increase the number of street trees removed and pruned annually. The goal of this \$4.5 million program is to remove approximately 8,500 dead street trees and to gradually increase the tree pruning cycle to once every 10 years instead of the current cycle of once every 17 years.
 - Tree removal: During the first program year, which began in September 2001, the City plans to remove over 4,000 dead street trees, almost half of the entire backlog and a more than 500 percent increase over the 582 trees removed in FY01. Another 4,000 trees are scheduled for removal in FY03. The program, which initially targets the most dangerous street trees, will gradually eliminate the entire dead tree backlog in less than five years. Each year approximately one percent or 2,500 of the estimated 250,000 street tree population dies. Consequently, once the backlog is eliminated, the City will need to remove 2,500 trees per year to ensure that a backlog does not recur.
 - Tree pruning: To maintain more healthy street trees and reduce the number in need of removal in the future, the City is phasing in a more frequent pruning cycle. During FY02, the City will prune approximately 13,000 trees, a 58 percent increase over the 8,264 trees pruned in FY01, increasing to approximately 16,000 per year by FY06.

- **Maintain Park Rangers Program.** Since FY00, the Fairmount Park Ranger Program has been jointly funded by the City and from the earnings of a dedicated endowment fund set up by the Philadelphia Park Ranger Corporation, Inc. (PRC). The 24 park rangers provide security and ambassadorship to park users, serve as volunteer recruiters and coordinators, leaders on Park restoration projects, and educators who conduct environmental programs for schools, libraries, and community groups. In recent years, the earnings from the endowment have not been adequate to cover the PRC's share of the \$920,000 annual program costs. In order to ensure that these services are not reduced, starting in FY03, the City will contribute an additional \$350,000 annually to its existing \$500,000 Class 500 contribution.
- **Increase the number of picnic sites in Fairmount Park.** There are currently 157 picnic sites throughout the Fairmount Park system. The demand for picnic sites has been steadily increasing and, as a result, the Fairmount Park Commission plans to increase the number of available sites by ten each year, starting in FY03, for a total of 50 new sites by FY07. The Park will spend a total of approximately \$15,000 each year on tables, materials, cleaning, trashcans and restroom improvements. In order to maintain the availability and appearance of the existing and new picnic sites for those who hold picnic permits, the Fairmount Park Rangers will increase the enforcement of the Park's picnic permit requirement.

Restore Park Facilities and Promote their Historical Significance

- **Restore Fairmount Park Water Works.** The restoration of the Fairmount Park Water Works, which was substantially completed in October 2001, will now recommence after a January 1, 2002 fire that will cost approximately \$750,000 to repair. The total cost for the restoration is approximately \$12.1 million. The Park is seeking private funding for the final phase of the restoration, which will cost approximately \$1.6 million and involves the masonry restoration and reconstruction of the gates of the New Mill House. The Fairmount Park Commission is currently working to secure a restaurant operator for the Engine House.
- **Implement phase three of the Manayunk Canal Restoration.** Phase two of the Manayunk Canal Restoration was completed in FY02 at a cost of \$1.5 million. The work included replacement of two canal crossings, towpath and boardwalk rehabilitation, and embankment stabilization from Lock Street to Green Lane. The canal is one of the few remaining in Pennsylvania, and its restoration will preserve and enhance a unique visitor attraction, as well as improve environmental conditions in the canal. Phase three of the project will continue from Green Lane upstream to Flat Rock Dam and is projected to cost \$4.0 million, with the Commonwealth and City each contributing half. Phase three will include the stabilization of the south-side embankment of the canal; dredging/removal of silt deposits to improve water flow; improvements in drainage and pedestrian access along the former towpath, including landscaping; rehabilitation of timber walks at Leverington Street, Fountain Street and at the upper end of the canal; installation of benches, trash receptacles, bicycle racks and other site amenities; and lighting improvements. Phase three is scheduled to be completed by December 2003.

- **Enhance Manayunk recreation path.** The Park Commission is in the final design of the Manayunk recreation path, which begins along the Kelly and West River Drive Paths at the Falls Bridge, goes through Manayunk, and connects with the Montgomery County paths system to Valley Forge. This \$2 million project will be funded with Federal ISTEAs and TEA-21 funds and matched with \$400,000 in City dollars. The Manayunk Recreation path project includes the construction of some new multi-purpose paths, enhancements of existing paths, lighting, and other site amenities. Construction is scheduled to begin in the spring of 2002 and will be completed in the spring of 2003.
- **Complete Cobbs Creek recreation path.** Funded through Federal ISTEAs and TEA-21 and matched by the City in its FY02 Capital Budget, this \$2 million multi-purpose recreation path will run from Market Street and Cobbs Creek Parkway to Philadelphia International Airport. Construction is slated to begin in the spring of 2002 and to be completed within a year.

Encourage Community Participation in Park Volunteer and Recreation Activities

- **Expand opportunities available through the Fairmount Park Rowing Camp.** The Fairmount Park Rowing Camp celebrated its eighth season in FY02 by serving 140 inner-city teenagers, an increase of ten teenagers from FY01. This increase was largely due to the continued support of CellularOne as the camp's corporate sponsor and the financial assistance of the rowing clubs along Boathouse Row. This support allowed the camp to purchase more equipment and expand the length of the summer program from six to eight weeks. In FY03, the Fairmount Park Commission anticipates purchasing additional land training equipment and two smaller rowing shells for specialty instruction at an estimated cost of \$10,000.
- **Expand the role of the Park Volunteer Coordinators.** In FY02, the volunteer coordinators will begin to work more closely with the Park's existing network of 85 Friends of the Park groups. The volunteer coordinators will continue to work in the natural areas of the parks, and will expand their role into the 64 neighborhood parks throughout the Fairmount Park system as well. Park volunteer coordinators will work closely with Friends of the Park groups, allowing Park staff to focus more closely on operational and maintenance issues. The volunteer coordinators will play an instrumental role in advancing the Mayor's Neighborhood Transformation Initiative by hosting park clean-ups and other events such as health and fitness programs. The Office of Volunteer Management will continue to seek new partnerships with the corporate and non-profit communities to accomplish much-needed park beautification projects while raising public awareness and support for Philadelphia's parks. City support of the volunteer coordinators, who had previously been funded through a series of grants from the William Penn Foundation, will be \$40,472 in FY02 (to cover three months of expenditures), and will increase to \$185,000 annually beginning in FY03.
- **Fully implement "Preserve Your Park" program.** "Preserve Your Park," a program that began three years ago, allows individuals and groups to take direct action toward protecting and restoring the environment by volunteering in Fairmount Park.

Volunteers pledge to adopt and maintain sections of the Park. Of the 140 park spaces available for adoption, 86 had been adopted as of the end of FY01. The Park anticipates that 37 parcels will be adopted in FY02 and the remainder will be adopted in FY03. Since the inception of the program, volunteers have received one-time on-site training before every project. Beginning in spring FY02, training will become on-going and will be expanded to include proper tool use, trail repair, plant identification, and proper plant installation.

- **Expand environmental education.** In FY00 the Fairmount Park Commission created a new operating division dedicated solely to environmental education. With the assistance of the Natural Lands Restoration and Environmental Education Program ("NLREEP"), funded by the William Penn Foundation, this division has been able to offer a wide variety of school and public programs to raise awareness about environmental issues and generate a commitment to preservation of natural land. In FY01, Fairmount Park provided environmental education programs and opportunities to over 55,060 youth and adults. As more people become aware of the programs via local and community/friends groups newspapers and flyers, the Fairmount Park Commission expects the programs to grow from 57,000 participants in FY02 to 59,000 participants in FY03.

The Mayor's Health and Fitness Hikes in Fairmount Park, begun in June 2001 and coordinated with the Mayor's Office of Health and Fitness, have been well received by the Philadelphia community. The purpose of these hikes is to promote health and fitness, increase public appreciation of the Park's beauty, and provide environmental education about the Park's natural ecosystems. Fitness walks are planned to start again in March 2002 and continue through December 2002.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Total Acres of Grass Cut ¹	21,556	17,123	24,294	22,000	21,300	21,000
Weeks between Cuts-Frequency	2.86	3.41	2.38	2.87	2.83	2.57
Acres Cut by Contracted Services	18,224	13,439	21,263	18,000	18,100	18,000
Acres Cut by Park Employees	3,332	3,684	3,031	3,000	3,200	3,000
Street Trees Removed - Park and Contracted Crews ²	1,207	1,311	1,390	4,650	4,600	4,500
Street Trees Pruned - Park and Contracted Crews	8,235	8,505	8,264	11,300	13,105	14,000
Park Trees Removed	1,679	1,695	1,699	1,720	1,800	1,750
Park Trees Pruned	2,660	1,909	2,250	2,150	2,500	2,150
Number of Ballfields Maintained	594	692	652	550	530	608
Number of Ballfields Renovated	149	121	80	80	160	135
Citizen Survey: Percent Satisfied with Fairmount Park	75.6%	76.5%	78.8%	80%	80%	82%
Citizen Survey: Percent Satisfied with Neighborhood Park	64.1%	66.5%	68.2%	70%	70%	72%

Note:

¹ Fairmount Park mows approximately 2,000 acres a number of times each season.

² Street tree removals include operating and capital fund dollars.

Five Year Obligation Summary

Fairmount Park

	<u>FY 01 Actual</u>	<u>FY 02 Adopted Budget</u>	<u>FY 02 Current Target</u>	<u>Projected FY 03</u>	<u>Projected FY 04</u>	<u>Projected FY 05</u>	<u>Projected FY 06</u>	<u>Projected FY 07</u>
<u>BUDGETED OBLIGATIONS</u>								
Class 100	10,071,791	9,566,686	9,677,412	9,941,834	10,371,702	10,105,479	10,082,146	10,070,479
Class 200	2,972,197	2,639,402	2,769,407	2,898,923	2,898,923	2,898,923	2,898,923	2,898,923
Class 300/400	584,848	624,481	615,114	643,439	643,439	643,439	643,439	643,439
Class 500	500,000	500,000	500,000	850,000	850,000	850,000	850,000	850,000
Class 700								
Class 800								
Class 900								
TOTAL	<u>14,128,836</u>	<u>13,330,569</u>	<u>13,561,933</u>	<u>14,334,196</u>	<u>14,764,064</u>	<u>14,497,841</u>	<u>14,474,508</u>	<u>14,462,841</u>

City of Philadelphia
Five-Year Financial Plan

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Fire Department

Fire Department

Mission

The Philadelphia Fire Department's mission is to ensure public safety through quick and professional responses to fire and medical emergencies. The Department is dedicated to minimizing the loss of life and property through fire prevention, fire suppression, rescue, fire investigation efforts, and the provision of emergency medical services.

Organizational Objectives and Targeted Initiatives

Improve Efforts to Minimize Loss of Life and Property Due to Fires and Other Emergencies

- **Install ventilation systems at all firehouses.** In response to employee health safety concerns, the City is installing ventilation systems in all 63 firehouses over the next five years at a cost of \$2.4 million. The ventilation systems circulate fuel emissions out of the apparatus room of fire stations, thus preventing inhalation of fuel emissions by fire personnel. The City began the installations in FY01 by outfitting two stations with ventilation systems at a cost of \$100,000. In FY03 based on the results of the testing of the newly installed systems, the Department plans to begin installing more ventilation systems throughout City firehouses. The ventilation systems will be installed according to a sequential order of fire stations with the most critical need.
- **Transfer to 800 MHz Radio System.** In FY00, the City completed construction of a \$52 million 800 MHz radio system and in January 2002 the City began placing public works agencies, such as the Water Department, onto the 800 MHz system. Public works agencies are the first to use the 800MHz frequency because the City wants to remedy any possible quirks and malfunctions of the system before life safety departments begin using it. To prepare for conversion to the 800 MHz system, the Fire Department had a successful testing phase in September and October 2001 when the Fire Communications Center dually operated from the current radio system and the 800 MHz system. The next stage prior to conversion is training of all field forces in use of the new radios and system. The Fire Department is scheduled to switch to the 800 MHz radio system in Fall 2002, pending results from the testing of the system in the public works agencies.

An advantage of the new system is that it guarantees 95% coverage of the entire city including inside buildings and also provides a 95% availability guarantee. The current 450 MHz and 150 MHz radio systems do not provide dependable coverage inside buildings. Thus, the new 800 MHz system will provide a higher level of safety when fire personnel are inside medium to high rise structures. The new system also has 30 radio frequencies that should eliminate current problems of talkover, interference, and eavesdropping.

- **Formed Rapid Assessment Teams.** On October 13, 2001, in order to appropriately respond to citizen fears of anthrax contagion, the City formed six Rapid Assessment Teams. The teams consisted of two Fire Department hazardous material technicians, one police officer and one Health Department representative. In October, the Department activated six

teams during the day and four night teams to assess anthrax and health related threats reported by the public; during November and December four day teams and two night teams were activated. The teams responded to an average of 41 calls per day through October, 13 calls per day in November and three calls per day in December. From October through the end of December 2001, the teams cost the Department \$193,362 in overtime.

As of December 31, 2001, all anthrax threats have proven negative. The Department plans to discontinue the teams once fears have been allayed and the state of heightened alert is diminished. However, should a future need arise, the Department will re-institute the Rapid Assessment Teams.

- **Create a Fire Service Paramedic Exposure Control Officer.** In FY02 the Civil Service Commission approved the classification of Fire Service Paramedic Exposure Control Officer. The Administrative Board is expected to approve the position in FY02. The Department requested the approximately \$55,000 position after identifying a need to improve monitoring procedures, treatments, and policies for infectious diseases. The Fire Paramedic Exposure Control Officer will investigate infectious exposure incidents; direct personnel at exposure sites; coordinate appropriate medical treatment; and contact hospitals to request contagious disease testing in conformance with Federal and State law. The officer will also develop a departmental exposure and infection control plan and annually revise the plan to meet Federal and State guidelines.

Reduce the Outbreak of Fires through Enhanced Fire Prevention and Safety Activities

- **Continue fire prevention and safety education activities.** The Department will continue to implement an aggressive public information and education campaign. The Department's goal is to educate and alert the general public to the dangers of fire and heighten awareness of the cost both in lives and property destroyed. The campaign includes fire prevention activities in schools, at neighborhood block parties, in hospitals and nursing homes, and through various initiatives such as essay and drama contests and door-to-door smoke detector distributions.

The Department is also planning a focused outreach campaign to educate the public about calling 9-1-1. From FY96 through FY99 an average of 7,600 calls per year were false medical calls. In FY00, 8,212 calls or 4.5 percent of calls were false medical calls and in FY01 8,589 calls or 4.7 percent of calls were false medical calls. Although the Department effectively responds to both appropriate and inappropriate medical calls, the growing number of inappropriate calls increases the possibility of longer response times to the scene of valid medical emergencies.

The Department believes that it can reduce the number of inappropriate calls to 9-1-1 by educating the public in the appropriate use of medical services, and by stressing that:

- hospitals prioritize cases by seriousness regardless of the mode of arrival;
- patients are transported to the most appropriate hospital, not necessarily the hospital of choice and;
- in many cases a visit to a private doctor is more appropriate than transport to a hospital.

In FY01 the Department designed a campaign to educate the public about the proper use of 9-1-1 and the Department hopes to implement the campaign in FY03. In the meantime, the Department will continue to use its web site as a vehicle to educate citizens on the proper use of 9-1-1.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Number of Fires						
Structural	2,797	2,440	2,510	2,450	2,450	2,500
Non-Structural	9,908	9,308	7,989	8,000	8,100	8,200
Vacant Buildings	268	233	210	210	210	200
Average Response Time (minutes:seconds)	4:30	4:24	4:20	4:30	4:30	4:30
Fire Deaths (Civilian)	35	52	55	48	48	48
Fire Prevention Activities	8,773	10,666	16,853	13,000	14,000	14,000
EMS Runs	165,234	176,971	183,687	180,500	180,500	182,000
EMS Average Response Time	6:30	6:06	5:51	6:30	6:30	6:30
First Responder Runs	30,169	31,362	29,494	30,500	30,500	31,000
EMS Gross Revenue Collections	\$15.4 M	\$16.5 M	\$17.3M	\$18.0M	\$18.0M	\$18.3M
Citizen Survey:						
Percent Satisfied with Fire Protection	78.7%	83.0%	84.1%	85.0%	85.0%	86.0%
Citizen Survey: Percent satisfied with EMS Response	77.7%	86.3%	85.7%	87.0%	87.0%	88.0%

Non-Structural Fires. The Department attributes changes in the number of non-structural fires to weather conditions. There were more non-structural fires in FY99 than in FY00 and FY01 because FY99 was a drier year and non-structural fires are less prevalent when it rains. Brush fires are not as likely to occur when it rains and arsonists are more likely to stay indoors. The projected increase in the number of non-structural fires in FY02 and FY03 is based on the conservative assumption that those fiscal years will have drier summers than FY01 had.

Fire Prevention Activities. The spike in fire prevention activities in FY01 was due to an aggressive smoke alarm installation campaign. All 63 firehouses participated by distributing and installing smoke alarms to neighborhood households.

EMS Average Response Time. Though response times in FY00 and FY01 are below 6:30, the Department continues to conservatively project an average response time of 6:30 in FY02 and FY03 because it cannot control factors that cause delays such as weather conditions, traffic congestion, and length of travel.

Five-Year Obligations Summary

Fire

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
<u>BUDGETED OBLIGATIONS</u>								
Class 100	132,016,617	133,839,421	140,951,027	141,106,619	149,648,689	140,307,689	140,557,689	140,807,689
Class 200	4,214,694	4,679,583	4,679,583	4,679,583	4,679,583	4,679,583	4,679,583	4,679,583
Class 300/400	5,650,228	5,704,460	5,647,415	5,647,415	5,647,415	5,647,415	5,647,415	5,647,415
Class 500								
Class 700								
Class 800	6,121,461	6,126,000	6,126,000	6,126,000	6,126,000	6,126,000	6,126,000	6,126,000
Class 900								
TOTAL	<u>148,003,000</u>	<u>150,349,464</u>	<u>157,404,025</u>	<u>157,559,617</u>	<u>166,101,687</u>	<u>156,760,687</u>	<u>157,010,687</u>	<u>157,260,687</u>

City of Philadelphia
Five-Year Financial Plan

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**Free Library
of
Philadelphia**

Free Library of Philadelphia

Mission

The mission of the Free Library of Philadelphia is to provide to City residents a comprehensive collection of recorded knowledge, ideas, artistic expression, and information; to assure ease of access to these materials; and to provide programs to stimulate the awareness and use of these resources.

Organizational Objectives and Targeted Initiatives

Build a Welcoming Technical and Physical Environment

- **Complete branch and regional library upgrades.** The Free Library is nearing the end of its multi-year capital improvement plan, begun in FY95, to renovate all library facilities and install new technology in each location for public use. This capital program, which totaled \$50 million, was funded jointly by Library private fundraising and City capital support. The following projects remain to be completed:

Widener Branch. The current Widener branch (located at 2531 W. Lehigh Ave), a small, cramped space that was formerly a bank, will be replaced by a new, one-story facility just two blocks away. Slated for completion in FY04, the expected cost is \$2.78 million.

Walnut Street West. The Walnut Street West Library (40th and Walnut Streets) will be rebuilt during FY03 and FY04 at a cost of \$3.7 million. The original exterior will be retained and a 21st century library will be created inside.

George Institute. This branch (1461 N. 52nd) closed for renovations in June 2001. The Library is working with the Capital Program Office to determine the scope of renovations within the available funding.

- **Planned improvements to Central Library.** The Central Library, the flagship of the Free Library system, was completed in 1927, and will celebrate its 75th anniversary in June 2002. The scope of the services and collections located at Central and the needs of technology infrastructure have grown since Central was constructed. The Library is developing several options for renovating and expanding the Central Library to improve access to its collections and electronic resources and to update and enhance the quality of the space.

Because the renovation and expansion project will require several years before it can come to fruition, the Library plans to implement modest improvements (estimated at \$200,000) to the Children's Department and the Popular Library during FY02 to make them more attractive and user friendly. New signage is also being installed throughout the building to illustrate the building's current layout. To be more competitive in the special events rental market, the Library plans to enhance its fourth floor meeting space during FY02 with \$100,000 from the Delaware River Port Authority. Additional renovations to the Lobby and adjoining galleries will be considered for FY04.

- **Improve technology maintenance, operations and capacity.** The Free Library will upgrade existing technology in a cost-effective manner to facilitate faster access for the public and more efficient equipment repairs. Using a combination of City and private funds, the Library plans to:
 - Upgrade the Library's current desktop interface (upgraded software and desktop for the public) in FY03 at all the locations at an estimated total cost of \$160,000.
 - Upgrade the Central library and two regional libraries at a cost of \$206,000 in FY03 to a "thin client environment" technology that allows existing PCs (for the public) to run the latest software without upgrading the hardware. This will result in the following improvements:
 - PCs at Central and the regional libraries will not be replaced as frequently because all software will run off the new central server; this approach will produce an estimated savings of \$400 per PC, or a total savings of \$200,000 through FY06. This will pave the way for the eventual replacement of full-featured PCs at the branches with less-costly "thin client" devices, with similar expected savings.
 - Maintenance response time will be reduced dramatically because the new server will be running the software from one location rather than on multiple, physically dispersed units.
 - Meet the Library's commitment to return current Internet protocol (IP) addresses to MOIS at a cost of \$160,000 by FY03. While the creation of new IP addresses for the Library to replace the current ones entails additional costs, the process also provides the Library with more flexibility for future expansion of IP addresses to meet public needs and enhancement of computer system security.
 - Develop and implement planning for the next version of the Free Library's web page at a cost of \$50,000 in FY03. This will enable the Library to add more features to its web page, thereby increasing access to library resources. Anticipated enhancements include additional information about the Central Library's special collections and topical booklists.
 - Meet federal and state statutory requirements related to computer filtering. The Library is obligated by statutory requirements to filter sites or limit the types of sites available to the public. The Library will comply with the statutory requirements by purchasing additional computer filtering equipment at a cost of \$200,000 in FY03.

Strengthen the Quality of Customer Service

- **Improve internal and external customer satisfaction.** The Library will issue a customer service policy in FY02 and incorporate customer service elements in staff annual performance reports in FY03. Related supervisory and staff training will be developed to facilitate staff understanding of the new customer policy. Although 81 percent of City

residents said they were satisfied with library services overall in the 2001 annual citizen survey, the Library plans to conduct an in-library written survey of its customers during January 2002. This will provide more specific information regarding customer use in each branch that will help the Free Library to pinpoint areas for improvement in library services.

- **Develop strategic outreach.** In FY02 the Library embarked on a three-year plan to raise the Library's profile among teens, an age group that is traditionally hard to reach. Through this effort, the Library expects to enhance its role as a resource for children and teens. It aims to secure private funding (estimated at \$1.5 million over three years) for a number of strategies including expanded teen collections and a series of lectures by teen-interest authors. The Library plans to hire an additional twelve Associate Leaders (it currently has ten) at a cost of \$410,000 using private funding. The leaders will provide training, guidance and mentoring to 150 "Teen Leadership Assistants" (high school students hired to provide individual homework help and assistance to children, teens and families) as part of the Library's after-school program.
- **Access technology for the visually impaired.** The Library is committed to providing persons with visual impairments independent access to the Library's electronic and print resources. Newly installed Access Technology Workstations will be available by June 2002 at the Library for the Blind and Physically Handicapped, the Central Library, the three regional libraries and the Independence Branch. The equipment, to be installed at a cost of \$450,000, will include computer-based screen magnification, text to braille, and text to speech/digital format options. A media campaign geared to the visually impaired community will be instituted in spring 2002 to alert this audience to the new electronic resources available to them. This new service will augment the Library's loan program of books on tape for blind and physically handicapped people.

Anticipate and Meet Collection, Program and Information Needs

- **Improving access to library materials.** The Free Library is committed to making books and materials available to the public as quickly as possible. As part of an internal study begun in FY00, staff will continue to assess internal operations to respond quickly to customer needs. By July 2002 the Library will modify its "local branch request only" circulation policy, to increase the number of materials available for circulation at all library locations. Previously, titles considered "popular" have not been loaned from one branch to another, but were instead reserved for local use only. As a result of this change to the policy, an estimated 250,000 books will become more widely available at no additional cost.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Original Projection	FY02 Current Projection	FY03 Projected
Visits to Library	4,639,907	4,961,754	5,934,080	5,822,689	5,950,000	6,055,000
Items borrowed	6,152,604	6,341,612	6,668,923	6,424,000	6,935,000	7,100,000
Library Hours	91,364	97,256	111,158	112,413	111,490	113,971
Branch Libraries Open	39	47	48	49	49	49
Number of Volunteer Hours	81,235	82,872	82,400	85,850	85,850	86,050
World Wide Web Hits	6,209,794	17,774,326	27,404,756	27,846,000	33,000,000	36,000,000
Citizen Survey: Percent satisfied with library services	69.5%	74.6%	81.1%	75.2%	81.5%	81.8%
Citizen Survey: Percent satisfied with hours of operation	76.0%	80.5%	77.5%	81.5%	78.5%	79.0%
Citizen Survey: Percent satisfied with availability of computers	67.8%	69.8%	70.7%	70.2%	71.0%	71.3%

- Visits to Library and Items Borrowed.** Visits to the Library and items borrowed are projected to increase modestly in FY02 and FY03 as the regional and branch library Facility Modernization Program is completed. By the end of FY02, all three regional libraries and 47 of 50 branch libraries will have been renovated and upgraded as part of a multi-year effort that began in FY95. The remaining three branches are scheduled to be renovated by the end of FY04. The highest circulation ever for the Free Library of Philadelphia was recorded in 1964 when it reached 6,716,174. Even though the City's population has decreased 24 percent since that time, library circulation in FY02 is projected to set a new, all-time record. The Library's modern facilities, expanded computer supply, and extremely active after-school program are resulting in higher visitation and circulation. Other factors affecting higher attendance and circulation include an expanded service schedule featuring additional weekday evening and weekend hours, and registration drives that have added close to 36,000 new members since FY00.
- Library Hours.** Library hours have increased due to an expanded schedule and to the re-opening of facilities temporarily closed for renovations. In FY01, the Central Library and regional libraries increased the number of weeks they are open seven days by an additional ten weeks per year, or from September through June. The Central Library was able to extend Thursday evening hours from 6 PM to 9 PM year-round in FY01 due to shifts in staff schedules. All branches have been open on Saturdays during the school year since FY96. The number of hours that branches are open will remain steady during FY02 because of expected branch capital projects, increase slightly in FY03, and increase again in FY04, when the Library's Widener, Walnut Street West and George branch renovation projects are expected to be completed.
- World Wide Web Hits.** The number of World Wide Web hits to the Free Library's website has increased dramatically as awareness of the Web site increases, and more residents use it to search the system-wide catalog, access information resources, and get information on branches and hours of operation. The Library has implemented a number of changes to its website to make it easier for customers to make virtual visits to special collections and to locate resources. The Library's Centennial Photograph collection, for example, can now be visited on-line.

- Citizen Satisfaction Survey. The Citizen Satisfaction Survey demonstrates increased resident satisfaction with the Free Library as a result of the branch renovation and technology improvements. The percentage of residents satisfied with Free Library services increased significantly from 64.4 percent in FY98 to 81.1 percent in FY01.

Five Year Obligation Summary

Free Library

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100	31,027,060	30,209,804	29,446,657	30,336,846	32,846,165	31,456,277	31,047,944	30,977,944
Class 200	1,599,947	1,600,250	1,576,246	1,576,246	1,576,246	1,576,246	1,576,246	1,576,246
Class 300/400	6,303,171	4,290,769	2,148,985	4,226,407	4,226,407	4,226,407	4,226,407	4,226,407
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	38,930,178	36,100,823	33,171,888	36,139,499	38,648,818	37,258,930	36,850,597	36,780,597

City of Philadelphia
Five-Year Financial Plan

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**Department
of
Licenses and Inspections**

Department of Licenses and Inspections

Mission

The mission of the Department of Licenses and Inspections is threefold: to ensure public safety by enforcing the City's code requirements; to regulate businesses through licensures and inspections; and to correct unlawful conditions that pose an imminent threat to the public.

Organizational Objectives & Targeted Initiatives

Promote the Revitalization of Neighborhoods

- **Stabilize vacant properties.** Beginning in May 2001, the Department inspected all vacant lots throughout the City. During the first quarter of FY02, over 31,000 vacant lots were inspected and violation notices were issued to the property owners advising them that if they failed to clean their lots, the City would clean the lots and bill the owners.

The Department will continue to stabilize vacant buildings and lots through a clean and seal process, in which debris is removed and the properties are sealed to prevent weather damage and unauthorized access. The Department will clean and seal approximately 3,132 buildings in FY02, up from 1,693 in FY01. In FY03, the Department projects to clean and seal 4,016 buildings and clean 1,027 lots. The lot cleaning and sealing activity is performed in conjunction with the citywide NTI lot cleaning effort. This lot cleaning, however, is performed by FIR (Forensic Intensive Recovery) participants as part of a community service alternative to incarceration.

- **Updated information and technology for inspections.** The Department plans to develop an electronic inspection tracking system and convert from paper- to computer-based data collection and reporting for inspections. This system will use portable devices connected to an integrated work order management database through wireless modems. This new system will allow inspectors to search for, add, and update records from the inspection sites and also facilitate the documentation and oversight of contractor transactions for abatement of dangerous buildings. The new system (portable devices and wire communication fees) will cost \$400,000. There will be an estimated \$92,000 annual fee for the communication traffic between the wireless devices and the host server. Once the City's work order management system (described in detail in the MOIS chapter) is selected, development of the inspection tracking module can begin.

Enhance Code Enforcement Efforts

- **Automate and streamline permit issuance process.** Currently, the City issues permits using a labor- and paper-intensive manual process, which impedes information sharing and timely completion of transactions for the public. During FY02, the Department will test a new system for capturing permit request information in a centralized database through the Department's call center. The pilot will focus on prepaid plumbing permits, which

constitute over 50 percent of the approximately 9,000 plumbing permits the Department issues annually. The current system requires contractors to track down the appropriate district and inspector who is going to perform the inspection during the limited hours that the inspector is in the office rather than in the field. The contractor then must provide the project information to the inspector, who manually adds it to a preprinted form.

The new system will allow contractors to contact the call center, which is staffed from 8 AM – 6 PM, and specify the address and job information over the phone. The call center operator directly inputs the work details into a centralized database that automatically date stamps the request. The Department will then assign the appropriate inspector to make the site visit and enter all follow-up information into the centralized database. Through this centralized database, the Department will maintain activity reports for permit inspections and an inventory of licensed contractors, outstanding unassigned permits, and permits in progress.

The new system will allow supervisors to improve workflow and ensure quality by having the ability to reassign inspections to alternate inspectors when necessary, and randomly audit inspections using standards that will be developed by the Department. The new system will cost approximately \$30,000. During FY02 the database will also be used to assign and monitor inspections for Fast Form building permits. If the new system works effectively for prepaid plumbing permits and Fast Form building permits, the Department will expand its use for a wider variety of permits.

- **Implement a comprehensive educational program.** In accordance with the state Uniform Construction Code Act (which incorporates the international enforcement codes), all City inspection personnel must be trained in the enforcement of statewide life safety codes by the end of 2005. From September to December 2001, the Department conducted a thorough training needs assessment for all inspection personnel, and is currently working with a number of local educational institutions to determine which of them can provide a quality comprehensive program at a reasonable cost. The coursework will both prepare inspectors to obtain required state certifications and provide an in-depth understanding of code enforcement. During FY03, the City will begin enforcing the state Act and the Department anticipates that the enhanced training will increase staff professionalism and ability to assist the public in achieving code compliance.

Stimulate Economic Development through Improved Efficiency and Customer Service

- **Simplify and consolidate permits and licenses.** Many permit and license requirements were developed prior to the City's adoption of ordinances during the past four decades that govern building development, occupancy, and maintenance. Since these newer requirements were enacted without a comprehensive evaluation of the City's entire regulatory scheme, many of them are redundant and have unintended negative consequences. In order to simplify the application and approval processes, the Department has undertaken a major initiative, which began in FY02, to review almost all of the approximately 200 licenses and permits to determine necessity, consistency, and redundancy. In FY03, the Department will develop a list of proposed legislative and administrative changes based on the review. In addition, during FY03 the Department plans to organize the current listing of 135 separate

licenses into 10 to 15 “master” categories and consolidate licenses where feasible. These efforts, conducted in conjunction with the Managing Director’s Office and the City’s joint labor/management Redesigning Government Initiative, will make it easier to do business in Philadelphia.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Original Projection	FY02 Current Projection	FY03 Projected
Permit Inspections ¹	166,626	178,693	156,012	175,000	155,000	145,000
Housing and Fire Inspections	99,453	95,477	82,403	73,621	135,000	104,000
Licenses Issued	124,178	107,055	116,332	123,350	116,000	108,600
Business Compliance Inspections	36,410	40,933	40,366	33,000	40,000	42,000
Business Compliance Code Violation Notice Tickets Issued	N/A	N/A	1,996	3,000	3,000	3,000
Buildings Demolished ²	1,059	1,284	1,679	908	1,108	2,000
Clean and Seals—Buildings Treated	2,105	1,710	1,693	3,132	3,132	4,016
Clean and Seals—Lots Treated	1,804	2,099	2,256	1,568	1,568	1,027
Percentage of survey respondents satisfied with L&I services	44.4%	47.3%	50.0%	51.0%	51.0%	52.0%

¹ Permit inspections are performed to enforce compliance with building, fire, electrical, plumbing, and zoning codes.

² Demolition activity is discussed in the NTI chapter and will be funded primarily through bond proceeds in FY03.

Permit Inspections. The number of permit inspections decreased by 22,681 or 12.7 percent from 178,693 in FY00 to 156,012 in FY01 due, in part, to the temporary redeployment of inspectors to update the vacant land and properties inventory. In addition, beginning in FY01, the number of permit inspections does not include zoning inspections, which have been reassigned as collateral work among all L&I inspection personnel, and are no longer limited to inspectors conducting permit inspections.

Housing and Fire Inspections. The fluctuations in the number of Housing and Fire Inspections are a result of a number of one-time events related to NTI planning. In FY01, a number of housing inspectors were redeployed from their normal duties to assist in the citywide vacant property survey in support of NTI. In FY02, also in support of NTI, a team of Housing and Fire inspectors performed inspections of all of the City’s vacant lots. During the first quarter of FY02, 9,811 vacant lot inspections were performed. These inspections are less labor- and time-intensive than traditional inspections, resulting in higher than anticipated inspections for FY02. The Department now forecasts that its housing inspectors will perform 135,000 inspections in FY02, a 63.8 percent increase over FY01. With the vacant lot and vacant survey inspection programs completed, the Department expects FY03 housing and fire inspections to focus on the more traditional inspections and is forecasting 104,000 inspections.

Five-Year Obligations Summary

Licenses and Inspections

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100	17,505,633	16,947,292	16,693,083	17,228,052	18,323,910	17,349,911	17,233,244	17,198,244
Class 200	1,118,459	3,943,124	3,883,977	2,966,435	2,966,435	2,966,435	2,966,435	2,966,435
Class 300/400	548,514	607,651	598,536	613,536	613,536	613,536	613,536	613,536
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	19,172,606	21,498,067	21,175,596	20,808,023	21,903,881	20,929,882	20,813,215	20,778,215

Licenses and Inspections - Demolitions

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100								
Class 200	22,590,444	2,000,000	22,000,000	2,000,000	0	0	0	0
Class 300/400								
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	22,590,444	2,000,000	22,000,000	2,000,000	0	0	0	0

City of Philadelphia
Five-Year Financial Plan

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**Mayor's Office
of
Information Services**

Mayor's Office of Information Services

Mission

The mission of the Mayor's Office of Information Services is to optimize, coordinate and deploy City information technology resources to support effective delivery of public services.

Organizational Objectives and Targeted Initiatives

Improve the Delivery and Cost-effectiveness of IT Services

- **Develop Citywide IT Strategic Plan.** The IT Strategic Plan will comprehensively evaluate the City's information technology function and forge an action plan for the next five years. The plan will be the framework for making decisions on acquisition and deployment of business applications and infrastructure citywide. A consultant will be retained to assist in developing the Plan during FY02, with completion of the project in FY03. The project is projected to cost approximately \$500,000 over the two years.
- **Conduct feasibility study on data center consolidations and begin phased implementation.** From time to time business and technology changes permit the consolidation of resources. During FY02, the few remaining core mainframe technologies in City departments and City-related agencies will be studied for potential integration and data center consolidation. Integration allows mainframe capacity to be more consistently and efficiently utilized on a 24-hour, 7-day a week basis; currently, the processing capacity of mainframes in multiple City departments and City-related agencies is highly utilized in peak periods, with low or no utilization in off-periods. High peak utilization increases the risk of failures and service disruptions, while low off-peak utilization means that processing capacity is wasted. Integration could therefore reduce the cost of hardware purchases as well as space, utilities, and personnel support. This project will provide direction for the transition to IBM's new products, which is critical because IBM has indicated that it will stop supporting the City's existing technology.
- **Implement Total Cost of Ownership Study recommendations for desktop/Local Area Network (LAN) support.** In FY02, MOIS is projected to serve 19,000 desktop PC users that have many different software and hardware configurations. These users are linked over the LAN to communicate with one another, run shared software from mainframe servers, and use common storage capacity. An assessment of Citywide and departmental desktop/LAN improvements needed to achieve more efficient communications, data exchange, and information systems access was conducted in FY02 at a cost of \$150,000. This assessment identified and defined levels of desktop users throughout the City based on the title and department of the users. The standard desktop system requirements for each level or tier of user were also defined. The study also assessed the City's current hardware and software standards and desktop/LAN support structure, and the related costs involved. These costs and potential cost reductions are being modeled through a software tool provided by the project consultant. The final results of the study, including potential cost reduction estimates

and recommendations for improvement, will be delivered in March 2002, with implementation of the findings to follow in FY03. This initiative will develop a detailed enterprise-wide approach to meet the findings and reduce the City's Total Cost of Ownership by reorganizing and streamlining the desktop/LAN support structure and by determining the appropriate service model, including such factors as:

- The network processing environment, e.g., are software applications run on individual PCs (with regular upgrades and installations on all PCs), or are software applications run at a central processing location that is accessed by the user through an Internet browser ('thin client');
- The hardware procurement strategy, should hardware be leased or should it be purchased; and
- The management structure, (is support provided by City staff, by a vendor, or by City staff and a vendor).

Provide Innovative Solutions to Enhance the City's Provision of Services

- **Implement Citizen Information Work Management System.** The implementation of a Citizen Information Work Management System will improve the management of citizen requests for services and overall responsiveness of government. The system will provide an Internet portal for citizens and an intranet portal for City employees to enter requests for services such as street repair, building inspection, abandoned vehicle removal, treatment of imminently dangerous buildings, etc. The requests will generate work orders that will be routed to the appropriate City departments and tracked by the system. A common system shared by departments will allow City managers to analyze trends across all departments, identify the status of any given request, and proactively identify key service areas to address. The first application in the system, the Citizen Request Management module, will be developed in FY03. Full customization of the work order routing, tracking, and reporting systems for each department involved will be completed on a rolling basis by FY06. The cost of the entire project is estimated to be approximately \$5.4 million. Potential sources of funding for the project include the Neighborhood Transformation Initiative bonds and the Productivity Bank.
- **Conduct 311 Contact Center feasibility study and start pilot, if appropriate.** The City is considering the potential implementation of a 311 Contact Center. This center would provide a single point of contact for residents requesting information or services. The center would feature trained operators with access to a knowledge database to enable quick and efficient response to citizen requests. In addition, some requests would be handled through an Automated Call Distribution system that would not require any operator assistance.

Currently in the City of Philadelphia, a citizen must make an information or service request from the relevant department that provides the service. A citizen must identify the relevant department and appropriate staff contact through the City's phone directory or Web site, the Mayor's Action Center, the City switchboard, trial and error, or some combination thereof. Once made, these requests are then managed independently by each department, with no means for a citizen or City manager to centrally track the status of a given request. The 311

Contact Center, in combination with the Citizen Information Work Management System, will consolidate these points of contact as well as the management and tracking of the requests. Since the FCC approved the 311 phone exchange in 1997, major cities that have implemented a 311 Contact Center for city-wide services (rather than just non-emergency public safety calls) include Chicago, Dallas, Houston, Los Angeles, San Antonio, and Washington, DC. A feasibility study and preliminary requirement analysis will be conducted in FY03 and FY04 at a projected cost of \$720,000. A decision on whether to proceed with implementation would be made based on the results of the study, which will analyze the costs and benefits of implementation.

- **Conduct feasibility study on Integrated Case Management system and begin a pilot.** This initiative will study the various methods of exchanging social service information with staff, management, and legislators, and enable the exchange of information with approved business partners. A City resident may receive social services from a range of departments such as Human Services, Public Health, the Office of Emergency Shelter and Services, and the Philadelphia Prison System. The warehouse will allow the City to provide integrated case management across all departments and more effectively program services and resources for clients of Social Service agencies, while potentially reducing administrative costs. The project will be developed beginning in FY03, with projected completion by FY07 at a cost of \$10.8 million, mainly from capital funds (see Citizen Services – Comprehensive and Coordinated Social Services for more details).
- **Develop and implement e-government transactional applications.** The City has identified the need to streamline its business processes by providing electronic access to City services. While a 311 Contact Center would enable operator-assisted requests and transactions, Internet-based applications would allow citizens and businesses to provide 'self-service.' Initial e-government applications being considered include electronic tax and utility payments, consumer and commercial permitting and licensing, and fees for information (records, deeds etc.) delivery. For FY03 this initiative involves the development of a City-wide strategic plan for e-government, the development of technology, architecture and applications standards, and the initiation of pilot projects. The initiative, if pursued, would be fully implemented by FY05 at a potential cost of \$1.5 million.
- **Complete HIPAA (Health Information Portability and Accountability Act) assessment and begin compliance work.** The federal Health Insurance Portability and Accountability Act (HIPAA) of 1996 requires the City to ensure the privacy of personal health data in electronic systems and databases. The federal government began publishing regulations for the implementation of HIPAA in 2000, with the final security regulations still pending in 2002. The City will have 26 months from the date of publication of the final security regulations to comply with the federal standards on Electronic Data Interchange of Medicare and Medicaid patient data, as well as the new standards on the privacy and security of these records and transactions. In FY03 the City will conduct a risk assessment, determine the cost of compliance, and develop a budget that identifies funding sources for the compliance project.

Establish a Reliable and Efficient Technical Infrastructure to Support City Operations

- **Begin development of Land Information System.** The City of Philadelphia has a very robust Geographic Information Systems (GIS) program. However, City departments continue to have multiple independent databases with data records that are based on street addresses. Due to data entry errors or inconsistencies in addresses, these address-based databases often conflict with one another. In addition, the existing GIS system is based on 5,500 land title registry maps from the Department of Records. This segmentation results in some voids between maps, and prevents representing all of the City's 500,000 properties in a single, seamless layer. The Department of Records is currently digitizing the registry maps, which will provide a single parcel base, and in conjunction with the Department of Records, MOIS will update this base by FY03.

The next phase of this work is to develop a Citywide unified address system. The new parcel base could become the 'switchboard' to link the various address-based databases and unify them into one address system for all departments to use. This increase in accuracy will allow more departments to use GIS for their daily work, provide citizens access to precise maps on the Internet, and avoid the costs and foregone revenue that result from discrepancies between databases. The total cost of implementing a comprehensive Land Information System with unified addresses is estimated to be \$1.9 million, which would come from Neighborhood Transformation Initiative bond funds. The system could be fully implemented by FY05.

- **Expand fiber network between six major City buildings.** The City has made significant progress in networking its buildings with leased lines. However, to meet the transmission capacity demands of the next generation of voice, data, video, imaging and graphics technologies, the City will need to migrate from leased lines to City-owned fiber among its major buildings. The next generation of technologies will require greater transmission bandwidth than the current leased lines can accommodate, due to factors such as:
 - Increased utilization of graphics-based (e.g., browser) applications rather than character-based (e.g., mainframe) applications. For example, while a number of City-wide applications, such as the City's financial accounting system, FAMIS, are still character-based, new applications and upgrades of existing applications will increasingly have graphical interfaces.
 - Increased utilization of mapping technology. As the Land Information System and other map-based applications such as the Police Department's COMPSTAT system are developed, the demands on bandwidth will increase.
 - Increased use of central processing capacity for applications ('thin client'). If the City adopts more of a 'thin client' network processing environment, where desktop PC users use an Internet browser to access programs and databases that actually run on central servers, this will increase the demand for bandwidth.

The initial phase of this project provides for fiber installation in FY03 for the City's six primary buildings at a cost of \$460,000 from Public Property's Capital Program allocation.

- **Create Business & Information Continuity Plans to enhance security of critical City data and infrastructure.** The traditional disaster recovery planning for the City has not

been updated since 1998. In light of the September 11 events, the City needs to address effective business continuity planning along with updating its disaster recovery plan. This planning project would provide the City with the capability to resume operations after terrorist attacks, natural disasters or technology disruptions. The applications and data identified as mission-critical in 1998 could be currently restored in 24-48 hours following a disaster. The goal of the project is to identify which applications and data will be mission-critical over the next several years, such as 911 Computer-Aided Dispatch, and plan for the capability to restore these systems to service immediately. MOIS has identified a cost of \$2.3 million to implement this project by FY04.

- **Develop enterprise architecture standards and data framework.** The “architecture” of an information technology system, such as a financial accounting, human resources, billing, or work order management system, is the structure comprised by that system’s hardware, software, and network infrastructure components, and the capabilities that result from the nature of those components. Elements of a system architecture include:
 - The type of network and client-server relationships;
 - The processing and storage capacity of the system;
 - The integration of different software applications within the system.

The City of Philadelphia as an enterprise contains numerous information technology systems that have often been developed in an ad hoc and uncoordinated manner. An enterprise architecture provides a framework to develop and implement systems in a more coordinated manner to ensure these systems and databases will interface and work together as much as possible. This project would map the current infrastructure and information flows among City of Philadelphia systems, define a target architecture, and develop cost estimates and an implementation plan for reaching the target architecture. This project is estimated to cost \$60,000 and would be completed by FY03.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projected	FY03 Projected
Number of Help Desk/Operational Support Center phone calls	47,865	51,231	34,468	55,100	34,200	35,200
Number of Calls Resolved Immediately	N/A	N/A	N/A	N/A	6,500	8,400
Number of Trouble Tickets Created	11,455	14,592	10,334	15,000	13,650	12,100
Percent of Trouble Tickets Closed Within 5 Days	N/A	N/A	N/A	N/A	88%	90%
Number of Service Project Requests	1,785	1,375	1,862	1,900	2,400	2,500
Percent of Service Project Request Closed within 10 days	N/A	N/A	N/A	N/A	57%	65%
Number of PC Users	16,342	16,998	17,125	19,000	19,000	19,100
Number of e-Mail Users	9,350	13,495	13,650	15,000	15,000	15,100
Number of Outage Hours Across Departments	3,194	3,468	3,287	2,000	3,250	2,500
Number of System Outages	2,129	2,312	4,952	2,750	1,940	1,500

Number of Calls Resolved Immediately. MOIS began tracking this measure in FY02 following the adoption in October 2001 of a new 'Quick Call' policy. This policy is intended to increase the number of relatively simple Help Desk calls that are answered immediately by a live operator, resulting in lower wait times and less dispatch handling of calls.

Number of System Outages. The number of system outages is projected to decline in FY02 and again in FY03 due to the on-going replacement of outdated IBM network infrastructure.

Five-Year Obligations Summary

Mayor's Office of Information Services

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100	6,763,153	7,783,299	7,666,550	7,779,839	8,098,572	7,931,905	7,885,238	7,873,572
Class 200	5,654,958	5,059,444	5,178,552	5,342,552	5,342,552	5,342,552	5,342,552	5,342,552
Class 300/400	245,400	252,112	248,330	248,330	248,330	248,330	248,330	248,330
Class 500								
Class 700								
Class 800	93,614	93,614	93,614	93,614	93,614	93,614	93,614	0
Class 900								
TOTAL	12,757,125	13,188,469	13,187,046	13,464,335	13,783,068	13,616,401	13,569,734	13,464,454

City of Philadelphia
Five-Year Financial Plan



Police Department

Police Department

Mission

The mission of the Police Department is to enhance the quality of life for all Philadelphians by reducing the fear and incidence of crime, enforcing the law, and maintaining public order.

Organizational Objectives and Targeted Initiatives

Reduce the Incidence and Fear of Crime

- **Sustain the increased number of police officers on the street.** As a result of the 1994 federal Crime Bill, Philadelphia has received \$56.48 million from the U.S. Department of Justice's Office of Community Oriented Policing Services (COPS), which partially offset the cost of adding 753 new on-street police officers. Pursuant to federal requirements, police officers funded through COPS must supplement the existing on-street patrol, not replace retiring or resigning officers. Since FY02 the City has been funding the entire cost of the additional officers.

While federal Crime Bill reimbursements have helped the City dramatically increase the number of officers, those increases have not come without a cost. The budgetary impact of enlarging the police force can be seen in the growth in the Department's budget – from \$299.9 million in FY94 to \$427.3 million in FY02, an increase of 30 percent, which is significantly higher than the 22 percent rate-of-growth of local tax revenues over the same period.

The City will also ensure that despite the loss of 736 Police Department employees through the DROP program, Philadelphia will have the same number of Police in FY07 that it has in FY02. The loss of so many employees, however, will inevitably lead to some decline in the number of police employees between FY04, when the first, and largest, wave of DROP participants leaves City employment, and FY07 when the City will have had sufficient time to replenish the Department's personnel.

- **Maximize the effectiveness of officers on the street.** A key component of the Department's ability to maintain a community-policing program that maximizes the number and effectiveness of officers on the street is increasing flexibility in deploying officers to match the incidence of crime. In July 2000, a three-member Act 111 arbitration panel issued an award that will govern the contract between the City and the Fraternal Order of Police Lodge No. 5 through June 30, 2002. The award again affirmed the management tools first won by the City in 1992 and also increased the Department's flexibility in scheduling officers. For the Department to continue to restructure its operations, achieve the highest level of benefit for the public and reinforce public confidence in its police officers, greater management flexibility is essential. Specifically in the arbitration process that will govern the City's contract with the FOP beginning in July 2002, the Department is seeking more

latitude in setting work schedules and transferring officers in response to shifting crime patterns.

- **Post September 11 Preparedness.** In response to the September 11, 2001 terrorist attacks, the Department's Patrol Bureau has devised several initiatives to facilitate response to a critical incident.
 - Formed a Rapid Deployment Team (consisting of two Lieutenants, six Sergeants and forty-six police officers) from various patrol districts capable of responding within thirty minutes to any critical incident citywide.
 - Development of a training program by February 2002 for first responders that provides them with the skills to set up a staging area, design and manage traffic control plans and disorder management plans, etc.
 - Developed a staged response of police personnel to a critical incident.
 - Establishment of a mandatory Weapons of Mass Destruction special awareness class by February 2002 for all patrol, special patrol and communications bureau personnel.
 - Provided intensive training for forty police officers and supervisors that may be called upon to respond to a hazardous materials incident.
 - Provided enhanced police coverage in Center City designed to augment crime prevention efforts as well as assure the citizens and workers of a safe environment. By January 2002 the Department returned to normal coverage, barring additional terrorist attacks.
 - Provided enhanced security staffing through December at the Philadelphia Stock Exchange, Red Cross Headquarters and the City's Emergency Operations Center.
 - Provided additional surveillance of high profile locations (i.e. Utility plants, gas/oil refineries, water treatment plants, signature buildings like Liberty Place, waterfront facilities, etc.).

The Police Department projects that these additional steps will add \$4.3 million in General Fund overtime costs in FY02.

Enhance the Quality of Life for Philadelphians Through Greater Emphasis on Non-Violent Offenses

- **Expand the War on Drugs.** The Department continues to strengthen and expand its war on drugs in two distinct ways. First, the Department continues to strengthen its Narcotics Strike Force and the Narcotics Field Unit, which target street level drug activity through "buy and bust" operations and long-term investigations designed to break down drug organizations. Over the last three years, the Department has added an additional 144 officers, representing a 45 percent increase, to its war on drugs.

Second, in November 2000, the Department moved into Phase IV of Operation Sunrise, expanding its full blown assault on crime, drugs, graffiti, and other quality of life issues, initially targeted in the East Police Division to include the area between 5th Street and Germantown Avenue and York Street and Tioga Street, a community especially hard hit by

the spread of illegal drugs and other quality of life crimes. The high-intensity police presence, particularly in the targeted Operation Sunrise area, has led to a 10 percent decrease in the number of reported drug offenses from 12,943 in FY00 to 11,743 in FY01, with another 5.2 percent drop, to 11,162, projected for FY02. At the same time as the number of drug offenses continues to decline, the Department is projecting an 11 percent increase in the number of drug arrests from 20,569 in FY01 to a projected 23,248 in FY02 based on data through November.

- **Local Law Enforcement Block Grant.** The Department has entered the sixth phase of the federal Bureau of Justice Assistance Local Law Enforcement Block Grant program (LLEBG). The City has been awarded \$5,643,879, representing a two percent increase from the fifth phase of the block grant. Matching funds remain a requirement to accept the awards with the City contribution totaling \$627,098. The twenty-four month program period for LLEBG VI is November 1, 2001 to October 31, 2003. The first year of each phase is overlapped by the second year of the previous phase to ensure program continuity and growth. Phase one of the LLEBG began on October 1, 1996 and to date the City has received \$32,848,431 in grant funds. The MDO provides oversight for block grants and the Department serves as the grant administrator, which includes financial and programmatic monitoring and reporting for all projects.

As with previous LLEBG programs, a multiagency approach to combating crime and improving community life has been proposed for the sixth phase. The program's requirements are fairly broad and the funds are applied to a wide spectrum of needs including but not limited to law enforcement support, enhancing security in and around schools, establishing and supporting drug treatment courts, enhancing the adjudication of juvenile cases, establishing multi-jurisdictional taskforces, establishing crime prevention programs and defraying indemnification insurance costs for law enforcement officers. The Police Department, the School District, the Department of Recreation, Municipal Court, the District Attorney's Office and the Department of License and Inspections are all participants in this initiative. Each agency has submitted proposals for funding new projects and for continuing previously successful programs.

Respond Effectively to Incidence of Crime and Identify, Apprehend, and Assist in the Prosecution of Criminal Offenders

- **Manage Police Court Overtime.** A pilot program to reduce police overtime at preliminary hearings began in September 1999, in an effort to control the excessive time lost and cost resulting from police officers waiting in court. Through this program, the Department has been able to avoid court related overtime costs and increase the number of officers on the street each day. While the number of preliminary hearings completed in the pilot courtroom has increased, the pilot has been limited to one courtroom where preliminary hearings are held for cases involving the Department's Narcotics Bureau. Under the pilot program, the primary or arresting officer has been allowed to read into the court record the testimony of ancillary officers, eliminating the need to have them present in court. This hearsay testimony has been offered with the caveat that each police witness would be available for the actual trial as is required by law. While the proposed model has been a significant departure from

current practices in the City, it is used in approximately 30 other counties within the Commonwealth, including Allegheny County. To date, the process has survived all legal challenges from the Public Defender's Association.

An evaluation of the pilot program from September 1999 through March 2000 showed a reduction in court notices that allowed the Department to avoid approximately \$109,046 in police court overtime, a decrease of 39 percent from the same time period the year before. In addition, since these officers were not in court, the number of hours that these officers were on the street increased by 3,778, the equivalent of increasing the number of officers for patrol by three. The Department, the MDO and the courts are working together in an effort to expand the pilot program to additional courtrooms.

- **Develop the Police Integrated Information Network.** On June 30, 2000, the Department issued a request for proposals for the development and implementation of the Police Integrated Information Network (PIIN), a comprehensive computer system that will afford the Department quick access to a wide range of statistical data. The completed PIIN system will consist of two integrated, automated case management subsystems: the Incident Reporting System for use throughout the Department and the IAB System for use by the Department's Internal Affairs Bureau. Both systems will be purchased with a \$8.5 million Productivity Bank Loan.

Using this system, police commanders will be able to identify and track crime trends, monitor activities of officers, and foster improved management decision-making. Ultimately, PIIN will support the Department's effort to reduce crime through more efficient deployment of officers and to maintain a principled police force that upholds the highest standards of conduct.

The IAB System was awarded to IBM and CI Technologies in FY02 at a cost of \$1.2 million. Beginning on December 10, 2001, the project will take eighteen months to complete. A new request for proposals for the incident reporting system will be released by the end of FY02 to ensure that the Department obtains the best technology available at an affordable price.

- **Remove violent offenders from the street.** The Warrant Unit Initiative continues to target repeat offenders, especially those who have a history of using firearms and violence in the commission of crimes. Working with approximately 50 detectives who are assigned to the seven field Detective Divisions and with FBI specialists and City and state probation and parole staff, the Unit concentrates on finding these offenders and bringing them to justice. The Unit, which was created in FY99, arrested 700 fugitives in FY01 and located another 214. The Department projects that the Unit will arrest 735 fugitives and locate another 225 fugitives in FY02 and will arrest 772 fugitives and locate 236 in FY03.
- **Build a state-of-the-art Forensic Science Laboratory.** Over the past few years, the Department's increased focus on the spread of illegal drugs combined with an increasing reliance on forensic science nationally to secure convictions has increased the scrutiny of police lab results by defense attorneys and appellate courts. This heightened scrutiny has led police laboratories across the country to improve their operations, including equipment,

security of evidence, air quality, protocols for testing evidence, and the credentials of lab personnel. Given that many of the Department's crime fighting strategies rely on physical evidence, particularly those that deal with narcotics, the Department has begun to review lab staffing levels and procedures for testing and storing evidence. The Department has also begun the process of moving the lab from Police Headquarters to a larger and more suitable site at the former Wister School at 8th and Poplar. In September 2001, the Department solicited bids for the \$11.2 million capital project, which is expected to be complete in March 2003. The Department is also in the process of securing an additional \$700,000 in grant funds for equipment and staffing.

- **Computer Aided Dispatch System Replacement.** The Department's Computer Aided Dispatch (CAD) system is an integral part of the City's 911 system. The current CAD system is outdated and must be replaced. The Department is working in conjunction with the Fire Department to combine the two systems used by each department into one centrally located CAD system. The project is a critical public safety initiative and is expected to be completed in 24 months at a cost of \$4.4 million.
- **Auto Accident Report Scanning System.** The Department approached the Insurance Federation of Pennsylvania in an effort to streamline the process through which the general public can access accident reports. The Insurance Federation responded with a \$550,000 grant in FY01 that was used to implement an automated accident reporting system that went live in November 2001. The system allows the public at large and the insurance companies to access accident reports via the Internet. Within forty-eight hours, insurance companies can download the accident reports directly for a small fee and individuals can download the information necessary to request their reports from the Records Department. Prior to implementation of this system, insurance companies and the general public had to petition the Records Department in person to obtain a copy of the accident reports and had to wait four to six weeks for the hard copies to be made available. While annual revenue for the City is projected to remain between \$750,000 and \$1 million in this Financial Plan, it is likely that more people will access the records due to the increased ease of use and availability, and revenues will increase. In addition to the annual revenues, the system is expected to significantly reduce and streamline the workload associated with accident reports in the Department of Records. The system has also been made available to the District Attorney's Office so that it may have access to the reports for prosecution. Traffic engineers also have access to the reports, which will aid them in analysis and in determining where stop signs and traffic lights should be installed.
- **Combined DNA Index System (CODIS).** The Criminalistics Laboratory recently completed validation studies for short tandem repeat (STR) DNA typing and will be compliant with CODIS by the end of the first quarter of 2002 meaning that the Department will be able to analyze the same genetic sequences which the FBI has standardized. CODIS is an FBI system standard for DNA profiles that enables the Department to enter DNA profiles into a national database that can compare DNA samples recovered from crime scenes anywhere in the United States. Currently, the Department can only compare DNA information from crimes to other crimes within the City limits. The studies were paid for with a \$290,112 National Institute of Justice grant and a \$96,846 City match.

- **Polygraph Unit.** Throughout calendar year 2001, the Department's antiquated polygraph system was completely replaced with a new state-of-the-art digital polygraph system that includes computers, printers and the most advanced software available. The new computer systems cost \$15,745 and includes many examiner aides the old equipment lacked such as assisting the examiner in determining which specific questions the subject may or may not be lying about as opposed to older technology that indicated general lying. The new equipment was purchased with LLEBG funds and is fully operational.
- **Digital Archiving.** The Department has received a grant for \$660,000 to digitally archive all aspects of the Records and Identification Unit. The City will be providing a 25 percent match of \$165,000. The Archive computer will retain a wide range of items such as fingerprints and palm prints, all digital mug shots, and all Criminal History Information. Upon the completion of this project, the Department will no longer have to maintain hard copy originals of any document. A Request for Proposal was released on January 7, 2002 and a review committee is being formed to select the appropriate vendor.

Reduce Crime in Schools by Contributing to a Safe School Environment.

- **Truancy Reduction.** Truancy has been identified as a "risk factor" in many studies of delinquent children and children manifesting a propensity for school failure and related problems. An average of 13.6 percent of the total student population of the Philadelphia School District was absent on any given day in 2000-2001. The School District estimates that of these students out of school each day at least 50 percent were likely truant. On November 1, 2001, the Department secured \$60,000 in funding via the Local Law Enforcement Block Grant to continue its Truancy Program. The grant will allow police officers to work additional hours following a midnight shift, usually 8 AM to 12 PM, to patrol for truants. Officers stop truant students who are on the streets and return them to their schools or the central truancy site so that they can be interviewed and counseled. The effectiveness of this program is already apparent. In the 2000-2001 school year, officers contacted and returned to school a total of 24,775 students across the city, representing a 9 percent decrease in the number of truants contacted by officers on the street from the 1999-2000 school year in which 27,072 truants were contacted and returned to school.
- **Increased Police Presence at Schools.** The Department continues to work closely with the School District to maximize the effectiveness of the Police Department School Detail. The School Detail was implemented at the start of the 2000-2001 school year and consists of six divisional captains who act as liaisons with the schools in an effort to create safe corridors, investigate truants, maximize school safety, and coordinate duties with school police and school administration. In addition to the six captains, the Department currently has 41 officers assigned to the School Detail who patrol the campus and surrounding areas, conduct crime prevention activities, respond to trouble calls from the schools, and identify and investigate truants. All of the School Detail officers and captains are funded by the Department with no reimbursement from the School District, at an estimated cost of over \$1.8 million in salaries.

On May 1, 2001, the Department, in conjunction with the Managing Director's Office, created the position of Deputy Police Commissioner of External Affairs. The Deputy Commissioner manages the 500 person School District Police Force and oversees all security aspects pertaining to the School District.

Key Performance Measurements

Measurement	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Number of Homicides	306	299	306	309	295
Average Number of Police in On-Street Bureaus	5,916	6,070	5,994	5,987	5,987
Percent of Police in On-Street Bureaus	87.2%	87.7%	87.4%	87.4%	87.4%
Number of Arrests	81,416	77,515	79,000	79,343	79,500
Priority Response Time (in min:sec)	6:45	6:11	6:30	6:28	6:25
Number of Abandoned Vehicles Towed	62,762	53,033	55,000	54,534	55,000
Number of Recovered Stolen Vehicles	13,975	14,175	14,150	14,317	14,300
Citizen Survey: Percent Satisfied with Police Protection	57.8%	58.7%	62.2%	62.2%	64%
Citizen Survey: Percent Who Agree that Police Officers Visibly Patrol their neighborhood	61.8%	60.2%	66.5%	66.5%	68%
Citizen Survey: Percent Who Agree that Police Officers do a Good Job of Preventing Crime	58.7%	59.9%	63.1%	63.1%	65%

Number of Homicides. In FY01, the number of homicides dropped to 299, down 3.0 percent from 306 in FY00 and 19 percent from 367 in FY98. Over the past six years, there was a decrease of 34.0 percent, from 450 in FY96. The Department attributes the decrease to changes in its officer deployment practices and crime-prevention strategies such as COMPSTAT and crime mapping. Despite these decreases, the relatively easy access to firearms under Pennsylvania state law makes permanent long-term reductions in the number of homicides difficult.

Response to 911 Calls. In May 2000, the Department completed the installation of new 911 call-taking terminals in the Department's 911 Call Center and 819 mobile data terminals (MDTs) in all district patrol vehicles as well as many specialized units. The new 911 system has many time and life saving features, including detection of calls from individuals with hearing disabilities and the capacity to transfer calls to/or contact police departments from surrounding counties. The use of MDTs reduces delays in routine information retrieval and allows dispatchers to handle 911 assignments more efficiently. Police officers are able to access data (for example, vehicle checks and "wanted persons" files) directly from laptop computers installed in their vehicles. Without MDTs, police officers would have to radio their requests to 911 dispatchers, who investigate the requests and radio back the reply.

Five-Year Plan Obligations Summary

Police

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100	424,915,371	414,508,988	414,508,988	420,140,904	423,615,601	411,998,936	412,998,936	415,998,936
Class 200	7,429,201	7,093,809	7,222,871	7,176,008	7,176,008	7,176,008	7,176,008	7,176,008
Class 300/400	7,595,032	7,913,904	7,634,765	7,634,765	7,634,765	7,634,765	7,634,765	7,634,765
Class 500								
Class 700								
Class 800	2,096,999	2,072,215	2,072,215	2,196,056	2,196,056	2,196,056	2,196,056	275,653
Class 900								
TOTAL	442,036,603	431,588,916	431,438,839	437,147,733	440,622,430	429,005,765	430,005,765	431,085,362

City of Philadelphia
Five-Year Financial Plan

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Department of Streets

Department of Streets

Mission

The mission of the Department of Streets is to provide clean and safe streets.

Organizational Objectives and Targeted Initiatives

Continue to Improve the Condition of Roadways, Bridges and Highways

- **Expand snow and ice removal operations.** During FY01, the City's revised snow-fighting plan was implemented and, for the first time in the City's history, all tertiary residential streets were cleared after significant snowstorms. The City reserve snow-fighting fleet now includes 163 mostly smaller and more maneuverable vehicles, expanding the total number of vehicles available to fight snow to 600 vehicles during severe winter storms. The Department also leased snow-melting machines for the first time in FY01 and began testing them in Center City and the parking lot at Veterans Stadium. During FY02 the Department has leased two machines and will test these on smaller neighborhood streets. The snow-melting machines, leased for three months for a total of \$119,940, will greatly expedite snow removal and significantly reduce the need to create large mounds of snow on street corners that impede traffic flow and parking. During FY02, the Department will also test the use of salt brine in neighborhoods in the Northeast and in northwest sections of the City, which are at higher elevations and tend to receive greater snowfall. Brine, a mix of salt and water, can be applied 12 to 18 hours in advance of a snowstorm and can melt up to two inches of snow and facilitate removal. It is more cost effective than the current salting process because the brine uses a much lower concentration of salt. For approximately \$210,000, the Department purchased two brine units to mix the salt and water, two brine storage tanks and eight smaller tanks that dispense the brine.
- **Improve on Kelly Drive.** The Department began making a number of lighting and signalization improvements along Kelly Drive, from Eakins Oval to just north of Falls Bridge, in April 2001. The \$3.9 million project, 80 percent of which is funded through federal grants, involves installing new streetlights along the length of the Drive and new traffic signals at four intersections. The new streetlights and conduit system should reduce the number of outages along Kelly Drive, enhancing the safety for motorists at night. The project also includes illuminating 13 statues along the route. One major component of the project involves the addition of a traffic signal at the intersection of Kelly Drive and Sedgley Drives, a precarious intersection that pedestrians and bikers needed to cross to get to the recreation trail. The addition of the traffic signal required relocating the Lincoln Statue approximately 50 feet to the east. The project is scheduled to be completed by May 2002.
- **Leverage federal and state funding to maximize infrastructure improvements.** The Department continues to work with its regional transportation partners, including the Pennsylvania Department of Transportation (PennDOT), SEPTA, and the Delaware Valley Regional Planning Commission, to maximize the use of federal and state funding for

infrastructure upgrades in the City. Through its investment of \$8.1 million, the City will be able to leverage \$94.3 million in federal and state funds for these repairs. The following table summarizes some of the Department's major projects through FY07.

Project	Description	Total Project Cost	City Share	Expected Completion Date
Reconstruction of Delaware Avenue between Penn's Landing and Aramingo Avenue	PennDOT and the Streets Department are working to improve traffic flow and overall public safety in this area by rebuilding the roadway, providing better lane definition for motorists, installing sidewalks, and modernizing street lighting and traffic signals.	\$20 million	\$800,000	Mid FY03
Market Street Elevated Train Reconstruction and Streetscape	Partnering with SEPTA, the Streets Department is designing the streetscape improvements along the Market Frankford Elevated Train line as part of the larger SEPTA construction project. Streetscape improvements will include sidewalk redesign/repair, improved street lighting and more modern traffic signals.	\$6.2 million	\$1.2 million	FY07
Avenue of the Arts/North Broad Street	The project will add new traffic signals, new streetlights, and banners at intersections along North Broad Street between City Hall and Somerset Street. Landscaping and streetscape improvements will be added at several major intersections.	\$10 million	\$1.45 million	FY03
South Street Bridge Replacement	The Streets Department has completed preliminary planning for the South Street Bridge over the Schuylkill River, and final design is beginning. The completed bridge will provide a vital link between Center City and West Philadelphia.	\$55 million	\$4.5 million	The final design should be completed by the end of FY03 with construction beginning in December 2004 and ending in FY05.
Germantown Avenue in Chestnut Hill	The Streets Department has completed engineering for the Germantown Avenue Bridge, which will replace the existing deteriorated structure and permit the reopening of the currently closed northbound lane. Construction is scheduled to begin in Spring 2002.	\$8.15 million	\$815,000	The final design completed with construction beginning in FY02 and ending in mid-FY04.

Project	Description	Total Project Cost	City Share	Expected Completion Date
42 nd Street Bridge	This bridge will be the first of three structures (40th, 41st and 42nd) that will be replaced in West Philadelphia in order to provide vital access to the West Philadelphia Empowerment Zone and serve as a link to neighborhoods separated by Amtrak rail lines.	\$6 million	\$697,000	The final design should be completed in early FY02 with construction beginning in mid-FY02 and ending in FY03.
School House Lane	The project will rebuild the roadway from Henry Avenue to Ridge Avenue, including curb, sidewalk and lighting.	\$4.6 million	\$900,000	Construction will start in mid-FY02 and will be complete in mid-FY03.
Lancaster Avenue	This project will modernize traffic signals from 40 th Street to City Ave. A second phase will address streetscape, sidewalks and landscaping.	\$5 million	\$1 million	Construction is anticipated to begin in FY04.

- Determine cost-effectiveness of alternative street resurfacing options.** The Highways Division is developing a computerized Pavement Management System that will be used to inventory and analyze existing street composition data. When complete, this new system will enable the Department to choose from a variety of resurfacing treatments, including hot-in-place (HIP) recycling of streets, "novachip," "slurry seal," crack sealing and conventional resurfacing depending on which is the most appropriate and cost effective in each situation. The system will provide information about the history of street repairs performed on a given stretch, track current work orders and help gauge the effectiveness and longevity of different treatments. The Department is implementing the Pavement Management System in two phases. During the first phase, the system was deployed in the 5th Highway District for a six-week pilot ending January 2002 at a cost of approximately \$230,000. If the results are favorable and the system provides useful information on resurfacing longevity, the Department will start expanding the system in the spring of FY02 and will implement it in all six Highway districts citywide by FY04.

Improve Traffic Control

- Complete modernization of traffic signals.** The Department has been modernizing some of the City's oldest traffic signals at nearly 500 intersections in Center City and the Northeast. At \$40,000 per signal, this capital project will cost approximately \$20 million, of which 80 percent is covered through federal highway funding. By the end of FY02, the Department will have modernized 330 signals, including 90 intersections in the southwest quadrant of Center City. Once a signal has been modernized, the Department is able to link it to the centralized control center, which was completed in FY01. The centralized control center allows the Department to modify traffic signal timing remotely, in order to improve traffic flow and alert the Department about needed repairs. For example, if there is a special event or a mid-day snow emergency requiring non-peak evacuation, the timing of the lights can be modified from the control center to move the traffic through more effectively. The Department anticipates that, by the middle of FY04, the Center City intersection upgrades will be completed.

Improve Refuse Collections and Enhance Streetscape Beautification and Cleaning Efforts

- **Enhance street cleaning.** The Department traditionally used two methods for cleaning streets: mechanical cleaning using large street sweepers and manual cleaning. The mechanical street sweepers are efficient, but are driven down the middle of streets and cannot be maneuvered into hard-to-reach places. Although manual cleaning is slow and labor-intensive, it can remove debris between parked cars and on sidewalks. In FY01 the Department tested two sidewalk sweepers, or "Green Machines," to clean on sidewalks and in tight areas that the mechanical brooms cannot access. Based on the successful testing of the Green Machines in commercial corridors, the Department plans to purchase three additional machines in FY03 at a cost of approximately \$22,500 each. The five Green Machines, which will be fully deployed by January FY03, will replace the ten manual cleaning block cart routes. This redeployment will allow additional Department staff to be assigned to enforcement functions.
- **Expand drop-off centers.** In order to help eliminate illegal dumping and provide citizens with an accessible alternative to curbside trash collection, the Department is opening a new drop-off center in the far Northeast. The Department opened its fourth drop-off facility in Southwest Philadelphia in FY01 and plans to open its fifth drop-off facility at State Road and Ashburner Street in the spring of FY02. Drop-off centers are open Monday through Saturday from 8 AM – 4 PM. The facilities cost approximately \$30,000 in initial start-up costs and approximately \$108,000 annually to operate.

Divert the Maximum Amount of Materials Possible from Disposal by Providing Environmental Leadership and Education

- **Encourage recycling through education.** During November FY02 the Department held a series of focus groups to test the comparative effectiveness of ten recycling promotion messages. Based on its findings, the Department will introduce the first of a series of multi-media advertising campaigns in March 2002. The key message of the first campaign will be that recycling is a responsibility of all community members, that it has environmental benefits, and that non-participation is punishable by law. The goal of the educational campaign is to increase the FY01 residential recycling diversion rate of 6.3 percent to between 13 and 18 percent by the end of FY04. The multi-media and other educational outreach efforts will be funded by a \$1.2 million grant from the PA Department of Environmental Protection.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Original Projection	FY02 Current Projection	FY03 Projected
Street Resurfacing by City Crews (sq. yards)	3,149,879	2,656,020	2,329,978	2,700,000	2,700,000	2,700,000
Potholes						
Number Repaired	16,202	16,023	24,314	30,000	30,000	30,000
Response Time-Peak (days) Feb, March, Apr	3	3.6	3.2	4	4	4
Response Time-Off Peak (days)	3.3	3.9	3.2	6	5	5
Tons of Refuse Disposed	743,211	754,464	763,852	772,300	770,286	770,702
Percent of Refuse Collected by End of Shift	96%	95%	95%	95%	95.6%	95%
Household Recycling Collected (tons)	43,668	44,978	41,244	46,703	44,341	45,856
Percent of Recycling Collected on Time	96%	97%	97%	97%	97.8%	97%
Street Cleaning-Mechanical (miles)	65,613	82,998	N/A	83,000	80,000	83,000
Street Cleaning-Manual (miles)	19,839	13,962	7,983	8,925	8,500	5,500
Tons of Refuse per Sanitation Crew	14.0	13.72	13.94	14.0	14.0	14.0
Linestriping (sq. ft.)	1,121,337	1,426,813	1,044,550	1,330,000	1,000,000	1,000,000
Street Crack Sealing (sq. ft.)	296,364	705,950	804,053	1,008,000	1,400,000	1,400,000
Citizen Survey: Percent satisfied with street repair on City roads	27.5%	30.3%	27.5%	28%	28%	30%
Citizen Survey: Percent satisfied with trash collection	68.1%	67.1%	63.1%	65%	65%	68%
Citizen Survey: Percent satisfied with recycling collection	63.6%	80.5%	77.4%	79%	79%	81%
Citizen Survey: Percent satisfied with street cleaning	23.9%	33.0%	36.5%	38%	38%	40%

Street Cleaning – Mechanical (miles). In FY01 some streets were mistakenly double-counted when the trucks made multiple trips on the same stretch.

Street Cleaning – Manual (miles). Manual cleaning in FY03 includes a roving crew, a full year of two Green Machines, and six months of the three new Green Machines. FY04 will include a full year of the five Green Machines, which lead to an increase in the number of miles cleaned.

Five-Year Obligations Summaries

Streets

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100	16,910,203	15,693,030	15,480,712	15,709,472	17,612,880	16,157,880	16,157,880	16,157,880
Class 200	14,342,650	14,042,715	13,269,626	13,269,626	13,269,626	13,269,626	13,269,626	13,269,626
Class 300/400	1,904,629	2,000,526	2,000,526	2,750,526	2,750,526	2,750,526	2,750,526	2,750,526
Class 500	24,447	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Class 700								
Class 800	3,000,000							
Class 900								
TOTAL	36,181,929	31,766,271	30,780,864	31,759,624	33,663,032	32,208,032	32,208,032	32,208,032

Streets – Sanitation

	<u>FY 01 Actual</u>	<u>FY 02 Adopted Budget</u>	<u>FY 02 Current Target</u>	<u>Projected FY 03</u>	<u>Projected FY 04</u>	<u>Projected FY 05</u>	<u>Projected FY 06</u>	<u>Projected FY 07</u>
<u>BUDGETED OBLIGATIONS</u>								
Class 100	49,625,904	46,110,923	46,110,923	46,792,308	47,980,160	47,439,605	46,914,606	46,669,606
Class 200	35,308,898	37,345,329	37,138,599	38,729,669	39,849,234	41,001,818	42,190,549	43,541,768
Class 300/400	1,468,878	1,550,379	1,550,379	1,550,379	1,550,379	1,550,379	1,550,379	1,550,379
Class 500	48,171	48,171	48,171	48,171	48,171	48,171	48,171	48,171
Class 700								
Class 800								
Class 900								
TOTAL	<u>86,451,851</u>	<u>85,054,802</u>	<u>84,848,072</u>	<u>87,120,527</u>	<u>89,427,944</u>	<u>90,039,973</u>	<u>90,703,705</u>	<u>91,809,924</u>

City of Philadelphia
Five-Year Financial Plan



Water Department

Philadelphia Water Department

Mission

The Philadelphia Water Department (PWD) and Water Revenue Bureau serve the greater Philadelphia region by providing integrated water, wastewater, and storm water services. The utility's primary mission is to plan for, operate, and maintain both the infrastructure and the organization necessary to purvey high quality drinking water, to provide an adequate and reliable water supply for all household, commercial, and community needs, and to sustain and enhance the region's watersheds and quality of life by managing wastewater and storm water effectively.

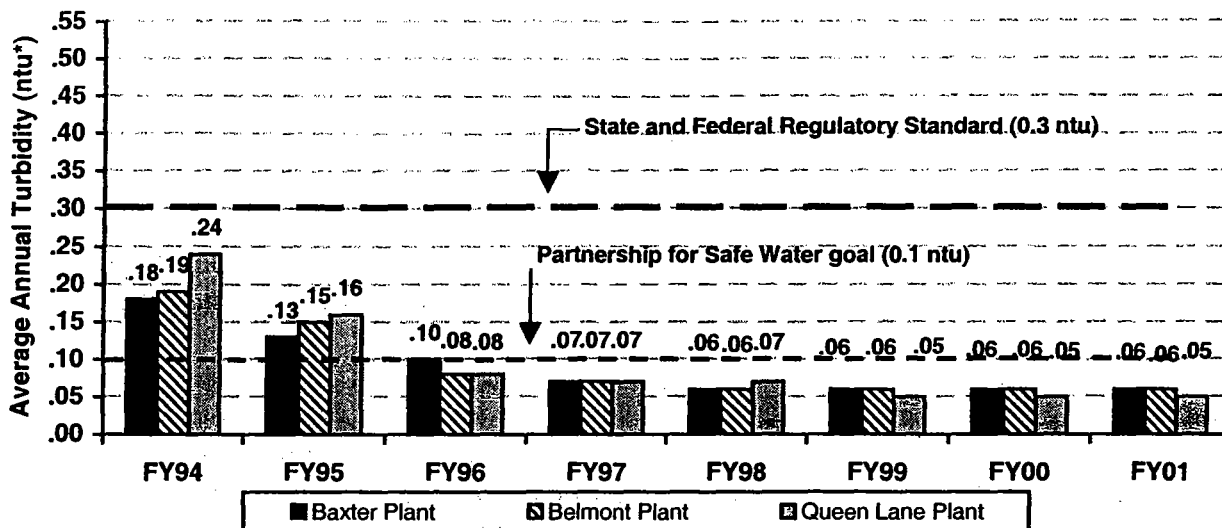
The PWD operates three water plants treating an average of nearly 300 million gallons of Delaware and Schuylkill river water each day, three wastewater plants cleaning over 450 million gallons per day of sewage, a 73-acre biosolids recycling facility, a sophisticated testing laboratory, and a range of technical and administrative support services. In addition, the Department maintains 3,300 miles of water mains, 3,000 miles of sewers, 75,000 storm water inlets, over 27,500 fire hydrants, and extensive related infrastructure. The Water Revenue Bureau (WRB) of the Department of Revenue manages water and sewer billings and collections for the Water Department.

Organizational Objectives and Targeted Initiatives

Provide High Quality Drinking Water to Promote Public Health and Achieve all Regulatory Standards, While Ensuring a Reliable and Cost-Effective Water Supply

- **Participate in the EPA's voluntary Partnership for Safe Water program.** Since January 1996, when the PWD voluntarily joined the national Partnership for Safe Water (a joint program of the U.S. Environmental Protection Agency (EPA) and the water industry), the PWD has committed itself to reduced "turbidity," an industry standard measure of water purity. In January 2002 regulatory requirements for turbidity were lowered from 0.50 nephelometric turbidity units (ntu) to 0.30 ntu. Fortunately, through the PWD's efforts in the Partnership and its continued improvements in water filter performance, the turbidity of Philadelphia's water already averages 0.06 ntu, five times below the more stringent criteria. From FY03 to FY07 the Water Department plans to maintain or improve upon current turbidity levels, and to continue to operate within guidelines that are more rigorous than Commonwealth or federal law require.

High Water Quality: Performance Improved at Drinking Water Plants



* Nephelometric turbidity unit, a standard measuring unit of turbidity. Lower turbidity means water is less cloudy.

Source: Philadelphia Water Department

The PWD's goal during FY03 to FY07 is to achieve the Partnership's "Excellence in Water Treatment" (Phase IV) award for all three of its drinking water plants, in accordance with goals established in FY02. Utilities earning this award must demonstrate that they are among the few plants in the country obtaining the highest consistent level of plant performance possible. Whereas Phase III achievement recognized a plant that identified opportunities for and achieved considerable progress in improving performance, Phase IV is only awarded to those plants that have overcome all obstacles to excellence in water treatment, and can demonstrate their capability to maintain that level of performance by achieving a treated water quality that is consistent with the Partnership's quality goals. To meet this new goal the Department will focus on reducing slight increases in the filtered water turbidity that occurs exclusively during the back washing of the water filters at the water treatment plants. Capital modifications of \$600,000 implemented in FY02-03 and modifications in operations will be key in meeting the Phase IV requirements.

- Conduct pilot plant research.** In late 1997 the Water Department launched a research program to help meet its long-term goals for water quality improvements. The EPA continues to tighten water treatment requirements, with the next stage occurring in January 2002 with the implementation of the Interim Enhanced Surface Water Treatment Rule (IESTWTR), and the Stage I Disinfectant/Disinfection By-Product Rule (D/DBP). The IESTWTR Rule promulgates the reduced turbidity goals previously mentioned. The D/DBP Rule requires the increased removal of total organic carbon (TOC) necessary for improved water quality throughout the distribution system. The PWD is well prepared to meet this new requirement of 25 percent to 35 percent TOC removal as a result of work performed at its pilot plants. In fact, the Department has established internal plans to surpass by five to ten percent the level of TOC removal required by regulation. Research conducted at the pilot plants on the introduction of pH control systems, the proper placement of chlorine

application points, and the use of enhanced coagulation to remove more of the organic particles in the water treatment process has significantly aided the Department in meeting new regulations. Through the continuation of such advanced research, the Water Department can prepare to meet anticipated future regulatory mandates cost-effectively and ensure that it is positioned to continue to provide high quality drinking water for its customers.

Help Preserve and Enhance the Water Quality in the Region's Watersheds through Effective Wastewater and Storm Water Services, Planning and Acting in Partnership with other Stakeholders to Achieve a Sensible Balance Between Cost and Environmental Benefit

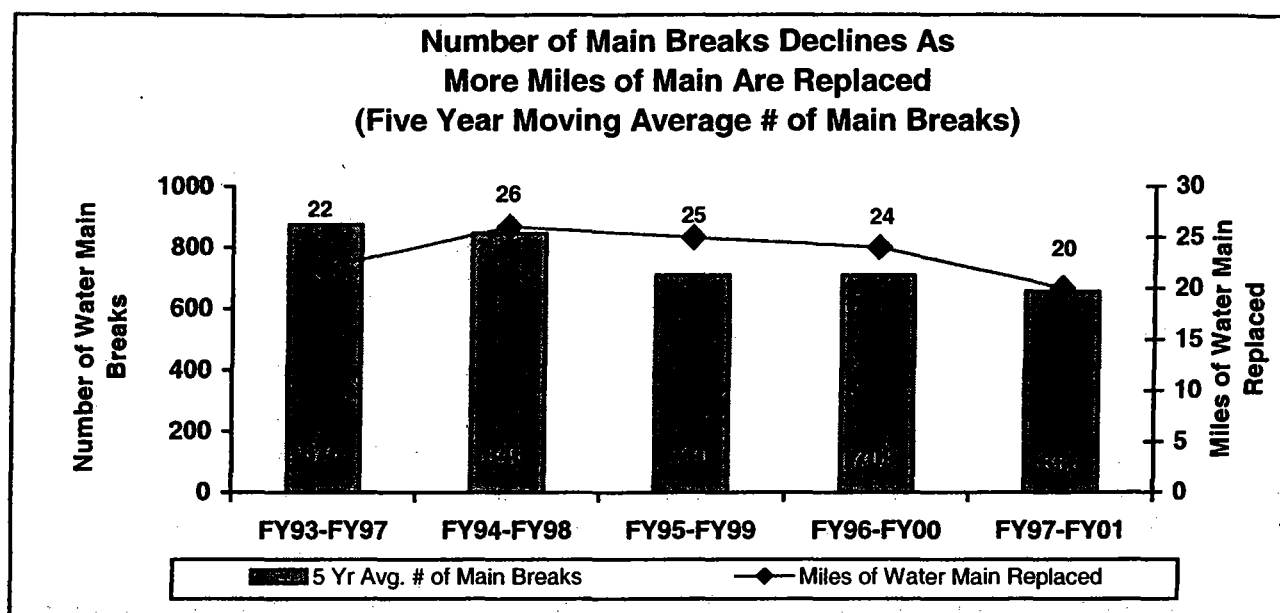
- **Conduct a source water assessment of the Schuylkill River.** A prime example of regional partnerships being formed to protect the region's watersheds is a new joint effort between the PWD, the Philadelphia Suburban Water Company (PSWC), and the Pennsylvania-American Water Company to perform a source water assessment of water intakes along the Schuylkill River and its tributaries. Funded in part by a \$500,000 grant from the Pennsylvania Department of Environmental Protection (PADEP), this study was initiated in FY02 and will be completed by the end of FY03. The study will assess the susceptibility to pollution of the Schuylkill River watershed, a major source of drinking water for the public served by these three utilities. The PWD will take the lead role in this study, performing 80 percent of the contractual obligations, with PSWC and Pennsylvania-American providing support services. The PWD is also involved in a similar process for seven surface water intakes along the tidal section of the Delaware River. The outcome of the assessments, available in FY04, will detail the major issues within the watershed threatening the quality of the drinking water supply. Using this information, from FY04 to FY07 the PWD plans to develop and implement a Source Water Protection Plan including emergency response plans, public education, public outreach, and best management practices for businesses.
- **Implement a long-term control plan for combined sewer overflows.** The Water Department's initial plan to control combined sewer overflows (CSOs) - the release of some storm water and sewage into the City's rivers and streams during heavy storms- was approved by PADEP in 1997. Since then the Department has initiated a CSO control plan that uses industry accepted best practices in the operation of the sewer system, and has reduced CSO volume by three percent in compliance with the objectives of the PWD's CSO plan. Key to this accomplishment were efforts to detect and eliminate dry weather overflows, the maximization of the collector system for storage, and increased inspection and monitoring of CSO outflow locations. The Department has also begun the implementation of its Long Term Control Plan that includes \$48 million in designated capital improvements primarily intended to capture more flow within the City sewer system. As of FY02 approximately 40 percent of this capital program has been implemented; the remainder is planned for completion by FY05. In addition, the CSO plan for FY03 to FY07 will feature a watershed-based approach that will seek to involve other regional stakeholders in a more comprehensive planning effort. The Department anticipates that the combination of these efforts will result in a reduction in CSO volumes of 15 percent to 19 percent by FY07.

- **Implement a regional watershed based storm water management program.** To date, only systems serving a population of more than 100,000—such as Philadelphia—must have storm water permits. In 1995, the City received its first such permit from the Pennsylvania Department of Environmental Protection, which required multiple improvements to storm water management including changes to street de-icing procedures and increased inlet cleaning. In FY03 Phase II of the storm water regulations will require permits for communities of less than 100,000. From FY03 to FY07 the Water Department plans to work in partnership with Phase II communities in Bucks, Chester, Delaware, and Montgomery counties to implement a regional watershed based storm water management program. It is in the best interest of the PWD to cooperate with local communities in a holistic management system. The addition of more local communities to the program will help the PWD improve the quality of the rivers flowing into and through Philadelphia. Management of storm water on a watershed basis includes demonstrations of Best Management Practices (BMPs), water quality monitoring to estimate the effectiveness of BMPs, regional continuity in construction and inspection practices, retrofits of flood controls for water quality improvements, comprehensive sanitary infiltration controls, and environmental training for employees in BMPs.

Responsibly Maintain, Renew, and Replace the Public's Investment in Water, Wastewater, and Storm Water Infrastructure, Optimizing Useful Life and System Integrity

The PWD maintains and operates six large water and wastewater treatment facilities and a biosolids recycling center. These systems are highly complex to operate and require a large portion of the Department's operating and capital resources to maintain. Integrated with these plants is an extensive network of underground infrastructure that delivers water to a population of over 1.5 million and carries sewage for treatment from a population of almost 2.2 million through retail service in Philadelphia and wholesale water and wastewater contracts in the suburbs.

- **Accelerate water and sewer main replacement.** The Department has stepped up the pace of its water and sewer main replacement programs to reduce future costly and disruptive main breaks. This effort has resulted in a reduction in the rolling five-year average for main breaks of 25 percent when comparing the period from FY93-FY97 to FY97-FY01. PWD also tracks the number of breaks experienced for each 1000 miles of main using a 15-year moving average to smooth out the effect of weather variations. Based on historical information dating back to 1930, the PWD's 15-year moving average for 2001 was only 212 breaks for every 1,000 miles of main—the lowest total in over 45 years, and a level better than the national average of 240 to 270 breaks per 1,000 miles. From FY03 through FY07 the Department intends to maintain its strengthened asset management program by replacing 27 miles of water mains and 9 miles of sewer mains in each fiscal year. Due to the aggressive asset management program, the Water Department is projecting the number of water main breaks repaired to decline to 570 in FY02 and FY03, a potential decrease of 16 percent from the 682 water main breaks in FY01.



Source: Philadelphia Water Department

- Improve capital and preventive maintenance program.** The Water Department is developing a comprehensive assessment program for its water, wastewater, pumping and biosolids recycling facilities to proactively address future capital funding requirements. Through this assessment the Department can identify and evaluate infrastructure needs and reduce the number of expensive and disruptive emergency repairs. Maintenance and capital projects can be scheduled on a preventive rather than reactive basis. The program, called the Capital Facilities Assessment Program (CFAP) will assess future capital needs of each facility and complement the established maintenance program at each facility by instituting a framework for the periodic assessment of major infrastructure. The three initial facilities to undergo CFAP assessments (Queen Lane Water Treatment Plant, Southeast Water Pollution Control Plant, and Lardners Point Water Pumping Station) will be completed in FY02. The remaining Water Department facilities will be phased into CFAP with expected completion in FY06. Information generated from CFAP will be integrated with the Department's new computerized maintenance management and inventory control system called Maximo. In FY02 the PWD completed implementation of Maximo at all three of the Department's water treatment facilities and all three wastewater treatment facilities. In addition, the system is being used at PWD's Biosolids Recycling Center, and all inventory locations. By the end of FY03 the use of this system will allow the Department to achieve optimal industry standards of 80 percent predictive and preventive maintenance and 20 percent reactive maintenance for its facilities. The new system greatly improves upon the Department's previous manually operated work order system by directing maintenance activities through the computerized issuance of approximately 35,000 work orders per year, and also the issuance of 9,000 inventory items. During FY03 to FY07 this new operation should greatly improve the life expectancy of equipment and cost effectiveness of the PWD's maintenance operations.
- Develop the Geographic Information System (GIS).** In FY02 the PWD contracted with a GIS consultant for vector data conversion of PWD's underground assets, and final implementation of its GIS system. The system will be completed by FY05 at a cost of \$9 million. The computer-based GIS system will spatially display PWD infrastructure, and link

decision-making. Quick access to utility infrastructure data through the GIS system will allow timely management decisions, thereby increasing productivity and reducing risk.

- **Develop Sewer Infrastructure Assessment Program.** In FY02 the Water Department initiated a new sewer assessment program to evaluate the condition of the Department's sewer systems infrastructure. This project includes the development of engineering criteria for the ranking and prioritization of potential sewer defects that will allow each section of sewer to be rated in terms of its need for repairs. This engineering system will be piloted through the cleaning and video inspection of approximately 150 miles of the sewer system. With this information the Water Department will evaluate the current Collector System Capital Program and plan for future capital needs accordingly. The project will be completed by FY04 at a cost of \$6 million. Another aspect of this program is the concurrent training of PWD personnel in video inspection technology and the use of the sewer defect prioritization system. Once trained, PWD personnel will conduct sewer inspections on an ongoing basis.

Provide Superior Service to Customers in a Timely Manner, with Commitments to Anticipating and Preventing Problems Where Feasible, Resolving Problems Thoroughly When They Occur, Educating and Involving the Public on Issues of Critical Concern, and Delivering Services in a Fair, Respectful, and Equitable Manner

- **Complete installation of Automatic Meter Reading (AMR) for industrial and commercial accounts.** In FY02, having completed 95% of the installation of AMR for its residential customer base, the Department began to install AMR technology for 14,064 customers with meters one-inch or greater, the majority of whom are commercial or industrial accounts. The implementation of AMR for these accounts will virtually eliminate the use of estimated reads, a major cause of customer service complaints by these large accounts. As of October 2001 the Department had installed AMR for 58 percent of these accounts. Many of the large meter accounts that remain to be retrofitted are for meters three inches and above and unlike the one-size fits all approach used for residential customers, these large meter installations require a more individual and customized approach for each location. Therefore, the implementation of AMR for these customers will be ongoing through FY06. The estimated cost for completion of the remaining meters is \$3.2 million.

Finance the Critical Operations of the Department through the Development of an Increasingly Strong and Reliable Revenue Base, Effectively and Consistently Collecting Fees and Charges in a Timely Manner, Under a Fair, Equitable and Community- Sensitive Rate Structure, while Relentlessly Pursuing both Outstanding Receivables and Appropriate New Sources of Revenue

- **Increase rates to maintain fiscal stability.** In FY02 the Water Department implemented its first rate adjustment since 1995. In accordance with this rate adjustment, residential rates will rise by an average of 2.8 percent every year for the next three years (FY02, FY03, and FY04). Commercial rates will typically rise an average of 10 to 15 percent each year depending on the size of the meter and the water usage. The larger percentage increase in the commercial sector was partially due to a reallocation of storm water costs based on actual land use in Philadelphia and the higher amount of storm water run-off from commercial properties. In spite of this rate adjustment, PWD continues to provide services at the least expensive residential water and wastewater

rates in the region. As indicated in the following table, PWD's water rates are less than half those charged by most neighboring investor-owned utilities. Moreover, PWD had not had a rate increase since July 1995, the PWD's longest period of rate stability since the early 1970s. Nationally, water utilities experienced average annual rate increases of about five percent from 1995 through 1998, a cumulative rate of approximately 20 percent.

2001 Regional Residential* Water and Sewer Charges		
	Monthly Water Bill	Monthly Sewer Bill
Pennsylvania American Water+	\$40.05	N/A
Philadelphia Suburban Water+	\$35.72	N/A
New Jersey American Water+	\$31.39	N/A
North Wales Water Authority +	\$26.44	N/A
North Penn Water Authority +	\$26.45	N/A
Doylestown Township	\$25.40	\$36.67
CCMUA (Camden County) **	N/A	\$26.25
Trenton	\$18.12	\$20.31
Philadelphia Water Department	\$13.94	\$15.56
Rates in effect on December 3, 2001. Storm water charges are excluded from sewer calculations, because many jurisdictions fund such services from the general tax base or a separate utility assessment. *Calculations based on 6230 gallons/month (833 cu.ft.) ** Sewer-only utility. + Water-only utilities. Source: Philadelphia Water Department		

As a result of PWD's demonstrated fiscal responsibility, in FY02 Wall Street's three largest bond rating agencies (Standard and Poor's, Moody's, and Fitch's) upgraded the PWD's debt into the A range.

- Expand customer base.** In calendar year 2001 the PWD began supplying water to serve customers of the Philadelphia Suburban Water Company (PSW) who live in the Eddystone Pennsylvania area. This relationship is the result of a wholesale water agreement with PSW to supply them with up to 6.5 million gallons of water a day from two connections with the PWD's system. The second connection to PSW is expected to provide potable water to Cheltenham Township by 2003. The two service connections are expected to provide the PWD with more than \$2 million in annual revenue when fully implemented in 2003. Although the PWD provides wholesale wastewater service to all communities surrounding the city through 10 contracts, the PSW agreement marks only the second wholesale potable water agreement for PWD, and is the first such agreement in 34 years. By expanding its services beyond its borders, PWD can spread the capital costs of maintaining the utility's infrastructure over a larger customer base, thereby keeping costs low for both current and new PWD customers. Throughout FY03 to FY07 the PWD will continue with its efforts to expand its customer base.

Key Performance Measurements

Water Department

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Millions of Gallons of Treated Water	103,664	100,762	93,930	99,280	99,280	99,285
Percent of Time Philadelphia's Drinking Water Met or Surpassed State & Federal Standards	100%	100%	100%	100%	100%	100%
Miles of Pipeline Surveyed for Leakage	1,396	1,395	1,832	1,560	1,560	1,560
Water Main Breaks Repaired	637	828	682	570	570	570
Avg. Time to Repair a Water Main Break (hrs.)	7.9	8.3	8.0	8.0	8.0	8.0
Percent of Hydrants Available	98.8%	98.1%	97.6%	99.1%	99.1%	99.0%
Number of Storm Drains Cleaned	93,536	91,250	95,796	93,074	93,074	96,806
Citizen Survey: Percent Satisfied with Overall PWD Services	69.1%	74.7%	71.3%	75.0%	75.0%	77.0%
Citizen Survey: Percent Satisfied with Water Service Reliability	81.0%	85.6%	86.5%	87.0%	87.0%	89.0%
Citizen Survey: Percent Satisfied with Water Service Pressure	77.7%	82.6%	81.5%	84.0%	84.0%	86.0%
Citizen Survey: Percent Satisfied with Water Safety	70.7%	74.0%	74.6%	76.0%	76.0%	78.0%
Citizen Survey: Percent Satisfied with Water Taste and Odor	58.2%	62.6%	63.7%	64.0%	64.0%	66.0%
Citizen Survey: Percent Satisfied with Water Overall Quality	69.1%	72.2%	72.2%	73.0%	73.0%	76.0%

PROJECTED REVENUE AND REVENUE REQUIREMENTS
WATER DEPARTMENT OPERATIONS 1989 GENERAL ORDINANCE
(in thousands of dollars)

Line No.	Fiscal Year Ending June 30					
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
OPERATING REVENUE						
1. Water Service – Existing Rates	\$114,443	\$130,738	\$143,717	\$142,877	\$142,000	\$141,124
2. Wastewater Service – Existing Rates	225,667	240,862	253,245	253,642	252,508	251,372
3. Total Service Revenue – Existing Rates	340,110	371,600	396,962	396,519	394,508	392,496
Additional Service Revenue Required:						
4. Year % Incr.						
5. FY2005 8.00%				31,722	31,561	31,400
6. FY2006 8.00%					34,086	33,912
7. FY2007 3.00%						13,734
7. Total Additional Service Revenue Required				<u>31,722</u>	<u>65,647</u>	<u>79,046</u>
8. Total Water and Wastewater Service Revenue	340,110	371,600	396,962	428,241	460,155	471,542
9. Transfer From (To) Rate Stabilization Fund	41,346	35,578	23,329	(2,267)	999	(71)
10. Other Income (a)	<u>35,609</u>	<u>34,947</u>	<u>30,333</u>	<u>31,840</u>	<u>34,003</u>	<u>31,258</u>
11. Revenues	417,065	442,125	450,624	457,814	495,157	502,729
OPERATING EXPENSE						
12. Water and Wastewater Operations	191,434	198,094	204,767	210,440	216,273	222,275
13. Direct Interdepartmental Charges	<u>47,871</u>	<u>49,746</u>	<u>51,548</u>	<u>53,029</u>	<u>54,554</u>	<u>56,124</u>
14. Total Operating Expense	<u>239,305</u>	<u>247,840</u>	<u>256,315</u>	<u>263,469</u>	<u>270,827</u>	<u>278,399</u>
15. NET REVENUES AFTER OPERATIONS	177,760	194,285	194,309	194,345	224,330	224,330
DEBT SERVICE						
Senior Debt Service						
Revenue Bonds						
16. Outstanding Bonds	147,749	147,770	147,789	147,820	148,381	148,381
17. Pennvest Parity Loans	384	384	384	384	384	384
18. Series 2001 Bonds (b)		13,750	13,750	13,750	13,750	13,750
19. Projected Future Bonds (c)					<u>24,426</u>	<u>24,426</u>
20. Total Senior Debt Service	148,133	161,904	161,923	161,954	186,941	186,941
21. TOTAL DEBT SERVICE COVERAGE (L15/L20)	1.20x	1.20x	1.20x	1.20x	1.20x	1.20x
Subordinate Debt Service						
22. Outstanding General Obligation Bonds	602					
23. Pennvest Subordinate Loans	<u>1,227</u>	<u>1,227</u>	<u>1,227</u>	<u>1,227</u>	<u>1,227</u>	<u>1,227</u>
24. Total Subordinate Debt Service	<u>1,829</u>	<u>1,227</u>	<u>1,227</u>	<u>1,227</u>	<u>1,227</u>	<u>1,227</u>
25. Total Debt Service on Bonds	149,962	163,131	163,150	163,181	188,168	188,168
26. CAPITAL ACCOUNT DEPOSIT	16,237	16,587	16,937	17,287	17,637	17,987
27. TOTAL COVERAGE (L15/(L25+L26))	1.06x	1.08x	1.07x	1.07x	1.09x	1.08x
RESIDUAL FUND						
28. Beginning of Year Balance	22,480	14,681	9,488	5,735	3,612	4,137
29. Interest Income Deposits	640	240	25	0	0	0
30. End of Year Revenue Fund Balance	11,561	14,567	14,222	13,877	18,525	18,175
31. Deposit for Transfer to City General Fund (d)	4,138	4,138	4,994	4,994	4,994	4,994
32. Less: Transfer to Construction Fund	20,000	20,000	18,000	16,000	18,000	18,000
33. Less: Transfer to City General Fund	<u>4,138</u>	<u>4,138</u>	<u>4,994</u>	<u>4,994</u>	<u>4,994</u>	<u>4,994</u>
34. End of Year Balance	14,681	9,488	5,735	3,612	4,137	4,312
RATE STABILIZATION FUND						
35. Beginning of Year Balance (e)	103,177	61,831	26,253	2,924	5,191	4,192
36. Deposit From (To) Revenue Fund	<u>(41,346)</u>	<u>(35,578)</u>	<u>(23,329)</u>	<u>2,267</u>	<u>(999)</u>	<u>71</u>
37. End of Year Balance	61,831	26,253	2,924	5,191	4,192	4,263

- (a) Includes other operating and non-operating income, including interest income on funds and accounts transferable to the Revenue Fund.
- (b) Based on \$250,000,000 bonds reflecting 5.5% interest, term of 30 years, interest only payments through Fiscal Year 2010, November 2001 sale date, and the first interest payment from system revenues due in Fiscal Year 2003.
- (c) Based on \$355,000,000 bonds reflecting 5.5% interest, term of 30 years, level annual principal and interest payments, January 2005 sale date, and the first principal and interest payments due in Fiscal Year 2006.
- (d) Transfer of interest earnings from the Bond Reserve Account must first go to the Residual Fund as shown in Line 31 to satisfy the requirements for the Transfer to the City General Fund, with the balance going to the Revenue Fund, included in Line 10.
- (e) Excludes an annual interim internal loan of approximately \$45 million from the Rate Stabilization Account to the Revenue Account.

City of Philadelphia
Five-Year Financial Plan

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Citizen Services:
Comprehensive and
Coordinated Social Services

Citizen Services

Comprehensive and Coordinated Social Services

Overview

The Division of Social Services within the Managing Director's Office was created in FY01 by Mayor John Street to improve the quality of social services provided to the residents of Philadelphia. Included in the Division of Social Services (DSS) are: the Department of Public Health, including the Behavioral Health System (BHS) and Mental Retardation Services (MRS); the Department of Human Services; the Philadelphia Prison System; the Department of Recreation and the Office of Emergency Shelter and Services (OESS). In addition, the following Commissions and Offices work closely with DSS: the Mayor's Office of Community Services; the Mayor's Commission on Aging, the Mayor's Commission on People with Disabilities; the Mayor's Office of Health and Fitness; the Mayor's Office of Faith-based Initiatives; the Office of Children's Policy; and Philadelphia Safe and Sound. Under the leadership of the Director of Social Services, the mission of the Division of Social Services is to effectively anticipate, plan for and respond to the health and social needs of Philadelphia's children, adults and families through a more integrated and coordinated system of services.

Organizational Objectives and Targeted Initiatives

Improve Services Provided to Children and Families

- **Provide Integrated Case Management.** The City is developing an integrated case management system, which is essential to ensure that services are provided without duplication and with a high degree of coordination among departments so that the needs families are more effectively met. Currently, if one or more individuals in a family unit receive services from more than one social service department, there will often be more than one case manager involved. In some of those incidences, one case manager may not be aware of another case manager's involvement and will develop a service/treatment plan that does not incorporate or, in the worst case, contradicts the service/treatment plan developed by another social service entity.

An essential component of integrated case management is an integrated database system that will allow case managers to access relevant client data from all involved city systems so that they may have the complete information necessary to provide appropriate and comprehensive services. Currently, each social service department has its own data system that operates independently, making it difficult to obtain all the information needed to effectively service an individual or family. DSS is in the process of exploring and resolving the legal and technical challenges involved in moving towards an integrated data system. DSS plans to complete at least the first phase-in (integration of database systems of DHS, BHS and OESS) by FY03. Once the system is completed, when a client interacts with one of the systems the integrated database system will notify the other systems involved. Integrated case management and integrated data management are long-term investments in systems change and will be rolled out in phases as the model is developed, reviewed and refined over the course of several years. The capital program includes \$8 million from FY03 through FY08

for the project. The projected cost for the first phase-in is estimated to be between \$2 and \$3 million.

DSS began piloting two integrated case management programs FY02, Good Neighbors Make Good Neighborhoods and the Maximizing Participation Project (MPP). The Good Neighbors Make Good Neighborhoods program, which requires on-going collaboration between OESS and the Philadelphia Housing Authority's Section 8 program, is discussed in more detail in the Adult Services section of the this Plan. MPP is discussed in more detail later in this section.

- **Help families obtain self-sufficiency.** In 1997, the federal welfare reform legislation imposed a five-year lifetime limit on eligibility for cash assistance through Temporary Assistance to Needy Families (TANF). As a result, approximately 6,100 TANF households in Philadelphia will reach their limits by March 2002. In July 2001, to assist these families, the state gave a one-year \$3.2 million contract to create the non-profit Maximizing Participation Project (MPP), run under the direction of DSS. An MPP case manager identifies the multiple barriers that can hinder an individual's ability to work and finds ways to overcome them, be they housing, mental health or substance abuse issues, prenatal or child care or job training. Since its inception in July 2001, MPP has helped approximately 600 families find income alternatives to TANF, such as employment or SSI. In FY03, the City's MPP will serve approximately 800 households. The State has also funded another MPP project in Philadelphia, run by JEVS that will increase the total number of households served in FY03 to approximately 4,000.
- **Expand faith-based initiatives to reduce truancy.** The Mayor's Office of Faith-based Initiatives (MOFI) was created in April 2001 to foster partnerships between faith-based organizations and schools to reduce the rates of truancy and help children achieve in school. In FY02, MOFI launched "Rebound," a series of exhibitions and workshops focused on bringing together approximately 400 children, their parents, school representatives and faith-based organizations to put support services in the school. During FY03, volunteers from faith-based organizations will assist the schools by calling parents when students are absent, mentoring students who are suspended and providing extra supervision as hall and trip monitors. Also in FY03, MOFI will focus on the long-term goal of linking 25 elementary and middle schools with a nearby faith-based organization to maximize students' performance and achievement.
- **Enhance the effectiveness of services through cross-departmental coordination.** Departing from the common practice of departmental segregation in service delivery, DSS rolled out several cross-departmental initiatives in FY01 and FY02 to enhance the effectiveness of services. Specific projects in FY03 include the collaborative efforts of DHS and BHS to reduce the number of children sent to out-of-state residential treatment facilities (discussed in greater detail in the DHS section of the Five Year Financial Plan); a joint venture between BHS and OESS to help families who have completed their substance abuse rehabilitation programs secure Section 8 vouchers and receive case management support for a year after move-in (discussed in greater detail in the DPH section of this Plan); the David Olds Project, a collaborative initiative between DHS and DPH which provides home-based nursing to low-income women who are pregnant with their first child (discussed in greater detail in the DHS

section of this Plan); and the Medical Home Project, another shared initiative between DHS and DPH that uses the City's health care centers to provide primary care services to children in protective custody who do not have health insurance or a regular health care provider (discussed in greater detail in the DPH section of this Plan).

Improve and Expand Child and Youth Development Services

- **Children's Investment Strategy (CIS).** Philadelphia is home to approximately 260,000 children in grades one through twelve, about 100,000 of whom do not have access to after-school or youth development activities. Research has shown that the non-school hours, between 2 PM and 8 PM, are the peak times for youth to commit crimes or become victims of crimes, use drugs, drink and engage in other negative behaviors. As a result, the Mayor and public and private partners have identified after-school and youth development activities, such as life skills training, mentoring and academic enrichment programs, provided during non-school hours as a primary vehicle for improving outcomes for school-aged youth. The CIS is an unprecedented initiative that began in FY01 to improve the health, safety and academic outcomes for Philadelphia's children and youth by addressing this need. While the long-term strategy is to help to rebuild the capacity of neighborhoods to support their children, the initial focus has been on developing and expanding after-school, youth development and violence and substance abuse reduction programs during non-school hours, throughout the city. The Mayor's CIS initiative aims to increase funding by \$150 million over the next three years to support a citywide expansion of services to the 100,000 children and youth who currently do not access to after-school or youth development activities.

In FY01, 77 new after-school and youth development programs were introduced, adding 3,500 additional participant slots and in FY02, the City supported 100 after-school and youth development programs, for a total of 5,000 participant slots. Although it is uncertain how many after-school and youth development programs will be added in FY03, the focus will be achieving universal access for all Philadelphia residents. CIS will also ensure that all after-school and youth development programs adhere to standards of quality and best practice.

The CIS is one of several key initiatives introduced by the Mayor in response to the needs of children, as highlighted by **The Children's Report Card 2000 and 2001**, which are the first attempts to measure the well-being indicators for children in Philadelphia. The Report Card examines 27 key indicators that take into account the social, health care, educational and family factors. Effective development programs that help school-aged children build emotional, social and academic skills, can have a positive impact on as many as 14 of the key indicators. Concomitant with The Report Card, **The Children's Budget** was developed to track and analyze spending trends of Philadelphia programs serving young people under age 18.

- **Beacon Schools.** From its inception, the leadership of the CIS has articulated the importance of building strong partnerships between the City's public schools and its after-school programs, as a long-term strategy for improving school attendance and performance. The Beacon Model, based on a successful New York City program, calls for the development of school-based community centers as a strategy for rebuilding communities of support for children, youth and their families in urban neighborhoods. Beacon schools remain open

seven days a week until 9 PM and serve as "one-stop shopping" centers, offering a vast array of programs and services and drawing in neighborhoods as partners. During the early part of 2002, the City plans to open nine Beacons, each at a cost of approximately \$400,000 in grant funds, to serve a total of approximately 1,000 youth. A total of \$14 million has been committed to the combined after-school, youth development and Beacon programs.

Promote Effective Services that Result in Positive Consumer Outcomes

- **Institute a system of continual improvement.** DSS' Quality Management Unit (QMU) provides technical assistance to departments in order to develop methods to answer the question "are the services that are being provided making a difference in the lives of consumers?" The effectiveness of a social program or social service is determined by the extent to which programs and services are successful in achieving positive changes in the lives of the people they serve. In FY01, social service departments developed and began reporting on performance measures that are focused on achieving the outcomes that they and the service recipients desire. During the second half of FY02 and into FY03, QMU will work with departments to enhance performance measurement data, which will be used in evidence-based decision making to assess, and as needed, modify programs and policies. Those modifications will then be assessed and the data used to continue to refine and improve services.
- **Develop performance-based contracting accountability systems.** DSS will implement a system of performance-based contracting over the next five years in order to ensure that contractors are providing services that meet the City's standards and promote desired consumer outcomes. During FY02, departments are involving contracted providers in the development of outcome language for inclusion in FY03 contracts. In addition, they will assess their contract decision-making and monitoring practices and identify ways to incorporate a performance-based approach that reflects program standards and emphasizes consumer satisfaction and success. A partnership between the City and its many service providers is critical in order to achieve success for those who receive services. Enhancement of information systems to support performance measurements will be another significant area of focus.

Improve the Health of Philadelphia Residents

- **Promote Health and Fitness.** The Office of Health and Fitness through Fun, Fit & Free! continues to develop and implement innovative methods to improve the health of Philadelphians. Some of the initiatives implemented in 2001 were "See What You Can Be," a community-based initiative that targets groups at risk for poor health and educates them about healthier lifestyle choices; "Cooks," a cooking course that teaches individuals how to prepare healthy meals; "Health Trip," which educates and encourages youths to adopt positive lifestyle behaviors; and "Lifestyle Makeovers," a two week overnight program that teaches diabetes management and other healthy lifestyle options. In 2001 the Office worked directly with 347 residents and as many as 3,000 students through the seminar programs, and had approximately 26,000 participants in 76 TONS OF FUN. Seventy-five percent of the

participants in these initiatives reported improvement in their overall health with 70 percent engaging in increased physical activity. Encouraged by the impact that these initiatives have had on the lives of Philadelphia's residents, the Office will continue to run these programs. In 2002, the Office's goal is to have at least four "See What You Can Be" initiatives operating in pre-selected communities, offer "Cooks" courses citywide, expand "Health Trip" to reach at least 1,000 elementary and high school students, and to offer a subsidy to 40 individuals to participate in "Lifestyle Makeovers." In 2002, the Office hopes to directly impact 400 residents through hands-on community-based initiatives and provide programming for at least 5,000 students. The Office plans to raise approximately \$515,000 from private sources to fund its programs and outreach efforts.

City of Philadelphia
Five-Year Financial Plan

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Adult Services

The Office of Adult Services

Mission

The mission of the City of Philadelphia's adult services system is to prevent homelessness and provide emergency and transitional services to assist households in obtaining and maintaining permanent homes. The Office of Emergency Shelter and Services (OESS) and Riverview Home are the primary agencies for delivering these services. This effort also involves a number of other City agencies including the Office of Housing and Community Development, the Department of Human Services, and the Behavioral Health System. The Division of Social Services is responsible for overall policy development and interagency coordination of adult services.

Organizational Objectives and Targeted Initiatives

Decrease the Demand for Emergency Shelter by Increasing Affordable, Permanent Housing Options for Individuals and Families that are Homeless

- **Complete a strategic plan.** Each day the City provides homeless services to approximately 7,000 individuals and families, expending more than \$30 million annually in federal, state and local dollars through OESS to address the problem. Given the challenges posed by homelessness and the significant level of funds currently expended, the City is developing a strategic plan to help guide homeless policy and City investments in these programs. In developing the plan, the Office of Adult Services (OAS) will assess the effectiveness of current prevention programs and intake procedures, shelter operations, and employment and residential placement and support services. The plan will put forth a vision for homeless services and the action steps necessary to continue the shift from emergency shelter to prevention efforts, shorten shelter stays, and increase permanent housing opportunities. The plan is currently being developed, starting with recommendations for permanent supportive housing, and will be completed by mid-FY03.
- **Increase the number of permanent housing units, with support services as needed.** The availability of affordable, permanent housing is a critical piece of any strategy to assist homeless households transitioning from the street to independence and self-sufficiency. The McKinney-Vento Homeless Assistance Act programs administered by the U.S. Department of Housing and Urban Development (HUD) are a major source of competitive federal dollars for the full continuum of homeless services in Philadelphia, including permanent supportive housing for homeless individuals and families. While this funding source has been instrumental in increasing Philadelphia's capacity to address homelessness, the funding available for new projects has decreased significantly. In FY97, Philadelphia received \$16.7 million of which 44 percent was for new projects. In FY02, the City was awarded \$20.2 million, only 15 percent of which was for funding of new projects that will be used to create new permanent housing units for formerly homeless households with disabilities. The City will continue to leverage dollars under the Federal McKinney program in FY03.

As part of its effort to increase permanent housing for formerly homeless households, the City has forged a productive working relationship with the Philadelphia Housing Authority (PHA) to ensure a reliable supply of subsidized housing for homeless families ready to transition to independent living. In FY02, the City and PHA began an important new joint endeavor: the "Good Neighbors Make Good Neighborhoods Program." Serving as a pilot for the Division of Social Services' integrated case management model, "Good Neighbors Make Good Neighborhoods" is unlike other PHA projects in that it offers a year of intensive support services to approximately 400 formerly homeless households who will receive Housing Choice Vouchers through the program. By acting as lead case manager for families, the "Good Neighbors Make Good Neighborhoods" case manager will coordinate all case management services delivered by City systems to ensure that services support families moving to unsubsidized housing. Since its start in mid-FY02, the project has leveraged existing public and private sector case management resources. In the long term, this program will allow the City to focus more of its resources on permanent housing and homeless prevention efforts as more families move out of shelters into permanent homes.

- **Improve access to housing resources.** In FY02, the OAS and the Department of Human Services entered into a joint venture to create a Housing Support Center. The Center will assist households with identifying appropriate and safe housing, navigating application procedures for housing programs, transitioning into new housing, and linking with social services to maintain independent living. These services are currently provided by a number of City departments and agencies; the Housing Support Center will eventually centralize all housing support resources and provide one-stop shopping for clients and case managers. The Center will initially focus on households in the DHS and OESS systems, and plans to engage other systems and agencies in the future. The Center plans to hire a director and secure office space during 2002 in order to be fully operational in FY03. Other than the director position, the remaining staff will be made up of OESS and DHS existing positions that are redeployed to the Center.

Improve and Enhance the Continuum of Services Available to Homeless Families and Individuals with a Focus on Behavioral Health, Employment and Training, and Services for Children

- **Build upon the successes of Sidewalk Behavior Ordinance.** Key components of the original Sidewalk Behavior Ordinance plan of FY98, which was created under the leadership of then-Council President Street, included more than 200 new residential placements for individuals who have been homeless and have mental illness and/or substance addictions, enhanced homeless outreach and case management, and increased behavioral health supports for those who enter the regular shelter system. While the outreach and entry level services provided as part of that plan continue to successfully transition chronically homeless individuals from the street, the availability and range of permanent housing opportunities for persons who are chronically homeless need to be enhanced in order to meet their long-term needs.

In FY02, the nationally respected Corporation for Supportive Housing was brought in to facilitate a public-private process to develop a plan that builds upon the important work done

in recent years to understand homelessness in Philadelphia and recommends an affordable housing agenda that will be the cornerstone of efforts to end chronic homelessness for individuals and families within ten years. The report proposes the creation of 3,400 units of new supportive housing over five years through a combination of development and targeted rental assistance. The models currently being considered for single individuals with co-occurring disabilities include one which uses assertive community treatment teams and a harm-reduction approach to provide clinical, vocational, health and other services to individuals, enabling them to live stable lives in permanent housing. This model is expected to be implemented in FY03.

Enhance employment and training opportunities. Ready, Willing and Able (RWA) is a residential employment program first started in New York City by The Doe Fund that seeks to assist homeless individuals who are ineligible for Temporary Assistance for Needy Families (TANF) and its related employment supports. Different from traditional emergency shelters, the program focuses on increasing participants' employability and pays participants for the work they do while participating in the program. Of the participants in the New York City program, approximately 55 percent graduated to permanent, unsubsidized housing and stable employment within 18 months of entering the program. The Philadelphia program, which began in November 2001, provides employment training and temporary housing for up to 70 single men with drug abuse and criminal histories. The Philadelphia program, which is funded through a performance based contract, is expected to match if not surpass the success demonstrated by the New York City program. If the program achieves its projected outcomes in FY03, the RWA provider will receive 100 percent of its approximately \$1.2 million contract. If the provider exceeds the contract goals, there will be additional compensation for that success.

Stabilize Frail and Elderly Residents and Support them in Efforts to Achieve Independence and Restoration to Community Settings

- **Expand occupational therapy services.** Based on the findings of a needs assessment conducted in FY01, a program of occupational therapy services was implemented in FY02 to address the needs of Riverview residents at risk for falls, functional decline, loss of strength and mobility, and social and cognitive deficits related to advancing dementia. Beginning in January 2002 and throughout FY03, these services will be provided through individual and group intervention methods. Consultation services for facility staff, such as recommendations for environmental modifications to enhance residents' functioning and quality of life, will also be provided. At no additional cost, occupational therapy programming will be expanded to include formal assessment of cognition, safety, and daily living skills for residents identified as having the potential to return to the community. Those residents preparing to reenter the community will receive occupational therapy to retrain independent living skills as needed based on that formal assessment.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Homeless Services / OESS						
Average Daily Number of Emergency Shelter Beds	2,318	2,097	2,105	1,924	1,924	1,828
Number of Placements into Transitional Housing	626	526	637	741	741	741
Number of Placements into Permanent Housing (Section 8)	53	329	1	430	430	430
Intake/Reception Contacts	28,057	20,844	28,768	38,240 ²	32,240	35,240
Number of Enrollees in Employment and Training Programs	271	315	391	460	460	460
Number of Employment and Training Participants Placed in Jobs	74	150	167	217	217	217
Aging Services / Riverview						
Average Daily Number of Residents	243	226	208	225	225	250
% of Population Discharged to Independent Living, Assisted Living Situations, Private Housing	23%	26%	28%	18%	18%	20%
% of Population Re-Unified with their Families	14%	10%	9%	17%	17%	18%
# of Re-admissions within One Year	11	13	15	10	10	10
% of Population Re-Admitted within One Year	5%	6%	7%	4%	4%	4%
Entitlement and COPE Applications	344	329	433	433	433	450

Number of Placements into Permanent Housing. In FY01 a new partnership was forged with PHA to ensure a more significant and consistent supply of subsidies going forward.

Intake/Reception Contacts. The increase in the FY02 original projection for intake/reception contacts was primarily based on the anticipated impact of the economic downturn and the increased number of relocations related to NTI activity. OAS anticipates increased relocation activity to occur in FY03.

Average Daily Number of Residents. The Average Daily Number of Residents is projected to increase in FY03 as a result of a recent housing renovation completion.

Entitlement and COPE Applications. Entitlement applications are completed on behalf of Riverview residents to secure any entitlement income or third party insurance benefits available to those residents (including Supplemental Security Income, Supplemental Security Disability Income, social security and boarding home supplements). Community Outreach Program for the Elderly (COPE) is the service that Riverview intake social workers provide when they assist elderly persons living in their own homes in applying for benefits/programs that will help them to remain in those homes and, thereby, prevent them from needing Riverview's residential services. Entitlement applications are expected to increase because of the larger number of residents for whom applications will need to be made. COPE services will not increase.

Five-Year Obligations Summary

Office of Emergency Shelter and Services

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
<u>BUDGETED OBLIGATIONS</u>								
Class 100	3,268,055	3,139,905	3,092,806	3,138,509	3,314,205	3,088,094	3,018,094	2,994,761
Class 200	11,794,981	11,795,647	11,618,712	13,897,112	13,897,112	13,897,112	13,897,112	13,897,112
Class 300/400	130,373	165,481	162,999	162,999	162,999	162,999	162,999	162,999
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	<u>15,193,409</u>	<u>15,101,033</u>	<u>14,874,517</u>	<u>17,198,620</u>	<u>17,374,316</u>	<u>17,148,205</u>	<u>17,078,205</u>	<u>17,054,872</u>

The five-year obligations projections for Riverview are included in the five-year obligations summary for the Department of Human Services.

City of Philadelphia
Five-Year Financial Plan

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**Department
of
Human Services**

Department of Human Services

Mission

The mission of the Department of Human Services (DHS) is to protect children from abuse, neglect, and delinquency; ensure their safety and permanency in nurturing home environments; and strengthen and preserve families by enhancing community-based prevention services.

Organizational Objectives and Targeted Initiatives

Prevent the Abuse, Neglect, and Delinquency of Children and Youth

- **Increase efforts aimed at preventing abuse, neglect and delinquency.** In FY02, a pilot project for diverting families from entering the formal DHS system was established with an initial goal of diverting more than 1,200 families from entering the formal DHS system. The families, reported for unsubstantiated cases of abuse and neglect, were diverted into other community-based services (i.e., after-school/youth development programs, parenting education and support programs, and information and referral programs). If the pilot program is successful it will be continued next year and based on the substantial demand for services, DHS expects the number of families served to rise to approximately 2,400 in FY03. The benefits of this new approach include: (a) lower cost, through the delivery of community-based services that are less expensive than mandated services; (b) greater flexibility for the consumer; and (c) the establishment of a continuum of a voluntary, neighborhood-based system of care that supports families in enhancing their children's safety and well-being.

Strengthen and Preserve Families so that Children at Risk Can Be Safely Cared for in Their Own Homes

- **Accelerate the movement of children from out-of-home care to permanent placement.** In FY02, the Department began using a new legal option, permanent legal custody, to help move children into permanent living arrangements. This option is intended to provide financial support to families who are providing care to children for whom neither reunification with their parents nor adoption are viable options. The caregiver is expected to assume permanent legal custody of the child until he or she reaches the age of 18, providing the child with permanence, stability and continuity. The level of financial support is consistent with that of foster care payments and, like foster care payments, is reimbursable under Act 148 (state funding) at 90 percent to the Department. To date, 20 children and their caregivers have chosen to pursue this option. The Department will continue to work with all parties involved to ensure the timely achievement of permanent placements for children through reunification, adoption, and permanent legal custodianship.
- **Implement *Blueprint for Excellence*.** Significant changes in child welfare legislation and funding allocations at the federal level – such as the passage of the Adoption and Safe Families Act (ASFA) and the overhaul of the Federal Department of Health and Human Services' (DHHS) regulations regarding child welfare reviews and funding allocations –

reflect the growing concern about the state of children and families, as well as a national call for higher expectations and improved outcomes in child welfare services. This shift from quantitative expectations to qualitative assessments provides the Department with an opportunity to reexamine assumptions, structures, priorities, and practices; harness and build on existing human capital and financial resources; more keenly focus efforts to ensure child safety, permanence and well-being; and to achieve these reform goals in a timely and effective fashion.

The three main goals of ASFA are child safety, child permanency and child well-being. If reunification with the child's family of origin is not possible, out-of-home care is not viewed as a permanent solution. Kinship caregivers must either become adoptive parents or permanent legal custodians. All other placements must move toward termination of parental rights after 15 months except when compelling reasons for not moving toward adoption exist.

DHS has developed its *Blueprint for Excellence*, to organize, articulate and ensure that DHS achieves its reform priorities as well as to address other opportunities for service improvement over the next five years. The *Blueprint for Excellence* will enable DHS to allocate its resources in a manner that is in accordance with the goals of ASFA to produce better outcomes for Philadelphia's children and families. To this end, DHS selected six goals around which reform work on behalf of children and families will center: safety; permanence; treatment and wellness; service quality and program accountability; child and family well-being; and community-based partnerships.

- **Enhance services in Community Family Centers.** Each Family Center provides a set of core services (case management for families diverted from DHS intake, parenting education and support programs, information and referral programs, social services to families of children referred to Truancy Court, and after-school and youth development services). Approximately 5,000 families are projected to receive one or more of these services from the network of 19 Community Family Centers in FY02, including over 1,200 referred by DHS intake as a diversion from formal involvement in the child welfare system. Four new Family Centers, funded with \$2.0 million in TANF funds, are planned for FY03 in the underserved communities of Nicetown/Tioga, West Oak Lane, Kensington and South Philadelphia.

In FY02, for the first time, DHS will establish formal performance standards and service requirements for all Family Centers to better define services and to more efficiently target families at higher risk of abuse and neglect. The standards will also help DHS to better track and assess the services it purchases. A web-based data reporting and record keeping system was piloted in FY02 and will be fully implemented throughout the DHS prevention system in FY03. For the first time, this will allow for the collection of real-time data on actual service delivery and performance for these programs. By the end of FY02, the system will also be in place for the Department's truancy-related programs, parenting education programs, and school-linked behavioral health project. The system will allow the Department to track services for families and share data (when legally permissible) across service systems to better serve families, more effectively monitor and evaluate provider performance, and measure quality and outcomes for services. These developments will ensure that expectations for and evaluation of service delivery are clear and standard across the entire

network of Family Centers. The Department will invest \$2.0 million in FY03 to bring all Family Centers up to the established performance level standards.

- **Redefine and expand prevention day treatment options for youth at high risk of involvement in the juvenile justice system (JJS).** In FY02, the DHS prevention division conducted an intensive review of over \$3 million of delinquency prevention day treatment services. Among other major findings, it was determined that these programs were not directly targeted toward youth at highest risk of involvement in the delinquency system, and that few meaningful standards or performance measures were in place for these programs. This review has resulted in the development of revised service descriptions and standards for delinquency prevention services, as well as the definition and development of a more coherent referral network to assure that these services are directly impacting on the health and well-being of youth at high risk of JJS involvement and their families. Through a Request for Proposal process planned for the spring of 2002, DHS will announce its new service requirements and standards and solicit community-based partnerships to provide these services. Priority populations will be youth involved with the Truancy Court system, youth referred through Youth Aid Panels, and youth identified through the informal adjudication process at Family Court. It is expected that a minimum of 1,500 unduplicated youth will be served by these programs in FY03.
- **Implement and expand home visiting programs for compromised caregivers.** In FY02, the Department implemented a program based in North Philadelphia and Germantown that provides home nurse visitation for low-income women who are pregnant with their first child. The program uses a nationally recognized model that research has shown leads to dramatic reductions in abuse and neglect in the short term and delinquency in the long run. The program consists of intensive and comprehensive services (counseling and parent education, linkage to health and human services, medical screenings, and transportation) during a woman's pregnancy and for the first two years after birth. This program will cost \$2.1 million and is projected to serve 400 women by the end of FY02, with an additional 200 women (capacity for 600) to be served by an expanded program in FY03.

In addition, in the second half of FY02, DHS will implement a similar program to support mothers with Mental Retardation (MR) whose children might otherwise be put into placement. Many mothers with MR lose their children for reasons of neglect only because their disability makes it more difficult for them to learn and to continue to meet their children's daily needs. Project staff will provide intensive assistance to help mothers develop the skills necessary to effectively care for their children. At a cost of \$160,000, the project will serve 25 families in FY02 and at an approximate cost of \$300,000 will be expanded to serve 60 families in FY03.

By the end of FY02, a third home visiting program will be developed targeting mothers who are in substance abuse treatment. It will be formally implemented in FY03, and serve approximately 160 families at a cost of \$1.2 million. Each of these programs is directly linked to the DHS intake and investigations process in order to divert families to these services as an alternative to referral for Services to Children in their Own Homes (SCOH) or placement services. The services will include: service coordination and case management,

specialized parenting skills development programs, child development services, linkage to other health and social services, emotional support and training, and assistance in the development of home management and child-rearing skills.

- **Expand and enhance after-school programs.** Research has shown that quality after-school programming leads to reductions in youth violence and improvement of school performance. The Department combined \$8 million in TANF funding with \$6 million in other Commonwealth and City funds to enhance after-school programs for children throughout the City in FY02, allowing the Department to serve a total of 5,000 youth (an increase of 1,500 youth from FY01) at 100 sites. In addition to the 100 sites, nine new school-based centers, based on New York City's "Beacon School" model, will open in FY02, providing integrated network services through community-based collaboration. In FY03, DHS plans to dedicate an additional \$10 million to youth programs, coordinated through the Mayor's Children's Investment Strategy, serving an additional 5,000 to 7,500 children and youth.

An integral part of the after-school initiative has been the establishment of comprehensive service delivery standards and specific outcome objectives for the children served in these programs (improvement in school attendance, grades, etc). Staff of all publicly-funded after-school programs are provided a minimum of 15 hours of annual training in standards implementation, and management information systems are being developed, for full implementation in FY03, to allow for data matching with the School District to better track both program quality and individual child outcomes.

- **Expansion of parenting skills development programs.** In FY02, the Department, for the first time, will support a variety of community-based programs, called the Parenting Collaborative, which will be aimed at enhancing the basic parenting skills of parents and caregivers at higher risk of involvement in the child welfare system. The programs, each using its own curriculum or research-based model, will be offered in the Family Centers as well as at other sites throughout the City. Although the programs will operate on a year-round basis, a parent's length of participation may be between three and six months depending on the duration of the program cycle. The Department hosted a competitive RFP process and awarded 45 new grants to a variety of agencies serving parents with substance abuse and mental health issues; parents seeking to reunify their families; teen parents; and sexual minority parents. The programs will be aimed at assisting these individuals, who will participate on a voluntary basis, to improve their caregiving skills so that they can avert involvement in the DHS system. The Department has established a training and technical assistance program that will support the providers in offering services. This initiative will serve approximately 3,000 parents in FY02 at a cost of \$2.3 million for eight months of service provision and will serve 5,000 parents in FY03, at an annualized cost of \$3.7 million. The programs must comply with standards that DHS developed in order to continue to receive funding.
- **Expand services for youth brought to Truancy Court.** DHS launched a major campaign in FY01 and into FY02 to raise awareness about truancy prevention resources available. Additionally, in FY01 four Truancy Courts – a joint effort of the School District, the Department of Human Services (DHS) and Family Court targeted at youth with 25 unexcused absences – were open, bringing the total to seven. The goals of Truancy Court are

to resolve the social service needs of children and/or families that inhibit school attendance and to improve children's school attendance so that children can achieve in school. Social workers are assigned to Truancy Court to conduct assessments of family issues that influence children's truancy, propose solutions to families and the Court, and link children and families to appropriate supports. With TANF funds, the Department increased the number of social workers assigned to the Family Court's Regional Truancy Court system from 23 in FY01 to 42 in FY02, allowing the Department to increase the number of families served from 840 in FY01 to 2,500 in FY02. In FY03, the Department expects to receive \$2.5 million in TANF funding for an additional 38 social workers that would allow for services to be provided to 4,000 families. The ultimate goal is to have sufficient TANF resources to serve 6,000 families, the current number of cases referred to the Truancy Court.

- **Improve in-home services to delinquent youth.** The Department of Human Services, consistent with the Pennsylvania's Juvenile Act's mandate to provide services in the least restrictive setting possible and its own mission to preserve families, has made a concerted effort to increase the availability of in-home services to delinquent youth. Between FY97 and FY02 the average number of delinquent youth receiving in-home services in either day treatment or aftercare rose 29 percent, from 652 to 842. In FY03, the Department estimates that the number will be 875.

In addition to increasing capacity, DHS will focus on ensuring the highest quality of in-home services, through joint efforts with service providers, the Family Court/Juvenile Probation, the Behavioral Health system, law enforcement and the advocacy community. These efforts include:

- More frequent review of program performance, including the establishment of quarterly provider forums to address performance data and outcomes within a particular service category.
- Continuing the work already begun by DHS and the Philadelphia Juvenile Probation Department to revise the standards governing the provision of day treatment services.
- Much like the changes in service delivery encountered by many placement facilities, in-home service providers will be expected to provide less generalized delinquency services and more specific services targeted to the individual needs of the youth being served.

Ensure Quality Out-Of-Home Care for Children who Cannot Be Safely Cared for in Their Own Homes

- **Expand community-based detention services for girls.** DHS believes in using the least restrictive means of supervision for youth possible while assuring public safety and that secure detention should primarily be used for those youth who pose a high level of risk for re-offense or failure to appear at a court hearing. An effective alternative to admitting youth to the Youth Study Center (YSC) – a secure correctional detention facility – is Community-Based Detention Services (CBDS) or alternative residential programs. CBDS facilities and community-based options are also transitioning programs for youth after release from the YSC. Currently, the Department has one contract for Community-Based Detention Services

(CBDS) for girls, which provides 18 beds. The number of girls entering the juvenile justice system and being ordered to detention however, is increasing at a greater rate than expected and the Department projects to admit between 850 and 900 girls into the Youth Study Center in FY02, which is higher than earlier admission estimates of between 750 and 800. The numbers are increasing due in part to the lack of community-based options for girls. Based on FY01 detention admission numbers and the current number of CBDS beds, there is one bed for every 44 girls detained at the YSC compared to one bed for every 29 boys detained. To eliminate this disparity, the Department will seek to expand this resource by eight to 12 beds in FY03 at an additional cost of \$500,000. DHS believes that further population reductions can be realized by increasing the number of community-based detention beds.

- **Facilitate construction of a new secure detention facility to replace the existing Youth Study Center (YSC).** Built in 1952, the YSC is no longer suitable for the provision of appropriate security, management, or care to the juveniles housed there. The City is committed to building a state-of-the-art facility with adequate provisions to meet the needs of the community and the youth it serves. The City plans to complete site selection in mid-FY02 for what is likely to be a \$45 million, 150-bed facility.

Ensure Public Safety and Provide Youth Offenders with Opportunities for Constructive Change

- **Decrease the number of youth with behavioral health needs being sent to out-of-state residential treatment facilities (RTF).** There has been a dramatic increase in the number of special-needs youth in the juvenile justice system who require placement in residential treatment facilities. Unfortunately, most RTFs are out-of-state. Out-of-state placements make it difficult for families to be involved in the youth's treatment and hinders successful community re-entry once the youth returns home. Providing local and in-state treatment increases the likelihood of family contact and the opportunity for family therapy. DHS has made some progress in developing in-state treatment facilities for juvenile offenders by increasing the number of placement beds within Pennsylvania by 208 slots in FY01, from 1,384 to 1,592. The number of youth in out-of-state placements dropped to 121 in the first quarter of FY02 from as many as 200 youth in out-of-state placements in previous years.

In FY02 and beyond to reduce out-of-state placement, the Department will implement the following three strategies: (1) Develop step-down programs, such as therapeutic foster care and supervised independent living, to reduce the length of stay in RTF facilities; (2) Ensure that aftercare services are intensive and that they match the needs of children re-entering communities; (3) Ensure that in-state RTF providers with contracts for dependent children accept delinquent children, if appropriate; and (4) Provide technical assistance and resources to help providers make any necessary program changes.

Build an Accountable, Flexible Customer-Friendly Government Administration Designed to Meet the Needs of Children, Youth, and Families in an Effective, Efficient Manner

- **Develop communications and public awareness initiatives to increase access to child and family-centered information and community-based resources.** The DHS Communications Office, in collaboration with the programmatic divisions, is planning and

implementing a number of public education, awareness, and outreach and recruitment strategies. At a cost of \$1.1 million, in FY02 and FY03 the Communications Office will be implementing the following outreach campaigns: an intensive employee recruitment effort through radio and newspaper advertisements and a 24-hour Jobs Hotline; a media strategy to inform the general public of the need for more adoptive parents; a campaign to direct people to call the (215) PARENTS line to promote good parenting and prevent abuse by connecting parents to resources before a crisis occurs; and the public awareness campaign advertising truancy prevention resources.

Commonwealth Funding System is Unclear and Results in Underfunding of the City's Programs. While combined Commonwealth and federal funding has increased from \$218.8 million in FY1994 to a projected \$479.2 million in FY03, the City remains concerned about the absence of a clearly defined, fair, and rational Commonwealth funding process. For the last nine years, the City has implemented a policy of funding mandated programs in a manner consistent with both Commonwealth laws and a settlement of litigation stemming from the failure of the Commonwealth to fund county children and youth programs adequately. The May 1990 lawsuit settlement and the resulting Act 30 amendments to Act 148 formally established a needs-based budget process. Under the settlement stipulation and the Act 30 amendments, Commonwealth funding of DHS and all other county child welfare agencies is governed by the level of the county's need, Commonwealth and local matching formulas established in Act 30, and Act 30 itself. This structure was specifically designed to link funding directly to service need, but the review process and criteria used by the Commonwealth remain confusing and, in many respects, arbitrary, and at odds with the actual experience of counties. These serious inequities and muddled processes continue to trouble the Needs-Based Budget process. The Department takes special issue with the following three tenets of the current process which potentially lead to under-funding:

- The Commonwealth uses uniform statewide caps on rates of increase for costs of contracted services, without regard to actual costs or differences in costs among counties. This is damaging to Philadelphia, which tends to have higher prices than other counties.
 - The Commonwealth uses uniform statewide caps for salaries and benefits that ignore cost of living differences among counties. Again, this is damaging to Philadelphia, which is in a more expensive employment market than Pennsylvania's other counties.
 - In determining a base for counties' approved budget, the Commonwealth uses the "certified" funding amounts from the previous year, rather than actual costs or mid-year estimates, which are usually higher. As a result of the Commonwealth's practice, budgets are usually calculated from a base that is artificially low.
 - DPW does not recognize any administrative cost over two percent of the total Act 148 certified amount and excludes certain DHS professional services contracts from reimbursement, including, for example, psychiatric evaluations.

In addition, the Commonwealth's budget determination process fails to recognize the demographic factors that make Philadelphia unique among Pennsylvania's counties, and rank

Philadelphia substantially ahead of all other counties in major indicators of the need for child welfare services. For example, according to the 1999 edition of *The State of the Child in Pennsylvania*, Philadelphia's rate of children in poverty is 37.4 percent, which is more than twice as high as the 17.3 percent average for the rest of the Commonwealth.

To date, increased federal funding has obscured the flaws in the needs-based budget process. However, these flaws are likely to become more significant if federal funding either levels off or declines. One threat to the City's federal funding is the scheduled FY03 allocation of TANF dollars. TANF has become an increasingly important source of funding for the City and DHS projects that it will receive \$108.5 million from TANF in FY03. While it is possible that that the TANF reallocation will lead to changes in the Department's funding, the Plan assumes level TANF funding through FY07.

I Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projection
Children and Youth Division						
Child Protective Services (Abuse) Reports	4,456	4,467	4,557	4,612	4,958	5,394 ¹
General Protective Services (Neglect) Reports	7,247	8,421	9,829	11,118	10,453	11,117 ²
Total Children Receiving Services	23,322	23,335	23,293	23,350	23,500	23,700
Total Children Receiving Non-Placement Services	12,809	12,510	12,276	11,850	11,979	11,679
Total Children in Placement	8,172	7,979	7,765	7,600	7,496	7,246
Children in Institutional Placements	1,485	1,604	1,466	1,500	1,400	1,400
% of Children who were Victims of Substantiated or Indicated Abuse/Neglect who were the Victims of another Substantiated/Indicated Report within Six Months	2.7%	3.1%	N/A	3.3%	3.3%	3.2%
% of Children in Foster Care Reunited with Parents/Care-Takers in less than 6 Months	58.9%	53.1%	53.4%	48.6%	56.0%	56.0%
% of Children Exiting Foster Care to a Finalized Adoption within 24 Months	5.7%	4.8%	9.2%	14.7%	9.1%	10.0%
Adoptions Finalized	510	650	469	500	500	550 ³
Adoption Subsidies	2,341	2,846	3,252	3,800	3,775	4,272 ⁴
Juvenile Justice Services						
Youth Study Center (YSC) Average Daily Population	117	142	119	150	118	150
Delinquent Youth in Placement	1,256	1,230	1,291	1,293	1,305	1,323
Delinquent Youth Receiving In-Home Services	1,377	1,640	1,468	1,768	1,473	1,558
% of Youth Receiving Delinquent or Criminal Court Petitions while in Non-Residential Program	N/A	20%	21%	15%	21%	17%
Percentage of Youth Receiving Delinquent or Criminal Court Petitions within Six Months after Completing Non-Residential Programs	N/A	25%	19%	15%	19%	17%
Percentage of Youth Receiving Delinquent or Criminal Court Petitions within Six Months after Completing Residential Programs	N/A	25%	29%	20%	31%	25%
Community-Based Prevention Services						
Children Enrolled in DHS-Funded After-School and Youth Development Programs	N/A	N/A	N/A	3,000	3,000	4,000 ⁵
Parents/Caregivers Participating in Parenting Education/Support Groups	N/A	N/A	N/A	3,000	4,500	7,000
Families Diverted by DHS to Community-Based Case Management Services	N/A	N/A	N/A	1,200	1,200	2,000
Families Receiving Family Center Case Management Services (Non-DHS Referred)	N/A	N/A	N/A	1,500	2,000	3,000 ⁶
Youth Referred to Community-Based Services from Truancy Court	N/A	N/A	N/A	2,500	2,500	2,500

^{1,2} As a result of DHS' public outreach campaign, public awareness of available prevention services has increased and the number of abuse reports has also subsequently increased.

^{3,4} Compliance with ASFA and the new Department of Health and Human Service regulations are expected to contribute to the increases in the numbers of Adoptions Finalized and Adoption Subsidies.

^{5,6} In FY03 DHS plans to dedicate an additional \$10 million to expanding after-school programs. The expansion will be coordinated through the Mayor's Children's Investment Strategy. Also, in FY03, with \$2.0 million in TANF funding, four new family centers are planned to open in the communities of Nicetown/Tioga, West Oak Lane, Kensington, and South Philadelphia.

Five-Year Plan Obligations Summary

Human Services

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
<u>BUDGETED OBLIGATIONS</u>								
Class 100	75,755,883	77,929,226	77,929,226	83,893,990	86,992,758	88,169,632	89,477,434	91,169,346
Class 200	360,091,867	393,614,684	392,676,534	438,952,003	474,356,027	488,307,289	502,362,614	516,865,525
Class 300/400	6,305,881	7,571,691	7,223,691	7,534,735	7,758,486	7,811,561	7,853,793	7,908,324
Class 500	34,022	63,237	63,237	63,801	64,376	64,963	65,561	66,172
Class 700								
Class 800								
Class 900								
TOTAL	<u>442,187,653</u>	<u>479,178,838</u>	<u>477,892,688</u>	<u>530,444,529</u>	<u>569,171,647</u>	<u>584,353,445</u>	<u>599,759,402</u>	<u>616,009,367</u>

City of Philadelphia
Five-Year Financial Plan



Philadelphia
Prison System

Philadelphia Prison System

Mission

The mission of the Philadelphia Prison System (PPS) is to provide a secure correctional environment that adequately detains persons accused or convicted of illegal acts; to provide programs, services, and supervision in a safe, lawful, clean, humane environment; and to prepare incarcerated persons for reentry into society.

Organizational Objectives and Targeted Initiatives

Provide Secure Correctional Facilities that Promote Community Safety

- **Expand capacity through the construction of new facilities, renovation of existing ones, and alternative housing.** Fueled by a dramatic increase in the number of arrests, the PPS population has increased by 41.2 percent, from an average daily census of 5,341 in FY96 to 7,541 through the first half of FY02. At the same time, the average daily female census has increased about 60 percent, from approximately 500 in FY96 to 792 as of December 31, 2001. The spike in the female population has been problematic for the PPS, which has been struggling to accommodate females in segregated areas of a predominantly male prison system. The City is taking a number of steps to control the growth in the census, including using the Earned-time/Good-time program to reduce length of stay and expanding use of the Forensic Intensive Recovery (FIR) program as an alternative to incarceration. (The FIR program is discussed in further detail later in this chapter.) Additionally, the City is undertaking several construction and renovation initiatives to expand housing space in order to accommodate the increasing population. Coupled with the opening of the Cambria Community Center in FY01, the initiatives listed below will add 1,048 permanent beds to the PPS' capacity while maintaining current housing space and bolstering security.
- **Complete construction of the Women's Detention Facility and PPS Multipurpose Building.** To help accommodate the increasing population, the City is constructing a 768-bed Women's Detention Facility (WDF) on the PPS campus. Scheduled to open in early 2003, WDF will house minimum, medium, and close-custody women. In addition to staff office and support space, this three-story facility with 122,000 sq. ft. of housing space and 92,000 sq. ft. for support will include an intake and discharge area and space for provision of all inmate services and programs. A separate initiative targeted for completion in early FY04 is construction of a \$4 million 30,000-square-foot multipurpose building, which will house central administrative and support functions of the PPS.
- **Increase the number of inmates housed at the George W. Hill Correctional Facility.** Since February 1999, the PPS has been lodging inmates at the George W. Hill Correctional Facility, in Delaware County, PA. On an average daily basis during the first half of FY02, the City housed 290 inmates at this facility at a per diem cost of \$60.06 per inmate. In December 2001 to accommodate the increased male population, the PPS began leasing

additional beds at the George W. Hill Correctional facility, at an added yearly cost of \$1.1 million for a total capacity of 400 leased beds.

- **Complete Curran-Fromhold Correctional Facility (CFCF) multi-occupancy room plumbing and security renovations.** There are four rooms on each of the 32 pods at the Curran-Fromhold Correctional Facility that were intended for use as staff offices, multipurpose rooms, or storage space. As the inmate population has increased, the PPS has been forced to use these rooms to house inmates, with up to six inmates in each room for a maximum of 12 additional inmates on each 32-bed housing tier. To provide toilet facilities for inmates assigned to the multi-occupancy rooms, one cell on each tier is left unoccupied and open for use. As part of the Settlement Agreement in the *Harris v. City of Philadelphia* case, the City will spend \$2.5 million to install plumbing and to upgrade security in the multi-occupancy rooms at CFCF by February 2003. Security improvements will include renovating doors, upgrading locks, and installing alarms.
- **Complete House of Correction renovations.** As part of the Settlement Agreement in the *Harris v. City of Philadelphia* case, the House of Correction is undergoing a \$7 million renovation project, which began in late FY01 and is scheduled for completion by September 30, 2003. Renovations will include improvements to the facility's electrical system and lighting as well as installation of new windows, a temperature control system, an exhaust system, central laundry facilities and sinks, and repair of all doors, gates, and door locks. These renovations will improve operational, security, and health and safety conditions while extending the useful life of the 75-year-old facility.

Provide a Safe and Orderly Environment for Inmates and Staff

- **Maintain operational and physical plant standards and comply with PPS policies and procedures.** For decades, the PPS has operated under Federal and Commonwealth Court oversight arising from two longstanding class-action lawsuits—*Harris v. the City of Philadelphia* (1982) and *Jackson v. Hendrick* (1971), governing population management and conditions of confinement.

In FY01, the City negotiated a Settlement Agreement to terminate Federal Court oversight of the PPS population arising from *Harris v. the City of Philadelphia*. As part of the Settlement Agreement, the City agreed to monitor compliance with a wide array of policies and procedures through an independent supervisory consultant and expert consultants in the fields of health care, behavioral health, environmental health, sanitation, and safety. Through July 2002, the consultants, selected by the Federal Court and paid by the City, will monitor compliance with PPS operational and physical plant standards as well as PPS policies and procedures.

The Pennsylvania Court of Common Pleas has preliminarily approved a tentative Settlement Agreement to terminate three decades of oversight arising from *Jackson v. Hendrick*. The Settlement Agreement is expected to receive final approval early in 2002. As part of the Settlement Agreement and in an effort to reduce recidivism, the City set aside \$2 million to evaluate, enhance, and expand vocational, educational, work-release, and post-release

training programs and to help inmates find transitional housing upon release from PPS custody. Additionally, through November 2003, the City will use consultants selected by the Courts to monitor compliance with a wide array of policies and procedures relative to maintenance and environmental issues, social services, medical and behavioral health services, use of force, and special management units. The City and the PPS will continue to monitor compliance with PPS operational standards, policies, and procedures when the consultants' contracts expire.

Reduce Recidivism through In-House and Community Diversion Programs

- **Implement Cambria Employment Project.** On June 18, 2001, the PPS began housing minimum- and community-custody female inmates at the 232-bed Cambria Community Center. This effort represents the first major residential treatment initiative designed and targeted exclusively to foster post-incarceration self-sufficiency among female offenders. Psychological, social, and substance abuse treatment services; literacy instruction; and day and evening GED-preparation classes are provided to residents of the Cambria Community Center by the PPS. In December 2001, the City entered into a \$500,000 contract with the Greater Philadelphia Urban Affairs Coalition to manage the Cambria Employment Project, which includes orientation and assessment; vocational training and education aimed at development of job-readiness skills; parenting, spirituality, and creative arts programming; as well as discharge planning and aftercare. Vocational programs will include computer instruction, environmental maintenance, and life skills training for about 728 inmates annually. The aftercare component, which will continue for a minimum of 90 days post incarceration, will include job development, job placement, and employment monitoring services as well as housing assistance, mentoring, and general supportive services. Outcome measurements will be developed during the first year of the Cambria Employment Project to determine the impact of this project on recidivism reduction.
- **Expand PhilaCor market to increase revenues and possibly expand industrial training opportunities.** About 800 inmates participate each year in 14 industrial training programs conducted by PhilaCor, the Philadelphia Correctional Industries Division of the PPS. These industrial training programs are designed to reduce recidivism by providing inmates with real-life work experience that will help them secure post-release employment. Police barricades, office furniture, inmate clothing and bedding are just a few examples of the products that PhilaCor inmates manufacture. Inmates also provide catering, janitorial, laundry, dry-cleaning, printing, and engraving services. These quality goods and services are provided at low cost to other municipal agencies and departments. Through the possible expansion of PhilaCor's market to include nonprofit and tax-exempt private agencies contracted with the City of Philadelphia, the City hopes to increase revenues while potentially expanding the number of industrial training slots for up to 100 additional inmates. This expansion would require the hiring of several shop supervisors, who would be paid from the Industries Fund.

Implement ARAMARK food-service vocational training program. In cooperation with ARAMARK Correctional Services, Inc., the PPS will implement a new food-service vocational training program in late FY02 or early FY03. The initial program design will

train 80 inmates per year in a 90-day course. The inmates will receive daily classroom instruction and on-the-job training in culinary safety and sanitation, food and pastry preparation, and dining operations. Upon successful completion of the 90-day course, trainees will receive an ARAMARK course completion certificate and will have the opportunity to test for both ServSafe national accreditation and a certification in food handling from the Philadelphia Department of Public Health. In FY02, the PPS will try to obtain partial grant funding to help cover the \$48,800 cost of this program. Similar to other vocational training programs operated within the PPS, this program will be designed to reduce recidivism by helping inmates secure gainful employment.

- **Expand the Jewish Employment and Vocational Service (JEVS) training and the Program Logic Automated Teaching Operation (PLATO).** Through a long-term contract with JEVS, about 2,000 inmates participate each year in a wide range of vocational training programs, including welding, building maintenance, job searching, word processing, desktop publishing, environmental maintenance, and horticulture. As part of the Mayor's Neighborhood Transformation Initiative, in FY01 the PPS funded construction of a new greenhouse on the PPS campus. The JEVS prison project began working closely with the PPS, the Fairmount Park Commission, and community development corporations to create a master nursery in the greenhouse, which is expected to open by April 2002. The total cost for the greenhouse and equipment for the nursery was \$25,000, of which JEVS contributed \$10,000. The nursery will be used to grow trees and shrubs to beautify the PPS campus and other locations within Philadelphia. In FY02 and FY03 JEVS will lengthen program duration without increasing contractual costs and will work in cooperation with the PPS to promote stability of inmate participation in JEVS programs by assigning inmates who are likely to maintain constant housing long enough to complete vocational programming. Together with efforts to develop and to maintain partnerships for job training and placement, these initiatives are designed to reduce recidivism by matching skill development efforts to available jobs in the community, thus fostering opportunities for post-release employment.

Each year, about 450 inmates take advantage of the educational programs offered through PLATO, a computer-based education program that provides GED and adult basic education, post-high-school coursework, as well as literacy and English-as-a-second-language instruction in addition to training in computer literacy, parenting, life and employability skills, substance abuse, and health. In FY01 the PPS received a \$100,000 grant from the Pennsylvania Commission on Crime and Delinquency and \$51,487 from the *Jackson v. Hendrick* Court. The grant will be used to upgrade computer hardware and software in the PPS' four existing PLATO laboratories in FY02 and to create two new JEVS vocational training laboratories at CFCF in FY03. The new software will also provide vocational training, career planning, job readiness and job searching, as well as keyboarding and typing programs. The establishment of the new JEVS vocational training laboratories will allow 140 additional inmates to participate, for an annual total of 2,312 beginning in FY03.

- **Bolster Pennypack House School juvenile high-school program and create computer-based GED-preparation program for adult students.** Another 1,400 inmates enroll each year in the Pennypack House School, operated by the School District of Philadelphia. The Pennypack House School is open to all inmates and juveniles certified to be treated as adults

who must attend mandatory high-school classes. Since FY97, the Pennypack House School has received \$480,000 in federal Title I grant funds, which have been used to enhance the juvenile high-school program. The FY01 grant award of \$64,500 will be used to purchase hardware for the juvenile computer laboratory at the House of Correction, to purchase textbooks and other classroom materials, to fund a summer school program, and to augment staffing and tutoring for the juvenile program in FY02. The Pennypack House School also received \$75,000 from a private grant awarded to the School District of Philadelphia in FY01. The grant will be used to purchase hardware and software for a 16-station computer laboratory. In February 2002 the Penn House School's first computer-based GED-instruction program will be conducted for adult males at CFCF.

- **Expand OPTIONS substance-abuse treatment program.** Through the Opportunities for Prevention and Treatment Interventions for Offenders Needing Support (OPTIONS) program, the PPS provides addiction treatment services to inmates in intensive residential units and in moderate "outpatient" units. The OPTIONS program, the first step in the Forensic Intensive Recovery program, was expanded during FY01 with the addition of outpatient OPTIONS units at the Cambria Community Center and the Detention Center. Addiction treatment services will be enhanced further with the expansion of the Detention Center's outpatient program in FY02 and the establishment of an intensive residential program at the Women's Detention Facility in FY03. In FY01 the average of the monthly total of inmates participating in OPTIONS was 829 inmates, as a result of the new initiatives, in FY02 the average is projected to increase to 925 inmates and in FY03 the program at the WDF will allow for an additional 75 inmates to be treated. When the Women's Detention Facility opens in FY03, PPS will incur a minimal increased cost for the salary of one additional social worker to be assigned to OPTIONS.
- **Expand community-based Forensic Intensive Recovery program.** OPTIONS serves as the first step in the continuum of care from prison to the community. Upon completion of the OPTIONS program, PPS inmates may be paroled early or sentenced to participate in the Forensic Intensive Recovery program. Directed by the behavioral health system, the Forensic Intensive Recovery program is an early-parole and re-parole program designed to provide community-based drug and alcohol treatment as an alternative to incarceration. The goals of the program are threefold—to reduce prison overcrowding, to decrease recidivism, and to enhance community safety. The program, which began in 1993, consists of more than 50 drug and alcohol programs that provide clinical evaluation, residential treatment, and intensive outpatient treatment along with a full spectrum of criminal justice and social services. An initial independent evaluation conducted during 1997 found that FIR clients who had undergone at least six months of treatment were reconvicted within 18 months of release from prison at a rate of 66 percent less than a control group that received no treatment. A second independent evaluation conducted in 1999-2000 with a 48-month observation window showed that FIR participants who had completed at least six months of treatment were 44 percent less likely than a control group to be convicted of a new crime within 18 months of release from prison. In addition FIR's positive rehabilitative results, the average daily cost of a year of FIR treatment for a former or diverted inmate is comparable to the average daily cost of incarceration. From FY00 to FY01, the number of inmates diverted to the FIR program rose from 1,312 to 1,561, removing 681 inmates from incarceration in

FY00 and 789 in FY01. The City projects that 1,560 inmates will be diverted to this program each year in FY02 and FY03, removing 1,015 inmates from incarceration in FY02 and 1,083 inmates in FY03.

Ensure Humane Conditions and Appropriate Physical and Behavioral Health Care

- **Improve operational and cost-efficiency of food services.** PPS implemented a new food-service agreement in FY01, while preserving food quality, and reduced the per-meal price to \$1.04 from \$1.25 under the previous agreement. Based on an annualized projection of 7.4 million meals and required medical and juvenile snacks, the cost savings will be almost \$1.5 million annually over the four-year contract. The PPS is continuing phased implementation of a pre-plating system, which began in June 2001 and is targeted for completion by FY03. This system, which will involve pre-plating meals at the PPS food production facility for transport to the other PPS facilities where they will be reheated and served, is expected to bring additional cost savings and greater efficiency to the food-service operation. Moreover, a feasibility study is being conducted in FY02 to evaluate the possibility of using the PPS food production facility to prepare meals for residents of the Department of Human Services' Youth Study Center and Riverview Home for the Aging. This interagency cooperation would likely yield substantial budgetary savings over the next five years.
- **Expand discharge planning.** In addition to offering assistance to inmates with medical and behavioral health care arrangements in the community, in FY00 the PPS began providing discharged inmates with several days' supply of certain prescribed medications, such as antibiotics and medications for chronic illnesses. The discharge-planning program was expanded during FY01 to include all medications, except certain psychotropic drugs. A joint effort involving the inmate physical and behavioral healthcare provider, the PPS, the Probation Department, the behavioral health system, and community-based behavioral health service providers, will be made to expand the discharge-planning program further in FY02. The expansion will include a pilot program for post-release treatment of substance addiction as well as mental health and co-occurring disorders. The goal of the discharge-planning program is to reduce inmate recidivism by helping ex-offenders maintain a drug- and crime-free existence. This is part of a larger effort by the City to integrate case management and to coordinate client service provision among its social service departments.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Average Daily Inmate Census	6,296	6,793	7,121	7,562	7,674	8,034
Escapes/Walk-aways						
From Confinement	1	0	2	0	1	0
From Trustee Status	0	2	0	0	1	0
From Work Release Program	50	25	32	42	42	45
Inmates Participating in Work-release Program (Average Monthly Total)	185	179	257	350	375	375
Inmates Participating in Vocational Training						
Jewish Employment & Vocational Service	1,310	1,724	1,914	2,172	2,172	2,312
Cambria Employment Project	N/A	N/A	N/A	N/A	350	728
ARAMARK Food Service	N/A	N/A	N/A	N/A	N/A	80
Inmates Participating in OPTIONS Substance-Abuse Treatment Program (Average Monthly Total)	1,012	726	829	925	925	950
Inmates Receiving Diplomas						
GED	308	264	254	245	245	245
High School	3	11	11	15	15	15
Inmate Days Saved						
Forensic Intensive Recovery Program	197,100	248,569	287,849	N/A	370,650	395,228
Earned-Time/Good-Time Program	41,473	38,418	40,404	N/A	43,000	45,500

Escapes/Walk-Aways from Confinement. Both FY01 escapes were from local hospitals. Through the first half of FY02, two inmates escaped from the PPS campus. All four inmates were recaptured.

Escapes/Walk-Aways from Work Release. Inmate participation in the work-release program increased by 44 percent from FY00 to FY01 while the number of inmates absconding from the work-release program increased 28 percent.

Inmates Receiving GEDs. The Pennypack House School and the PLATO computer-based education unit provide GED preparation to inmates. The reduction in the number of GEDs awarded to adult students from FY99 to FY00 was due to a court-ordered concentration on the juvenile educational program during FY00, combined with the reduction of the Pennypack House School staff by one teacher, the filling of six other teaching positions with long-term substitutes, and the extended absence of PLATO computer-based education instructors. The four percent reduction in the number of GEDs awarded from FY00 to FY01 may be attributed to extended leave by one of the three PLATO instructors and computer hardware problems. New computer equipment was purchased and was installed in the four existing PLATO labs in FY02, and a new Pennypack House School computer-based GED-preparation program will begin in February 2002. The GED test was altered effective January 1, 2002, which may result initially in a lower passage rate and fewer inmates receiving GEDs.

Five-Year Obligation Summary

Prisons

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
<u>BUDGETED OBLIGATIONS</u>								
Class 100	89,853,871	82,986,737	91,786,737	94,143,078	97,345,279	96,503,613	96,153,613	96,060,280
Class 200	47,741,160	56,279,374	58,595,355	64,913,655	70,842,270	74,062,167	77,527,822	81,276,129
Class 300/400	4,767,226	4,707,692	4,660,615	4,660,615	4,660,615	4,660,615	4,660,615	4,660,615
Class 500	993,875	1,037,128	1,026,757	1,026,757	1,026,757	1,026,757	1,026,757	1,026,757
Class 700								
Class 800								
Class 900								
TOTAL	<u>143,356,132</u>	<u>145,010,931</u>	<u>156,069,464</u>	<u>164,744,105</u>	<u>173,874,921</u>	<u>176,253,152</u>	<u>179,368,807</u>	<u>183,023,781</u>

City of Philadelphia
Five-Year Financial Plan



Department of Public Health

Department of Public Health

Mission

The mission of the Philadelphia Department of Public Health (PDPH) is to protect and promote the health and well being of Philadelphia residents and ensure the availability, accessibility, and quality of preventive and personal health services.

PDPH is dedicated to promoting our nation's health priorities described in *Healthy People 2010*. The Department has adopted two major goals: increase the quality and years of healthy life and eliminate health disparities.

Organizational Objectives and Targeted Initiatives

Prevent Diseases and Promote Health

- **Reduce the rate of sexually transmitted diseases in adolescents.** PDPH is collaborating with Philadelphia Safe and Sound, the Philadelphia School District, the Family Planning Council, the Recreation Department and the Department of Human Services to reduce the rate of sexually transmitted diseases in adolescents. From 1995 through 2000, reported cases of chlamydia increased 68 percent, from 8,079 to 13,593. Overall, young adults (15 to 24 years) represent 71 percent of total cases. In November 2001, the Department began a program of chlamydia and gonorrhea screening in Philadelphia high schools. During November 2001 the screening program began at University High School (West Philadelphia) and in December 2001 at Edison High School (North Philadelphia). During FY03, PDPH will seek grants or potential funding from insurance to expand screening to other Philadelphia high schools; expansion of the screening costs \$53,000 per school.
- **Commissioner's Forums.** A series of Commissioner's Forums focusing on the U.S. Surgeon Generals' Leading Health Indicators began during FY02 and will continue on a quarterly basis through FY03. The ten indicators include physical activity, overweight and obesity, tobacco use, substance abuse, responsible sexual behavior, mental health, injury and violence, environmental quality, immunization, and access to health care. The forums consist of half- to full-day sessions to discuss the health status of residents, best practices to address the health issue and discussion of approaches that could be implemented in Philadelphia. The target audience for the forums include health professionals from public, private, academic and non-profit organizations. A major purpose of the forum is to build a diverse coalition of support to assist in acquiring resources and expertise to address the health issue. The forums, which cost an average of \$15,000, are supported through grant funds.
- **Community Town Meetings.** A series of Community Town Meetings will be conducted in neighborhoods throughout Philadelphia during FY03, allowing the Health Commissioner and staff to share neighborhood specific health data, inform residents about PDPH programs and discuss ways in which the Department can better serve citizens. The goal is to improve the Department's mutual relationship with citizens and enhance the public health services

provided by the city. The meetings last up to three hours with time for formal data presentation and a question and answer session to address any public health related questions.

Assure Safe and Healthy Working and Living Conditions

- **Provide a safer environment.** To help inform the planning for violence prevention services, PDPH is collaborating with the Philadelphia Police Department and the city's hospital trauma centers to capture data on weapons-related injuries. The Weapons Related Injury Surveillance System (WRISS) establishes an information-sharing channel between the Philadelphia Police Department and PDPH with the former providing demographic data, treatment hospital, and the time of day for all gunshot victims. Currently, the data is being used to develop an analysis of each hospital's emergency room admissions as related to gunshot injuries and some hospitals are using the WRISS data to develop or enhance their own injury-prevention programs. In addition, the Philadelphia Interdisciplinary Youth Fatality Review Team and the Philadelphia Women's Death Review Team will use an aggregate form of WRISS data to guide decision-making. Both teams consist of members from the PDPH, Police Department, District Attorney's Office, and Department of Human Services who review a sample of youth and women deaths in the City of Philadelphia. The teams' purpose is to make recommendations to policy-makers and decision-makers in city government on how to better reduce the risk of untimely deaths in these two populations.

The Division of Early Childhood, Youth and Women's Health (DECYWH) is conducting a study on the incidence of domestic violence in Philadelphia immigrant communities. The purpose of this initiative is to determine the frequency and types of domestic violence among select immigrant communities in Philadelphia. With this type of information, resources and services in the form of public education, counseling and referral can be targeted to communities where the need is greatest. It is anticipated that additional collaboration with the Philadelphia Police Department and the Management Information Systems Division of PDPH will be necessary and pursued in FY03.

- **Participate in Rapid Assessment Teams.** Rapid Assessment Teams were developed in response to the heightened concern of a possible bioterrorism attack on either institutions or individual citizens in the City of Philadelphia. A Rapid Assessment Team consists of employees from the Health, Fire, and Police Departments. The two participants on each team from the Fire Department are also members of the Fire Department's Hazardous Material Team. The Team is the first to respond to emergency calls suspected to be a possible hazardous material terrorist threat. Between the evenings of October 14 through November 30, 2001, Rapid Assessment Teams responded to 1,122 calls, none of which were positive to a biological or chemical test. The role of the Health Department is to provide information about anthrax, to calm the public and to maintain a list of the persons who could have been exposed so that the Department can contact them if a positive culture was found. The PDPH estimates incurring a General Fund cost of \$238,258 for responding to possible bioterrorist incidents through the end of November, including the overtime cost for employees on the rapid assessment teams, the cost for creating a bioterrorism hotline, the training of team volunteers by the Division of Disease Control, and the preparation for the possible vaccination of several hundred postal workers.

- **Reduce environmental health risks by continuing to monitor air quality in Philadelphia.** Long-term exposure to elevated levels of toxic air contaminants can cause adverse health effects. In addition to monitoring for pollutants following federal standards, the Air Management Services (AMS) unit monitors for over 40 toxic air contaminants at two locations in the city. By FY03 AMS will begin operating two additional monitoring sites, increasing the range of its monitoring program by providing a broader assessment of the impact of toxic air contaminants on the citizens of Philadelphia. The \$41,200 expansion is grant funded.
- **Assume the responsibility for the City's Animal Control Program.** Beginning FY03 the PDPH's Environmental Health Services unit will assume responsibility for providing citywide animal control services. Although PDPH will not provide the same range of services offered by the Pennsylvania Society for the Prevention of Cruelty to Animals (PASPCA), the Department will meet the requirements for provision of Animal Control Services. To help minimize costs, the PASPCA's patrolling program, which accounted for picking up fewer than 2,000 of the approximately 56,000 stray animals handled in 2000, will be eliminated. However, to address this need, PDPH plans to establish an emergency response program in FY03. The estimated annual General Fund cost for operating the Animal Control Program is \$2 million.

Provide Quality Treatment for Health Problems

- **Decrease the number of new HIV/AIDS infections and reduce the disparity among the African-American community.** The AIDS Activities Coordinating Office (AACO) administers Philadelphia's HIV/AIDS programs through collaborative service contracts with more than 60 community-based organizations. AACO funds approximately 40 counseling and testing sites across the city to improve access to people at high risk. In the Philadelphia region during the year 2000, sixty-five percent of those living with AIDS were African-American (4,468). This is nearly three times the number of Caucasians living with AIDS, (1,507). In FY03 the program will shift resources to fund prevention activities for minority populations. The HIV prevention funding to community-based minority organizations increased from 70 percent in 1997 to 75 percent in 1999. AACO receives approximately \$6.5 million in CDC HIV Prevention funding annually, as well as \$970,000 in state funding and \$1 million in City funding. This funding will be used for prevention activities, including testing, prevention case management, health education/risk reduction groups, street outreach, and media campaigns conducted by the community-based minority organizations.
- **Reduce ethnic and racial disparities in perinatal health.** PDPH, through its Division of Early Childhood, Youth and Women's Health, will continue to operate its North, West, and Southwest Philadelphia Healthy Start programs funded by a \$2.6 million multi-year federal grant. During FY03, PDPH will focus on *newly developed* objectives in order to make the Healthy Start program more effective in reducing ethnic and racial disparities. The objectives are (a) reduce ethnic and racial disparities for women who require perinatal health services; (b) promote care between pregnancies with a goal of extending length of time between pregnancies to at least 24 months; (c) screen and provide services for victims of perinatal depression; and (d) provide case management for women and very young children in high risk situations.

Improve Access to Health Care

- **Increase health insurance enrollment for eligible patients.** There are approximately 35,000 fewer Philadelphians receiving Medical Assistance in 2002 than there were in 1997 (an 8.4 percent decrease) mainly due to “welfare reform” policies aimed at reducing the number of citizens receiving public assistance. Currently, 68 percent of health care center patients (who account for 64 percent of all visits) are without insurance, a slight increase from 66 percent five years ago. In response to the lack of an increase in insurance levels and the decrease in the number of people receiving Medical Assistance, the Ambulatory Health Services (AHS) unit initiated an aggressive plan to identify and increase health coverage for eligible patients. This program places benefit counselors within the Department’s Health Care Centers to assist with Medical Assistance and Children’s Health Insurance Program (CHIP) enrollment. The benefit counselors have had a positive impact. AHS estimates that more than 1,100 formerly uninsured patients will have received insurance during calendar year 2001, a level that approximately matches the previous year’s number. It is expected this number will stay at the same level in 2002.
- **Improve the PDPH service programs to cultural communities within the next five years.** In the last five years, there have been increasing numbers of individuals from areas such as Albania, India, Pakistan, Cambodia, Korea, Russia and the former Yugoslavia who have relocated to Philadelphia. There has been an effort within PDPH to address the needs of food establishment proprietors whose first language is other than English. In FY02, as the result of conducting meetings with the Dominican Grocer’s Association, the Environmental Health Services (EHS) unit completed a Spanish translation of the City’s ‘Food Establishment Rules and Regulations.’ In addition, EHS currently has seven bilingual staff members—an increase from the four it had two years ago, with plans to hire additional bilingual staff, depending on funding availability.

The Division of Early Childhood, Youth and Women’s Health is working with providers to enhance cultural access for consumers to a variety of programs. The unit provides training to agencies on how to provide outreach and home visiting to diverse communities. The unit also conducts domestic violence training in different culturally appropriate formats for the same agencies. In addition, it has translated educational materials into seven languages, including Spanish, Russian, and several Asian languages. Plans for FY03 include the translation of health education materials into Indonesian languages.

Finally, during FY02, the Health Commissioner convened a cultural competence steering committee consisting of senior staff, administrators, and program managers to make recommendations on improving the cultural and linguistic appropriateness of the Departments’ services and examine ways to improve the delivery of health services to an increasingly diverse public.

Behavioral Health System

Mission

The mission of the Behavioral Health System (BHS) is to help consumers receive coordinated and effective mental health and drug and alcohol treatment services. The three core entities are the Coordinating Office for Drug and Alcohol Abuse Programs, the Office of Mental Health, and Community Behavioral Health.

Organizational Objectives and Targeted Initiatives

Ensure High Quality Delivery of Services and Greater Accountability of Providers.

- **Reduce criminal recidivism by improving prison diversion.** BHS is working to enhance community safety by reducing criminal recidivism that results from substance abuse and mental illness. BHS will expand its efforts to provide behavioral health treatment in the community under criminal justice supervision as an alternative to incarceration. Since FY94, the BHS has developed and implemented criminal justice treatment initiatives focused on the diversion or early parole of non-violent offenders. Originally 250 persons benefited from these efforts annually. This number has grown steadily and now stands at approximately 1,500 individuals per year who are diverted or receive early parole from the Philadelphia Prison System (PPS) into community-based behavioral health treatment.
- **Promote increased housing opportunities.** During the past two years there has been steady growth in BHS-supported housing resources. Currently there are 1,700 beds in community based mental health programs. Since FY00, capacity for supportive recovery housing for individuals and families maintaining clean and sober lifestyles increased from 170 beds to 278 beds, at twenty sites. Working closely with the Office of Housing and Community Development, the City was able to secure federal HUD funds for four long-term specialized behavioral health residences totaling \$6,233,000. In FY01, a 20-bed residence for homeless sexual minorities and an apartment-based residence for 42 people with mental illness were opened. The remaining two residences, which become operational in FY04, will serve 12 homeless women and 15 homeless people with past criminal justice system involvement. In FY02, BHS became an active participant in a specialized Section 8 initiative that helps families who are nearing successful completion of their substance abuse rehabilitation programs. The program helps these families secure Section 8 vouchers from the Philadelphia Housing Authority, assists them with the acquisition of furniture, and provides intensive case management support for one year after move-in. This new program will initially serve 100 families and is part of a larger Section 8 initiative managed by the Office of Special Needs Housing to move homeless families into long-term housing and self-sufficiency. Over the next five years, this link to Section 8 is expected to result in stable housing and self-sufficiency for approximately 300 families that will be supported by redeploying existing case management resources.
- **Provide appropriate services to children by improving collaboration among city agencies.** The City is continuing to focus on collaboration among its child-serving agencies for the purpose of enhancing the quality and range of services to meet the diverse needs of children and their families in Philadelphia. During the past year, one of the shared goals of

BHS/DHS was to develop a system of alternative living environments to meet the needs of youngsters discharged from highly structured residential programs and for young adults transitioning into adulthood. One such resource is a 14-bed transitional residence for young adults between the ages 18 to 25 that will focus on helping residents develop independent living and vocational skills. Still in the early stages of development, the costs of this residence have not been determined. In FY03, efforts will be directed toward building on this and other recently initiated projects to develop a more efficient and effective system of care for children with behavioral health needs.

Mental Retardation Services

Mission

The mission of Mental Retardation Services (MRS) is to create, coordinate and monitor services for children and adults with mental retardation.

Organizational Objectives and Targeted Initiatives

Ensure High Service Quality and Greater Provider Accountability.

- **Implement the statewide initiative “Transforming the MR System.”** In the past decade the Commonwealth has relied increasingly on federal Medicaid waiver funds to support the provision of services to persons with mental retardation. The proportion of federal funding—and accompanying rules—that supports current programs is significant. In response to findings of an FY99 federal audit of the statewide Medicaid Waiver, the Department of Public Welfare (DPW) initiated the Transformation Project in FY00. The audit had found that access to home and community-based services under the waiver varied from county to county with respect to availability, choice of provider, type and quality. At the time of the audit, there were no statewide standards for investigation of unusual incidents involving waiver service recipients, no consistently applied standards for assessing individual health risks, and no systematic means of independently assessing satisfaction with services. The Health Care Financing Administration directed DPW to standardize business processes to ensure consistency of application of waiver requirements across the state, including the health and safety of recipients of service. When fully implemented, the Transformation Project will revise dramatically the local delivery of mental retardation services. Individuals and families will choose a service coordinator who will assist them in: identifying needed services, developing an individualized plan for securing those services, determining an estimated individual budget and selecting service providers from a directory of qualified individuals or agencies. This is a major shift from the current practice of counties funding state-licensed provider agencies and directing eligible individuals and families to available “slots” or openings for generic services.

To support upcoming operational changes and reporting required by the Commonwealth, a new statewide, web-based automated system—the Home and Community Services Information System (HCSIS)—will standardize the collection and storage of information. In replacing current county-developed reporting systems, HCSIS will maintain information in three broad categories: quality management, delivery and management of services, and

financial management and controls. The cost of this project, to be implemented in four phases through FY04, will be borne by the Commonwealth. Philadelphia has many of the infrastructure requirements in place as a result of local federal class action suits affecting persons with mental retardation. MRS has a risk management unit which oversees the standardized investigation of unusual incidents, and a health care quality and oversight entity which has implemented health risk assessments for a segment of service recipients. It has developed and implemented for 600 members of the class action suits an individual service plan that is being used as a statewide model by the Commonwealth. As the Transformation Project goes forward, the greatest challenge facing MRS is to strengthen the system for support coordination, and to move from provider-based funding and contracts to individual client budgets and service unit rates. The new business processes designed and required by the Commonwealth will be used to enhance the assessment and analysis of outcomes for individuals and families who receive services through the local MR program.

- **Address the waiting list for mental retardation services in Philadelphia.** As of December 1, 2001, the City's "waiting list" for mental retardation services included more than 3,000 children and adults. These individuals may live with parents and receive no services, or may receive minimal assistance and need enhanced or expanded services. In many cases, individuals need daytime in-home support upon leaving the school system. An increasing number of people need in-home services or residential services outside of their family homes, as their parents age and can no longer provide necessary care. Fiscal Year 03 is the third year of the Commonwealth's five-year initiative to reduce the statewide waiting list by providing funds for expanded services. MRS will continue to identify and prioritize those individual situations that constitute "emergency" and "critical" need, as defined and required by the Commonwealth. With provider agencies and families, MRS will develop services for those individuals through anticipated state and federal funding. (The amount of FY03 funding will not be known until the release of the Commonwealth's budget.) In spite of new services to be provided, the size of the Philadelphia waiting list is expected to remain the same or increase as additional individuals are identified at a rate greater than new services are funded and developed. Because mental retardation services are not an entitlement, the City will continue to assess the level of critical need, and provide services based on those assessments. MRS also will continue to develop more outcome-based and cost-effective services that can assist a greater number of individuals and their families to maintain home-based living arrangements, thereby avoiding emergencies and higher cost services, and serving more people.

As part of the significant growth anticipated over the next three years, MRS will support development of additional community-based small group living arrangements, in-home programs, community-based day activities and expanded job opportunities for people with mental retardation. As community-based services expand, there will be opportunities to invest resources in local communities in ways that foster neighborhood transformation. Service providers will be encouraged and assisted in identifying properties for acquisition, renovation or new construction in ways that enhance the City's Neighborhood Transformation Initiative. MRS will assist and oversee providers in working with

neighborhood groups to address their needs and concerns as service development occurs, and in creating training and job opportunities for members of local communities.

Key Performance Measures: DPH

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projection
Infant Mortality Rate: Deaths/1,000 ¹	13.0	12.3	11.9	11.7	11.6	11.5
% of Women Who Receive Inadequate Prenatal Care	7.1%	7.1%	6.6%	6.8%	6.5%	6.0%
Number of Screenings for Lead Toxicity ²	30,881	31,661	40,427	40,000	40,000	40,000
Incidence of Vaccine-Preventable Disease Among Children < 15 ³	0	0	0	0	0	0
New Cases of Infectious Gonorrhea ⁴	7,707	7,638	8,358	8,500	8,500	8,850
Surveillance, Evaluation, Follow-Up-New TB Cases/Suspects	348	291	285	300	300	300
New Reported AIDS Cases ⁵	926	1,039	1,137	1,180	1,180	1,180
Food Complaints Investigated	2,944	3,051	3,221	3,000	3,000	3,000
Average Interval Between Food Establishment Inspections (Months) ⁶	17.4	17.7	17.2	17.3	17.3	19.5
Facility Closures of at Least Four Hours Caused by Maintenance Problems	0	0	0	2	2	1
Post-Mortem Examinations	2,436	2,443	2,626	2,496	2,496	2,462
% of All Homicides Having Final Examiner's Report Completed Within Eight Weeks	64%	73%	75%	85%	85%	85%
Nursing Home Census (Average)	438	428	434	431	431	435
District Health Centers						
Total Patient Visits ⁷	323,075	321,768	345,538	328,000	328,000	328,000
Uninsured ⁸	202,892	205,288	222,181	210,576	210,576	210,576
Percent of Visits	63%	64%	64%	64%	64%	64%
Pharmacy Prescriptions	445,116	470,821	517,662	550,000	550,000	560,000
Percent of Appointments Made for Within 3 Weeks of Request	79%	72%	70%	73%	73%	73%
Percent of Evening Sessions Available ⁹	80%	84%	80%	85%	85%	80%
Air Samples Analyzed	424,565	354,718	383,465	365,000	365,000	365,000
Air Quality ⁹						
Percent of Days with Good Air Quality	75%	82%	83%	70%	67%	72%
Percent of Days with Moderate Air Quality	25%	14%	14%	26%	31%	24%
Percent of Days with Unhealthful Air Quality	0%	4%	3%	4%	2%	4%

¹ Infant mortality. This data is provided by the State Department of Health and is collected on a calendar year basis, up to 12 months after the end of each calendar year. Therefore, the statistic presented here for FY2000 covers 1998, and FY99 covers 1997.

² Lead screenings. The increase in the number of screenings in FY01 reflects more accurate reporting from labs and not a change in program or real increase.

³ Incidence of vaccine-preventable diseases. The diseases included in this count are measles, diphtheria, poliomyelitis, rubella, and tetanus.

⁴ New cases of gonorrhea. The increase in gonorrhea cases in recent years is a result of more sensitive testing and not necessarily an increase in the number of outbreaks.

⁵ New Reported AIDS Cases. Reported on one-year time lag.

⁶ Intervals between food establishment inspections. During FY03, implementation by sanitarians of the newly developed handheld computerized reporting system (FEIMS) will occur. As a result of the new technology, potential technical problems associated with first-time use of complex equipment, and staff training, it is expected that the food establishment inspection interval will increase temporarily. It is expected that by the end of FY04 the interval will decrease to 15.0 months.

⁷ Patient visits/Uninsured visits. The spike in the number of visits and uninsured visits to health care centers in FY01 was due to a shortage of flu vaccinations in medical offices and hospitals. As a result of that shortage, more residents seeking a flu immunization went to Health Care Centers.

⁸ Percent of evening sessions available. The renovations at some of the Health Care Centers will result in a reduction of capacity in FY03.

⁹ Air Quality. In FY00, Air Management Services incorporated a more stringent ozone standard adopted by the US EPA in 1998. The new standard is reflected in the Air Quality service measures from FY00 forward, and does not represent a deterioration of Philadelphia's air quality.

Key Performance Measures¹: BHS

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Original Projection	FY02 Current Projection	FY03 Projected
Psychiatric Inpatient Days (Adults & Children)	199,057	189,216	190,676	190,000	184,000	180,000
Residential Treatment Facility Fays (Children)	261,721	255,501	255,656	250,000	250,000	250,000
Drug & Alcohol Abuse (CODAAP)						
Number of Forensic Intensive Recovery (FIR) Treatment Admissions	1,509	1,312	1,561	1,496	1,560	1,560
Number of FIR Treatment Completions	633	624	931	808	884	922
Number of Prison Days Saved	197,100	248,569	287,849	360,000	370,650	395,228

¹During FY02, BHS identified new goals and measures and will begin reporting on these measures in FY03.

Key Performance Measures: MRS

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Original Projection	FY02 Current Projection	FY03 Projected
Early Intervention (Ages 0-3)						
Number Served in Year	2,116	3,192	3,396	3,500	3,500	3,500
New Residential Services						
Number of People Served*	84	142	116	129	129	129

* Based on specific levels of state funding.

Five-Year Plan Obligations Summary

Public Health

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100	41,919,968	42,598,829	41,908,772	43,023,163	42,813,163	41,134,497	40,691,164	40,609,478
Class 200	61,969,613	73,018,099	71,147,256	73,117,841	73,117,841	73,117,841	73,117,841	73,117,841
Class 300/400	3,547,963	3,638,863	3,863,863	4,238,863	4,238,863	4,238,863	4,238,863	4,238,863
Class 500	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Class 700								
Class 800	1,822,545	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Class 900								
TOTAL	109,300,089	121,395,791	119,059,891	122,519,867	122,309,867	120,631,201	120,187,868	120,106,182

City of Philadelphia
Five-Year Financial Plan



Department of Recreation

Department of Recreation

Mission

The mission of the Recreation Department is to develop the physical, cultural, artistic, and life skills of Philadelphia residents by providing over 50 types of programs at safe, attractive, well-maintained facilities. The Department also manages Veteran's Stadium and various public parks and squares.

Organizational Objectives and Targeted Initiatives

Provide Programs to Develop the Physical, Cultural, Artistic and Life Skills of Community Participants

- **Expand cultural programming at recreation centers and track the impact of those programs on communities.** Beginning in FY02 and FY03, the Department will offer expanded programming in the performing and visual arts at many recreation facilities to increase appreciation of the arts and cultural diversity of the city's communities. Through partnerships with The Philly Pops, Settlement Music School, and the Annenberg Center, the Department will continue to provide music instrument instruction, voice lessons, music theory, and jazz history classes to the city's youth for free or nominal fees.

The Department's Performing Arts Office will expand its cultural arts programs through the following:

- A new partnership established with the Philly Pops in FY02, will provide free music instrument instruction, voice lessons, music theory, and jazz history classes to the community. The Philly Pops will provide the instructors and the Recreation Department will provide the facility (Hawthorne Cultural Center), administrators, and musical instruments to a projected 50 children two days per week for six months during the school year. In FY03, the program will be expanded to include the entire school year.
- Through a partnership with the Arden Theatre established in FY02, free tickets will be provided to children throughout the city to four performances each year (1,200 tickets total). Children will attend two shows in the fall and two in the spring of each year.
- In FY03, a new partnership with Settlement Music School will provide a satellite summer Performing Arts Camp for approximately 60 children (ages 9-12) at the Northeast branch of Settlement Music School. Campers will be charged a nominal fee to help cover the Department's costs for providing the program.
- In FY03 and FY04, the Department will provide a new Performing Arts Camp for children ages 6-12 years of age at Holmesburg Recreation Center. This "Intro to the Arts" camp will accept 60 children and provide them with training in musical theatre, dance, and arts & crafts. The instructors will be hired as seasonal staff by the Department of Recreation. Nominal fees will be charged to help offset the Department's costs for providing the program.

The Visual Arts Office plans to expand visual arts programming during the next five years by doing the following:

- In FY03, the Office will begin increasing the number of facilities offering visual arts programs and the range of ages served in all communities at no additional costs to the Department's budget. This will enable all of the recreation districts to become involved in the visual arts special events and expose more participants to a variety of cultural experiences, as the Department attempts to ensure that all of its recreation districts are providing adequate visual arts programming for their communities. The Visual Arts Office currently sponsors one special event, such as the Spring Art Show at the Gallery at Market East, per month during the months of October through May. A few events are age-specific, but most of the events are pre-school to older adult inclusive. In FY02, these events usually involve eight or nine of the recreation districts and anywhere from 100 to 500 participants per event.
- The Visual Arts Office will continue to offer free training in all aspects of arts and crafts to recreation leaders, instructors, and volunteers. During FY02, 41 group workshops will be held with 8 to 10 trainees per session. For FY03, the goal is to hold at least 45 workshops. The costs for providing the training are minimal with all course instruction performed by the Recreation staff.
- **Expand the number of Teen Centers.** In an effort to address the problem of youth violence, the Department secured \$225,000 from the Juvenile Accountability Incentive Block Grant and a \$25,000 matching grant from Philadelphia Safe and Sound to fund two "teen centers" that will open in FY02. The teen centers are being created to provide non-school hour recreational and social programming opportunities for high-risk and previously adjudicated youth. The teen centers will complement the Youth Violence Reduction Project (YVRP), a multi-agency initiative aimed at reducing youth homicides (ages 7-24). Data collected from the Philadelphia Police Department, Philadelphia Safe and Sound and informal community interviews identified the following as program needs for youth: dances, movie nights, social trips to sporting and cultural events, photography and ceramics classes, video games, and a dedicated meeting place for unstructured socialization.

Teen center participants will be recruited in targeted areas through youth forums and agencies such as DHS' Division of Juvenile Justice Services, the First Judicial District's Juvenile Probation Office, the Police Department, and the Philadelphia Anti-Drug Anti-Violence Network. The cost to open and operate two teen centers is \$250,000 for the first year and \$140,000 for the second year of operations. The Department will apply for government and local grants to maintain operations for the two teen centers opened in FY02 and to fund two additional teen centers in both FY03 and FY04. The projected number of youth to be served at four teen centers ranges from 235 to 280. The Department anticipates the following outcome from the teen centers and the accompanying outreach efforts:

- An increase in the number of high-risk youth residing in target areas who are involved in positive recreational and social programs at the identified recreation centers.

- Reduced involvement with the criminal justice system by those youth involved in the teen center program.
- An increase in overall youth involvement in positive activities at the recreation facilities housing the teen centers.
- **Develop a department brochure that provides program descriptions, dates, times, and locations.** Activities offered through the Department of Recreation are advertised through neighborhood newspapers, press releases, the Department's website, program fliers, seasonal camp brochures, and word-of-mouth. In FY02, the Department plans to develop a brochure that highlights "what there is to do" in the City's recreation facilities in order to encourage broader participation at the Department's facilities. This comprehensive brochure will provide program descriptions and schedules of the various programs and will be distributed at recreation facilities and schools. The estimated cost for the printing of 100,000 brochures is \$40,000. The Department will seek sponsorship funding to pay for the design and printing of the first brochure.

Ensure that Recreation and Park Facilities are Fully Operational and Well-Maintained

- **Improve maintenance services.** In FY02, the Recreation Department installed a computerized maintenance management system that tracks daily activities and routine and preventive maintenance schedules. The new system allows for prioritizing of maintenance work orders and more efficient financial planning of overtime. For instance, the system automatically generates a work order for pool maintenance to be done at a specific time and, therefore, by phasing in the work, prevents the need for overtime. The system also allows for preventative maintenance on routine functions for pools, mechanicals, and HVAC systems that results in extended life of equipment and materials. Employee skill level and productivity are also tracked by the new system. The new work order system is being used at the Department's four maintenance workshops and will be installed at 40 additional sites by FY03 at a cost of \$40,000.
- **Provide for the safety of the public and recreation employees.** Due to the national rise in injuries at public playgrounds, the Department is in the process of developing a playground safety prevention initiative to reduce and eliminate the hazardous conditions of its play equipment. In FY02, the National Playground Safety Institute trained 20 Recreation Department employees to identify and repair play equipment that is not in compliance with national standards and Consumer Product Safety Commission guidelines. Continuing into FY03, ten additional staff will be trained annually at a cost of \$4,500, which will be absorbed through the Department's training budget.

Beginning in FY03, the Department will mandate drug testing and background checks for Department staff as a pre-requisite for hiring and will ensure all current employees are tested. A Safety Committee that includes representatives from labor and management will be created in FY03 to assist in the development and implementation of employee safe work habits training.

Provide Safe and Supportive After-School Environments for Children

- **Expand computer lab program.** In order to help bridge the digital divide, the Recreation Department has created the Recreational and Educational Computer Sites (RECS) Program. RECS facilities are those with computer labs which offer internet access and website instruction geared to the City's youth. There are now RECS labs operating in two recreation facilities, Kingsessing and Simons recreation centers. Eight additional facilities that are equipped with computers are scheduled to open in FY02, when the facilities will be wired for Internet services, with an additional 15 facilities scheduled to open in FY03. By FY05, 40 more RECS programs will be open citywide. The cost to open a RECS facility is approximately \$94,000 per site with funding being provided by the City, technology companies, and corporate foundations.
- **Continue quality improvements to the after school programs.** The Department will follow the guidelines set by the Office of Children's Policy in the "Core Standards for Philadelphia's Youth Programs" to enhance the quality of its after school programs. Beginning in FY02 and continuing through FY03, the program will focus on improving staff/child ratios to 1:12 for 1st to 3rd graders and 1:15 for 4th to 12th graders. For programs that include children with special needs, staff/child ratios will be further improved and staff will be trained to meet the diverse needs of special needs children. The Department will continue to strive toward these staff/child ratios by recruiting through programs such as the former Welfare to Work initiative and college work-study students.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
After-school program attendance (average monthly)	2,884	3,175	3,097	2,800	2,800	2,800
Pools attendance	1,400,800	1,974,574	2,091,206	2,090,575	2,090,575	2,100,000
Ice Rink attendance	61,866	69,400	60,503	69,100	69,100	68,500
Citizen Survey: Percent satisfied with neighborhood recreation services	37.7%	43.8%	49.6%	48%	48%	49%
Citizen Survey: Percent satisfied with neighborhood recreation center (of those who visited)	65.4%	67.9%	75.2%	70%	70%	70%
Citizen Survey: Percent satisfied with after-school program (of those who participated)	83.0%	88.1%	86.1%	90%	90%	90%

Five-Year Obligations Summary

Recreation

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100	29,508,940	29,244,354	29,317,551	30,203,837	32,617,055	31,095,722	30,827,389	30,757,389
Class 200	2,178,498	2,189,868	2,156,891	2,156,891	2,156,891	2,156,891	2,156,891	2,156,891
Class 300/400	1,440,494	1,367,414	1,306,682	1,306,682	1,306,682	1,306,682	1,306,682	1,306,682
Class 500	1,000,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Class 700								
Class 800								
Class 900								
TOTAL	34,127,932	34,301,636	34,281,124	35,167,410	37,580,628	36,059,295	35,790,962	35,720,962

Recreation - Stadium

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100	1,190,534	1,243,346	1,186,149	1,203,677	1,238,034	0	0	0
Class 200	2,735,342	2,970,414	3,384,112	3,324,112	3,324,112	0	0	0
Class 300/400	349,533	350,533	350,533	350,533	350,533	0	0	0
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	4,275,409	4,564,293	4,920,794	4,878,322	4,912,679	0	0	0

City of Philadelphia
Five-Year Financial Plan

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Internal Support Departments

Internal Support Departments

Overview

Internal support departments ensure an effective delivery of City services by providing the appropriate tools to City agencies and ensuring compliance with laws, rules and policies. These departments work closely with every service department in the City, focusing on meeting the needs of their "client" departments while closely managing their costs. Although these departments may be less visible to the public, the resources they provide are no less critical to the day-to-day operations and emergency preparedness of the City.

The mission, objectives, and targeted initiatives for each of the internal support departments are outlined below.

Fleet Management

The Office of Fleet Management (OFM) is responsible for acquiring, maintaining, assigning and disposing of vehicles and other motorized equipment needed by the City. The organizational objectives of OFM are to: *provide the City's operating departments with the necessary supply of vehicles through planned acquisition; improve effectiveness in maintaining safe and reliable vehicles; and enhance workplace safety and productivity.*

Targeted initiatives include:

- **Operate safe and productive vehicle repair facilities.** OFM currently operates 17 vehicle repair facilities. After assessing the number, quality, and location of facilities, the Office is implementing a long-term plan to replace older, less productive repair facilities with fewer, more modern facilities. During FY02, OFM will combine two of the older facilities, at 7th and Pattison and Delaware and Spring Garden, into one new shop on 63rd Street in Southwest Philadelphia. This will help OFM eliminate redundant supervision and parts inventory. During FY03, OFM will upgrade two repair facilities. Renovations in the first facility, located at Front and Hunting Park Avenue, involve repairing faulty electrical wiring that causes work interruptions and will cost approximately \$240,000. The second project, estimated at \$600,000, will involve building a 3,000 square foot expansion on the City's highway vehicle repair facility that is too small to accommodate the vehicles used by City highway crews.
- **Manage the size of the fleet.** During FY02, Fleet Management implemented a vehicle reduction plan that requires eliminating approximately 50 vehicles from the fleet each year through FY07. After meeting with the City's operating departments and providing fuel utilization data, a total of 81 vehicles were identified as extraneous and removed from the fleet, 31 more than originally targeted. The FY02 reduction will allow the City to save \$256,000 in annual maintenance costs. In future years, the vehicle reduction plan will continue to reduce maintenance costs and will help the City to reduce vehicle acquisition costs by \$3 million annually.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Total Number Of Vehicles In The Fleet ¹	5,855	5,920	5,931	5,970	6,050	5,999
Number Of Vehicles Purchased (General Fund)	664	414	185	400	200	320
Percent Of Radio Patrol Cars Required Actually Provided	100%	100%	100%	97%	100%	100%
Percent Of Compactors Required Actually Provided	100%	100%	100%	100%	100%	100%
Fleet Downtime – Citywide	12%	8%	10%	9%	10%	10%
Fleet Downtime – District Radio Patrol Cars	12%	8%	10%	13%	11%	11%
Fleet Downtime – Curbside Compactors	27%	19%	19%	22%	21%	21%
Fleet Downtime – Medic Units	13%	13%	12%	15%	12%	12%
Fuel Cost Per Gallon – Unleaded	\$0.55	\$0.92	\$1.06	\$0.87	\$0.82	\$0.82
Fuel Cost Per Gallon – Diesel	\$0.56	\$0.88	\$1.01	\$0.72	\$0.74	\$0.74

¹ During FY02 the number of vehicles in the fleet increased primarily because of the purchase of 46 Police sedans that had previously been leased.

Law Department

Under the guidance of the City Solicitor, the Law Department furnishes legal advice to City officials, agencies and departments; takes enforcement actions regarding delinquent taxes, fines and other monies owed to the City; processes and approves all City contracts; represents the City in litigation to which the City is a party; and prepares or assists in the preparation of ordinances for introduction in City Council. The organizational objectives of the Law Department are to: *maximize revenues through the recovery of funds due to the City and through affirmative litigation; protect the interests of the City through the provision of effective representation and the reduction of potential liability; and provide quality legal advice and services to support City officials and departments.* Targeted initiatives include:

- **Support the Neighborhood Transformation Initiative's (NTI) efforts to eliminate blight.** The Law Department will continue to help the City better respond to the needs of blighted neighborhoods by implementing and advocating for changes in code enforcement. During FY02 the Department will work with the Philadelphia Housing Authority (PHA) to amend its leases so that a code violation at a PHA property qualifies as a violation of the lease and to deputize PHA inspectors to enable them to issue notices of code violations. The Department will continue to educate City workers and citizens about code enforcement parameters and prevention strategies.

Additionally, in FY02 the Department began preparing recommendations for local legislative changes to: permit alternative methods to post notices on vacant lots; allow non-technical appeals to be heard before a designated code official; allow the City to recover prosecution and litigation costs of correcting code violations; and prohibit the transfer of property to delinquent taxpayers. The Department is also proposing changes in state law that would permit the City to increase the maximum fine for code violations

from the current threshold of \$300 to \$5,000; reduce the time period for assuming title to property through adverse possession from 21 years to seven years; and reduce abandoned houses by allowing the City to institute a civil action seeking the appointment of a receiver to rehabilitate a structure and bring it into code compliance.

- **Support the Development of Sound Employment Practices.** The Law Department continues to develop programs designed to encourage and promote smart employment practices, manage risk and ultimately reduce litigation. In FY02 the Law Department collaborated with outside law firms to develop and implement training at numerous City Departments to help prevent unlawful harassment. During FY02 and FY03 the Law Department plans to facilitate a Citywide effort to improve the handling of Americans with Disabilities Act issues, including centralizing the management of ADA matters, educating departments on ADA legal issues, and streamlining the management of claims. The Department will also work with the Personnel Department to enhance the training conducted for all new supervisors on employment law, policies, practices and procedures.
- **Support the City's Efforts to Comply with HIPAA.** The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") imposes, among other things, a new set of complex standards relating to the security and privacy of personal health information, otherwise known as "administrative simplification." The City is required to promulgate three standards to implement "administrative simplification," each with a separate deadline for compliance: (1) Electronic Transactions and Code Set Standards; (2) Privacy Standards; and (3) Security Standards. To help ensure that the City does not fall out of compliance and become subject to civil or criminal penalties under HIPAA, the Law Department has created a multi-disciplinary legal team to support various operating departments in conducting a gap analysis and creating a compliance action plan for affected City departments.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Collection of Delinquent Taxes, Fines, and Fees (\$)	109,342,055	100,640,931	102,855,931	106,000,000	106,000,000	106,000,000
Revenue From Affirmative Litigation ¹ (\$)	126,499	0	55,772	1,000,000	1,000,000	1,000,000
# of New Suits Filed Against City	1,480	2,377	1,659	1,640	1,640	1,640
# of Cases Closed	1,721	2,362	2,015	1,980	1,980	1,980
# of Cases Closed Without Payment by City	917	1,646	1,302	1,299	1,299	1,299
% Closed Without Payment	53.28%	69.69%	64.62%	65.61%	65.61%	65.61%
Total Cost for Closed Cases (\$)	30,691,729	28,882,785	30,217,884	33,064,352	30,064,352	30,064,352
Average Cost per Case Closed (with and without payment) (\$)	17,834	12,228	14,996	16,699	15,184	15,758

¹ The Affirmative Litigation Unit was formed late FY01 to better coordinate the City's efforts to increase revenues through initiating litigation in which the City is a plaintiff.

Municipal Energy Office

The Municipal Energy Office (MEO) was established to manage the energy use in City facilities. The organizational objectives for the Office are to: *reduce energy use in city facilities; reduce the unit costs of energy; and develop and promote sustainable energy strategies*. Targeted initiatives include:

- **Develop an energy efficient building renovation guide.** During FY02, MEO is working with the Capital Program Office and City Planning Commission to develop a "High Performance Green Building Renovation Guide" that will provide options for energy saving opportunities that departments can use when making renovation plans. Those guidelines focus on the use of integrated design strategies and identify high performing systems and technology. To provide an incentive for departments to follow the recommended guidelines, in FY03 MEO will use \$300,000 of capital funds to supplement the cost of energy efficient equipment for projects funded in the capital budget for other departments.
- **Energy Efficient Purchasing Specifications.** In support of the City's EPA Energy Star Partnership, MEO worked with the Procurement Department in FY01 to develop energy efficient purchasing specifications for office equipment. According to EPA data, the purchase of 100 energy star computers and monitors, for example, would save the City \$2,165 annually and 100 energy star mid-sized copiers would save \$2,500 annually. During FY02 and FY03 MEO will expand this effort with Procurement other purchases, including room air conditioners, motors and other mechanical equipment.
- **Cool Roofs.** The Office initiated a citywide bid for reflective acrylic roof-coating materials that was awarded in November 2001. The cool roof materials offer advantages over aluminum coatings, including increased protection from ultra-violet light degradation, extended roof life of ten or more years, increased building comfort due to cooler temperatures and increased energy savings at facilities where cooling costs are incurred. Maximum benefits are achieved when the materials are applied to buildings that are three or less stories. The MEO conducted an analysis of two cool roof projects that may be pursued in the spring of FY02 and estimates the following savings: the 12th District Police Station (roof area is approximately 16,000 square feet) would yield \$854 in annual savings and the Bartram Sanitation Service Building (roof area is approximately 12,000 square feet) would yield \$425 in annual savings.

Key Performance Measurements

Utility Cost	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Avg Annual Cost kWh	\$0.087	\$0.083	\$0.079	\$0.080	\$0.081	\$0.081
Avg Annual Cost per Sq. Ft.	\$2.11	\$2.11	\$2.28	\$2.19	\$2.32	\$2.26

Average annual cost/square foot: The increase in cost per square foot in FY01 was due to the increase in natural gas prices, which are anticipated to increase in FY02 as well.

Personnel Department

The Personnel Department works with all agencies of the City government to recruit, develop and retain a qualified and diverse workforce. The Department's organizational objectives include *planning for future workforce needs; providing effective employee recruitment and selection; developing employee skills; ensuring compliance with employment law; and providing access to human resource information.* Targeted initiatives include:

- **Reduce unplanned workforce requests.** The Personnel Department leads a Citywide workforce planning program in which each City agency meets with Personnel Department staff to discuss human resources requirements for the upcoming fiscal year. Service agreements are established that describe the selection and job design services to be provided during the year, allowing the Personnel Department to allocate its own resources effectively. An intranet tool supports this program, enabling agencies to electronically submit and track the status of their workforce requests.

Despite the implementation of workforce planning, about 40 percent of workforce requests continue to be unplanned, limiting the ability of Personnel to manage in order to meet planned requests. In FY02 Personnel has modified the workforce tracking system to collect additional data on unplanned workforce requests. By the end of FY02, the Department will analyze the data to determine if the process should be modified or if additional training should be provided. The goal is to reduce the number of unplanned work requests to less than 5 percent of the total, which is the rate of unexpected turnover. Changes to the workforce planning process will be implemented in FY03.

- **Prepare for Deferred Retirement Option Program (DROP) departures.** Since October 1999, the City has offered DROP, which provides financial incentives for retirement-eligible employees to remain in the workforce for up to four years after making a decision to retire. Employees who enroll in DROP have their pensions frozen at the time of enrollment, continue working at their regular salaries, and receive at retirement a lump-sum payment of their deferred pension payments. Over 2,000 employees from across the City are currently enrolled in the program. The first major impact of these retirements will likely be felt in October 2003 when 773 employees, almost three percent of the entire City workforce, are due to retire. The Personnel Department is working with the Managing Director's Office, the Office of Budget and Program Evaluation, the Finance Department and a consultant to prepare for these departures, identifying opportunities for organizational and operational restructuring and streamlining, and ensuring that succession plans are established. By early FY03, there will be a plan in place to make certain that the departures do not result in service interruption and the City capitalizes on opportunities to operate more efficiently.
- **Modify database to ensure compliance with federal EEO regulations.** The Personnel Department is installing software to ensure that the City's affirmative action plans comply with new federal regulations, effective in 2004, that require the capturing of data on additional race and ethnicity categories introduced with the 2000 Census. At

present, the City uses five race categories to identify employees; the new regulations permit employees to identify themselves in more than 100 multiracial categories. To comply with this change, during FY02 the Department will survey the workforce to enable employees to re-identify themselves using the new categories. By early FY03, the new software will be able to perform the requisite workforce analysis to create updated affirmative action plans. The database software cost \$214,000 and the system will cost \$19,000 each year to maintain.

Key Performance Measures

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Percent of Workforce Requests that are Unplanned	40%	38.7%	39.9%	35.0%	35.0%	25.0%
Number of Hiring Lists Established	639	657	626	500	500	500
Percent of Hiring Lists Produced on-Time or Early	92%	92%	96%	95%	95%	95%
Job Design Requests Produced on Time or Early	87%	96%	100%	96%	96%	96%
Percent of Critical Hiring Lists Available	93%	91%	92%	100%	100%	100%
Average Number of Days Between Exam Announcement and Hiring List Establishment	81	75	76	70	70	70

Department of Public Property

The mission of the Department of Public Property is to efficiently manage and maintain the physical infrastructure that supports City government operations, including City-owned buildings, leased space, and telecommunications systems. The Department's organizational objectives are to: *assist in the production of special events; manage the City's real estate activities by negotiating cost-effective leases and conduct the sale and acquisition of City-owned properties; and manage the City's communication system and cable television franchise.* Targeted initiatives include:

- **Reduce cost of custodial service in police stations.** Currently, each police station has an employee who is responsible for providing custodial services and ordering bathroom and cleaning supplies. Because bathroom and cleaning products are not purchased on the larger City contracts or stored within City warehouses, there are no cost savings realized. There may be an opportunity to improve the quality of the cleaning service provided at a lower cost. During FY02, the Department of Public Property will analyze the potential cost reduction that could result from outsourcing custodial services under a single City contract and determine how to best redeploy the current custodial workers.
- **Consolidate Public Property facilities.** The Department of Public Property has been exploring the possibility of combining its trade shops, special events storage facility and radio shop into one facility. The primary trade shop is currently in the basement of City Hall, the City's special events equipment is stored at Delaware and Spring Garden, and the radio shop is located at 11th and Reed Street. There is also a carpenter warehouse located at 25th and Snyder, which costs approximately \$115,000 annually to lease and

operate. The consolidation would allow the site at Delaware and Spring Garden to be sold, the leased warehouse at 25th and Snyder to be vacated, and the 11th and Reed Street site, which also serves as a garage for Fleet Management, to be fully absorbed by Fleet. The Department is studying the feasibility of moving all of these functions into a vacant City-owned site in Strawberry Mansion.

- **Citizen call center.** When citizens have a service request, they currently call the City's main switchboard at 215-686-1776 where they are transferred to the appropriate department. In addition to this main switchboard, there are five individual department citizen call centers as well as the Mayor's Action Center, all of which respond to citizen complaints and requests. The Department plans to combine all of the individual call centers into a single center with a uniform portal for recording and tracking all types of calls. The call center will be supported on the back-end by the Citywide work-order system, which is also in development. During FY02 the Department held a series of live demos to ensure the system being used in other cities such as Chicago, Los Angeles, Baltimore, Dallas and New York City would also meet the City's needs. During FY03 the Department plans to test the new call center system. Start up costs for the Center, including citizen education of the new resource, are estimated at \$1.75 million with operating costs of approximately \$435,000. Some of these costs would be offset by reduced costs through the elimination of department call centers and switchboard overtime.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Building Services Division:						
Work Order Requests Generated	10,218	11,504	12,054	12,054	12,000	12,000
Work Order Requests Completed	10,033	11,783	11,592	11,592	11,000	11,000
Contracted Services:						
Work Order Requests Generated	20,555	22,355	21,800	28,800	28,800	30,240
Work Order Requests Completed	N/A	N/A	N/A	26,600	26,040	27,216
Communications Division:						
Switchboard Calls	1,612,244	1,369,985	1,485,246	1,535,000	1,495,000	1,268,152
Percent of Calls Answered	92%	92%	86%	91%	91%	88%
# of Communication Work Order Requests	10,701	10,595	11,727	9,845	10,127	10,010
# of Communication Work Orders Completed	9,943	10,037	11,308	9,165	8,764	9,009

Department of Records

The mission of the Department of Records is to ensure that municipal records are appropriately created, controlled, and managed for City agency use and public access. Records is responsible for recording all documents related to the title of ownership to real property in the city. As an agent for the Commonwealth and the City Revenue Department, the Department of Records also collects realty transfer taxes and document recording fees and maintains the City's real property database and tax maps. The Department's organizational objectives include: *facilitating access to public records; preserving existing*

public records; and improving records and forms management. Targeted initiatives include:

- **Provide Internet access to land-title and tax map information.** In December 1999 the Department launched *PhilaDox*, a state-of-the-art, web-enabled computer system that expedites the recording, imaging, and return of documents. The system, combined with the redesign of the land-title recording process, helped reduce the number of days it takes the Department to return a document from 258 in FY97 to two in FY02. The Department began a pilot in May 2000 that allowed a limited number of title-search companies, banks and law firms to have Internet access to land-title information in *PhilaDox*. By the end of FY01, the Department had converted the City's approximately 5,500 hand-drawn tax maps into electronic format as well. During FY02, working with the Mayor's Office of Information Services, the Department will evaluate its Internet pilot and determine the feasibility of providing land-title and tax map information on the web to the general public.
- **Expedite the availability of police reports.** The Department is responsible for providing police accident and incident reports to the public. This information is critical for insurance companies to process claims. Until 2001, insurance companies and the public were required to wait four to six weeks before hard copies of police reports were made available, which delayed the claims process. In November 2001, the Department implemented a system permitting subscribers access to scanned images of accident reports through the Internet within days of the incident. The project, which cost approximately \$550,000 to implement, involved collaboration with the Police Department and the Mayor's Office of Information Services and was funded by the Pennsylvania Insurance Federation. By the end of FY02, non-subscribers will be able to access the same information on terminals located in the Records Department.
- **Manage forms inventory and availability.** The Department is responsible for designing and managing the official forms used to support the administrative work of City agencies. During FY02, the Department began an inventory of the approximately 6,500 existing forms and worked with departments to eliminate obsolete and redundant forms. By the end of FY02, in cooperation with MOIS, the Department plans to have forms available on-line through the Intranet. The intranet availability should reduce the number of redundant forms and unnecessary paperwork and lower the costs of printing, delivery and storage. The Department estimates that 300 forms will be available on the Intranet by the end of FY02, with an additional 800 available by the end of FY03.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Number of Documents Recorded	204,117	193,972	179,665	178,382	196,321	178,382
Number of Scanned Images of Recorded Documents ¹	803,451	664,712	1,099,702	905,694	1,333,568	1,333,568
Turnaround Time on Recorded Documents (days)	21	3	2	2	2	2
Document Recording Fees/Taxes collected	\$88,277,381	\$95,758,101	\$95,648,841	\$81,634,966	\$93,701,247	\$81,634,966
# of Archives/Records Center Reference Services	17,680	17,659	17,138	19,879	19,009	19,009
Records Center Materials Handled (cubic feet)	6,681	6,424	10,571	14,800	10,579	10,579
Police Accident Reports Copied	52,333	48,961	48,776	47,842	49,587	49,587
# Central Duplicating Services Provided	27,118,660	32,188,719	32,985,156	30,099,298	30,099,298	30,099,298

¹The number of documents recorded and scanned, as well as tax and fee revenues collected, is affected by broad local and national economic factors such as interest rates and general real estate market conditions.

Five-Year Obligations Summaries

Fleet Management

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY04	Projected FY05	Projected FY06	Projected FY07
BUDGETED OBLIGATIONS								
Class 100	18,957,315	18,625,744	18,045,358	18,312,016	18,915,932	18,671,377	18,589,710	18,566,377
Class 200	4,745,174	4,892,004	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Class 300/400	18,009,693	15,518,774	15,604,616	15,604,616	15,604,616	15,604,616	15,604,616	15,604,616
Class 500								
Class 700								
Class 800		0	0	0	0	0	0	0
Class 900								
TOTAL	41,712,182	39,036,522	38,149,974	38,416,632	39,020,548	38,775,993	38,694,326	38,670,993

Fleet Management – Vehicle Purchases

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY04	Projected FY05	Projected FY06	Projected FY07
BUDGETED OBLIGATIONS								
Class 100								
Class 200								
Class 300/400	15,483,723	18,000,000	15,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	15,483,723	18,000,000	15,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000

Law

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100	10,051,097	10,223,733	10,082,550	10,231,541	10,718,032	10,488,588	10,488,588	10,418,588
Class 200	8,099,299	4,895,338	8,521,908	6,696,908	6,696,908	6,696,908	6,696,908	6,696,908
Class 300/400	266,312	295,841	291,403	291,403	291,403	291,403	291,403	291,403
Class 500								
Class 700								
Class 800	360,562	360,562	360,562	360,562	0	0	0	0
Class 900								
TOTAL	18,777,270	15,775,474	19,256,423	17,580,414	17,706,343	17,476,899	17,476,899	17,406,899

Personnel

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100	4,215,297	4,164,454	4,101,987	4,213,877	4,471,916	4,251,027	4,239,361	4,239,361
Class 200	553,182	770,800	759,238	564,238	564,238	564,238	564,238	564,238
Class 300/400	67,632	71,228	70,160	70,160	70,160	70,160	70,160	70,160
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	4,836,111	5,006,482	4,931,385	4,848,275	5,106,314	4,885,425	4,873,759	4,873,759

Public Property

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100	9,801,378	9,498,799	9,269,933	9,348,398	9,647,018	9,418,574	9,348,574	9,325,241
Class 200	27,001,117	19,693,943	28,559,882	21,226,152	20,931,310	20,876,222	21,388,613	21,164,035
Class 300/400	1,436,236	1,050,815	1,035,053	1,035,053	1,050,579	1,066,337	1,082,333	1,098,568
Class 500								
Class 700								
Class 800	9,485,644	17,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
Class 900								
TOTAL	47,724,375	47,243,557	52,864,868	45,609,603	45,628,907	45,361,133	45,819,519	45,587,843

Public Property – SEPTA Subsidy

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100								
Class 200	57,418,420	63,568,000	63,668,000	64,229,000	61,126,000	62,768,000	64,814,000	65,181,000
Class 300/400								
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	57,418,420	63,568,000	63,668,000	64,229,000	61,126,000	62,768,000	64,814,000	65,181,000

Public Property – Space Rentals

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100								
Class 200	14,191,024	15,485,219	15,252,941	14,538,714	14,887,734	15,298,746	15,702,481	16,095,043
Class 300/400								
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	14,191,024	15,485,219	15,252,941	14,538,714	14,887,734	15,298,746	15,702,481	16,095,043

Public Property – Utilities

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100								
Class 200	28,456,011	26,800,000	26,398,000	27,290,000	27,560,000	26,940,000	27,660,000	29,170,000
Class 300/400								
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	28,456,011	26,800,000	26,398,000	27,290,000	27,560,000	26,940,000	27,660,000	29,170,000

Public Property – Telecommunications

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100								
Class 200	13,218,615	14,575,000	13,352,545	15,725,000	15,680,000	15,750,000	16,950,000	16,950,000
Class 300/400								
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	13,218,615	14,575,000	13,352,545	15,725,000	15,680,000	15,750,000	16,950,000	16,950,000

Records

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100	3,355,392	3,476,186	3,282,989	3,331,502	3,454,485	3,356,596	3,333,263	3,333,263
Class 200	740,850	746,415	746,415	746,415	746,415	746,415	746,415	746,415
Class 300/400	218,977	215,121	215,121	215,121	215,121	215,121	215,121	215,121
Class 500	885	1,456	1,456	1,456	1,456	1,456	1,456	1,456
Class 700								
Class 800	1,129,515	1,129,515	1,129,515	1,129,515	1,129,515	1,129,515	0	0
Class 900								
TOTAL	5,445,619	5,568,693	5,375,496	5,424,009	5,546,992	5,449,103	4,296,255	4,296,255

City of Philadelphia
Five-Year Financial Plan

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Financial Administration

Financial Administration

Overview

Mayor Street's Secretary of Financial Oversight is the City's Director of Finance and chief financial officer with responsibility for the administration of the City's financial operations that are conducted by eleven agencies. Those agencies oversee the operating and capital budgets; collect taxes and other revenues; manage investments, bonded debt, and pension fund assets; publish information about financial and service-delivery performance; oversee management initiatives to improve productivity, lower costs and generate revenue; and reduce financial liabilities resulting from claims, lawsuits, and employee injuries.

In recognition of the still-precarious nature of the City's long-term financial stability, the Office of the Director of Finance and its agencies are continuing their efforts to contain City costs and maximize City income. This section of the Plan describes in greater detail the Accounting Bureau, the Office of Administrative Review, the City Treasurer's Office, the Minority Business Enterprise Council, the Philadelphia Board of Pensions and Retirement, the Procurement Department, the Department of Revenue along with its subdivision, the Water Revenue Bureau, and the Division of Risk Management. In addition, the Office of Budget and Program Evaluation, the Office of Management and Productivity, and the Sinking Fund Commission play critical roles in strengthening the City's fiscal posture.

Highlights of those efforts include:

- Preparing budget recommendations for consideration by the Mayor and City Council that reflect appropriate expenditure levels and reasonable revenue projections.
- Monitoring regularly the achievement of financial and programmatic goals by City departments.
- Establishing target spending levels below annual appropriation levels in order to accommodate unforeseen demands on the budget.
- Ensuring that the Pension Board maintains a diverse portfolio of investments that provides a balance between risk and return.
- Offering owner-controlled insurance programs ("wrap-ups") for major City construction projects in order to enhance coverage but decrease rates for contractors, reduce insurance cost-shifting to the City, streamline the handling of claims, and increase opportunities for small and disadvantaged contractors that cannot afford the insurance on their own.
- Recommending and monitoring management and productivity initiatives that sustain high levels of governmental performance within available resources.

- Consolidating and matching taxpayer databases to ensure full identification of revenue owed the City.
- Pursuing restructuring and refinancing programs to reduce the City's debt-service costs.
- Creating a data warehouse of financial-accounting information to facilitate analyses of spending and revenue trends for City managers.
- Instituting electronic transfers of funds for revenue collection and vendor payments.
- Assisting in improving the financial outlooks for the School District and the Philadelphia Gas Works.

The Office of the Director of Finance also regularly advises government officials and the public about the City's fiduciary and operational performance. *Quarterly City Managers Reports* contain information on revenues, obligations, numbers of employees and their leave usage, service levels, cash-flow forecasts, fund balance, and productivity enhancements. A yearly citizen survey is conducted to gauge the levels of satisfaction with the quality of City services and is made public as part of the City's annual Mayor's Report on City Services. And, for the eleventh consecutive year, a Five-Year Financial Plan is being published to provide a comprehensive view of City goals, achievements, and budget-balancing measures, as well as potential obstacles to continuing financial stability.

Accounting Bureau

The Accounting Bureau is responsible for recording and reporting all financial activity for the City of Philadelphia; processing payments to vendors who provide goods and services to City departments and agencies; and processing payrolls and associated fringe-benefit payments for City employees. Accounting's organizational objectives include *satisfying generally accepted accounting principles and all other legal reporting requirements* and *providing effective and reliable financial systems that facilitate the recording and reporting of data*.

- In June 1999 the Government Accounting Standards Board (GASB) issued Statement 34, which contained new standards for the governmental reporting of financial activity. One of the more significant changes required the use of the full-accrual method of accounting, including the capitalization and depreciation of fixed assets and infrastructure, which will be implemented by the City in FY03.
- In February 2000 the Accounting Bureau commenced use of its data warehouse, which stores a wealth of financial information readily accessible to all City departments. Over 200 licensed users throughout the government now have the ability to recall data and perform analysis online in a variety of comparison formats, a vast improvement over the Customer Information Communication System (CICS), which is still used by many other municipalities throughout the nation. In FY03 the City will make software enhancements to the data warehouse in order to incorporate fringe benefit and payroll data beginning in FY04.

Administrative Review

The Office of Administrative Review (OAR) is responsible for adjudicating citizen appeals related to tax assessments, monetary penalties, charges for emergency medical services and water and sewer services, and reserved-parking permits for the disabled. It also collects fines from traffic and parking tickets, other code violations, and vehicle-booting and towing actions. OAR's organizational objectives include *increasing revenue collection* and *reducing internal collection costs*.

- During FY02 OAR continues its collaborative efforts begun last year with the First Judicial District to increase traffic-fine collections. In order to reduce the large backlog of fines that had been delinquent since 1992, in October 2000 OAR began mailing approximately 10,000 collection notices per week, which by January 2002 had generated approximately \$1 million.

Historically, the traffic-fine collection rate in Philadelphia had generally not exceeded 17 percent. In FY01, however, the collection rate was 23.94 percent, and is expected to rise to approximately 25 percent in FY02. OAR estimates that continuous enforcement activities will increase the collection rate to 30 percent by the end of FY03 and to 50 percent by the end of FY07. This is expected to have a significant impact on the City's General Fund, which receives approximately 42 percent of these revenues with the balance going to the Commonwealth of Pennsylvania. In FY01 the General Fund earned \$6.3 million in traffic fines, with \$7.5 million projected in FY02, \$9 million expected in FY03 and \$11 million in FY07.

- In January 2002 OAR transferred the responsibility for administrative hearings on code violations, consisting largely of trash and other property-based infractions as well as public-conduct violations and excessive false alarms, from the Bureau of Administrative Adjudication (BAA) to its Masters Unit, which in the past only handled appeals of water bills and real estate taxes. The number of code violations issued has recently increased due to the increased enforcement related to the Administration's NTI program. This change will allow BAA hearing examiners to concentrate solely on parking tickets and reduce the wait for a hearing from as many as six months to three months or less.

City Treasurer

The City Treasurer is responsible for investing the City's cash reserves and issuing and managing its General Fund debt, as well as the debt of the Water Department, the Division of Aviation, the Philadelphia Parking Authority, the Philadelphia Municipal Authority, and the Philadelphia Gas Works (PGW). The Treasurer also ensures that the debt-issuance and cash-management practices of the Hospitals and Higher Education Facilities Authority, Philadelphia Authority for Industrial Development (PAID) and the Redevelopment Authority (RDA) are consistent with the City's overall financial goals and objectives. The City Treasurer's principal objectives are *to ensure that the City's debt offerings mitigate risks to the taxpayer* and *to protect the financial assets of the City*.

- In FY02 the City issued approximately \$1 billion in General Obligation and other related debt. Beginning in late FY02 or early FY03 and continuing through FY05, the RDA will issue approximately \$295 million in bonds on behalf of the City as part of a major Administration undertaking, the Neighborhood Transformation Initiative, with the borrowing issued in two or three series.

The Division of Aviation and PGW both anticipate issuing additional debt for ongoing capital improvements over the next several years. Aviation expects to issue \$100 million in FY03 and again in FY04, while PGW will have two separate bond issuances of \$100 million, with the first anticipated in FY03 and the second in FY05.

- In order to reduce the City's interest costs, favorable assessments by the three bond rating agencies and the four principal bond-insurance companies are essential. Based on the Street Administration's sound fiscal policies and positive financial performance, the City's ratings remain at investment grade. In FY02 the City's Water Department received rating upgrades from all three rating agencies, resulting in lower borrowing costs of approximately \$470,000 in its recently executed \$285.9 million water and wastewater revenue bond financing.

Minority Business Enterprise Council

The Minority Business Enterprise Council (MBEC) is responsible for ensuring that minority, women and disabled entrepreneurs (M/W/DS-DBE) have the maximum opportunity to provide goods and services to the government either through contracting directly with the City or subcontracting with another City vendor. To achieve this, MBEC determines the eligibility of businesses to be certified as disadvantaged and establishes anticipated M/W/DS-DBE participation ranges for City contracts. MBEC's organizational objectives include *enhancing the certification process, increasing participation of eligible firms as prime vendors, and monitoring participation compliance.*

- In March 2001 MBEC began providing semiannual reports to the Administration and City Council on the use of M/W/DS-DBE vendors by quasi-City agencies, such as the Philadelphia Commercial Development Corporation, Philadelphia Industrial Development Corporation, and the Redevelopment Authority. In FY02 MBEC will also initiate semiannual reporting on the numbers of Philadelphia residents participating in the various trade unions as journey persons and apprentices.
- In FY03 MBEC will begin conducting random audits of annual purchases of services, supplies, and equipment (SSE) and public works emergency-letter bids handled by the Procurement Department for small-order purchases of less than \$13,000, and for professional services contracts Citywide to determine the extent to which opportunities for minority, women, and disabled disadvantaged vendors can be expanded. Once that determination has been made, MBEC anticipates raising by approximately 10 to 15 percent the level of participation by M/W/DS-DBE vendors as prime contractors rather than as subcontractors.
- In order to better monitor compliance on M/W/DS-DBE participation, MBEC is developing language for Procurement Department public works and SSE contracts that would require

vendors to include with their invoices itemized payments made to certified subcontractors. MBEC anticipates that this requirement, beginning in April 2002, could affect as many as 1,300 contracts annually.

New U.S. Department of Transportation rules require states to implement a uniform M/W/DS-DBE certification process by March 2002. MBEC is participating with other certification agencies to develop the standards for the Commonwealth of Pennsylvania. Once the uniform process is in effect, agencies will be able to enter their certifications into a comprehensive database managed by the Pennsylvania Department of Transportation, eliminating duplication of effort and creating greater opportunities for minority vendors in Philadelphia and elsewhere in the state.

Pensions and Retirement

The Board of Pensions and Retirement manages the City's employee retirement fund, currently with assets of approximately \$4.5 billion. The nine-member board is chaired by the Director of Finance and includes the City Solicitor, the Managing Director, the Personnel Director, the City Controller, and four City employees elected by civil-service workers. The Pension Board's organizational objectives include *improving the fund's investment performance, reducing the City's unfunded pension liability, and enhancing retirement options for employees.*

- The Board maintains a diverse and well-balanced investment portfolio. Its FY01 plan allocated 33 percent of the fund's investments in domestic stocks, 22 percent in international stocks, 30 percent in global fixed income, 10 percent in tactical allocation, and five percent in alternative investments. The Board will implement a new allocation for the last six months of FY02 and for FY03: 42.5 percent of the investments will be in domestic stocks, 15 percent in international stocks, 30 percent in global fixed income, five percent in tactical asset allocation, and 7.5 percent in alternative investments. After significant growth during the latter half of the 1990s, a dramatic sudden decrease in technology stocks in FY01 severely damaged stock markets globally. The FY01 return of -5.5 percent was the first negative fiscal-year return in many years for the City, and first-quarter FY02 returns continued to post negative results as most countries, including the United States, suffered from economic slowdowns. The fund's allocations to global fixed income and tactical allocation, however, have allowed the City to cushion its portfolio against substantial losses. Based on current national economic forecasts, the expected rate of return for FY02 is five percent. Because of a reduction in earnings, the City will be required to substantially increase its annual contribution to the fund in FY03 (see the Fiscal Health chapter for more details).
- In 1997 the Commonwealth of Pennsylvania Act 205 was amended to allow the City to establish a rolling, ten-year schedule to eliminate its unfunded pension liability once funding coverage reaches 70 percent. When the amendment was enacted, the City had not expected to reach that level until FY12, with payments to the pension fund stretching out through FY19. In February 1999, however, the City issued \$1.29 billion in pension-obligation bonds, and allocated the proceeds for the Pension Fund. The additional assets helped raise the percent of the Pension Fund's actuarially accrued liability that is funded to 79 percent in

FY00. The amount of the unfunded liability for FY01 will be published in the second half of FY02, but the estimated liability by the end of FY06 will be \$1.4 billion.

- In December 2001 the Board decided to offer a new service to City retirees by negotiating group rates for long-term care insurance for those willing to assume the full cost of coverage. Retirees, along with their survivors, beneficiaries, and parents, may select coverage levels of two, four, or five years with benefits ranging from \$50/day to \$250/day. Coverage begins June 1, 2002.
- In January 1999 a new City ordinance established a Pension Adjustment Fund (PAF) and required the Pension Board to determine every three years whether the accumulation of funds from investment earnings is sufficient to warrant distribution of lump-sum payments or other benefit increases to retirees. In April 2001 the Board disbursed \$40 million to an estimated 31,000 retirees or their survivors in the form of a one-time, lump-sum payment of \$100 for each full year in retirement status. In December 2001 the Board again approved a similar disbursement scheduled for March 2002, using all \$14 million available in the fund to provide a one-time payment of \$35 to each pensioner, survivor, or beneficiary for each year in retirement status as of June 30, 2001. It is estimated that because of lower investment earnings it may be five years before funds will be available again for lump-sum distribution.
- By the end of FY03 the Board will have significantly expanded the information available on its website. In addition to general-interest items such as the Municipal Employee Retirement Code and descriptions of the City retirement plans, the website will contain a secure section that will permit City employees to view their estimated retirement benefits.
- The Board continues to promote the Deferred Retirement Option Plan (DROP), which is more than halfway through its four-year test period and has over 2,000 employees enrolled—including over 750 who must retire by October 2003—with at least 1,000 more participants expected. In June 2003 the Board will perform an analysis to determine the extent to which DROP has served as an incentive for employees to defer retirement and whether the program should be continued.

Procurement

The Procurement Department is responsible for the purchasing of all goods and services, including construction projects and concessions, which by law must be obtained through an open, fair and competitive process. In order to create equal access to business opportunities, the Department works in close partnership with the Minority Business Enterprise Council. The Department's organizational objectives include *increasing competition for City business* and *streamlining the procurement process*.

- In FY01 the Department began posting bid announcements on its website, replacing the need for larger bid-related mailings to vendors. As a result, the City's postage costs will be reduced by approximately \$100,000 and Procurement will save an estimated \$75,000 on the printing of bid packages in FY02, with similar savings in future years. In addition, in FY03 the Department will upgrade its electronic purchasing application—ADPICS—to incorporate

additional functions, such as the ability of vendors to update their address information online and e-mail notification of bid announcements.

Key Performance Measures

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Services, Supplies & Equipment						
Number of SSE Contracts Completed	822	702	812	813	813	813
Total Dollar Amount of Contracts	177,754,361	110,381,040	95,818,590	112,526,669	112,526,669	112,526,669
Processing Time (Days) from Receipt of Requisition to Bid Award	141	140	131	132	132	132
Processing Time (Days) from Request to Posting of Purchase Order (Existing Requirements Contract)	N/A	7	5	6	6	6
Processing Time (Days) from Bid Award to Contract Conformance	N/A	N/A	N/A	N/A	85	85
Number of Small-Order Purchases	1,469	1,439	1,524	1,400	1,400	1,400
Total Dollar Amount of Small-Order Purchases	5,340,094	4,340,633	5,263,306	4,222,000	4,222,000	4,222,000
Public Works						
Number of Public-Works Awards Made	343	355	272	280	280	280
Total Dollar Amount of Public-Works Contracts	155,122,445	255,685,534	199,509,578	154,000,000	154,000,000	154,000,000
Processing Time (Days) from Bid Initiation to Award	77	91	85	77	77	77
Processing Time (days) from Bid Award to Contract Conformance	63	64	71	72	72	72

Revenue

The Department of Revenue collects all revenue due to the City and tax revenue due the School District of Philadelphia. It also plays a key role in analyzing and forecasting revenue. Its organizational objectives include *maximizing tax revenues*, *streamlining the tax-return process*, and *enhancing taxpayer service*.

- Currently, the Department of Revenue offers a variety of downloadable files on its website to facilitate taxpayer service, such as tax-return forms and tax account applications. In FY03 the Department will work with the Mayor's Office of Information Services (MOIS) to provide web-based interactive services, including the ability to apply for and receive tax account numbers and to file tax returns.
- In FY02 the Department will replace its stand-alone, tax-refund computer system by incorporating a new refund module in its consolidated taxpayer information processing system (TIPS). That technology enhancement will reduce the amount of time-consuming data entry and manual verification involved in processing refund petitions. In FY03 Revenue will work with the Department of Public Property to implement an interactive voice response (IVR) system that will allow tax filers to check the status of refund requests and will free staff to devote more time to actually processing refunds. The Department projects that IVR, coupled with the FY02 implementation of the refund module, is expected to enable the Department to expedite the issuance of refunds by as much two months.

In addition to the inclusion of the refund module, in FY03 the Department will convert its real estate tax database to TIPS, completing a multiyear consolidation of the City's major tax systems. As a result of the integration of that real estate tax information, Revenue expects to receive tax payments earlier and intervene sooner in the case of late payments, both of which should result in a reduction of costly collection enforcement efforts.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Number of Walk-in Taxpayers Served	44,980	45,418	47,558	40,000	45,000	45,000
Average Waiting Time for Walk-In Customers (minutes:seconds)	25:29	11:24	18:29	15:00	15:00	15:00
Number of Incoming Calls	461,928	387,508	466,858	375,000	425,000	425,000
Response Rate for Incoming Calls (percent of calls answered)	63%	77%	76%	69%	70%	70%
Ratio of Returned Mail to Outgoing Mail	6.7%	8.6%	6.9%	8.8%	5.4%	5.4%
Value of Audit Assessments (in thousands of dollars)	\$12,174	\$9,782	\$19,123	\$11,000	\$11,000	\$11,000

Number of Incoming Calls. The increases in the number of incoming calls and walk-in taxpayers during FY01 were the result of questions caused by: the State's Homeowner Tax Rebate Program, the reassessment of the 1996 personal property tax, and the impact of merging Use and Occupancy (U&O) Tax into TIPS, which resulted in the introduction of system generated notifications to non-filers and more frequent bills to delinquent U&O taxpayers.

Value of Audit Assessments. In FY01 the audit unit identified several major cases where taxpayers were not fully compliant with the tax regulations. These audits resulted in assessments totaling \$19.1 million, a 95 percent increase from the previous year.

Risk Management

The Division of Risk Management is responsible for limiting the City's financial liability arising from claims, lawsuits, and employee injuries. Toward that end, the Division coordinates the City's workplace safety efforts, administers the employee-disability program, establishes parameters for the purchase of insurance by the City and its contractors, and investigates and resolves personal injury and property damage claims against the City. Risk Management's organizational objectives include *reducing the costs of employee-disability claims while improving the quality of medical services, expediting the return to work of employees after injury, and improving the management of claims.*

- Risk Management continues to reduce the number of injured-on-duty and workers' compensation claims annually, from a total of 5,097 in FY00 to 5,037 in FY01, with claims projected to be 4,900 in FY02 and 4,750 in FY03. Moreover, as the costs of medical services related to workers' compensation have risen statewide by 24 percent over the last five years, the Division's case management efforts have continued to limit the growth in the City's average claim cost to approximately seven percent for the same time period. Beginning in

FY03 the Division will partner directly with medical providers to enhance the positive performance of the program in order to achieve two principal goals during the next three years. One is to limit the increased cost of medical care by negotiating fixed-cost contracts with projected savings on the average cost of claims of 15 percent under state workers' compensation rates. The second goal is enhancing the standard of care provided City employees in order to reduce the amount of time lost from work by injured employees by 10 percent, or 2,000 days, over the next three years.

- In FY93 the City began using "wrap-up" insurance programs for its larger public works contracts. As a result of the success of these programs, which have reduced insurance costs that vendors pass on to the City by more than \$13 million to date, the Division plans to expand wrap-ups to additional contractors in FY02 and FY03, including those who will be involved in the extensive efforts to demolish dangerous buildings in blighted areas throughout the City as part of the Administration's Neighborhood Transformation Initiative (NTI). Risk Management projects that the NTI wrap-up alone will enable the City to save between \$7 million and \$10 million in insurance costs over the life of the project.
- Risk Management is working to promote the use of a federal Small Business Administration (SBA) program that assists small contractors who are unable to obtain required performance bonds on their own by assuming 90 percent of the risk associated with bonds up to \$2 million in value. In order to create more opportunity for small and disadvantaged contractors to compete for City and private sector construction work, the Division will fund the training of contractors in business-plan development and financial record-keeping and will hire a surety agent to assist them in completing bond applications. This initiative is scheduled for implementation by FY03.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Workers' Compensation Recipients Number of Employees Receiving Total Disability Benefits	537	495	470	460	460	460
Average Number of Employees on "Limited Duty" Injured-on-Duty Status	334	275	265	265	265	265
Number of No-Duty Days	19,216	20,347	20,729	20,000	20,000	19,300
Workers' Compensation-related Revenues Subrogation / Supersedeas ¹	\$1,005,550	\$501,915	\$500,000	\$500,000	\$500,000	\$500,000
New Service Connected Disability Pensions Granted	49	24	30	30	40	50

¹Subrogation refers to recovery from third parties that negligently cause injury to City employees. Supersedeas refers to collections made from a State fund if the City wins a case on appeal or successfully files to stop ongoing benefits.

New Service Connected Disability Pensions Granted. The projected increases in FY02 and FY03 are a result of Risk Management's diligent efforts to reduce the number of employees on full duty and limited duty status by returning them to work or referring them to the Pension Board for service-connected disability determinations.

Water Revenue Bureau

The Water Revenue Bureau is responsible for accurate reading and billing of water and sewer accounts, and timely collections of revenues due the Philadelphia Water Department. The Bureau ensures that the Water Department has the financial resources necessary to continue to provide high-quality water and cost-effective wastewater treatment to the City and the region. The Bureau's organizational objectives include *providing accurate reporting of water use, increasing the collection of revenues for the Water Department, and providing high-quality customer service by responding to customer needs.*

- In September 2001 the City increased water and sewer rates by approximately 2.8 percent for small or residential meters and between 10 and 15 percent for large meters, generating an estimated \$19 million in additional FY02 revenues. Residential meter rates will rise another four percent on July 1, 2002, with an added 1.5 percent on July 1, 2003. Rates for large meters will increase again between 10 and 15 percent each time as well. The Bureau projects that revenues will increase an average of \$23 million in both FY03 and FY04 as a result.
- A combination of rate increases, more diligent collection efforts, and the automation of payment processing through telephone and web-based applications is expected to yield \$330 million in FY03, approximately ten percent higher than the average collected annually during the previous ten years. Based on recommendations from a citizen's advisory committee regarding equitable stormwater charges, in FY02 the Water Department, in conjunction with the rate increase, reallocated stormwater service charges between its residential or small-meter customers and its large-meter customers. Residential users, who had been paying a disproportionate share, have witnessed an average decrease of 12.9 percent, and those with large meters have seen an increase of 60.6 percent.
- As part of a multiyear, Citywide implementation of a customer relationship management system, interactive voice response and web-based applications will offer customers access to their account data 24 hours a day, seven days week beginning in FY04. These self-help options are projected to reduce direct customer and Bureau employee interaction by 40 percent, which, in turn, is expected to reduce required staffing levels through attrition by five percent annually, saving \$2.25 million in personnel costs by the end of FY07.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
Percent of Customers Who Pay on Time (within 31 days)	56.2%	57.2%	60.3%	60.5%	60.5%	60.4%
Number of Walk-In Customers Served	88,270	70,004	66,276	62,000	62,000	64,300
Walk-In Customer Average Wait Time	10:38	10:15	5:20	8:30	8:30	7:30
Number of Incoming Telephone Calls	515,877	418,776	426,557	453,016	453,016	436,544
Response Rate for Incoming Telephone Calls	62%	84%	83%	86%	86%	85%
Citizen Survey: Percent Satisfied With How Their Water and Sewer Billings and Collections are Handled	66.8%	69.4%	66.9%	72%	72%	74%
Percent of Bills Based on Actual Reads	62.8%	86.5%	80%	83%	83%	84%

Number of Incoming Telephone Calls. The projected increase in calls received in FY02 is due to the storm water rate reallocation and the rate increase, which resulted in questions about billing.

Percent of Bills Based on Actual Reads. In FY01 the WRB began billing residential customers on a monthly, rather than quarterly, basis. Although the number of actual reads continued at a significant level, some of the monthly bills were based on estimates. As a result of the more frequently billing, the percentage of bills based on actual reads dropped slightly.

Five-Year Obligations Summary

City Treasurer

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100	740,963	790,913	810,757	822,738	846,222	846,222	846,222	846,222
Class 200	92,010	116,938	93,125	93,125	93,125	93,125	93,125	93,125
Class 300/400	26,176	28,233	28,233	28,233	28,233	28,233	28,233	28,233
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	859,149	936,084	932,115	944,096	967,580	967,580	967,580	967,580

Procurement

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
BUDGETED OBLIGATIONS								
Class 100	3,054,979	3,018,034	2,972,763	3,166,692	3,229,467	3,217,800	3,217,800	3,194,467
Class 200	1,791,583	1,891,383	1,863,012	1,863,012	1,863,012	1,863,012	1,863,012	1,863,012
Class 300/400	138,930	206,751	128,650	128,650	128,650	128,650	128,650	128,650
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	4,985,492	5,116,168	4,964,425	5,158,354	5,221,129	5,209,462	5,209,462	5,186,129

Revenue

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
<u>BUDGETED OBLIGATIONS</u>								
Class 100	13,558,047	12,984,000	12,789,240	13,039,112	14,419,116	13,071,227	12,767,894	12,732,894
Class 200	4,101,472	4,188,210	4,056,387	4,056,387	4,056,387	4,056,387	4,056,387	4,056,387
Class 300/400	817,610	859,378	846,487	846,487	846,487	846,487	846,487	846,487
Class 500								
Class 700								
Class 800	620,687			0	0	0	0	0
Class 900								
TOTAL	<u>19,097,816</u>	<u>18,031,588</u>	<u>17,692,114</u>	<u>17,941,986</u>	<u>19,321,990</u>	<u>17,974,101</u>	<u>17,670,768</u>	<u>17,635,768</u>

City of Philadelphia
Five-Year Financial Plan

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**First Judicial District
of
Pennsylvania**

First Judicial District of Pennsylvania

The judicial system of Philadelphia includes three courts—the Court of Common Pleas, Municipal Court, and Traffic Court—which are part of the Unified Judicial System of the Commonwealth of Pennsylvania. Together they comprise the First Judicial District of Pennsylvania (FJDP), which was established in 1991 and directly controlled by the Pennsylvania Supreme Court until 1996 when it assumed responsibility for its own operations, including local adult and juvenile probation services.

The *Court of Common Pleas* is the court of general jurisdiction and operates through three divisions. The Trial Division is responsible for most criminal and civil cases while Family Court handles domestic relations matters, such as divorce, child custody and support, and domestic violence, and cases involving juvenile delinquency and dependency and adoptions. The Orphans' Division is responsible for cases involving estates, wills and trusts.

Municipal Court is the court of limited jurisdiction. It handles adult criminal cases with a maximum sentence of incarceration of five years or less, conducts preliminary hearings in all adult criminal matters, shares jurisdiction with the Court of Common Pleas in small-claims cases, adjudicates landlord-tenant matters, and hears certain code enforcement and school-tax cases. This court also provides commissioners to preside at arraignments, fix and accept bail, issue warrants, and perform related duties. *Traffic Court* adjudicates all cases originating in Philadelphia involving a moving traffic violation.

Despite the fact that the City funds virtually all of the FJDP's operating expenses, which are estimated to total over \$107 million in FY02, the FJDP is not a City department. Rather, it is an administrative entity separate from City government, ultimately under the direction and control of the Pennsylvania Supreme Court. Accordingly, the City has no authority to manage court operations, allocate budget appropriations among court functions, and control court expenses.

The City today provides funding for Philadelphia's judicial system only because the General Assembly continues to ignore the Pennsylvania Supreme Court's 1987 decision (*Allegheny I*) that "unified" local courts throughout the Commonwealth and directed the state to assume responsibility for their funding. In July 1996, after nine years of inaction by the General Assembly, the Supreme Court issued a writ of mandamus (*Allegheny II*), directing the General Assembly to enact a funding scheme for the court system on or before January 1, 1998. A report by former Supreme Court Justice Frank J. Montemuro in July 1997 recommended a four-phase transition from county to state funding. In January 2000, the state implemented Phase I of this transition, moving 14 trial court administrators from the City's payroll to its own—eighteen months after the target date set by Justice Montemuro. July 1, 2000 was also established by Justice Montemuro as the deadline for completion of Phase II, which would transfer to the state's payroll the costs of the personal staffs of the FJDP judges, court reporters, masters, hearing officers, arbitrators, parajudicial officials, and administrative support staff. The Commonwealth, however, has neither met this target nor established another timetable.

Following Justice Montemuro's 1997 report and discussions in early 1998 with the FJDP, the City initially did not include the courts in its FY99 budget. When the state again failed to appropriate funds for the FJDP, however, the City returned to the previous year's approach of funding the courts on a six-month rolling basis for both FY99 and FY00. Responding to concerns by PICA about this piecemeal approach, the City agreed to fund the FJDP for the full year beginning in FY01, a practice it has continued.

Philadelphia's Relationship with the FJDP

Given the General Assembly's inaction, the City has had no choice but to fund Philadelphia's judicial system for nearly 15 years in a manner found unconstitutional by the state's highest court. In 1991, when the City's fiscal crisis prevented it from supporting the courts' funding demands, the Pennsylvania Supreme Court took control of the courts, established the FJDP, and appointed an executive court administrator. In an attempt to limit the City's financial exposure, the Supreme Court also entered into a "zero-growth" budget agreement with the City, which still governs the City's fiscal relationship with the courts. For the initial zero-growth budget limit, the City and the courts agreed to use the actual FY91 obligations of \$90.4 million as a base. This limit was later revised upwards, principally to reflect wage increases of nearly \$13 million for FJDP employees. The higher limit also includes the costs of projects that the City asked the courts to undertake or agreed that they should fund, along with the courts' share of increases in fee revenue. As a result, the FJDP's obligations will have grown by \$17.4 million, or 18 percent, between FY93 and FY03.

First Judicial District of PA General Fund Obligations, 1993-2003											
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
	(Thousands of dollars)										
Personal Services	65,667	67,922	69,765	71,679	75,967	75,304	76,829	76,302	80,270	83,324	86,858
Purchase of Services	27,679	27,193	26,254	26,468	29,943	27,111	28,545	27,906	28,826	21,587	24,466
Materials, Supplies and Equipment	3,412	2,978	1,878	1,878	2,170	2,187	2,248	2,576	2,357	2,357	2,801
Contributions, Indemnities and Taxes	1	0	26	9	28	46	136	281	175	0	0
Total	\$96,759	\$98,093	\$97,923	\$100,034	\$108,109	\$104,648	\$107,758	\$107,065	\$111,628	\$107,268	\$114,125

1. Obligations for FY02 are estimated; obligations for FY03 are budgeted.

2. Personal Services does not include fringe benefits budgeted in the Finance Department. For FY01,

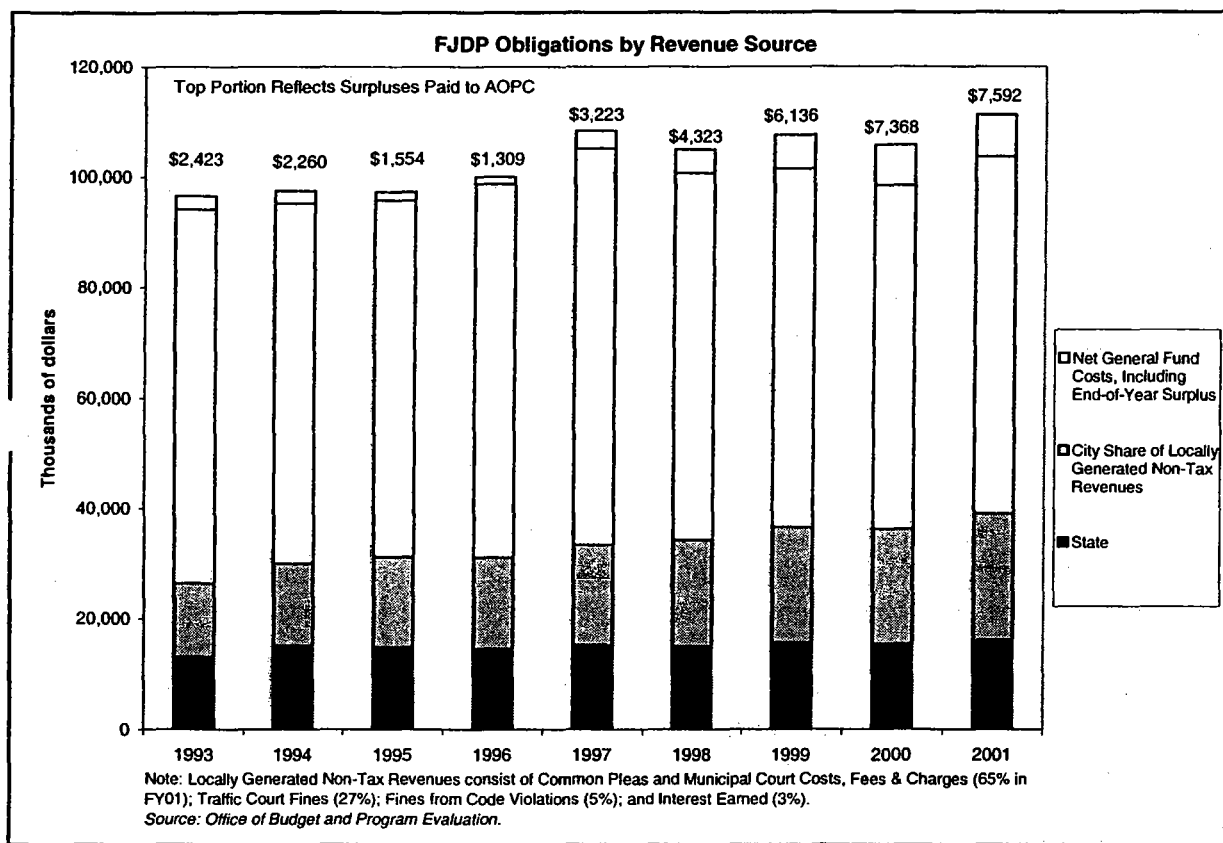
3. FJDP fringe costs were estimated at 31.69 percent of salaries, or \$27,842,532.

Source: Office of Budget and Program Evaluation.

Not only has the City been forced to fund the FJDP, contrary to Supreme Court directives, but the City also has been called upon to contribute more in general-fund dollars over time. Of all funding received by the FJDP between FY93 and FY01, only 13.5 percent to 15.4 percent annually has come from the state, pursuant to a decades-old reimbursement formula. In FY01, the state's share equaled 14.2 percent. But the City's annual contribution to the budget from locally generated, nontax revenues (its share of court costs, fees, charges and fines) rose steadily during the same period, from 13.8 percent to 20.5 percent. The remaining net general-fund burden on Philadelphia taxpayers constituted 65.2 percent of total FJDP appropriations in FY01. According to the Office of Fleet Management (OFM), since FY93 the City has also spent \$976,757 from the general fund to acquire vehicles for the FJDP. In addition, OFM estimates that maintenance and fuel costs for Court vehicles have totaled \$575,917 since FY97.

Budget Surpluses

Unlike other general fund-supported activities, unspent FJDP funding does not revert back to the general fund. Instead, as part of the zero-growth, zero-reduction budget agreement, the FJDP retains all savings that it achieves in the amount appropriated by the City. These surpluses are transferred at the end of each fiscal year to the Administrative Office of Pennsylvania Courts (AOPC), purportedly for the exclusive use by the FJDP for technology and training. FJDP and AOPC are not, however, required to advise the City on the actual use of these surpluses, which between FY93 and FY01 amounted to over \$36 million, and in FY01 represented 7.1 percent of fiscal-year obligations. Moreover, those surpluses have been growing, as the FJDP has sent more than \$21 million to the AOPC in just the last three years.



These surpluses are not the only court-related transfer payments made by the City to the AOPC. Pursuant to a June 1993 Pennsylvania Supreme Court order, the City also transfers the entire annual FJDP budget for materials, supplies and equipment and most of the courts' budget for contracted services to the AOPC, so that the courts may do their own purchasing. At the beginning of FY02, the City agreed to transfer \$13,746,422 to the AOPC for this purpose.

Other FJDP Generated Costs

In addition to the funding required for its own operations and the costs incurred by the Office of Fleet Management, the FJDP also generates costs to the City not accounted for by its annual appropriation. The courts and the Office of the District Attorney force City spending through their own initiatives and practices. This is particularly true in the case of Police Department

overtime costs for officers, currently projected to be \$40.6 million in FY02 for all funds. Between FY97 and FY00, the Managing Director's Office estimates that nearly half of such costs were court-related, driven to a large extent by the desire of prosecutors and judges to have all police officers involved in an arrest available for a court hearing, regardless of whether they actually testify. As a result, on a single day numerous officers are present in the Criminal Justice Center waiting to be called as witnesses in multiple courtrooms. Some of these officers may have to be there at a time apart from their normal work shifts; other officers may have to be held past their shifts in order for the Department to ensure necessary patrol coverage—all of which generate overtime costs.

In an effort to curtail court-related overtime, the Police Department, the District Attorney's Office, and Municipal Court initiated a pilot program in one courtroom in August 1999, allowing one officer to testify on behalf of all officers at preliminary hearings for narcotics cases. While defense attorneys have raised concerns about the constitutionality of such "hearsay" testimony, these programs have withstood all legal challenges in Philadelphia and elsewhere in the Commonwealth. The Managing Director's Office estimates that the City could save at least \$1.5 million annually in overtime by the expansion of this model to other courtrooms, a move which is supported by Municipal Court leadership.

The FJDP also affects the City's budget by initiating or expanding programs that require General Fund expenditures, many times without the involvement of or financial commitment by City departments during the planning stages.

Future Direction

More than four years after Justice Montemuro's report, the state has yet to complete the transfer of responsibility for court funding from Pennsylvania counties to the Commonwealth. The City continues to look to the state to implement Phase II and establish timetables for Phases III and IV, which would include the remaining FJDP functions, including the Office of Prothonotary. In addition, the state would also assume the costs for the Clerk of Quarter Sessions, Orphans' Court, and the Register of Wills, which are funded separately from the FJDP. In FY02, those combined expenses are estimated at more than \$7.1 million.

At the same time, the zero-growth budget agreement, which met the needs of the FJDP and the City in 1991, should be thoroughly reviewed, particularly with respect to the state's ability to control totally FJDP's rapidly growing budget surpluses without scrutiny by Philadelphia taxpayers. The agreement should be revisited not only on its own merits but also in terms of how it compares with the current funding structure of courts throughout the Commonwealth and the financial burdens assumed by other counties. In addition, the City will continue to evaluate the actual extent to which the FJDP drives the costs of other governmental operations and determine the feasibility of instituting transfer payments for certain City costs, such as those incurred for court vehicles.

Equally important, the City will continue in its efforts to increase the level of consultation with the courts in order to project in advance the financial impact of judicial initiatives and explore opportunities for greater financial participation by the FJDP. Until the Commonwealth assumes

its rightful obligations to fund Pennsylvania's court system, Philadelphia must once again seek to mitigate the strain on the General Fund caused by FDJP-related activities, particularly when the City's fiscal stability continues to be threatened, as indicated elsewhere in this FY03-07 Five-Year Financial Plan.

Five Year Obligation Summary

First Judicial District

	FY 01 Actual	FY 02 Adopted Budget	FY 02 Current Target	Projected FY 03	Projected FY04	Projected FY05	Projected FY06	Projected FY07
BUDGETED OBLIGATIONS								
Class 100	80,269,852	83,323,974	83,323,974	84,305,260	88,240,899	85,178,790	84,443,790	84,315,457
Class 200	28,826,157	21,587,274	21,877,212	23,410,025	23,410,025	23,410,025	23,410,025	23,410,025
Class 300/400	2,357,148	2,357,148	2,357,148	2,357,148	2,357,148	2,357,148	2,357,148	2,357,148
Class 500								
Class 700								
Class 800								
Class 900								
TOTAL	<u>111,453,157</u>	<u>107,268,396</u>	<u>107,558,334</u>	<u>110,072,433</u>	<u>114,008,072</u>	<u>110,945,963</u>	<u>110,210,963</u>	<u>110,082,630</u>

City of Philadelphia
Five-Year Financial Plan

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Capital Program

Capital Program

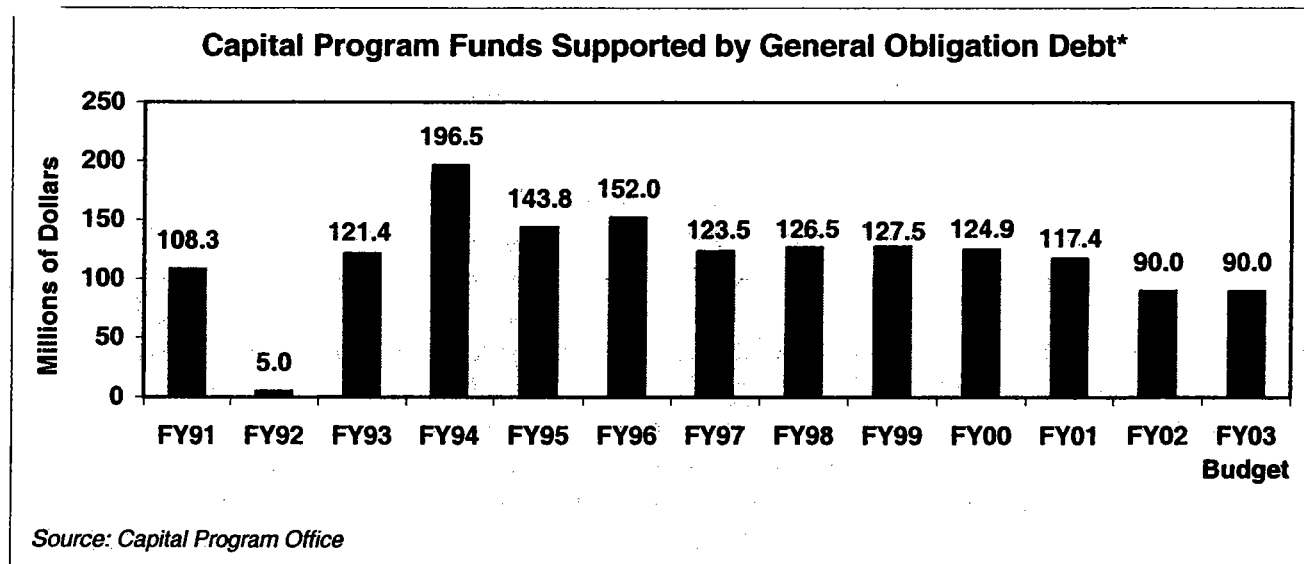
Mission

The Capital Program is the City's six-year plan for the construction and renovation of public buildings, facilities, and infrastructure. The priorities of the Capital Program are aligned with those of the Mayor, specifically projects which promote economic development, ensure public health and safety, and, through measures to enhance the effectiveness and efficiency of City operations, maintain the City's fiscal stability.

Organizational Objectives and Targeted Initiatives

Provide Long-Term Investment in the City's Extensive System of Public Facilities in order to Sustain and Enhance Philadelphia's Competitiveness as a Place to Work, Live and Visit

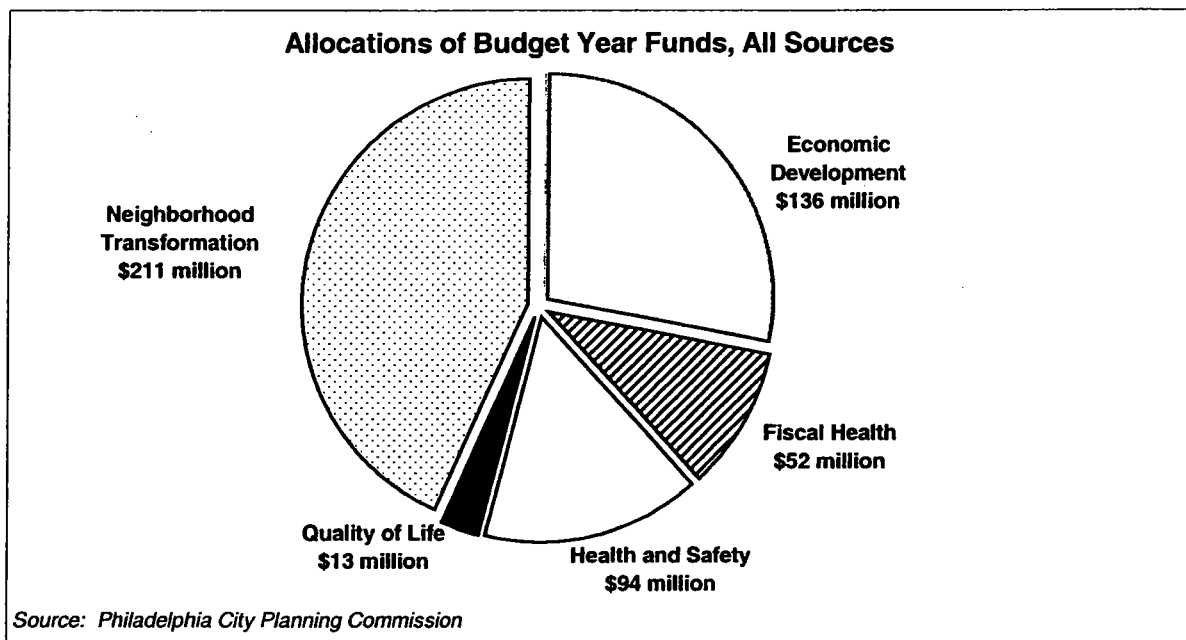
- **Implement the Fiscal Year 2003 Capital Budget.** The proposed Capital Budget, the first year of the Capital Program, totals \$507 million of which \$90 million, or close to eighteen percent, is to be funded through new City tax-supported debt financing. City self-sustaining sources, primarily from airport leases and Water Department revenues, account for about 46 percent of the proposed budget-year spending, while federal and state grants cover close to one-third of the budget. The chart below shows the Capital Program funds supported by General Obligation debt for the Capital Program from FY91 through the FY03 budget.



* Funding for FY93 and FY94 was provided by PICA debt; \$106.8 million of FY95 funding was also PICA debt while \$37 million was City debt. PICA no longer has the legal authority to issue debt for capital projects.

The City's ability to issue new debt is restricted by its legal debt capacity. As defined under the State Constitution, the City's debt capacity is determined by taking 13.5 percent of the ten-year average of the assessed value of the City's real estate. The City's outstanding tax-supported debt is then subtracted from that amount to derive the City's legal debt margin. As of the end of FY01, the City's remaining debt capacity was \$134.8 million. That margin only increases when debt is retired or the assessed value of real estate increases.

While the City must sharply limit future issuance of general obligation debt it must also continue to fund a capital program. Therefore, the City is considering the following options as ways to maintain a capital program through the term of this Five-Year Plan: paying for some capital projects through the operating fund, paying down debt if operating funds are available, and using authorities to issue debt.



The projects in the FY03-FY08 Capital Program are categorized by the Mayor's five priorities: neighborhood transformation, quality of life, economic development, fiscal health and health and safety.

Neighborhood Transformation projects directly support the Mayor's Neighborhood Transformation Initiative (NTI) through the renewal of community facilities, including libraries, park facilities, police and fire stations, and site improvements in support of neighborhood housing and commercial revitalization programs. Transit stations and other SEPTA facilities, street resurfacing, street signage improvements and traffic signals, and replacement of water and sewer mains are also funded through the Capital Program. In addition, over \$11 million will be dedicated to improvements to playgrounds, ball fields, courts, swimming pools and other Recreation Department facilities, as well as for the rehabilitation of roofs, and heating and safety systems at various recreation centers. The City will continue to assess neighborhood infrastructure to ensure that the Capital Program will most effectively support efforts of the NTI.

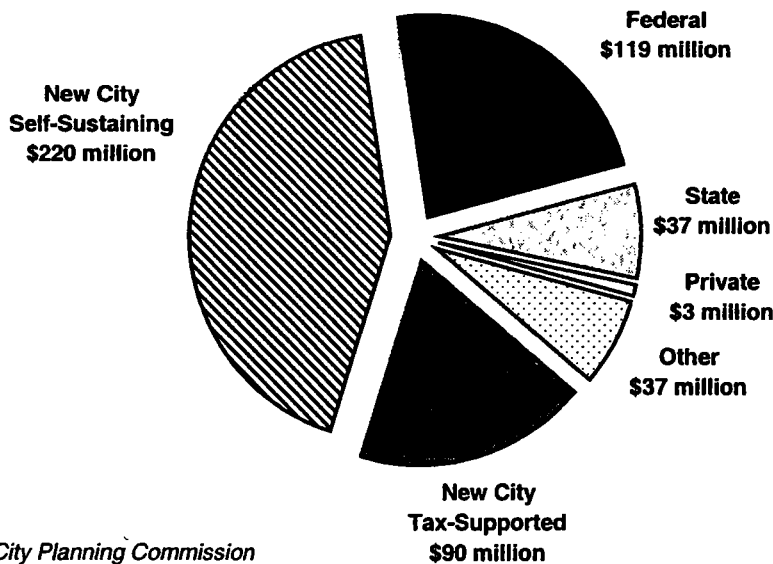
Quality of Life projects improve conditions at facilities, such as City Hall, the Art Museum and the Philadelphia Zoo. Included in the infrastructure renewal projects is an ongoing major restoration of City Hall. The City will continue to make improvements to the structural condition of City Hall's roof, elevator, life safety systems and the building's exterior. The Capital Program includes \$5 million in FY03 for City Hall renewal and an additional planned investment of \$22 million through FY08. The Capital Program also includes over \$2.4 million in FY03 for the Art Museum and almost \$1.5 million of City tax-supported funds for the Zoo.

The biggest component in the *Economic Development* area is the expansion and upgrade of Philadelphia International Airport, which is funded through airport leases and does not impact the City's debt incurring capacity. The FY03 Capital Budget also dedicates funding for land acquisition and infrastructure improvement projects to support industrial development in the City. Another large infrastructure renewal project is streetscape improvements for the Avenue of the Arts North. Over \$6 million in federal and state funds are included in FY03, to match the City funds that have already been appropriated for this \$9.8 million project.

The Capital Program enhances the City's *Fiscal Health* by investing in projects that enable government services to be provided more efficiently. The multi-year expansion and enhancement of the City's Center City fiber-optic ring, a \$3.2 million project, will provide the framework to support e-government initiatives. An \$8 million Integrated Case Management System will be developed for the City's Social Service agencies. Improvements to the Computer Aided Dispatching System in the Police Department will enhance the allocation and dispatching of emergency vehicles. The final installment of \$18 million in funding from non-City sources is programmed in FY04 for the replacement of the Youth Study Center. It is estimated that the new juvenile justice facility will cost \$48 million.

The Capital Program also provides investments in *Health and Safety* facilities, including improvements to the City's water treatment and wastewater treatment plants; renovations to the Riverview Home, asbestos abatement; life safety systems; and City matching funds for SEPTA public transit projects that involve overall rider safety and accessibility.

Sources of Funds, FY03 Budget Year



Source: Philadelphia City Planning Commission

- **Ongoing completion of Pennsylvania Intergovernmental Cooperation Authority (PICA) projects.** PICA issued capital bonds in 1992, 1993 and 1994 to fund the City's Capital Budget. Some of the projects originally intended for funding by PICA were either completed under budget, cancelled or funded by other sources. As a result, in FY02 there were approximately \$29 million of PICA funds available to be redirected for other projects. With

PICA's approval, the City reprogrammed these funds for the following seven projects:

Department/Agency	Project	Estimated Cost
Art Museum	Building Improvements	\$3,204,000
Fairmount Park	Manayunk Canal Restoration	\$2,060,000
Free Library	Central Library Renovations	\$600,000
Police Department	Wister School Conversion	\$9,000,000
Philadelphia Prison System	House of Corrections Cell Block Renovations	\$7,000,000
Public Property	City Hall Renovations	\$3,942,000
Public Property	Family Court Phase II Renovations	\$3,500,000

In addition, in FY02, the City received approval from PICA to use \$14 million to complete funding of the new \$40 million Women's Detention Facility. With the additional funding secured, the project is scheduled to be completed in the spring of 2003.

- **Continued absorption of additional staff and projects.** The Capital Program Office (CPO) was created in August 1996 to streamline the City's approach to the management of capital projects. In 1997 and 1998 CPO assumed project management responsibilities for all capital projects previously handled by Public Property's Architecture and Engineering Division and the Fairmount Park Commission. Additionally, on July 1, 2001, the CPO officially assumed project management responsibilities for approximately 190 projects totaling \$46.6 million handled by the Recreation Department. On July 1, 2001, the CPO also assumed management of all future capital funds for the Free Library of Philadelphia and late in 2001 the CPO was asked to manage the projects for the Municipal Energy Office (MEO), bringing the total number of agencies served by CPO to 16. The Streets Department, Water Department, and the Commerce Department's Division of Aviation continue to manage their own capital projects.

City of Philadelphia
Five-Year Financial Plan

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Appendices

City of Philadelphia
Five-Year Financial Plan

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Appendix I
Enterprise Funds

Division of Aviation

Mission

The mission of the Division of Aviation (DOA) is threefold: develop and operate premier air transportation facilities; deliver superior standards of customer service; and maintain the highest levels of safety, security, convenience, and efficiency. Philadelphia International Airport (PHL) and Northeast Philadelphia Airport (PNE) comprise the Philadelphia Airport System (the Airport), which is owned by the City of Philadelphia and operated by the DOA of the City's Department of Commerce. Both airports are self-sustaining. Revenue sources that fund airport operations include terminal building space rentals, landing fees, net parking revenue, and concession fees.

Industry Effects due to September 11th Terrorist Attacks

The aftermath of the September 11 terrorist attacks radically changed the landscape of the aviation industry. The primary focus changed overnight from capacity, competition and customer service to safety and security. The economics of the airline industry were already in a general downturn prior to the tragic events of September 11. In the immediate wake of the attacks, the airlines were grounded without revenue for several days while still incurring high operating costs. When service resumed, air traffic at airports was reduced between 35 and 60 percent. Tens of thousands of aviation industry employees were furloughed. The federal government took rapid action to assist the aviation industry at large and Congress passed an airline assistance package that provides \$15 billion in various forms of aid to the airlines. In addition, legislation has been introduced that will affect airport safety and security operations. In Philadelphia, the law enforcement presence has been enhanced with the deployment of the Pennsylvania National Guard as well as the assignment of Pennsylvania State Troopers by the Governor, to assist the additional 30 Philadelphia Police Officers that had been transferred to the airport in September. To address anticipated revenue shortfalls and increased security costs, the Airport reduced its budget by 12 percent-over \$15 million-through cuts and deferrals. Preliminary PHL estimates for December 2001, show that the long-term impact of the events of September 11 may be milder than was the short-term impact as passenger levels rebounded significantly to 95 percent of December 2000 levels.

Organizational Objectives and Targeted Initiatives

Continue to Develop and Implement a Safe and Secure Environment to Inspire Passenger and Community Confidence

- **Implement new federal mandates.** The City of Philadelphia, as operator of PHL and PNE, will continue to work closely with federal, state and airline representatives to implement new directives issued by the U.S. Department of Transportation and requirements instituted by the passage of the Aviation Transportation and Security Act of 2001. Key elements of the new legislation include federalization of the 28,000 security screeners nationwide, higher standards of inspection for checked baggage, re-institution of the federal Air Marshall program, acquisition of new safety technologies and expanded security requirements.

- **Meet Category X status requirements.** On December 14, 2001, the FAA designated PHL the Nation's 21st Category X Airport, which brings additional benefits and responsibilities. Airports that annually handle one million international passengers and 25 million domestic passengers receive the Category X classification. The benefits of this classification include placement of an on-site full time federal security manager, access to certified K-9 teams, and greater and quicker access to additional federal funds. As a consequence of this designation, PHL will be subject to more rigorous inspections and other elevated federal standards.
- **Expand retail development.** The Airport's Retail Concession Development Program, initiated in 1994, grossed \$79.1 million in FY01 at 125 locations. In FY01, the program, managed by the MarketPlace/Redwood joint venture, was recognized by Airport Retail News, an industry publication, in four categories for excellence. In June 2001 Terminal F opened with 10,000 additional square feet of new concession space. The Airport's goal is to develop exciting offerings for the expanded Concourse D including a bar/restaurant, a fast food vendor, and 120,000 square feet of retail space in the new International Terminal. Although concession revenue dipped in the fall, as travel slowed after September 11, by the end of 2001 revenues had more or less returned to about their 2000 levels.
- **Maintain fiscal responsibility.** Philadelphia International Airport and Northeast Philadelphia Airport are supported entirely by non-tax revenue sources, which include terminal building space rentals, landing fees, net parking revenue, concession fees and other revenue sources. In the immediate aftermath of September 11th, revenues decreased by 20 percent and annualized security costs increased by \$5 million, 3.9 percent of the Airport's operating budget. In response to these fiscal challenges, PHL staff has and will continue to implement revenue and cost monitoring measures in FY03 to control airport financial operations. In addition, the Airport will aggressively pursue federal reimbursement opportunities for new security-related costs.
- **Pursue PNE land development.** In the spring of 2000, the Airport initiated a PNE development plan, which has produced two major successes: the opening of a Flyers Skate Zone at Comly and Decatur Roads in August 2001 and an agreement with TJ Maxx for the lease/sale of approximately 95 acres for the construction of a 1,015,000-sq. ft. warehouse distribution center. This facility was partially completed and opened in August 2001. By the end of 2001, over 600 new jobs had been created. It is anticipated that 1,100 employees will work at the facility after it is completed in 2002. The Airport's goal for FY03 is to negotiate deals for three additional parcels. Potential uses for these parcels include a corporate headquarters for a local savings bank, a helicopter hangar with adjacent parking and an aircraft hangar and related fuel farm.

Expand Airport Facilities to Ensure Adequate Capacity to Meet Demand for Air Travel

- **Complete work on new International Terminal.** In September 1999, the Airport began construction of a new International Terminal, to help meet the increased demand for international flights by providing 13 additional gates, 12 of which will be capable of accommodating wide body aircraft. The number of scheduled international passengers has

increased from 1.1 million in 1995 to 1.6 million in 2000. US Airways will lease nine of the new gates and the other four will be available for use by other airlines. The new \$450 International Terminal is anticipated to open in the fall of 2002. PHL can process approximately 1,000 international passengers per hour in existing Terminal A federal inspection facilities. Upon the completion of the new 800,000 square foot facility, this number will increase to 2,800 international passengers per hour. The completion of the International Terminal in FY03 will bring the total number of gates available at PHL up from 107 in FY01 to 124.

- **Expand Terminal E.** During the summer of 2002, the Airport plans to begin expanding Terminal E to provide an additional four gates and three relocated gates as well as an additional 49,700 square feet of concourse space to provide holdrooms, concessions, restrooms and operations offices. In addition, expansion in the ticketing area will add 11,700 square feet for ticket counters, baggage make-up space and airline offices. Improvements to the baggage claim building include an additional 5,000 square foot bag claim carousel. This project is a key element to the Airport's efforts to attract additional service and/or low fare carriers to PHL. The Airport selected a design team in January 2002 and anticipates the Terminal E construction to be completed in the spring of 2004 at a total cost of \$30 million.
- **Assess airfield expansion options.** In early 2002, the Airport Master Plan process was completed. The Airport conducted the Master Plan Study to identify facility improvement needs over the next 10 to 20 years, including the airfield, terminal area, landside features, access, and airport support facilities. The Master Plan identified two viable airfield expansion options and the City will conduct the necessary analysis of its options and have public debate by December 2002. Implementation of the selected airfield expansion option will likely begin in January 2003.
- **Improve vehicular access to PHL.** PENNDOT is currently scheduled to complete the \$95 million construction of new ramps from I-95 that will allow direct access from both north and southbound traffic by early FY03. Currently, only southbound travelers can enter the airport directly.

Create Positive Experiences by Providing World-Class Amenities and Competitive Air Service Options that Attract and Retain Customers

- **Continue to promote Airport to low fare carriers.** Promoting airline competition through the introduction of low fare carriers to the Philadelphia market remains a high priority for PHL. The introduction of service by AirTran in June 2001 (first in Terminal F and now in their permanent location in the recently expanded Terminal D) is a paradigm for the Airport to follow in attracting other low fare carriers to PHL in the near future. During FY02, the Airport is working with outside aviation consultants to create a new marketing and advertising campaign.
- **Increase the number of destination options.** In FY03 PHL plans to develop and implement an aggressive air service and marketing plan in order to attract at least one new international destination and increase the number of domestic city pairs. During FY03 the

Airport will approach current domestic carriers and ask them to increase the number of international and domestic city pairs. Although airlines reduced the frequency of service to many locations nationally during FY02, the only destination lost at PHL was Bangor, Maine.

- **Obtain Federal Aviation Administration approval for Noise Compatibility Program.** In conjunction with the Airport Master Plan, the Airport has been conducting a Part 150 Noise Compatibility study. A noise study evaluates the effects of airport operations on surrounding communities and makes recommendations to mitigate negative impacts. Options can range from installation of noise monitors, soundproofing of affected homes and schools to changes in aircraft operational procedures. This study, which included four public workshops, was initiated during the fall of 2000 and concluded in January 2002. PHL has prepared a draft Noise Compatibility Program (NCP) document and, after the required public review and comment period, will submit a final NCP to the FAA in the spring of 2002. The FAA has 180 to days to review and respond to the Airport's submittal. FAA approval could include federal funding for some or all of the Airport's recommended actions.

Key Performance Measurements

Measurement	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Target Projection	FY02 Current Projection	FY03 Projected
# of Enplaning (departing) Passengers	12,065,897	11,968,349	12,652,900	13,140,000	11,409,000	13,140,000
Total # of Aircraft Operations ¹ (PHL)	479,664	480,853	484,101	510,000	451,000	500,000
Total # of Aircraft Operations (PNE)	196,644	177,741	173,077	215,000	115,000	150,000
Air Cargo ² Activity (in tons)	590,418	652,526	622,593	662,000	649,000	662,000
Number of Aircraft Gates	65	65	103	107	107	124

¹ An aircraft operation is either a takeoff or landing

² Airfreight and mail combined

Aircraft Operations. Aircraft operations are projected to drop at PNE in FY02 due to restrictions in air space and the closing of flight schools.

**AVIATION FUND
FIVE YEAR PLAN FINANCIAL PLAN
FISCAL YEARS 2003 - 2007
ALL DEPARTMENTS**

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
<u>ESTIMATE</u>						
Revenues						
Category						
Locally Generated Non-Tax Revenues	\$228,000,000	\$281,000,000	\$283,000,000	\$283,000,000	\$287,000,000	\$282,000,000
Revenue from Other Governments	0	0	0	0	0	0
Revenue from Other City Funds	450,000	460,000	467,000	474,000	481,000	488,000
Total Revenue, All Sources	\$228,450,000	\$281,460,000	\$283,467,000	\$283,474,000	\$287,481,000	\$282,488,000
Obligations						
<u>Class</u> <u>Description</u>						
100 Personal Services	\$62,438,000	\$74,889,000	\$75,631,000	\$76,383,000	\$77,146,000	\$77,920,000
200 Purchase of Services	64,584,000	77,122,000	78,664,000	80,237,000	81,842,000	83,479,000
300 Materials and Supplies	6,939,000	9,050,000	9,231,000	9,416,000	9,604,000	9,796,000
400 Equipment	6,591,000	10,954,000	11,064,000	11,175,000	11,287,000	11,400,000
500 Contributions, Indemnities and Taxes	4,230,000	6,086,000	3,677,000	4,377,000	4,377,000	4,377,000
700 Gross Debt Service	84,554,000	100,457,000	113,776,000	115,483,000	112,689,000	104,425,000
Less: Passenger Facilities Charges (PFC's)	9,402,000	7,352,000	16,346,000	17,937,000	17,592,000	17,237,000
Net Debt Service	75,152,000	93,105,000	97,430,000	97,546,000	95,097,000	87,188,000
800 Payments to Other Funds:						
Payments to General Fund	3,288,000	3,523,000	3,573,000	3,624,000	3,675,000	3,727,000
Payments to Water Fund	623,000	725,000	747,000	769,000	792,000	816,000
Payments to Capital Fund	16,000,000	16,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total Payments to Other Funds	19,911,000	20,248,000	14,320,000	14,393,000	14,467,000	14,543,000
900 Advances and Other Misc. Payments	500,000	500,000	500,000	500,000	500,000	500,000
Total Obligations, All Departments	\$240,345,000	\$291,954,000	\$290,517,000	\$294,027,000	\$294,320,000	\$289,203,000
Fund Balance from Prior Year	\$36,175,000	\$29,080,000	\$23,386,000	\$21,136,000	\$15,383,000	\$13,344,000
Commitments Canceled - Net	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Ending Fund Balance	\$29,080,000	\$23,386,000	\$21,136,000	\$15,383,000	\$13,344,000	\$11,429,000

Philadelphia Gas Works

Mission

As the largest municipally owned natural gas utility in the nation, Philadelphia Gas Works (PGW) maintains a distribution system of approximately 6,000 miles of gas mains and pipes and serves approximately 520,000 customers. Founded in 1835, and owned and operated by the City since 1841, PGW is not a corporation or legal entity in the usual sense. Rather, it is the collective name of a group of real and personal City assets used to supply natural gas within the city limits and managed by outside entities created or authorized by the City.

PGW currently operates under a management agreement with the nonprofit Philadelphia Facilities Maintenance Corporation (PFMC), established by the City for the purpose of operating the utility. Under the agreement, PFMC, which is governed by a board appointed by the Mayor, manages PGW through a cadre of senior corporate officers and other personnel it considers necessary. The agreement also vests the Philadelphia Gas Commission, currently composed of the independently elected City Controller, two mayoral appointees, and two members of City Council, with the responsibility for overseeing PGW's operations.

This overlapping of responsibility has resulted in what has been described as "governance gridlock," in which the Mayor, the PFMC board, City Council, the City Controller, the City's Director of Finance, the Gas Commission, and the Commission's Public Advocate each exercises a measure of authority over PGW's operating and capital budgets, personnel selection, and management of the company. While the Mayor and City Council differ on precisely how to streamline the utility's governance for future performance, both are committed to establishing clear, simple lines of authority and accountability moving forward. The question of governance was further complicated when PGW came under the jurisdiction of Pennsylvania's Public Utilities Commission (PUC) in July 2000.

Fundamental Issues Confronting PGW

Operating Environment. PGW operates under constraints that investor-owned utilities do not confront. Unlike private utilities whose boundaries include suburban areas, PGW's service area is limited to the city of Philadelphia. The company, therefore, faces many of the same problems as Philadelphia itself, whose population fell from almost 2 million residents to 1.5 million between 1970 and 2000. That population loss, combined with the defection of large business customers and the effects of technology and energy conservation, has resulted in a drop in the utility's annual sales of gas from 93.6 billion cubic feet (Bcf) in 1971 to current annual sales of approximately 70 Bcf, or a 25 percent decrease. Even with these decreases, PGW remains the largest distributor of natural gas in Pennsylvania.

At the same time, the Gas Works' customer base has become both older and more impoverished. Approximately 150,000 of PGW's 480,000 residential customers currently have incomes at or below 150 percent of the federal poverty level. As a result, PGW currently provides low-income and senior-citizen discounts (which in the case of seniors are available regardless of need), while extending generous payment terms and delaying shutoffs for other customers who have difficulty

and low-income weatherization programs now generate annual costs of \$57.8 million. The utility as other social costs in the form of allowances for residential-customer bad debt that are higher than for comparable utilities, running from \$25 million to \$30 million annually. In addition, PGW's inability to collect from its customers—an already serious problem that had been exacerbated by the troubled implementation of a new automated billing and collection system—resulted in FY01 net receivables that constituted 11.5 percent of total operating revenues.

Corporate Management. Among the greatest challenges facing PGW is the installation of a stable team of corporate officers. Since 1992, five different top-level management teams have been at PGW's helm, each with—or without—its own strategic vision, corporate goals, operational priorities, and management style. Consequently, in the past much of PGW's policy and fiscal direction had been determined by other senior—and generally long-term—company managers who have provided continuity and consistency by default, but who, though well intended, have not been directly accountable to the PFMC board. Since the spring of 2000, an interim management team appointed by Mayor Street has worked closely with the PFMC board (which includes members of the Administration) to develop and implement a five-year plan to stabilize PGW's financial position. Permanent corporate officers are needed, however, to bring a clear strategic direction to PGW management. To address this need, the Administration hired a search firm in 2001 to identify candidates for the top executive positions at PGW. As of December 2001, the Administration was interviewing candidates with the expectation of filling the positions in the very near term.

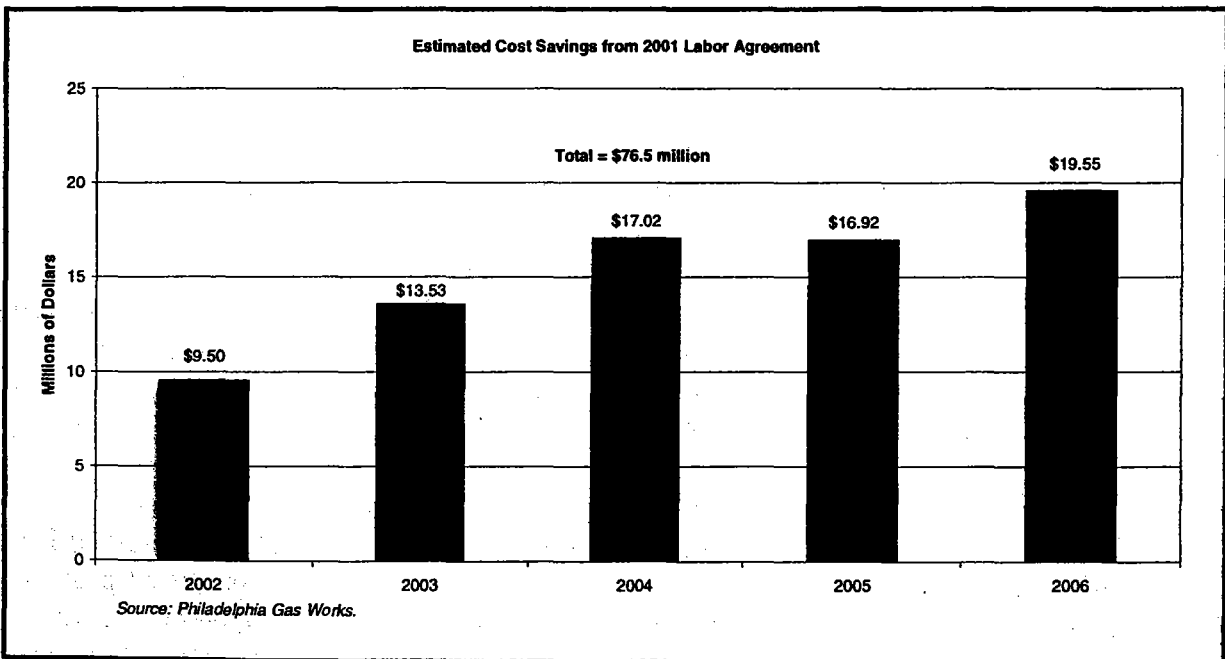
Labor-Management Agreements. Few structural challenges to PGW's ability to remain a viable company, operate within a sound business environment, and eventually compete with investor-owned companies have been as significant as its previous labor contracts. Because PGW's experienced workforce has always been viewed as one of its greatest assets, company managers negotiated labor agreements that provided generous compensation packages and restrictions on managerial prerogatives that far exceeded those in the private-utility sector.

During the summer of 2001, interim management sought and achieved substantial changes to PGW's collective-bargaining agreement with the Gas Works Employees' Union (GWEU), Local 686. The following provisions, embodied in a three-year contract running from May 16, 2001 through May 15, 2004, significantly increase management flexibility in operating the company and are estimated to save \$76.5 million over five years:

- **Wages**, which were last increased on May 16, 2000, are frozen for two years, rising two percent on November 16, 2003. New employees are hired at starting salaries 15 percent below the old rate and will move through pay-progression steps every 12 months instead of every six months. *Expected five-year savings: \$21.42 million.*
- **Benefits** have been reformed, principally in the area of health coverage. PGW's traditional indemnity plan has been eliminated, and new hires are obtaining HMO coverage at no cost, but must pay a portion of the premium for a preferred-provider organization (PPO) option. The prescription plan now requires greater employee copayments and the use of mail order pharmacies for maintenance drugs. In addition, the company's contribution toward the legal-services benefit has been reduced. *Expected five-year savings: \$19.79 million.*

- **Subcontracting** arrangements, previously the subject of bargaining on an individual basis, may now be used when the departmental workforce is at capacity (i.e., working eight-hour days and 40-hour weeks) or when the subcontracting arrangements are more economical, involve capital improvements, or require a contract amount of less than \$100,000. *Expected five-year savings: \$15.83 million.*
- **Work rules** have been improved, allowing the utility to transfer employees between functions without unwieldy procedural requirements. Specific restrictive practices in the call center and the transportation center have been eliminated, and a new procedure has been established to correct other unproductive work rules. Labor and management may also agree to work-week schedules of four, ten-hour days without overtime. *Expected five-year savings: \$13.52 million.*
- **Paid leave** has also been reformed to address absenteeism, which averaged more than 15 paid sick days per employee in 2000. Employees with five or more years of service had previously earned anywhere from 20 to 175 sick days annually at full pay depending on seniority, along with additional days at half pay, with the entire allowance renewing annually. The annual sick-leave allowance has been reduced to 10 days, and new measures to control absenteeism are being implemented. In addition, two paid holidays have been converted to two new personal-leave days in order to reduce holiday overtime costs. *Expected five-year savings: \$5.95 million.*

The new contract also includes certain benefits without specific, associated financial savings that are nonetheless important to management, such as maintaining the ability to lay off employees hired after May, 1998 and increased authority to hire temporary and seasonal employees to manage peak workloads and projects.



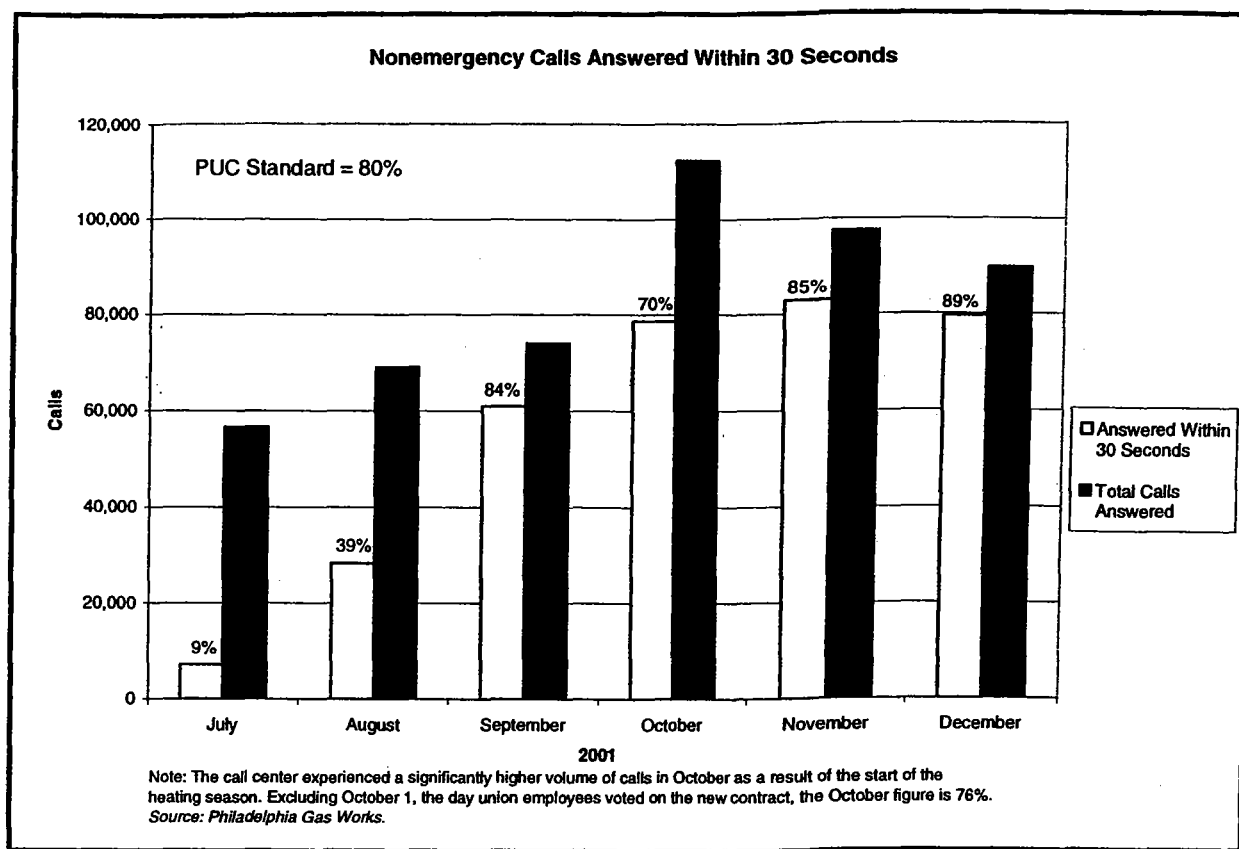
Resolving Operational Challenges

Billing System. During 1998 and 1999, PGW installed a new, automated billing, collection and customer service system (BCCS) prematurely, resulting in billing errors throughout its customer base. In June 2000, when the system was still billing only 88 percent of all customers (leaving out 40,000 to 50,000 customers), the utility's interim managers initiated an intensive effort, including the reassignment of key personnel, to resolve the overwhelming number of billing issues. As of December 2001, over 95 percent of the billing-system stabilization issues had been resolved. BCCS now generates just 150-200 billing errors per day, well below industry standard levels of 300-400 a day, and PGW sends out 99 percent of its bills daily, also within industry standards. The only major remaining task is correcting the functionality of PGW's complex payment-arrangement modules, which is scheduled for completion in February 2002.

Going forward, other changes to the billing system will be made prior to September 1, 2003 to address statewide natural-gas deregulation. For example, modifications will be needed to accommodate customer choice and revisions in the low-income assistance program brought about by deregulation.

Customer Service. At the same time that the billing system was failing, PGW's call-center operation fell far short of customer-service standards within the industry and those required by the PUC, in part because of increased calling activity by customers with inaccurate bills. In May 2001, following earlier efforts which had achieved only modest improvements, the company began an aggressive initiative to address many of the call center's historic problems. PGW increased customer access by concentrating resources during the day when call volumes are the highest, providing training of customer-service representatives pursuant to individual skill assessments, assigning personnel based on their functional expertise, and hiring 18 new call-center employees.

These changes have shown dramatic results. For example, in July 2001, PGW answered only nine percent of all nonemergency calls within 30 seconds. In August, the number increased to 39 percent, and by December, 2001 PGW had reached and even exceeded PUC standards by answering 89 percent of all nonemergency calls for the month within 30 seconds. Moreover, with the new workforce flexibility achieved through the collective-bargaining agreement ratified October 1, 2001, PGW has been able to consistently maintain these performance levels. Because of PGW's demonstrated commitment and dramatic improvements, the Public Utility Commission has reconsidered its original position ordering PGW to outsource a portion of the call center by mid-November 2001 and is willing to entertain a petition from PGW to rescind this order if service levels continue to excel in the winter months.



Debt Collection. As a reflection of its limited and poorer customer base, PGW consistently has had higher bad debt and uncollectible expenses than comparable utilities, conditions exacerbated by the 2000-2001 winter spike in natural gas prices. During that period, net receivables as a percent of revenues rose nearly 60 percent, from \$40 million (7.2 percent of annual revenues) for FY00 to \$86 million (11.5 percent) for FY01.

In addition to obtaining significantly higher amounts of grant funding for low-income customers last winter (\$31 million for the 12-month period ending September 2001 as compared with \$13.8 million the previous year), PGW, beginning in January 2001, took other aggressive steps to reduce delinquencies. Using telephone calls, dunning letters, filings for municipal liens and judgments, early intervention by outside collection agents, and eventual termination of service, the company had recovered over \$23.7 million through November 2001. PGW is developing a comprehensive collection plan for 2002 that will encompass the most successful aspects of this program and incorporate new techniques.

Leveraging Distribution and Gas Processing

PGW also continues to invest in its infrastructure. In accordance with a February 2000 consultant's recommendation, PGW replaced, abandoned or rehabilitated approximately 1.1 percent of its 1,800-mile cast-iron pipeline inventory in FY01 as part of its capital program. This was the first time since 1994 that the company met or exceeded the industry benchmark of one percent a year in reductions for companies with more than 500 miles of cast-iron main. The company expects to continue to meet this target in the current fiscal year and in future years, subject to the availability of capital funds. The utility has also completed 75 percent of a \$20

million project begun in FY00 to replace aging elements of its liquefied natural gas (LNG) plant in Port Richmond. This project will be completed by the summer of 2002. The LNG plant enables PGW to buy natural gas cheaply during the summer and liquefy it, which allows 620 times more gas to be stored in reserve than if it were in its gaseous condition. It also eliminates the need to pay for expensive, pipeline-capacity demand charges all during the year when such capacity is only needed on extremely cold days. Once the project has been completed, PGW will have the ability to liquefy during the winter as well as in the summer, to refill its LNG storage at any time depending on gas pricing and availability, and to market liquefaction and related services to other companies year-round.

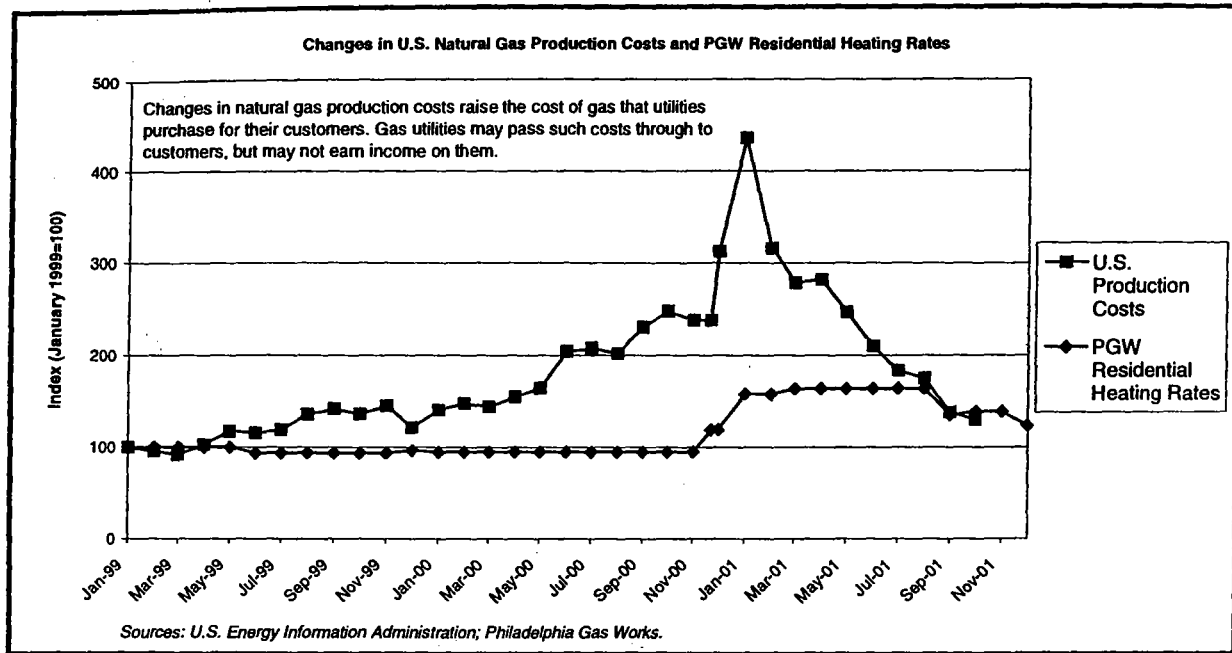
Addressing PGW's Financial Position

The challenge of managing PGW was heightened further in 1999 by Pennsylvania's Natural Gas Choice and Competition Act, which deregulates the supply of natural gas and allows PGW residential customers to choose their gas providers beginning in 2003. This same law also brought the company under the regulatory and rate-making authority of the Public Utility Commission (PUC) on July 1, 2000 and requires that PGW restructure itself by the year 2003. The PUC's application of investor-owned utility standards to PGW rate making, instead of those prescribed for PGW in the Gas Choice Act, constitute PGW's greatest challenge.

During the winter of 2001, the utility faced producer prices for natural gas that had doubled and futures contract prices that had quintupled from the levels two years earlier. In January 2001 the PUC finally granted \$133 million in requested increases in PGW's gas-cost rate (GCR)—relief that the utility had been requesting since August 2000. Through the GCR, gas utilities may pass on to ratepayers the prices they pay for gas, but may not collect any net income. This increase was not as severe as it might have been, however: the state's Office of Consumer Advocate acknowledged that PGW's superior gas-procurement efforts were responsible for saving its customers over \$30 million last winter, principally through advance purchases of gas at lower prices.

In January PGW also requested an increase of \$65 million in its base rates, the rates through which gas utilities recover their operating costs. While not ruling on this request, the PUC did reach a March 2001 settlement with the company that raised the GCR by another \$7 million and the base rate by \$11 million. The Commission finally ruled on the base-rate case in October 2001, but ordered an increase of only \$22.6 million, for a total of \$33.6 million in base rate relief—\$31 million less than the utility had requested and had incorporated into its public budget. PGW and the City have appealed the PUC's decision to Commonwealth Court, and PGW has notified the PUC of its intention to file for additional relief in 2002.

During the same period that the PUC was offering inadequate base-rate relief, the utility twice cut gas costs paid by consumers as production costs fell. On September 1, the utility reduced the unit cost of gas by nearly 35 percent, providing the average residential heating customer with an estimated \$232 annual reduction in costs. Then on December 1, the company lowered its GCR by another 28.3 percent, resulting in an estimated drop of \$109 in the average bill. In all, even after the \$33.6 million base-rate decision, Philadelphia residents who heat with gas will see reductions of approximately 15 to 20 percent this winter in their gas bills over last winter.



Because of the \$31 million shortfall in base rates granted by the PUC, in December 2001 PGW notified the Commission of its need to access a \$17.6 million reserve account containing overcollections in gas costs in order to maintain its liquidity. This account was created as part of the March 2001 settlement with the PUC in lieu of a larger interim rate increase in order to ensure that PGW would be able to meet its bond covenants and operate as a going concern. The company argued that it required full access to the funds because the base-rate increase was granted so late and because a warmer than usual winter had already cost it \$7 million in earnings (with another \$3 million by December 31, 2001). Even with a three-year, \$25 million cost-cutting program in place, PGW was projecting a negative cash-flow of \$18.4 million by January 25, 2002, with a negative cash balance of \$4.1 million by August 31, 2002. In response to the company's request, on December 26, 2001 the PUC granted PGW the use of \$10.6 million in the reserve fund to meet its cash obligations on time. That decision will also help ensure that the FY02 capital program is completed as planned.

The Outlook for PGW

PGW has made major progress in its operations during the past year with tangible financial benefits, notably in customer service, billing and collection. It also achieved a labor agreement that, along with immediate cost savings, offers management key tools to operate the utility more efficiently and reduce costs even further. The utility has continued or accelerated its capital programs, notably gas-main replacement and LNG plant modernization, which offers opportunities for new revenue streams in the future. The company is also preparing for full deregulation of natural gas prices in Pennsylvania, creating a strategic planning office to restructure the company in accordance with the requirements of the new law.

Unfortunately, the PUC's lack of sufficient and timely rate relief, combined with a warmer-than-expected winter, means that PGW's cash flow has been once again compromised. As a result, the company will likely enter the debt markets earlier than planned—between December 2002 and March 2003—for \$100 million in capital funds; the \$45 million City loan will not be repaid until FY07 instead of January 2003; and PGW will again need to resort to one-time financial remedies to obtain needed operating cash, such as selling to an investor the right to call certain of its bonds.

Faced with the ongoing question of whether the City ought to continue to operate the company under its current arrangement, the Administration commissioned an investment banking firm to evaluate strategic alternatives for PGW. Potential obstacles to an outright sale include the costs associated with refinancing PGW's tax-exempt debt; liabilities from activities of PGW while it was owned by the City; and PGW's pension and retirement obligations for those who have already retired from the company, which could run into the hundreds of millions of dollars. The City will have to consider such obligations in deciding whether to pursue a sale or other options, including third-party management of the utility. The firm's report is expected in 2002.

Philadelphia Parking Authority

In a surprise legislative maneuver, the Pennsylvania General Assembly passed Act 22, the "Take-Over Law," which was signed into law on June 19, 2001, and which was designed to seize control of the Philadelphia Parking Authority (PPA). The Take-Over Law applied only for Philadelphia and not the other local jurisdictions that had created similar entities that controlled street parking. The legislation gave the Governor, rather than the Mayor, the power to appoint the members of the Parking Authority board. That same legislation directed that the newly appointed governing board direct funds from the Parking Authority to the Philadelphia School District.

This law seeks to take the purely local function of managing parking on Philadelphia's streets away from locally elected leadership and gives it to Harrisburg. The City has undertaken litigation challenging the takeover because the legislation is an unconstitutional intrusion by the Commonwealth into the local affairs of the City. It is an aggressive intrusion on local self-determination.

In spite of the takeover legislation, the Parking Authority continues to have a contract with the City to manage parking on city streets. The City continues to receive revenues under that contract and, based on revenues received so far in FY02 and projections from the PPA, the City projects that it will receive approximately \$15 million annually through FY07.

Philadelphia Parking Authority
Summary of Operations
Five Year Plan
FY 2002 to FY 2007
(Thousands \$)

	FY 2001 Actual	FY 2002 Estimated	FY 2003 Projected	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected	FY 2007 Projected
On Street Operations							
Gross Revenue	51,739	54,726	57,203	58,919	60,687	61,907	62,381
Direct Expense	<u>32,372</u>	<u>32,513</u>	<u>34,521</u>	<u>35,921</u>	<u>37,377</u>	<u>38,320</u>	<u>38,555</u>
Operating Income	19,367	22,213	22,682	22,998	23,310	23,587	23,826
Off Street Operations							
Gross Revenue	53,926	52,494	51,408	53,979	56,678	59,512	62,487
Direct Expense	<u>15,726</u>	<u>15,840</u>	<u>16,236</u>	<u>16,642</u>	<u>17,058</u>	<u>17,484</u>	<u>17,922</u>
Operating Income	38,200	36,654	35,172	37,337	39,620	42,028	44,566
Total Operations							
Gross Revenue	105,665	107,220	108,611	112,898	117,365	121,420	124,868
Direct Expense	<u>48,098</u>	<u>48,353</u>	<u>50,757</u>	<u>52,563</u>	<u>54,435</u>	<u>55,804</u>	<u>56,477</u>
Operating Income	57,567	58,867	57,854	60,335	62,930	65,615	68,392
Other Costs							
Security Expense	604	660	634	650	666	683	700
Admin Expense	7,318	8,793	8,201	8,406	8,616	8,832	9,053
Interest Expense	6,261	13,899	16,192	15,950	15,678	15,388	15,078
Interest Income	(2,212)	(1,370)	(1,398)	(1,426)	(1,455)	(1,484)	(1,513)
Debt Service	<u>7,815</u>	<u>11,911</u>	<u>12,886</u>	<u>13,241</u>	<u>13,637</u>	<u>14,028</u>	<u>14,461</u>
Total Other Costs	19,786	33,893	36,515	36,821	37,142	37,447	37,779
Total City Rent	<u>\$ 37,781</u>	<u>\$ 24,974</u>	<u>\$ 21,339</u>	<u>\$ 23,514</u>	<u>\$ 25,788</u>	<u>\$ 28,167</u>	<u>\$ 30,613</u>
City Rent Allocation:							
City Rent Airport Fund	23,731	10,349	6,349	8,149	10,039	12,024	14,108
City Rent General Fund	14,050	14,625	14,990	15,365	15,749	16,143	16,505

*Does not include Parking Patrons Tax.

City of Philadelphia
Five-Year Financial Plan

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Appendix II
Long-Term Obligations

**CITY OF PHILADELPHIA
SINKING FUND COMMISSION
GENERAL FUND OPERATING BUDGET
FISCAL YEARS 2003 to 2006**

DESCRIPTION	2003	2004	2005	2006	2007
1) PURCHASE OF SERVICES					
1) Long Term Leases	<u>91,172,361</u>	<u>93,917,625</u>	<u>95,365,269</u>	<u>98,406,285</u>	<u>101,292,574</u>
2) DEBT SERVICE					
2) Total Interest on City Debt LT	48,006,419	50,273,075	51,989,567	53,674,540	55,055,615
2) Total Principal on City Debt LT	45,994,561	45,805,330	31,520,089	21,647,600	24,455,600
2) Interest on City Short Term Debt	10,750,000	10,750,000	11,250,000	11,250,000	11,250,000
2) Sinking Fund Reserve Payments	4,686,054	4,693,154	5,210,031	4,732,931	4,185,212
2) Commitment Fee Expense	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
2) Arbitrage Payments	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>
2) All Classes 700	<u>111,537,034</u>	<u>113,621,559</u>	<u>102,069,687</u>	<u>93,405,071</u>	<u>97,046,427</u>
2) All Classes	<u>202,709,395</u>	<u>207,539,184</u>	<u>197,434,956</u>	<u>191,811,356</u>	<u>198,339,001</u>

City of Philadelphia
Five-Year Financial Plan

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Appendix III
Other Statutory Requirements
General Fund

CITY OF PHILADELPHIA

FY2003-2007 Five Year Financial Plan

SUMMARY OF OPERATIONS
FISCAL YEARS 2001 TO 2007

(Amounts in Thousands)

JND

General

D.	ITEM	F.Y. 2001	F.Y. 2002	F.Y. 2003	F.Y. 2004	F.Y. 2005	F.Y. 2006	F.Y. 2007
		Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	OPERATIONS OF FISCAL YEAR							
	<u>REVENUES</u>							
1	Taxes	1,977,707	1,942,783	1,931,497	1,963,149	1,993,831	2,028,949	2,066,461
2	Locally Generated Non-Tax Revenues	204,526	197,205	198,892	189,948	186,786	193,889	194,516
3	Revenue from Other Governments	748,802	762,300	868,701	903,061	916,263	940,150	1,009,525
4	Sub-Total (1) + (2) + (3)	2,931,035	2,902,288	2,999,089	3,056,158	3,096,880	3,162,989	3,270,502
5	Revenue from Other Funds of City	24,035	24,208	24,634	25,923	26,367	26,821	27,278
6	Total - Revenue (4) + (5)	2,955,070	2,926,496	3,023,723	3,082,081	3,123,247	3,189,810	3,297,780
7	Revenues Forgone	0	0	0	0	0	0	0
8	Total Revenue and Other Sources (6)+(7)	2,955,070	2,926,496	3,023,723	3,082,081	3,123,247	3,189,810	3,297,780
	<u>OBLIGATIONS/APPROPRIATIONS</u>							
9	Personal Services	1,173,341	1,175,904	1,197,163	1,238,337	1,199,152	1,198,116	1,202,043
10	Personal Services-Employee Benefits	483,281	501,100	528,100	571,192	630,322	687,793	741,925
11	Sub-Total Employee Compensation	1,656,622	1,677,004	1,725,263	1,809,529	1,829,474	1,885,909	1,943,968
12	Purchase of Services	871,809	950,708	1,013,727	1,054,673	1,072,568	1,099,201	1,123,735
13	Materials, Supplies and Equipment	83,991	78,905	79,611	79,851	79,569	79,627	79,698
14	Contributions, Indemnities, and Taxes	82,402	121,354	95,517	94,647	95,346	96,065	96,806
15	Legal Service	88,221	111,796	111,537	113,622	102,070	93,405	97,046
16	Capital Budget Financing	0	0	0	0	0	0	0
17	Advances and Miscellaneous Payments	72,925	30,772	32,378	31,995	31,626	31,282	30,956
18	Sub-Total (11 thru 17)	2,855,970	2,970,539	3,058,033	3,184,317	3,210,653	3,285,489	3,372,209
19	Payments to Other Funds	25,529	26,578	27,452	26,810	26,810	25,650	23,636
20	Future Government Efficiencies			0	(40,000)	(42,000)	(48,000)	(48,000)
21	Total - Obligations (18+19+20)	2,881,499	2,997,117	3,085,485	3,171,127	3,195,463	3,263,139	3,347,845
22	Oper.Surplus (Deficit) for Fiscal Year (8-21)	73,571	(70,621)	(61,762)	(89,046)	(72,216)	(73,329)	(50,065)
23	Prior Year Adjustments:							
24	Revenue Adjustments	(164,171)	7,000	7,000	7,000	7,000	7,000	7,000
25	Other Adjustments	25,473	25,000	25,000	25,000	25,000	25,000	25,000
26	Funding For Future Obligations	0	0	(161,628)	101,628	30,000	15,000	15,000
27	Total Prior Year Adjustments	(138,698)	32,000	(129,628)	133,628	62,000	47,000	47,000
28	Adjusted Oper. Surplus/ (Deficit) (22+27)	(65,127)	(38,621)	(191,390)	44,582	(10,216)	(26,329)	(3,065)
	<u>OPERATIONS IN RESPECT TO</u>							
	<u>PRIOR FISCAL YEARS</u>							
	Fund Balance Available for Appropriation							
29	June 30 of Prior Fiscal Year	295,138	230,011	191,390	0	44,582	34,366	8,037
30	Residual Equity Transfer	-	-	-	-	-	-	-
31	Fund Balance Available for Appropriation							
	June 30 (28)+(29) + (30)	230,011	191,390	0	44,582	34,366	8,037	4,972

**City of Philadelphia
General Fund
FY 2003 -2007 Five Year Financial Plan
Summary by Class**

	<u>Actual</u> <u>FY 01</u>	<u>Budgeted</u> <u>FY 02</u>	<u>Projected</u> <u>FY 02</u>	<u>Projected</u> <u>FY 03</u>	<u>Projected</u> <u>FY 04</u>	<u>Projected</u> <u>FY 05</u>	<u>Projected</u> <u>FY 06</u>	<u>Projected</u> <u>FY 07</u>
<u>BUDGETED OBLIGATIONS</u>								
Class 100 - Wages / Benefits	1,656,621,478	1,675,637,719	1,677,003,703	1,725,262,491	1,809,529,373	1,829,473,724	1,885,909,196	1,943,968,091
Class 200 - Contracts / Leases	871,809,357	933,207,184	950,708,123	1,013,726,825	1,054,672,892	1,072,568,091	1,099,200,944	1,123,734,654
Class 300/400 - Supplies / Equipment	83,990,538	84,905,969	78,904,625	79,611,416	79,850,693	79,568,993	79,627,221	79,697,987
Class 500 - Indemnities / Contributions	82,402,332	77,920,657	121,353,592	95,517,300	94,647,400	95,345,799	96,065,144	96,806,064
Class 700 - Debt Service	88,220,842	119,796,378	111,796,378	111,537,034	113,621,559	102,069,687	93,405,071	97,046,427
Class 800 - Payments to Other Funds	25,529,124	29,578,093	26,578,093	27,451,934	26,810,200	26,810,200	25,649,793	23,635,776
Class 900 - Advances / Misc. Paymts.	72,925,000	30,772,000	30,772,000	32,378,000	31,995,000	31,626,000	31,282,000	30,956,000
TOTAL	<u>2,881,498,671</u>	<u>2,951,818,000</u>	<u>2,997,116,514</u>	<u>3,085,485,000</u>	<u>3,211,127,117</u>	<u>3,237,462,494</u>	<u>3,311,139,368</u>	<u>3,395,844,998</u>

City of Philadelphia
FY 2003 - 2007 Five Year Financial Plan
General Fund
Summary by Department

Department	Actual FY 01	Budgeted FY 02	Projected FY 02	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
Art Museum Subsidy	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
Atwater Kent Museum Subsidy	264,653	226,204	236,013	249,289	256,125	256,125	256,125	256,125
Auditing Department (City Controller's Office)	7,048,428	7,099,236	7,099,236	7,501,595	7,942,749	7,690,749	7,690,749	7,690,749
Board of Building Standards	95,769	117,236	117,236	118,951	122,312	122,312	122,312	122,312
Board of L & I Review	157,842	207,877	207,877	210,481	215,586	215,586	215,586	215,586
Board of Revision of Taxes	7,330,216	7,655,354	7,647,812	7,753,506	8,341,794	7,762,350	7,727,350	7,727,350
Camp William Penn	330,960	326,092	326,092	329,013	334,740	334,740	334,740	334,740
Capital Program Office	2,150,370	2,408,283	2,396,509	2,412,269	2,566,162	2,443,162	2,443,162	2,443,162
City Commissioners	8,281,916	8,131,888	8,122,241	8,187,093	8,306,130	8,033,130	8,033,130	8,033,130
City Council	11,676,389	13,241,634	13,391,634	13,575,441	14,330,333	14,078,333	14,078,333	14,078,333
City Planning Commission	2,785,392	2,986,669	3,065,810	3,308,712	3,496,513	3,356,846	3,356,846	3,321,846
Commerce Department	7,494,931	4,938,931	4,887,347	5,011,088	5,057,625	5,057,625	5,057,625	5,057,625
Commerce Department-Economic Stimulus	5,000,000	5,000,000	6,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
City Treasurer	859,149	936,084	932,115	944,096	967,580	967,580	967,580	967,580
Civic Center	191,205	289,938	285,589	287,364	290,845	290,845	290,845	290,845
Civil Service Commission	149,290	159,363	159,363	161,652	166,138	166,138	166,138	166,138
Clerk of Quarter Sessions	4,408,727	4,317,463	4,317,463	4,379,889	4,796,255	4,502,255	4,502,255	4,502,255
Community College Subsidy	20,767,924	21,767,924	21,767,924	22,067,924	22,067,924	22,067,924	22,067,924	22,067,924
Convention Center Subsidy	27,925,000	30,772,000	30,772,000	32,378,000	31,995,000	31,626,000	31,282,000	30,956,000
Debt Service (Sinking Fund)	130,793,445	192,558,133	169,558,133	202,709,395	207,539,184	197,434,956	191,811,356	198,339,001
District Attorney	29,006,247	28,407,239	28,407,239	28,845,917	30,066,254	29,457,254	29,457,254	29,457,254
Emergency Relief Expenses	300,000	0	0	0	0	0	0	0
Fairmount Park Commission	14,128,836	13,330,569	13,561,933	14,334,196	14,764,064	14,497,841	14,474,508	14,462,841
Finance Department	69,370,053	17,212,060	18,619,344	16,938,723	17,253,092	17,103,203	17,072,311	17,048,978
Finance - Contib. School Dist./Tax Cuts	14,750,000	15,000,000	60,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000
Finance - Employee Benefits	483,280,726	513,337,000	501,100,000	528,100,000	571,191,666	630,321,502	687,792,503	741,924,503
Fire Department	148,003,000	150,349,464	157,404,025	157,559,617	166,101,687	156,760,687	157,010,687	157,260,687
First Judicial District	111,453,157	107,268,396	107,558,334	110,072,433	114,008,072	110,945,963	110,210,963	110,082,630
Fleet Management Office	41,712,182	39,036,522	38,149,974	38,416,632	39,020,548	38,775,993	38,694,326	38,670,993
Fleet Mgmt. - Vehicle Purchase	15,483,723	18,000,000	15,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Free Library	38,930,178	36,100,823	33,171,888	36,139,499	38,648,818	37,258,930	36,850,597	36,780,597
Gero Scholarship Awards	5,600	36,575	36,575	36,575	36,575	36,575	36,575	36,575
Historical Commission	265,699	256,663	256,663	259,815	265,994	265,994	265,994	265,994
Human Relations Commission	2,167,392	2,123,259	2,228,259	2,270,211	2,380,286	2,297,842	2,286,175	2,286,175
Human Services Department	442,187,653	479,178,838	477,892,688	530,444,529	569,171,647	584,353,445	599,759,402	616,009,367
Indemnities	30,217,883	33,064,352	30,020,875	30,020,875	29,150,400	29,848,212	30,566,959	31,307,268
Labor Relations, Mayor's Office of	520,570	591,048	582,182	589,694	604,420	604,420	604,420	604,420
Law Department	18,777,270	15,775,474	19,256,423	17,580,414	17,706,343	17,476,899	17,476,899	17,406,899
Legal Svcs. (incl. Defenders Assoc.)	27,092,806	27,485,189	29,456,936	30,747,832	31,320,253	31,320,253	31,320,253	31,320,253
Licenses and Inspections Department	19,172,606	21,498,067	21,175,596	20,808,023	21,903,881	20,929,882	20,813,215	20,778,215
Licenses and Inspections - Demolitions	22,590,444	2,000,000	22,000,000	2,000,000	0	0	0	0
Managing Director's Office	8,354,157	17,652,706	17,327,916	15,464,463	15,890,006	15,673,784	15,603,784	15,592,117
Mayor's Office	4,328,713	4,695,889	4,587,893	4,618,425	4,728,143	4,728,143	4,728,143	4,728,143
Mayor's Office of Community Services	99,744	355,320	682,829	811,987	828,074	828,074	828,074	828,074
Mayor - Scholarships	199,720	200,000	200,000	200,000	200,000	200,000	200,000	200,000

City of Philadelphia
FY 2003 - 2007 Five Year Financial Plan
General Fund
Summary by Department

Department	Actual FY 01	Budgeted FY 02	Projected FY 02	Projected FY 03	Projected FY 04	Projected FY 05	Projected FY 06	Projected FY 07
Mayor's Office of Information Services	12,757,125	13,188,469	13,187,046	13,464,335	13,783,068	13,616,401	13,569,734	13,464,454
Office of Housing & Community Develop.	3,848,991	4,145,151	4,082,974	1,866,630	1,874,423	1,874,423	1,874,423	1,874,423
Office of Emergency Services	15,193,409	15,101,033	14,874,517	17,198,620	17,374,316	17,148,205	17,078,205	17,054,872
Personnel Department	4,836,111	5,006,482	4,931,385	4,848,275	5,106,314	4,885,425	4,873,759	4,873,759
Police Department	442,036,603	431,588,916	431,438,839	437,147,733	440,622,430	429,005,765	430,005,765	431,085,362
Prisons System	143,356,132	145,010,931	156,069,464	164,744,105	173,874,921	176,253,152	179,368,807	183,023,781
Procurement Department	4,985,492	5,116,168	4,964,425	5,158,354	5,221,129	5,209,462	5,209,462	5,186,129
Public Health Department	109,300,089	121,395,791	119,059,891	122,519,867	122,309,867	120,631,201	120,187,868	120,106,182
Public Property Department	47,724,375	47,243,557	52,864,868	45,609,603	45,628,907	45,361,133	45,819,519	45,587,843
Public Property - SEPTA Subsidy	57,418,420	63,568,000	63,668,000	64,229,000	61,126,000	62,768,000	64,814,000	65,181,000
Public Property - Space Rentals	14,191,024	15,485,219	15,252,941	14,538,714	14,887,734	15,298,746	15,702,481	16,095,043
Public Property - Utilities	28,456,011	26,800,000	26,398,000	27,290,000	27,560,000	26,940,000	27,660,000	29,170,000
Public Property - Telecommunications	13,218,615	14,575,000	13,352,545	15,725,000	15,680,000	15,750,000	16,950,000	16,950,000
Records	5,445,619	5,568,693	5,375,496	5,424,009	5,546,992	5,449,103	4,296,255	4,296,255
Recreation Department	34,127,932	34,301,636	34,281,124	35,167,410	37,580,628	36,059,295	35,790,962	35,720,962
Recreation - Stadium Complex	4,275,409	4,564,293	4,920,794	4,878,322	4,912,679	0	0	0
Refunds	72,507	876,272	863,128	876,272	876,272	876,272	876,272	876,272
Register of Wills	2,889,632	2,830,773	2,870,773	2,875,292	3,003,271	2,856,271	2,856,271	2,856,271
Revenue Department	19,097,816	18,031,588	17,692,114	17,941,986	19,321,990	17,974,101	17,670,768	17,635,768
Sheriff's Office	12,715,586	11,499,748	12,371,380	12,245,955	12,689,879	12,143,879	12,143,879	12,143,879
Streets Department	36,181,929	31,766,271	30,780,864	31,759,624	33,663,032	32,208,032	32,208,032	32,208,032
Streets - Sanitation Division	86,451,851	85,054,802	84,848,072	87,120,527	89,427,944	90,039,973	90,703,705	91,809,924
Witness Fees	136,989	235,775	232,238	235,775	235,775	235,775	235,775	235,775
Zoning Board of Adjustments	421,039	517,670	517,670	523,973	536,329	536,329	536,329	536,329
Total	2,881,498,671	2,951,818,000	2,997,116,514	3,085,485,000	3,211,127,117	3,237,462,494	3,311,139,368	3,395,844,998

City of Philadelphia
FY 2003 -2007 Five Year Financial Plan
General Fund
Estimated Fringe Benefit Allocation

	Actual	Budgeted	Projected	Projected	Projected	Projected	Projected	Projected
	FY 01	FY 02	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
Unemployment Compensation	1,435,881	1,800,000	1,800,000	1,800,000	1,900,000	1,900,000	1,900,000	1,900,000
Employee Disability	30,970,675	34,000,000	34,100,000	36,000,000	36,000,000	36,000,000	36,000,000	36,000,000
Pension	141,294,412	157,800,000	160,300,000	155,200,000	174,787,500	203,516,451	233,067,751	256,257,351
Pension Obligation Bonds	52,955,646	47,500,000	44,600,000	55,600,000	58,800,000	67,900,000	72,200,000	76,400,000
FICA	57,827,807	57,100,000	57,300,000	59,200,000	61,700,000	63,500,000	65,400,000	67,300,000
Health / Medical	186,650,413	202,337,000	190,500,000	207,600,000	225,104,166	244,405,051	266,024,752	290,667,152
Group Life	6,841,012	7,200,000	7,000,000	7,100,000	7,200,000	7,300,000	7,400,000	7,500,000
Group Legal	4,250,116	4,400,000	4,300,000	4,400,000	4,400,000	4,500,000	4,500,000	4,600,000
Tool Allowance	66,400	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Flex Cash Payments	988,364	1,100,000	1,100,000	1,100,000	1,200,000	1,200,000	1,200,000	1,200,000
TOTAL	483,280,726	513,337,000	501,100,000	528,100,000	571,191,666	630,321,502	687,792,503	741,924,503

City of Philadelphia
Fiscal Year 2003 Operating Budget
FY 2003-2007 Five Year Plan
General Fund Full-Time Positions

Department	FY 2001 Yr. End Actual	FY 2002 Adopted Budget	FY 2002 Yr. End Projection	FY 2003 Proposed	FY 2004 Proposed	FY 2005 Proposed	FY 2006 Proposed	FY 2007 Proposed
Atwater Kent Museum	6	6	6	6	6	6	6	6
Auditing	124	135	130	130	130	130	130	130
Board of Building Standards	2	2	2	2	2	2	2	2
Board of L & I Review	3	3	3	3	3	3	3	3
Bd. of Revision of Taxes	139	148	143	143	137	136	136	136
Camp William Penn	4	3	3	3	3	3	3	3
Capital Program Office	21	22	22	22	22	22	22	22
City Commissioners	75	84	84	101	101	101	101	101
City Council	203	226	226	226	226	226	226	226
City Planning Commission	44	57	48	62	61	61	60	60
City Rep. / Commerce	27	27	27	27	27	27	27	27
City Treasurer	15	17	17	17	17	17	17	17
Civic Center	3	3	3	3	3	3	3	3
Civil Service Commission	3	3	3	3	3	3	3	3
Clerk of Quarter Sessions	118	124	125	126	126	126	126	126
District Attorney - Total	465	472	445	479	479	479	479	479
<i>Civilian</i>	440	446	421	454	454	454	454	454
<i>Uniformed</i>	25	26	24	25	25	25	25	25
Fairmount Park	214	218	218	226	223	222	222	222
Finance	161	182	182	171	169	169	168	168
Fire	2,500	2,498	2,523	2,518	2,502	2,508	2,513	2,518
<i>Civilian</i>	119	131	129	131	131	131	131	131
<i>Uniformed</i>	2,381	2,367	2,394	2,387	2,371	2,377	2,382	2,387
First Judicial District	2,038	2,029	2,060	2,060	2,016	1,995	1,991	1,991
Fleet Management	431	450	408	408	403	401	400	400
Free Library	755	752	761	740	734	722	720	720
Historical Commission	5	5	4	5	5	5	5	5
Human Relations Commission	41	45	45	45	44	44	44	44
Human Services	1,697	1,868	1,735	1,943	2,008	2,020	2,072	2,132
Labor Relations	8	10	10	10	10	10	10	10
Law	225	242	206	214	212	212	211	211

**City of Philadelphia
Fiscal Year 2003 Operating Budget
FY 2003-2007 Five Year Plan
General Fund Full-Time Positions**

Department	FY 2001 Yr. End Actual	FY 2002 Adopted Budget	FY 2002 Yr. End Projection	FY 2003 Proposed	FY 2004 Proposed	FY 2005 Proposed	FY 2006 Proposed	FY 2007 Proposed
Managing Director	112	112	109	112	110	103	108	108
Mayor	58	70	70	70	70	70	70	70
Mayor's Office of Community Serv.	4	7	7	16	16	16	16	16
Mayor's Office of Information Serv.	130	138	139	139	137	135	135	135
Office of Emergency Shelter Serv.	74	73	72	72	68	66	65	65
Office of Housing & Comm. Dev.	7	7	7	7	7	7	7	7
Personnel	93	95	93	93	91	90	90	90
Police	7,807	7,888	7,827	7,883	7,783	7,803	7,823	7,883
<i>Civilian</i>	906	974	953	974	974	974	974	974
<i>Uniformed</i>	6,901	6,914	6,874	6,909	6,809	6,829	6,849	6,909
Prisons	1,981	1,972	1,987	2,202	2,193	2,183	2,180	2,180
Procurement	77	77	77	77	76	76	75	75
Public Health	861	899	886	886	867	854	852	852
Public Property	222	236	216	219	213	211	211	211
Records	90	98	85	90	88	87	87	87
Recreation	574	592	591	593	580	544	542	542
<i>All But Stadium</i>	547	563	562	564	551	544	542	542
<i>Stadium Complex</i>	27	29	29	29	29	0	0	0
Register of Wills	67	70	70	70	70	70	70	70
Revenue	320	326	315	316	306	298	297	297
Sheriff	246	253	261	267	267	267	267	267
Streets	719	758	684	742	742	742	742	742
Streets - Sanitation	1,422	1,474	1,453	1,453	1,433	1,418	1,411	1,411
Zoning Board of Adjustment	6	6	6	6	6	6	6	6
TOTAL GENERAL FUND	24,653	25,228	24,833	25,440	25,220	25,120	25,173	25,298

Please Note: The FY2003-FY2007 position levels reflected above are preliminary estimates prepared prior to the submission of budget detail from departments and are subject to change upon completion of detail preparation.

City of Philadelphia
Five-Year Financial Plan

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Appendix IV
Other Statutory Requirements
Cash Flows

CASH FLOW PROJECTIONS
EQUITY IN CON CASH
Actuals through December 31

OFFICE OF THE DIRECTOR OF FINANCE
GENERAL FUND FY2002

FY 2002

	(Amounts in \$millions)												Total	Accrued	Under Budget (Over) Revenues
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	Mar 31	April 30	May 31	June 30			
REVENUES															
Property Taxes	5.2	5.5	3.5	4.3	3.7	10.8	44.1	219.7	57.4	14.9	6.0	5.4	380.5		(14.6) 365.9
Wage, Earnings, NP Tax	81.4	93.0	68.2	91.7	81.3	83.2	89.3	86.6	89.8	91.3	88.3	80.0	1,023.9		1,032.0
Realty Transfer Tax	8.2	8.3	5.7	7.9	6.7	6.2	5.6	6.2	5.3	5.2	6.0	5.7	77.0		(2.5) 74.5
Sales Tax	9.4	9.0	9.8	7.8	9.3	6.1	10.5	11.5	9.7	8.8	8.8	9.2	109.8		(0.3) 109.5
Business Privilege Tax	3.9	5.0	5.7	12.1	2.6	2.8	5.0	4.5	17.4	210.0	24.5	7.5	301.0		(12.4) 288.6
Other Taxes	4.4	5.7	4.0	4.7	6.5	4.2	1.8	3.6	3.9	3.5	4.5	3.8	50.6		(1.7) 48.9
Locally Generated Non-tax	16.6	19.9	17.5	18.2	18.3	12.6	14.3	13.0	13.8	14.3	16.2	22.5	197.2		3.6 200.8
Other Governments	2.0	31.2	5.2	103.9	3.5	3.7	53.1	78.2	74.9	50.3	45.5	78.5	530.0	53.2	577.9
Other Governments-PICA	15.5	9.3	7.0	15.7	11.3	14.3	21.6	15.2	12.8	18.6	15.3	17.8	174.4	4.7	175.4
Interfund Transfers		0.6	0.6	0.6	0.5	0.6	0.5	0.4	0.5	0.6	0.4	18.9	24.2		0.8 25.0
Total Current Revenue	146.6	187.5	127.2	266.9	143.7	144.5	245.7	438.9	285.5	417.5	215.4	249.2	2,868.6	57.9	(28.0) 2,898.5
Collection of 6-30-01/Govt.	83.8	18.0											101.8		
Other Fund Balance Adj.												1.1	1.1		
Non-revenue receipts						1.5				(1.5)			0.0		
Non-budget Items												(4.0)	(4.0)		
TOTAL CASH RECEIPTS	230.4	205.5	127.2	266.9	143.7	146.0	245.7	438.9	285.5	416.0	215.4	246.3	2,967.5		
EXPENSES AND OBLIGATIONS															
Payroll	63.3	101.6	89.4	86.3	125.4	90.3	106.2	85.0	86.5	93.2	110.7	104.3	1,142.3	30.1	3.4 (13.6) 1,162.2
Employee Benefits	24.3	24.8	21.7	23.0	25.2	24.6	25.3	25.0	23.4	24.5	25.1	22.5	289.5	3.7	3.0 11.8 308.0
Pension	157.2	(0.8)	(0.9)	21.1	(0.8)	(1.0)	2.7	(0.8)	(0.9)	31.0	(0.9)	(2.6)	203.2	1.8	0.4 205.3
Purchase of Services	1.8	43.5	62.3	103.8	65.0	60.4	83.5	71.2	86.9	75.8	76.3	70.7	801.3	20.2	129.2 (17.5) 933.2
Materials, Equipment	2.5	3.4	5.9	5.4	3.0	4.1	4.4	3.3	3.4	4.0	5.3	4.9	49.5	1.2	28.2 6.0 84.9
Contributions, Indemnities	7.9	1.4	10.0	1.7	1.4	23.8	6.7	23.9	7.5	4.6	23.3	3.8	116.0	4.4	0.9 (43.4) 77.9
Debt Service-Short Term	0.6											10.4	11.0		5.3 16.3
Debt Service-Long Term	1.7	15.7		15.3		0.9			20.5	8.8	37.9		100.8		2.7 103.5
Interfund Charges												26.6	26.6		3.0 29.6
Advances, Subsidies		30.3						0.5					30.8		30.8
Current Year Appropriation	259.3	219.9	188.4	256.6	219.2	203.1	228.8	208.0	227.3	242.0	277.7	240.7	2,771.0	61.4	164.7 (45.3) 2,951.8
Prior Year Encumbrances	53.5	28.2	13.5	9.1	6.7	9.5	7.8	5.6	2.3	3.9	4.7	3.2	148.1	0.2	12.4 24.0 184.7
Prior Year Vouchers Payable	53.7	15.1	4.0	2.4	1.1								76.3	61.6	177.0
TOTAL DISBURSEMENTS	366.5	263.2	205.9	268.1	227.0	212.6	236.6	213.7	229.7	245.9	282.4	243.9	2,995.4		
Excess (Def) of Receipts over Disbursements	(136.1)	(57.7)	(78.7)	(1.2)	(83.3)	(66.6)	9.1	225.2	55.8	170.1	(67.0)	2.5	(27.9)		
Opening Balance	293.5	427.4	369.7	291.0	289.8	206.5	139.9	149.0	374.2	430.0	600.1	533.1	293.5		
TRANS	270.0											(270.0)*	0.0		
CLOSING BALANCE	427.4	369.7	291.0	289.8	206.5	139.9	149.0	374.2	430.0	600.1	533.1	265.6	265.6		

* Payments on 1st day of month

OFFICE OF THE DIRECTOR OF FINANCE
CASH FLOW PROJECTIONS
CONSOLIDATED CASH--ALL FUNDS--FY2002

FY 2002

(Amounts in \$millions)

	-----Actual-----						-----Estimate-----					
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30
General	427.4	369.7	291.0	289.8	206.5	139.9	149.0	374.2	430.0	600.1	533.1	265.6
Grants Revenue	98.6	19.4	13.7	24.8	22.5	9.4	10.0	10.0	10.0	10.0	10.0	5.0
Community Development	(16.1)	(16.7)	(17.5)	(1.8)	(2.7)	0.9	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	0.0
Vehicle Rental Tax	4.1	4.5	5.0	5.3	5.6	5.8	6.2	6.5	6.9	7.2	7.5	7.8
Other Funds	15.2	19.9	17.7	13.4	23.3	13.5	9.0	9.0	9.0	9.0	9.0	9.0
TOTAL OPERATING FUNDS	529.2	396.8	309.9	331.5	255.2	169.5	170.2	395.7	451.9	622.3	555.6	287.4
Capital Improvement	219.1	207.6	196.3	176.1	167.7	157.7	148.7	139.7	130.7	121.7	112.7	103.7
Industrial & Commercial Dev.	8.3	8.3	8.3	8.3	8.4	6.5	6.5	6.5	6.5	6.5	6.5	6.5
TOTAL CAPITAL FUNDS	227.4	215.9	204.6	184.4	176.1	164.2	155.2	146.2	137.2	128.2	119.2	110.2
TOTAL FUND EQUITY	756.6	612.7	514.5	515.9	431.3	333.7	325.4	541.9	589.1	750.5	674.8	397.6

CASH FLOW PROJECTIONS OFFICE OF THE DIRECTOR OF FINANCE
EQUITY IN CON CASH GENERAL FUND FY2003

FY 2003

	(Amounts in \$millions)															Under	Budget
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	Mar 31	April 30	May 31	June 30	Total	Accrued		(Over)	Revenues
REVENUES																	
Property Taxes	4.8	5.1	3.2	4.0	3.4	9.9	40.5	201.9	52.7	13.7	5.5	5.0	349.7			0.0	349.7
City, PICA Wage, E, NP	104.8	120.2	87.8	118.2	104.5	107.2	118.6	112.5	113.4	120.8	114.4	104.9	1,327.2			0.0	1,327.2
Tax to PICA	(22.2)	(25.8)	(18.6)	(25.1)	(22.0)	(22.7)	(28.0)	(24.6)	(22.2)	(28.2)	(24.7)	(23.9)	(288.1)			0.0	(288.1)
Wage, Earnings, NP Tax	82.6	94.4	69.2	93.1	82.5	84.5	90.6	87.9	91.1	92.6	89.6	81.0	1,039.1			0.0	1,039.2
Realty Transfer Tax	8.4	8.5	5.8	8.1	6.9	6.4	5.7	6.4	5.4	5.3	6.1	5.8	78.9			0.0	78.9
Sales Tax	9.6	9.2	8.5	9.0	8.5	8.7	10.7	11.7	9.1	9.0	9.0	9.4	112.5			0.0	112.5
Business Privilege Tax	3.9	5.0	5.7	12.0	2.6	2.8	5.0	4.5	17.3	208.7	24.4	7.4	299.2			0.0	299.2
Other Taxes	4.5	5.8	4.1	4.8	6.7	4.3	1.9	3.7	4.0	3.6	4.6	3.9	51.9			0.0	51.9
Locally Generated Non-tax	16.7	20.1	17.7	18.4	18.5	12.7	14.4	13.1	13.9	14.4	16.3	22.7	198.9			0.0	198.9
Other Governments--CY	2.3	35.4	3.4	85.9	3.6	4.2	34.6	87.2	40.2	45.4	51.3	43.5	437.0	58.6		0.0	495.6
Other Governments--PY	0.0	0.0	2.4	31.6	0.3	0.0	24.5	0.2	42.8	11.1	0.2	43.5	156.6	1.6		0.0	158.2
Other Governments	2.3	35.4	5.8	117.5	4.0	4.2	59.1	87.5	83.0	56.5	51.5	87.0	593.6	60.2		0.0	653.8
PICA Debt Service	(6.4)	(6.4)	(6.4)	(6.4)	(6.4)	(5.3)	(6.4)	(6.4)	(6.4)	(6.4)	(6.4)	(4.0)	(73.2)			0.0	(73.2)
PICA City Account	17.5	25.8	18.6	25.1	22.0	22.7	28.0	24.6	22.2	28.2	24.7	23.9	283.4	4.7		0.0	288.1
Other Governments-PICA	11.1	19.4	12.2	18.6	15.6	17.4	21.7	18.3	15.9	21.8	18.4	20.0	210.2	4.7		0.0	214.9
Interfund Transfers	0.0	0.4	0.3	0.5	0.4	0.5	0.3	0.4	0.5	0.4	0.4	20.5	24.6			0.0	24.6
Total Current Revenue	143.9	203.2	132.5	285.9	148.9	151.3	249.8	435.4	293.0	426.2	225.9	262.7	2,958.7	64.9		0.0	3,023.7
Collection of 6-30-02/Govt.	39.7	18.2											57.9				
Other Fund Balance Adj.												1.1	1.1				
Non-revenue receipts						1.5				(1.5)			0.0				
Non-budget items	4.0											(4.0)	0.0				
TOTAL CASH RECEIPTS	187.6	221.4	132.5	285.9	148.9	152.8	249.8	435.4	293.0	424.7	225.9	259.8	3,017.7				
EXPENSES AND OBLIGATIONS																	
Payroll	64.4	103.4	91.0	87.9	127.7	91.9	108.1	86.6	88.1	94.9	112.7	106.2	1,162.9	30.7	3.5	0.0	1,197.1
Employee Benefits	26.0	26.6	23.2	24.6	27.0	26.4	27.1	26.8	25.1	26.3	26.9	24.1	310.1	4.0	3.2	0.0	317.3
Pension	161.7	(0.8)	(0.9)	21.7	(0.8)	(1.0)	2.8	(0.9)	(1.0)	31.9	(1.0)	(2.7)	209.0	1.8		0.0	210.8
Purchase of Services	1.9	46.4	66.4	110.7	69.3	64.4	89.0	75.9	82.7	80.9	81.4	75.4	844.4	21.5	147.8	0.0	1,013.8
Materials, Equipment	2.5	3.4	6.0	5.4	3.0	4.1	4.4	3.3	3.4	4.0	5.3	4.9	50.0	1.2	28.4	0.0	79.6
Contributions, Indemnities	6.2	1.1	7.9	1.3	1.1	18.7	5.3	18.8	5.9	3.6	18.4	3.0	91.4	3.5	0.7	0.0	95.5
Debt Service-Short Term	1.3											10.8	12.0			0.0	12.0
Debt Service-Long Term		9.6	8.0		14.9	0.1	2.0	9.6	13.2	3.9	38.2		99.5			0.0	99.5
Interfund Charges												27.5	27.5			0.0	27.5
Advances, Subsidies		31.9						0.5					32.4			0.0	32.4
Current Year Appropriation	264.1	221.5	201.6	251.7	242.2	204.6	238.7	220.6	217.4	245.5	281.9	249.3	2,839.3	62.7	183.6	0.0	3,085.5
Prior Year Encumbrances	51.3	27.0	12.9	8.7	6.4	4.0	12.6	5.4	2.2	3.7	3.5	3.1	140.9	0.2	11.9	24.0	177.0
Prior Year Vouchers Payable	43.3	12.2	3.2	1.9	0.9								61.5	62.9	195.4		
TOTAL DISBURSEMENTS	358.7	260.8	217.8	262.3	249.5	208.7	251.3	226.0	219.7	249.2	285.4	252.4	3,041.7				
Excess (Def) of Receipts over Disbursements	(171.1)	(39.4)	(85.3)	23.6	(100.5)	(55.9)	(1.5)	209.3	73.3	175.4	(59.5)	7.4	(24.0)				
Opening Balance	265.6	374.5	335.1	249.9	273.5	172.9	117.1	115.6	324.9	398.3	573.7	514.2	265.6				
TRANS	280.0											(280.0)	0.0				
CLOSING BALANCE	374.5	335.1	249.9	273.5	172.9	117.1	115.6	324.9	398.3	573.7	514.2	241.6	241.6				

* Payments on 1st day of month

OFFICE OF THE DIRECTOR OF FINANCE
CASH FLOW PROJECTIONS
CONSOLIDATED CASH--ALL FUNDS--FY2003

FY 2003

(Amounts in \$millions)

	Estimate											
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30
General	374.5	335.1	249.9	273.5	172.9	117.1	115.6	324.9	398.3	573.7	514.2	241.6
Grants Revenue	5.0	5.0	0.0	0.0	0.0	0.0	5.0	10.0	10.0	10.0	10.0	5.0
Community Development	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	0.0
Vehicle Rental Tax	8.2	8.5	8.9	5.2	5.6	5.9	6.3	6.6	7.0	3.3	3.7	4.0
Other Funds	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
TOTAL OPERATING FUNDS	<u>392.7</u>	<u>353.6</u>	<u>263.8</u>	<u>283.7</u>	<u>183.5</u>	<u>128.0</u>	<u>131.9</u>	<u>346.5</u>	<u>420.3</u>	<u>592.0</u>	<u>532.9</u>	<u>259.6</u>
Capital Improvement	95.7	87.7	79.7	71.7	63.7	55.7	47.7	39.7	31.7	23.7	15.7	7.7
Industrial & Commercial Dev.	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
TOTAL CAPITAL FUNDS	<u>102.2</u>	<u>94.2</u>	<u>86.2</u>	<u>78.2</u>	<u>70.2</u>	<u>62.2</u>	<u>54.2</u>	<u>46.2</u>	<u>38.2</u>	<u>30.2</u>	<u>22.2</u>	<u>14.2</u>
TOTAL FUND EQUITY	<u>494.9</u>	<u>447.8</u>	<u>350.0</u>	<u>361.9</u>	<u>253.7</u>	<u>190.2</u>	<u>186.1</u>	<u>392.7</u>	<u>458.5</u>	<u>622.2</u>	<u>555.1</u>	<u>273.8</u>

City of Philadelphia
Five-Year Financial Plan

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Appendix V
Base Obligation Methodology

City of Philadelphia

Principal General Fund Obligation Growth Assumptions

FY 2003-2007 Five Year Financial Plan

		<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>
Class 100	Personal Services					
	<i>Civilian Wages</i>	3.0% (a)	3.0% (b)	0.0%	0.0%	0.0%
	<i>Uniform Wages</i>	0.0%	0.0%	0.0%	0.0%	0.0%
	Employee Benefits					
	<i>Unemployment Comp.</i>	0.0%	5.6%	0.0%	0.0%	0.0%
	<i>Employee Disability</i>	5.6%	0.0%	0.0%	0.0%	0.0%
	<i>Pension</i>	-3.2%	13.0%	16.7%	14.6%	9.8%
	<i>Pension Obligation Bonds</i>	24.7%	5.8%	15.5%	6.3%	5.8%
	<i>FICA</i>	3.3%	4.2%	2.9%	3.0%	2.9%
	<i>Health/Medical</i>	9.0%	9.0%	9.0%	9.0%	9.0%
	<i>Group Life</i>	1.4%	1.4%	1.4%	1.4%	1.4%
	<i>Group Legal</i>	2.3%	0.0%	2.3%	0.0%	2.2%
	<i>Tool Allowance</i>	0.0%	0.0%	0.0%	0.0%	0.0%
	<i>Flex Cash Payments</i>	0.0%	9.1%	0.0%	0.0%	0.0%
Class 200	Purchase of Services	0.0%	0.0%	0.0%	0.0%	0.0%
Class 3/400	Materials, Supplies & Equipment	0.0%	0.0%	0.0%	0.0%	0.0%
Class 500	Contributions, Indemnities & Taxes	0.0%	0.0%	0.0%	0.0%	0.0%
Class 700	Debt Service	See Schedule of Long Term Obligations (Appendix II)				
Class 800	Payments to Other Funds	0.0%	0.0%	0.0%	0.0%	0.0%
Class 900	Advances & Misc. Payments	5.2%	-1.2%	-1.1%	-1.1%	-1.0%

(a) Three Percent effective 12/15/02. Year 3 of a three year contract.

(b) Three percent effective 7/01/03. Year 4 of a four year contract.

Note:

Obligation levels in the current plan have been established for most departments and cost centers based upon specific issues concerning desired service levels, management and productivity initiatives underway, anticipated competitive contracting issues, existing and anticipated contractual obligations, and a host of other factors. The growth assumptions set forth above provide only the underlying foundations for the specific proposed obligation levels which have been established for departments in the current plan.

City of Philadelphia
Five-Year Financial Plan

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Appendix VI
Capital Budget

2003-2008 Capital Program-Budget Year Allocations

SOURCES OF FUNDS

		2003
		\$ x 000
CN	NEW CITY TAX-SUPPORTED LOANS	89,946
CR	TAX-SUPPORTED OPERATING REVENUE	8,875
CA	TAX-SUPPORTED PREFINANCED LOANS	2,200
XN	SELF-SUSTAINING NEW LOANS	219,919
XR	SELF-SUSTAINING OPERATING REVENUE	16,287
Z	REVOLVING FUNDS	10,000
FB	FEDERAL	52,053
FO	FEDERAL OFF-BUDGET	67,343
SB	STATE	7,630
SO	STATE OFF-BUDGET	29,666
PB	PRIVATE	2,530
TO	OTHER GOVERNMENT/AGENCIES OFF-BUDGET	124
TOTAL ALL FUNDS		506,573

2003-2008 Capital Program-Budget Year Allocations

		2003
		\$ x 000
Art Museum		
Museum Facilities		
1	PHILADELPHIA MUSEUM OF ART - BUILDING REHABILITATION	1,000 1,000 CN
2	PHILADELPHIA MUSEUM OF ART - RELIANCE (PERELMAN) BUILDING	1,424 1,424 CN
TOTALS - ART MUSEUM		2,424 2,424 CN

2003-2008 Capital Program-Budget Year Allocations

2003

\$ x 000

Capital Program Office

Capital Program Office

3	CAPITAL PROGRAM ADMINISTRATION, DESIGN AND ENGINEERING	6,770 6,770 CN
4	IMPROVEMENTS TO FACILITIES	1,750 750 CR 1,000 CA
5	CITYWIDE ENVIRONMENTAL REMEDIATION	300 300 CN
TOTALS - CAPITAL PROGRAM OFFICE		8,820 7,070 CN 750 CR 1,000 CA

2003-2008 Capital Program-Budget Year Allocations

		2003
		\$ x 000
Department of Commerce		
<i>Philadelphia International Airport</i>		
7	PASSENGER TERMINAL EXPANSION PROGRAM	30,000 30,000 XN
8	AIRPORT SECURITY PROGRAM	30,000 20,000 XN 10,000 FB
9	AIRPORT EXPANSION PROGRAM	20,000 20,000 XN
10	IMPROVEMENTS TO EXISTING FACILITIES	12,000 12,000 XN
11	AIRFIELD RENOVATIONS AND ADDITIONS	12,000 6,000 XN 6,000 FB
12	RECONSTRUCTION OF TERMINAL D-E APRON	9,000 2,250 XN 6,750 FB
13	FACILITY MANAGEMENT SYSTEM	6,000 3,000 XN 3,000 FB
14	TERMINAL A - RENOVATIONS	5,400 5,400 XN
15	TAXIWAY J & CARGO CITY RAMP RECONSTRUCTION	5,000 1,250 XN 3,750 FB
16	COMMUTER APRON MODIFICATIONS	3,200 3,200 XN
17	DOA MAINTENANCE CENTER	1,500 1,500 XN
18	PERIMETER ROAD AND FENCE IMPROVEMENTS	1,000 1,000 XN
19	EXTENDED SAFETY AREA - RUNWAY 9R	1,000 250 XN 750 FB

2003-2008 Capital Program-Budget Year Allocations

		2003
		\$ x 000
Department of Commerce		
<i>Philadelphia International Airport</i>		
20	EMPLOYEE PARKING LOT - EXPANSION	1,000 1,000 XN
21	TINICUM FUEL FACILITY DEMOLITION	500 500 XN
TOTAL - PHILADELPHIA INTERNATIONAL AIRPORT		137,600 107,350 XN 30,250 FB

2003-2008 Capital Program-Budget Year Allocations

		2003
		\$ x 000
Department of Commerce		
<i>Northeast Philadelphia Airport</i>		
28	NEW VEHICLE STORAGE & MAINTENANCE BUILDING	2,300 575 XN 1,725 FB
29	TAXIWAY EXPANSION PROGRAM	2,000 100 XN 1,800 FB 100 SB
30	IMPROVEMENTS TO EXISTING FACILITIES	400 400 XN
TOTAL - NORTHEAST PHILADELPHIA AIRPORT		4,700 1,075 XN 3,525 FB 100 SB

2003-2008 Capital Program-Budget Year Allocations

2003

\$ x 000

Department of Commerce

Waterfront Development

31	PENN'S LANDING IMPROVEMENTS	510 510 CN
32	BUS PARKING FOR INDEPENDENCE MALL	42 42 CN
TOTAL - WATERFRONT DEVELOPMENT		552 552 CN

2003-2008 Capital Program-Budget Year Allocations

		2003
		\$ x 000
Department of Commerce		
<i>Economic Development</i>		
33	PIDC LAND BANK - ACQUISITION AND IMPROVEMENTS	5,000 5,000 Z
34	PIDC LAND BANK - IMPROVEMENTS AND ADMINISTRATION	5,000 5,000 Z
35	AVENUE OF THE ARTS - NORTH BROAD STREET	3,150 3,150 SB
36	DEFENSE CONVERSION	1,500 1,500 CN
37	GRADING AND PAVING - NEW AND EXISTING STREETS	250 250 CN
38	ENTERPRISE/EMPOWERMENT ZONE IMPROVEMENTS	250 250 CN
TOTAL - ECONOMIC DEVELOPMENT		15,150 2,000 CN 10,000 Z 3,150 SB

2003-2008 Capital Program-Budget Year Allocations

		2003
		\$ x 000
Department of Commerce		
<i>Commercial Development</i>		
41	NEIGHBORHOOD COMMERCIAL CENTERS - SITE IMPROVEMENTS	2,000 1,000 CN 1,000 SB
TOTAL - COMMERCIAL DEVELOPMENT		2,000 1,000 CN 1,000 SB
TOTALS - DEPARTMENT OF COMMERCE		160,002 3,552 CN 108,425 XN 10,000 Z 33,775 FB 4,250 SB

2003-2008 Capital Program-Budget Year Allocations

		2003
		\$ x 000
Office of Emergency Shelter & Services		
<i>Family Care Facilities</i>		
42	OESS RENOVATIONS	600 600 CN
TOTALS - OFFICE OF EMERGENCY SHELTER & SERVICES		600 600 CN

2003-2008 Capital Program-Budget Year Allocations

2003

\$ x 000

Fairmount Park Commission

Fairmount Park Facilities

43	HISTORIC BUILDING IMPROVEMENTS	1,570 1,570 CN
44	BUILDING IMPROVEMENTS	655 655 CN
45	FACILITY IMPROVEMENTS	1,550 400 CN 750 FB 400 SB
46	ROADWAYS, FOOTWAYS AND PARKING	575 575 CN
47	PARKSIDE IMPROVEMENTS - GROWING GREENER GRANTS	1,045 370 CN 675 SB
48	PARK AND STREET TREES	300 300 CN
49	PARKLAND - SITE IMPROVEMENTS	200 200 CN
TOTALS - FAIRMOUNT PARK COMMISSION		5,895 4,070 CN 750 FB 1,075 SB

2003-2008 Capital Program-Budget Year Allocations

		2003
		\$ x 000
Fire Department		
<i>Fire Facilities</i>		
51	FIRE DEPARTMENT COMPUTER SYSTEM IMPROVEMENTS	925 925 CR
52	FIRE DEPARTMENT INTERIOR/EXTERIOR RENOVATIONS	900 900 CN
TOTALS - FIRE DEPARTMENT		1,825 900 CN 925 CR

2003-2008 Capital Program-Budget Year Allocations

2003

\$ x 000

Office of Fleet Management

Fleet Management Facilities

53	RENOVATIONS TO FLEET MANAGEMENT SHOPS	240 240 CN
54	REMOVAL/REPLACEMENT OF FUEL SITES	200 200 CN
TOTALS - OFFICE OF FLEET MANAGEMENT		440 440 CN

2003-2008 Capital Program-Budget Year Allocations

		2003
		\$ x 000
Free Library of Philadelphia		
<i>Library Facilities</i>		
55	BRANCH LIBRARIES - MAJOR RENOVATIONS	3,100 3,000 CN 100 SB
56	BRANCH LIBRARIES - REPLACEMENT AND RECONSTRUCTION	1,400 1,400 CN
57	BRANCH LIBRARIES - IMPROVEMENTS	395 395 CN
TOTALS - FREE LIBRARY OF PHILADELPHIA		4,895 4,795 CN 100 SB

2003-2008 Capital Program-Budget Year Allocations

		2003
		\$ x 000
Department of Public Health		
<i>Health Facilities</i>		
59	HEALTH FACILITY RENOVATIONS	820 820 CN
60	HEALTH ADMINISTRATION BUILDING	80 80 CN
61	EQUIPMENT AND RENOVATIONS - PHILADELPHIA NURSING HOME	1,900 1,900 CR
62	HEALTH DEPARTMENT EQUIPMENT AND RENOVATIONS	1,000 1,000 CR
TOTALS - DEPARTMENT OF PUBLIC HEALTH		3,800 900 CN 2,900 CR

2003-2008 Capital Program-Budget Year Allocations

2003

\$ x 000

Office of Housing & Community Development

Neighborhood Renewal

63 SITE IMPROVEMENTS

6,845
6,845 CN

TOTALS - OFFICE OF HOUSING & COMMUNITY DEVELOPMENT

6,845
6,845 CN

2003-2008 Capital Program-Budget Year Allocations

2003

\$ x 000

Department of Human Services

Aging Services

64

RIVERVIEW HOME RENOVATIONS

300

300 CN

TOTALS - DEPARTMENT OF HUMAN SERVICES

300

300 CN

2003-2008 Capital Program-Budget Year Allocations

2003

\$ x 000

Managing Director's Office

City Wide Facilities

66	CITYWIDE FACILITIES	3,500 3,500 CN
67	INTEGRATED CASE MANAGEMENT	2,500 2,500 CN
68	GREEN LIGHTS LIGHTING UPGRADES	250 250 CN
69	ENERGY STAR BUILDING UPGRADES	250 250 CN
TOTALS - MANAGING DIRECTOR'S OFFICE		6,500 6,500 CN

2003-2008 Capital Program-Budget Year Allocations

2003

\$ x 000

Police Department

Police Facilities

70	COMPUTER/COMMUNICATION SYSTEMS IMPROVEMENTS	3,720 420 CN 3,300 CR
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71	POLICE DEPARTMENT INTERIOR AND EXTERIOR IMPROVEMENTS	1,660 1,660 CN
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TOTALS - POLICE DEPARTMENT		5,380 2,080 CN 3,300 CR
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2003-2008 Capital Program-Budget Year Allocations

		2003
		\$x000
Philadelphia Prisons		
<i>Prison Facilities</i>		
72	PRISON SYSTEM - RENOVATIONS	2,000 2,000 CN
TOTALS - PHILADELPHIA PRISONS		2,000 2,000 CN

2003-2008 Capital Program-Budget Year Allocations

2003

\$ x 000

Department of Public Property

Buildings and Facilities

73	CITY HALL	5,000 5,000 CN
74	FAMILY COURT	2,000 2,000 CN
75	TRIPLEX FACILITY IMPROVEMENTS	200 200 CN
76	BUILDINGS AND FACILITIES IMPROVEMENTS	200 200 CN
TOTAL - BUILDINGS AND FACILITIES		7,400 7,400 CN

2003-2008 Capital Program-Budget Year Allocations

2003

\$ x 000

Department of Public Property

Communications

77 COMMUNICATIONS

1,460
460 CN
1,000 CR

TOTAL - COMMUNICATIONS

1,460
460 CN
1,000 CR

2003-2008 Capital Program-Budget Year Allocations

		2003
		\$ x 000
Department of Public Property		
<i>Transit Facilities</i>		
78	SEPTA STATION AND PARKING IMPROVEMENTS	54,349 1,808 CN 43,479 FO 9,058 SO 4 TO
79	SEPTA BRIDGE, TRACK, SIGNAL AND INFRASTRUCTURE IMPROVEMENTS	34,871 2,171 CN 16,857 FO 15,813 SO 30 TO
80	SEPTA VEHICLE/EQUIPMENT ACQUISITION AND IMPROVEMENT PROGRAM	6,950 182 CN 4,000 FO 2,718 SO 50 TO
81	SEPTA PASSENGER INFORMATION, COMMUNICATIONS AND SYSTEM CONTROLS	5,259 135 CN 3,007 FO 2,077 SO 40 TO
82	TRANSIT FACILITIES IMPROVEMENTS	300 300 CN
TOTAL - TRANSIT FACILITIES		101,729 4,596 CN 67,343 FO 29,666 SO 124 TO
TOTALS - DEPARTMENT OF PUBLIC PROPERTY		110,589 12,456 CN 1,000 CR 67,343 FO 29,666 SO 124 TO

2003-2008 Capital Program-Budget Year Allocations

2003

\$x000

Department of Records

Record Systems and Facilities

83 AIR QUALITY IMPROVEMENTS

300
300 CN

TOTALS - DEPARTMENT OF RECORDS

300
300 CN

2003-2008 Capital Program-Budget Year Allocations

2003

\$ x 000

Department of Recreation

Sports and Cultural Facilities

84	CULTURAL FACILITIES	600 600 CN
TOTAL - SPORTS AND CULTURAL FACILITIES		600 600 CN

2003-2008 Capital Program-Budget Year Allocations

		2003
		\$ x 000
Department of Recreation		
<i>Play Facilities</i>		
85	IMPROVEMENTS TO EXISTING FACILITIES	10,500 10,500 CN
86	IMPROVEMENTS TO EXISTING FACILITIES - LIFE SAFETY SYSTEMS	500 500 CN
87	IMPROVEMENTS TO EXISTING FACILITIES - INFRASTRUCTURE	200 200 CN
88	IMPROVEMENTS TO EXISTING RECREATION FACILITIES - SWIMMING POOLS	50 50 CN
89	STATE GRANT FUNDED RECREATION IMPROVEMENTS	2,000 1,000 CN 1,000 SB
TOTAL - PLAY FACILITIES		13,250 12,250 CN 1,000 SB
TOTALS - DEPARTMENT OF RECREATION		13,850 12,850 CN 1,000 SB

2003-2008 Capital Program-Budget Year Allocations

		2003
		\$ x 000
Department of Streets		
<i>City Streets and Highways</i>		
91	RECONSTRUCTION/RESURFACING OF STREETS	14,200 14,200 CN
92	FEDERAL AID HIGHWAY PROGRAM	7,500 1,500 CN 5,750 FB 250 SB
93	BRIDGE RECONSTRUCTION AND IMPROVEMENTS	7,282 1,157 CN 5,170 FB 955 SB
94	AVENUE OF THE ARTS - NORTH BROAD STREET	4,700 1,200 CA 3,500 FB
95	INDEPENDENCE MALL GATEWAY	3,885 777 CN 3,108 FB
96	TRAFFIC CONTROL	1,040 1,040 CN
97	SCHOOL/PEDESTRIAN CROSSING SIGNS & SIGNALS	500 500 CN
98	STREETS DEPARTMENT SUPPORT FACILITIES	410 410 CN
99	STREET LIGHTING IMPROVEMENTS	250 250 CN
100	FLUORESCENT YELLOW-GREEN SCHOOL AND PEDESTRIAN SIGNS	150 150 CN
TOTAL - CITY STREETS AND HIGHWAYS		39,917 19,984 CN 1,200 CA 17,528 FB 1,205 SB

2003-2008 Capital Program-Budget Year Allocations

2003

\$ x 000

Department of Streets

Sanitation Facilities

101 MODERNIZATION OF SANITATION FACILITIES

420
420 CN

TOTAL - SANITATION FACILITIES

420
420 CN

TOTALS - DEPARTMENT OF STREETS

40,337
20,404 CN
1,200 CA
17,528 FB
1,205 SB

2003-2008 Capital Program-Budget Year Allocations

		2003
		\$ x 000
Water Department		
<i>Water/Sewer Facilities</i>		
102	IMPROVEMENTS TO TREATMENT PLANTS	50,000 40,152 XN 9,848 XR
103	COLLECTOR SYSTEM	26,120 25,610 XN 500 XR 10 PB
104	CONVEYANCE SYSTEM	25,090 24,580 XN 500 XR 10 PB
105	ENGINEERING AND ADMINISTRATION	18,291 16,852 XN 1,439 XR
106	STORM FLOOD RELIEF AND COMBINED SEWER OVERFLOW	4,000 4,000 XN
107	VEHICLES	4,000 4,000 XR
108	LARGE METER REPLACEMENT	300 300 XN
TOTALS - WATER DEPARTMENT		127,801 111,494 XN 16,287 XR 20 PB

2003-2008 Capital Program-Budget Year Allocations

2003

\$ x 000

Zoological Garden

Zoo Facilities

109	PHILADELPHIA ZOO FACILITY & INFRASTRUCTURE IMPROVEMENTS	3,970
		1,460 CN
		2,510 PB

TOTALS - ZOOLOGICAL GARDEN

3,970
1,460 CN
2,510 PB

Five-Year Plan Drafting Committee:

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PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

\$165,550,000

**Special Tax Revenue Refunding Bonds
(City of Philadelphia Funding Program)
Series of 2003**

**CERTIFICATE OF CHIEF CLERK OF THE
COUNCIL OF THE CITY OF PHILADELPHIA, PENNSYLVANIA**

I, Patricia Rafferty, Chief Clerk of the Council (the "Council") of the City of Philadelphia (the "City"), do hereby certify that it appears from the records of said Council that:

1. (a) Public hearings were held on each of the Bills (the "Bills") listed below as required by Section 2-201(2) of the Philadelphia Home Rule Charter:

- (i) Bill Number 1437 of 1991 imposing a 1.5% tax on salaries, wages, commissions and other compensation earned by residents of the City and on net profits earned in business, professions and other activities conducted by residents of the City exclusively for the purposes of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") pursuant to Section 601 of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (hearing held May 23, 1991).
- (ii) Bill Number 1563-A of 1992 approving the execution and delivery by the City of an Intergovernmental Cooperation Agreement between the City and the Authority (hearings held September 27 and 28, 1991).

(b) Notices of public hearings on said Bills and of their report from committee were duly given by advertisement, each such Bill was duly enacted by the affirmative vote of a majority of all the members of the Council after the elapse of not less than five days from the printing and distribution of each Bill as reported from committee and the votes thereon have been recorded in the Journal of Council, all as required by Section 2-201 of the Philadelphia Home Rule Charter.

(c) The copies of the Bills attached hereto are true and correct copies of the originals thereof on file in the office of the Chief Clerk of the Council.

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

2. (a) The following Resolution of the Council was duly adopted by the affirmative vote of a majority of all of the members of the Council.

(i) Resolution No. 020059, adopted on May 2, 2002, approving the Eleventh Five-Year Financial Plan for the City of Philadelphia covering Fiscal Years 2003-2007, as amended April 23, 2003, pursuant to the Intergovernmental Cooperation Agreement by and between the City and the Authority.

(b) A copy of such Resolution attached hereto is a true and correct copy of the original thereof on file in the office of the Chief Clerk of the Council.

(c) Such Resolution has not been amended or repealed and is in full force effect on the date of this Certificate.

3. Copies of Resolution No. 2003-04 of the Authority adopted March 25, 2003, as provided to me by the Authority, have been on file for public inspection at the office of the Chief Clerk of the City Council, Room 315, City Hall, Philadelphia, Pennsylvania, at all times since the delivery of such Resolution to me on March 28, 2003.

IN WITNESS WHEREOF, I have hereunto set my hand and seal, this 16th day of June, 2003.

CITY OF PHILADELPHIA,
PENNSYLVANIA

By


PATRICIA RAFFERTY

Chief Clerk of the Council of the City
of Philadelphia, Pennsylvania

[SEAL]



(Bill No. 1437)

AN ORDINANCE

Explanation: *Italics* indicate new matter added.

Amending Title 19 of The Philadelphia Code, entitled "Finances, Taxes and Collections," by adding a new Chapter 19-2800, entitled "Pennsylvania Intergovernmental Cooperation Authority Tax on Wages and Net Profits," by imposing a tax of one and one-half percent on the salaries, wages, commissions and other compensation earned by residents of the City and on the net profits earned in businesses, professions or other activities conducted by residents of the City; providing that revenues from the tax are to be used for the purposes of the Pennsylvania Intergovernmental Cooperation Authority; pledging to obligees of the Authority that the City will neither repeal nor reduce the tax for so long as bonds of the Authority secured by the pledge of the tax remain outstanding; providing for the collection of the tax; and imposing penalties.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. Title 19 of The Philadelphia Code, entitled "Finances, Taxes and Collections," is hereby amended by adding a new Chapter 19-2800, entitled "Pennsylvania Intergovernmental Cooperation Authority Tax on Wages and Net Profits," to read as follows:

CHAPTER 19-2800. PENNSYLVANIA
INTERGOVERNMENTAL
COOPERATION AUTHORITY TAX
ON WAGES AND NET PROFITS.

§19-2801. Legislative Acknowledgements.

(1) The General Assembly of the Commonwealth of Pennsylvania has enacted the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of _____, 1991, P.L. ____, No. ____).

(2) The Act declares it to be the public policy of the Commonwealth to exercise its retained sovereign powers with regard to taxation, debt issuance and matters of State-wide concern in a manner calculated to foster the fiscal integrity of cities of the first class to assure that these cities provide for the health, safety and welfare of their citizens; pay principal and interest owed on their debt

obligations when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial planning procedures and budgeting practices. The inability of a city of the first class to provide essential services to its citizens as a result of a fiscal emergency has been determined to affect adversely the health, safety and welfare not only of the citizens of that municipality but also of other citizens in this Commonwealth.

(3) The stated intent of the General Assembly for enacting the Act is to:

(a) provide cities of the first class with the legal tools with which cities of the first class can eliminate deficits that render them unable to perform essential municipal services;

(b) create an authority that will enable cities of the first class to access capital markets for deficit elimination and seasonal borrowings to avoid default on existing obligations and chronic cash shortages that will disrupt the delivery of municipal services;

(c) *foster sound financial planning and budgetary practices that will address the underlying problems which result in such deficits; and*

(d) *exercise its powers consistent with the rights of citizens to home rule and self government by maintaining a system pursuant to which the principal responsibility for conducting the governmental affairs of a municipality remains with its local elected officials;*

(e) *remedy the fiscal emergency confronting cities of the first class through the implementation of sovereign powers of the Commonwealth with respect to taxation, indebtedness and matters of State-wide concern. To safeguard the rights of the citizens to the electoral process and home rule, the General Assembly intends to exercise its power in a cooperative manner with the elected officers of cities of the first class as contemplated by the Constitution of Pennsylvania.*

(f) *authorize the imposition of a tax or taxes to provide a source of funding for an intergovernmental cooperation authority to enable it to assist cities of the first class and to incur debt of such authority for such purposes; however, the General Assembly intends that such debt shall not be*

a debt or liability of the Commonwealth or a city of the first class nor shall debt of the authority payable from and secured by such source of funding create a charge directly or indirectly against revenues of the Commonwealth or a city of the first class.

(4) In enacting the Act the General Assembly of the Commonwealth inter alia found:

(a) That cities of the first class have encountered recurring financial difficulties which may affect the performance of necessary municipal services to the detriment of the health, safety and general welfare of residents of such cities.

(b) That the financial difficulties have caused cities of the first class to lose an investment-grade credit rating and direct access to capital markets.

(c) That it is critically important that cities of the first class achieve an investment-grade credit rating and thereafter maintain their credit-worthiness.

(d) *That, without the ability to enter the capital markets, cities of the first class may face a fiscal emergency that could render them unable to pay their obligations when due and deliver essential services to their citizens.*

(e) *That, due to the economic and social interrelationship among all citizens in our economy, the fiscal integrity of cities of the first class is a matter of concern to residents of the entire Commonwealth, and the financial problems of such cities have a direct and negative effect on the entire Commonwealth.*

(f) *That, because cities of the first class consume a substantial proportion of the products of Pennsylvania's farms, factories, manufacturing plants and service enterprises, economic difficulties confronting cities of the first class detrimentally affect the economy of the Commonwealth as a whole and become a matter of State-wide concern.*

(g) *That, because residents of cities of the first class contribute a substantial proportion of all Commonwealth tax revenues, a disruption of the economic and social life of such cities may have a significant detrimental effect upon Commonwealth revenues.*

(h) *That, cities of the first class and the Commonwealth have shown a willingness to cooperate in order to address important financial and budgetary concerns.*

(i) *That, the financial difficulties of cities of the first class can best be addressed and resolved by cooperation between governmental entities.*

(j) *That, the Constitution of Pennsylvania grants municipalities authority to cooperate with other governmental entities in the exercise of any function or responsibility.*

(k) *That, the Commonwealth retains certain sovereign powers with respect to cities of the first class, among them the powers to authorize and levy taxes, to authorize the incurring of indebtedness and to provide financial assistance that may be necessary to assist cities in solving their financial problems.*

(l) *That, the Commonwealth may attach conditions to grants of authority to incur indebtedness or assistance to*

cities of the first class in order to ensure that deficits are eliminated and access to capital markets is achieved and maintained.

(m) That, such conditions shall be incorporated into intergovernmental cooperation agreements between the Commonwealth or its instrumentalities and cities of the first class.

(n) That, cities of the first class and the Commonwealth will benefit from the creation of an independent authority composed of members experienced in finance and management which may advise such cities, the General Assembly and the Governor concerning solutions to fiscal problems cities of the first class may face.

(o) That, the creation of such an authority with the power to borrow money and issue bonds in order to assist cities of the first class will allow such cities to continue to provide the necessary municipal services for their residents and to contribute to the economy of the Commonwealth.

(p) That, in order for an authority to effectively assist cities of the first class in financing their cash flow needs and for cities of the first class to be able to cost-effectively

finance their cash flow needs during the term of any authority bonds and thereafter, the enactment of certain provisions of law in connection with the issuance of tax and revenue anticipation notes of cities of the first class is necessary and desirable.

(q) That, a dedicated source of funding for the authority is necessary in order to address the immediate financial difficulties of cities of the first class.

(r) That, the Commonwealth's action in authorizing cities of the first class to impose taxes for the authority will allow such cities to continue to provide necessary services for their residents and for those non-residents enjoying the benefits of such services.

(s) That, the levy of a tax within cities of the first class for the authority should be authorized by the Commonwealth for the benefit of cities of the first class, with the revenue produced as a result of such levy being Commonwealth-authorized revenues and revenues of a State authority, and not revenues of the city of the first class.

(t) *That, the authority to levy a tax only within cities of the first class or as a rate that is higher than that imposed outside cities of the first class is based upon a legitimate classification which the General Assembly deems to be reasonable and just, since the benefit received by taxpayers in cities of the first class as a result of such levy is determined to be in proportion to the tax burden imposed in such cities of the first class.*

(u) *That, a levy imposed only, or at a higher rate, in cities of the first class will be used to benefit citizens of cities of the first class by providing for their health, safety, convenience and welfare.*

(5) *City Council further acknowledges that the Act:*

(a) *Specifically authorizes the imposition and pledge of any combination of the following taxes:*

(i) *a sale and use and hotel occupancy tax;*

(ii) *a realty transfer tax such as is now or as may be hereafter enacted for general revenue purposes of the City pursuant to Section 1301(b) of the Act of December 13, 1988 (P.L. 1121, No. 45), known as the Local Tax Reform Act; and*

(iii) *a tax on salaries, wages, commissions, compensation or other income received or to be received for work done by residents of the City, imposed pursuant to the provisions of the Sterling Act.*

(b) *Provides that the revenues generated by any such tax are to become the exclusive property of the Pennsylvania Intergovernmental Cooperation Authority (PICA) and shall not be subject to appropriation by City Council or the General Assembly of the Commonwealth.*

(c) *Provides that the Department of Revenue of the Commonwealth is charged with the administration, enforcement and collection of the tax imposed by this Chapter and if the tax imposed is pursuant to Subsections 601(a)(2) or (3) of the Act the administration, enforcement and collection procedures for the taxes and the fines, forfeitures, penalties and interest charges shall be as are specified in this Chapter.*

(d) *Provides that the Department of Revenue of the Commonwealth is authorized to appoint as its agents, tax officers, clerks, collectors and other assistants, including revenue and legal departments of cities imposing a tax under this chapter, to collect and enforce any tax, including*

interest and penalties, imposed under authority of this chapter; provided, however, that any moneys collected by any such agent shall not be commingled with any other funds of such agent and must be segregated and paid over to the Department of Revenue of the Commonwealth at least monthly.

(e) Provides that the revenues collected by any of the Department of Revenue's agents, tax officers, clerks, collectors and other assistants are to be paid over to the Department of Revenue of the Commonwealth to be deposited by the Treasurer of the Commonwealth in the Pennsylvania Intergovernmental Cooperation Authority Tax Fund.

(f) Provides that the obligees of PICA shall have the right to enforce a pledge of or security interest in revenues of the authority securing payment of bonds of the authority against all government agencies in possession of any such revenues at any time, which revenues may be collected directly from such officials upon notice by such obligees or a trustee for such obligees for application to the payment of such bonds as and when due or for deposits in any sinking, bond or debt service fund established by the

Commonwealth or established by resolution of the authority with such trustee at the times and in the amounts specified in such bonds or the resolution or indenture or trust agreement securing such bonds. Any government agency in possession of any such revenues shall make payment against receipt and shall thereby be discharged from any further liability or responsibility for such revenues. If such payment shall be to a holder of bonds, it shall be made against surrender of such bonds to the payor for delivery to the authority in the case of payment in full, otherwise it shall be made against production of such bonds for notation thereon of the amount of the payment. The provisions of this section with respect to the enforceability and collection of revenues which secure bonds shall supersede any contrary or inconsistent statutory provision or rule of law. This section shall be construed and applied to fulfill the legislative purpose of clarifying and facilitating the financing of the authority of the costs of assisting a city by assuring to the obligees of the authority the full and immediate benefit of the security for

the bonds without delay, diminution or interference based on any statute, decision, ordinance, or administrative rule or practice.

§19-2802. Definitions.

(1) *"Authority." The Pennsylvania Intergovernmental Cooperation Authority established in the Act.*

(2) *"Bond." A note, bond, refunding note and bond, interim certificate, debenture and other evidence of indebtedness or obligation which an authority is authorized to issue pursuant to the Act.*

(3) *"Business." An enterprise, activity, profession or undertaking of any nature conducted for profit or ordinarily conducted for profit, whether by an individual, copartnership, association, governmental body or unit or agency, or any other entity.*

(4) *"Department." The Department of Revenue of the Commonwealth or its agents, tax officers, clerks, collectors and other assistants, including revenue and legal departments of the City of Philadelphia. For purpose of complying with the provisions of this Chapter, the Revenue*

Department of the City is the authorized agent of the Department of Revenue of the Commonwealth for the collection of taxes imposed hereunder.

(5) "Employee." Any person who renders services to another for a consideration or its equivalent, under an express or implied contract, and who is under the control and direction of the latter, including temporary, provisional, casual or part-time employment.

(6) "Employer." An individual, copartnership, association, corporation, governmental body or unit or agency, or any other entity, who or that employs one or more persons on a salary, wage, commission or other compensation basis.

(7) "Net Profits." The net gain from the operation of a business, profession or enterprise, after provision for all allowable costs and expenses incurred in the conduct thereof, either paid or accrued in accordance with the accounting system used, without deduction of taxes based on income.

(8) "Obligee of the Authority." Any holder or owner of any bond of the Pennsylvania Intergovernmental

Cooperation Authority or any trustee or other fiduciary for any such holder or any provider of a letter of credit, policy of municipal bond insurance or other credit enhancement or liquidity facility for bonds of the authority.

(9) "Person." Every individual, copartnership, fiduciary or association.

(10) "Resident." An individual, copartnership, association, corporation or any other entity domiciled in the City.

(11) "Salaries, Wages, Commissions and Other Compensation." All salaries, wages, commissions, bonuses, incentive payments, fees and tips that may accrue or be received by an individual, whether indirectly or through an agent and whether in cash or in property, for services rendered, but excluding:

(a) periodical payments for sick or disability benefits and those commonly recognized as old age benefits;

(b) retirement pay, or pensions paid to persons retired from service after reaching a specific age or after a stated period of employment;

(c) *any wages or commissions paid by the United States to any person for active service in the Army, Navy or Air Force of the United States;*

(d) *any bonus or additional compensation paid by the United States, this Commonwealth, or any other state for such service;*

(e) *any statutory per diem compensation paid any witness or juror, or member of the District Election Board.*

(12) *"Taxpayer." Any person required by this Chapter to file a return or to pay a tax.*

§19-2803. Imposition of Pennsylvania Intergovernmental Cooperation Authority Tax on Wages and Net Profits.

(1) *An annual tax to provide revenues for the purposes of the Pennsylvania Intergovernmental Cooperation Authority is imposed as follows:*

(a) *On salaries, wages, commissions, and other compensation earned by residents of Philadelphia on and after July 1, 1991 at the rate of one and one-half percent.*

(b) *On the net profits earned in business, professions or other activities conducted by residents after July 1, 1991 at the rate of one and one-half percent.*

(2) *The tax imposed under §19-2803(1)(a) shall relate to and be imposed upon salaries, wages, commissions, and other compensation paid by an employer or on his behalf to any person who is employed by or renders services to him.*

(3) *The tax levied under §19-2803(1)(b) shall relate to and be imposed on the net profits of any business, profession, or enterprise carried on by any person as owner or proprietor, either individually or in association with some other person or persons.*

§19-2804. City Pledge; Duration of Taxes.

(1) *The city pledges and agrees with each and every obligee of the authority acquiring bonds secured by an authority pledge of taxes imposed by this Chapter that the city will not repeal the tax or reduce the rate of the tax imposed for the authority until all bonds so secured by the pledge of the authority, together with the interest thereon, are fully paid or provided for. The revenues from the taxes imposed by this Chapter shall be revenues and property of*

the authority and shall not be revenues or property of the city. The taxes shall be collected by the Department of Revenue of the Commonwealth and shall not be subject to appropriation by the City Council or by the General Assembly.

(2) The taxes imposed under this chapter shall continue in effect until all bonds of the authority which are secured by the authority's pledge of such tax revenues are no longer outstanding. For as long as any such bonds remain outstanding, City Council pledges not to repeal this Chapter or reduce the rate of tax imposed for the authority under this Chapter.

§19-2805. Return and Payment of Tax.

(1) Each person whose net profits are subject to the tax imposed by this chapter shall, on or before April 15 of each year, make and file with the Department a return on a form furnished by or obtainable from the Department setting forth the amount of such net profits earned by him during the preceding year and subject to the said tax, together with such other pertinent information as the Department may require. Where a return is made for a fiscal year or for any

other period different from a calendar year, the said return shall be made within one hundred five (105) days from the end of the said fiscal year or other period.

(2) Each person who is employed on a salaried, wage, commission or other compensation basis, which is subject to a tax imposed by this Chapter and which tax is not withheld by his employer and paid to the Department as provided in §19-2806 shall make and file a tax return with the Department for the three (3) months ending December 31, on or before the 15th day of the following February, and shall make and file a tax return with the city on or before the last day of April, July and October for the last three (3) months ending on the last day of the month preceding the due date. The return shall be made on a form furnished by the Department, setting forth the aggregate amount of salaries, wages, commissions and other compensation subject to the said tax earned by such person for the three (3) months, together with such other pertinent information as the city may require.

(3) Whenever any person files a return required by this Section he shall at the time of filing pay to the Department the amount of tax due thereon.

§19-2806. Collection at Source.

(1) *Each employer within a city of the first class who employs one or more persons on a salary, wage, commission or other compensation basis shall deduct at the time of payment thereof, the tax imposed by this Chapter on the salaries, wages, commissions and other compensation due from the said employer to the said employee, except that due to employees engaged as domestic servants, and shall make a return and pay to the Department the amount of tax so deducted at such intervals as the Department shall established by regulations.*

(a) *The return shall be on a form or forms furnished by the Department and shall set forth the names and residences of each employee of said employer during all or any part of the period covered by the said return, the amounts of salaries, wages, commissions or other compensation earned during such period by each of such employees, together with such other information as the Department may require.*

(b) *The employer making the return shall, at the time of filing, pay to the Department the amount of tax due thereon.*

(c) *The failure of any employer, residing either within or outside of a city of the first class to make such return and/or to pay such tax shall not relieve the employee from the responsibility for making the returns, paying the tax, and complying with the regulations with respect to making the returns and paying the tax.*

(2) *When an employer makes deductions or returns under §19-2806(1) he shall deposit such deduction with the Department or with any bank designated by the Department, which shall in all cases be a bank designated as a City depository bank.*

(a) *Each bank so designated shall issue official receipts to the employer for the money received from him, which money shall be credited to the authority's account. Such deposits shall be reported daily to the department.*

(b) *At the time of each deposit, the employer shall file with the department or designated bank a depository form to be furnished by the department which shall contain such information as the department may require.*

§19-2807. Estimated Net Profits Tax.

(1) *Returns and Payments of Estimated Tax.*

(a) *Each person whose net profits are subject to the tax imposed by this Chapter shall be required to file returns and pay estimated tax on account of the net profits due for the current taxable year.*

(2) *For the purposes of this Chapter, the term "estimated tax" means the amount of net profits tax which a person calculated to be his tax due under this Chapter for the preceding taxable year, after giving effect to the tax credit provided in Section 19-2808.*

(3) *Calendar Year Taxpayers.*

(a) *Returns and payments of estimated tax for taxable years beginning after December 31, 1991 shall be due and payable as follows:*

(.1) *The first installment of one-fourth of the estimated tax shall be due and payable on or before April 15 of the taxable year.*

(.2) *The second installment of one-fourth of the estimated tax shall be due and payable on or before June 15 of the taxable year.*

(4) *Fiscal Year Taxpayers.*

(a) Persons who report net income for a fiscal year period other than a calendar year shall make returns and payments of estimated tax for taxable years beginning after December 31, 1991 as follows:

(.1) The first installment of one-fourth of the estimated tax shall be due and payable within three and one-half months after the beginning of the taxable fiscal year.

(.2) The second installment of one-fourth of the estimated tax shall be due and payable within five and one-half months after the beginning of the taxable fiscal year.

(5) Credits for Excessive Estimated Payments.

(a) Any estimated payments which exceed a person's tax liability for the taxable year shall be applied as a credit against the estimated tax for the following taxable year, to the extent of the estimated tax due for the following taxable year.

(b) The amount of any estimated payments which exceed the estimated tax for the following year shall be refunded to the taxpayer.

(6) Provisions not Applicable. The provisions of Section 19-2807 shall not be applicable to a person for a taxable year if:

(a) Such person was not engaged in business in the preceding taxable year; or

(b) Such person's net profits tax liability for the preceding taxable year does not exceed one hundred (\$100) dollars; or

(c) Such person terminated his business activity prior to the due date of the net profits tax return for the preceding taxable year.

(7) Any person who terminates his business activity prior to the due date of any estimated payment shall not be required to make any additional estimated payments for that taxable year.

§19-2808. Credit Against Tax.

(1) In the event that any person subject to a tax under §19-1502(1)(c) and who is entitled to a credit pursuant to §19-1506 does not totally exhaust such credit against tax

liability incurred pursuant to §19-1502(1)(c). The remaining credit may be applied against taxes owed pursuant to this chapter.

(2) The credit provided pursuant to this Section relates to the following tax year;

(a) When a return is made for a fiscal year corresponding to the calendar year, the same calendar year as that which is used as the measuring period for computing net income subject to the tax imposed under Chapter 19-2600 of this Title on which the credit is based.

(b) When a return is made for a fiscal year other than a calendar year, the fiscal year which ends within the calendar year for which the tax imposed under Chapter 19-2600 of this Title is paid, and on which the credit is based.

(3) Nothing in this Section shall permit credits to be charged against any given tax year in excess of the amount of tax due under §19-2803 for that tax year.

§19-2809. Penalties and Enforcement.

(1) Penalties.

(a) *For late deposits of withheld taxes due under this Chapter there shall be added, in addition to the penalties set forth herein, a penalty of ten percent (10%) of the underpayment.*

(2) *Extension for Payment.*

(a) *If the due date for the payment of any tax due falls on a Sunday or a holiday, or any day during which the agency collecting such tax is not open for a full business day, the Department may postpone such due date to the next following business day.*

(b) *The Department may, upon proper cause shown, grant a taxpayer an extension of not more than sixty (60) days for the payment of the tax. Application for such extension shall be made on or before the last day for the payment of the tax, in such form as the Department prescribes.*

(c) *If any Federal taxing authority grants to any taxpayer an extension for the payment of Federal income tax for a period in excess of sixty (60) days, the Department*

may grant an additional extension of time for the payment of any City tax affected thereby, not to exceed thirty (30) days after the termination of the Federal extension period.

(d) Where an extension for payment of any tax has been granted by the Department, the principal amount of such tax shall be subject to interest from the original due date at the rate of one-half of one percent per month, or part thereof, but shall not be subject to any penalty if paid within the extended period.

(3) Extension for Filing Returns.

(a) The Department may, upon proper cause shown, grant a taxpayer an extension of not more than sixty (60) days for the filing of any tax return. Application for such extension shall be made on or before the last day of the payment of the tax, in such form as the Department prescribes.

(b) If any Federal taxing authority grants to any taxpayer an extension for the filing of Federal income tax returns for a period in excess of sixty (60) days, the

Department may grant an additional extension of time for the filing of any tax returns affected thereby, not to exceed the date of termination of the Federal extension period.

(c) In order for an extension to be granted, the taxpayer must file a tentative return and pay one hundred percent (100%) of the tax estimated to be due, on or before the statutory due date. The extension will not relieve the taxpayer from the obligation to pay interest and penalty from the date such return was originally due upon the amount of tax due in excess of the estimated tax paid.

(4) Allocation of Delinquent Payments.

(a) Unless otherwise provided, when a partial payment is made on account of any delinquent tax, such payment shall be pro-rated between the principal sum of such tax and the penalties and interest accumulated on it.

(5) Records of Taxpayer.

(a) Every person who has paid, or from whom there is due or alleged to be due, any moneys collectible by the Department, for or on behalf of the authority, including

any taxes, charges, or other sums, and any person upon whom there is imposed any other obligation to collect and remit to a city any such moneys shall:

(.1) preserve and retain his books, records, accounts, copies of tax returns filed with other taxing authorities, and other data relating thereto, for a period of six (6) years after such moneys become collectible or have been collected by the Department, whichever is later;

(.2) when requested by the Department produce his books, records, accounts, copies of tax returns filed with other taxing authorities, and other data relating thereto, and give to the Department the opportunity to make examination of such books, records, accounts, copies, data, and any property owned or controlled by such person in order to verify the accuracy of any report or return made, or if no report or return has been made, to ascertain the amount of tax, rent, charge, or other sum due.

(.3) Any information obtained by the Department in the conduct of any examination or investigation shall be treated as confidential, except in the course of departmental business, or in accordance with judicial order, or as otherwise provided by law.

(6) *Oaths.*

(a) Whenever the Department shall hold hearings or conduct investigations, the Revenue Commissioner of the City, or any deputy designated by him, shall have the power to administer oaths to persons under examination.

(7) *Interest, Penalties and Costs.*

(a) If any tax authorized or imposed under this Chapter is not paid when due, there shall be added to the amount of the unpaid tax and collected therewith, interest at the rate of one-half of one percent of the amount of the unpaid tax, and a penalty at the rate of one percent of the amount of the unpaid tax shall be added for each month or fraction thereof during which said tax shall remain unpaid and shall be collected, together with the amount of the tax. This provision shall not apply to:

(.1) Taxes imposed by §19-2803 that are not, in fact, withheld pursuant to §19-2806; provided, however, when such tax is not paid when due interest at the rate of one-half percent of the amount of the unpaid tax and a penalty of one percent of the amount of the unpaid tax per month for

the first year and one-half percent per month thereafter shall be added and collected together with the amount of the tax.

(b) Where suit is brought for the recovery of any such tax the person liable therefor shall, in addition, be liable for the costs of collection together with the interest and penalties herein imposed.

(c) If any tax imposed under this Chapter was not paid when due or is not paid when it becomes due, there shall be added to the amount of the unpaid tax, interest, and penalty and collected therewith:

(.1) interest at the rate of one-half of one percent of the amount of the unpaid tax each month or fraction thereof during which the tax remains unpaid; and

(.2) penalty calculated on the amount of the unpaid tax at the following rates for each month during which the tax remains unpaid:

(.a) in the first month or fraction thereof following the due date, one percent (1%);

(.b) in the second month or fraction thereof following the due date, an additional one percent (1%) for a total of two percent (2%);

(.c) in the third month or fraction thereof following the due date, an additional one percent (1%) for a total of three percent (3%);

(.d) in the fourth month or fraction thereof following the due date, an additional two percent (2%) for a total of five percent (5%);

(.e) in the fifth month or fraction thereof following the due date, an additional two percent (2%) for a total of seven percent (7%);

(.f) in the sixth month or fraction thereof following the due date, an additional two percent (2%) for a total of nine percent (9%);

(.g) in the seventh month or fraction thereof following the due date, an additional three percent (3%) for a total of twelve percent (12%);

(.h) in the eighth month or fraction thereof following the due date, an additional three percent (3%) for a total of fifteen percent (15%);

(.i) in the ninth month or fraction thereof following the due date, an additional three percent (3%) for a total of eighteen percent (18%);

(.j) in the tenth month or fraction thereof following the due date, an additional four percent (4%) for a total of twenty-two percent (22%);

(.k) in the eleventh month or fraction thereof following the due date, an additional four percent (4%) for a total of twenty-six percent (26%);

(.l) in the twelfth month or fraction thereof following the due date, an additional four percent (4%) for a total of thirty percent (30%);

(.m) thereafter, for each additional month or fraction thereof following the due date, one and one-quarter percent (1-1/4%) shall be added to the amount charged under subsection (.1).

(d) In addition to any other sanction or remedial procedure provided, any person who shall:

(.1) make any false or untrue statement on his report or return;

(.2) fail or refuse to file any report or return;

(.3) violate any condition of any license required hereunder;

(.4) fail to pay over to the Department any moneys which he may hold as agent for the Department;

(.5) violate any provision of this Chapter or any regulation adopted hereunder;

shall be subject to a fine of not more than three hundred (\$300) dollars, for each offense together with imprisonment for not more than ninety (90) days if the fine and costs are not paid within ten (10) days. A separate offense shall be deemed to occur on the first day of each month that conduct described in subsections (d)(.2) or (d)(.4) continues.

(e) Any person who shall have paid, or from whom there is due or alleged to be due any moneys collectible by the Department, including any taxes, charges, or other sums, and who fails and refuses to produce or permit the examination of his books, records, accounts, and related data, or to afford to authorized representatives of the Department an opportunity for such examination, shall be subject to a fine of not more than three hundred (\$300) dollars for each such offense, with imprisonment for not more than ninety (90) days if the fine and costs are not paid within ten (10) days.

(f) When any person shall give or cause to be given to a city official or agency a check in payment of any obligation whether due to the department or others, including but not limited to any tax which is dishonored or unpaid by the bank upon which it is drawn, the sum of twenty (\$20) dollars shall be added to the obligation and interest and penalties provided by law or otherwise, to cover the additional cost to the Department.

(8) *Limitation of Actions.*

(a) *Any suit to recover any tax authorized or imposed by this chapter shall be begun within six (6) years after such tax is due or within six (6) years after a return or a report has been filed, whichever date is later; but this limitation shall not apply in the following cases:*

(.1) *where the taxpayer has failed to file the return or report required under the provisions of this chapter;*

(.2) *where an examination of a return or report filed by the taxpayer and of other evidence relating to such return or report in the possession of the Department reveals a fraudulent evasion of taxes, including, but not limited to, substantial understatement of gross income, or any other receipt of income, moneys or funds in any such return or report;*

(.3) *where the taxpayer has collected or withheld tax funds or moneys of any nature or description under this Chapter as agent of or trustee for the Department and has failed, neglected or refused to pay the amount so collected or so withheld to the Department.*

(b) *All defenses to the collection of any tax authorized or imposed by this Chapter shall be raised by appropriate petition pursuant to provisions of local ordinance.*

(c) *Where a taxpayer has filed any petition pursuant to ordinance, the period of limitation set forth in §19-2809(a) shall be tolled until final determination of such petition has been made.*

(9) *Construction.*

(a) *Each tax authorized or imposed under this Chapter upon any person, transaction, occupation, privilege, subject or personal property shall be in addition to any other taxes imposed by a city of the first class upon such person, transaction, occupation, privilege, subject or personal property.*

(10) *Administration and Enforcement.*

(a) *The Commissioner of Revenue of the City of Philadelphia is hereby authorized to promulgate regulations governing the administration, enforcement and interpretation of the provisions of this chapter.*

APP. NO. 297-39

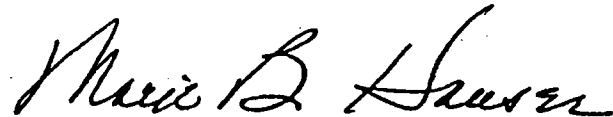
SECTION 2. Effective Date. This ordinance shall become effective upon the later of either July 1, 1991 or upon the effective date of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of _____, 1991, P.L. _____, No. _____).

Explanation:

Italics indicate new matter added.

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

JUNE 12, 1991

A handwritten signature in cursive script, reading "Marie B. Hansen".

Deputy Chief Clerk of the Council



(Bill No. 1563-A)

AN ORDINANCE

Explanation:

[**Bold Brackets**] indicate matter deleted on Final Passage.

Bold Italics indicate new matter added on Final Passage.

Setting forth and approving an intergovernmental cooperation agreement between the City of Philadelphia and the Pennsylvania Intergovernmental Cooperation Authority ("PICA"), and requiring that prior to the submission of certain documents to PICA the Mayor shall submit them for approval by resolution of City Council.

WHEREAS, The General Assembly of the Commonwealth of Pennsylvania has enacted the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. ____ No. 6) (the "Act"); and

WHEREAS, The Act declares it to be the public policy of the Commonwealth of Pennsylvania (the "Commonwealth") to exercise its retained sovereign powers with regard to taxation, debt issuance and matters of state-wide concern in a manner calculated to foster the fiscal integrity of cities of the first class to assure that these cities provide for the health, safety and welfare of their citizens; avoid interruption of essential city services; pay principal and interest owed on their debt obligations

when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial planning procedures and budgeting practices; and

WHEREAS, In accordance with the Act the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") has been created, a governing board of the Authority has been duly appointed, and the Authority has initiated actions to provide the City with access to capital markets for deficit elimination and to foster sound financial planning and budgetary practices that will address the underlying problems which result in such deficits; and

WHEREAS, The City of Philadelphia is a city of the first class requiring the financial assistance of the Authority; and

WHEREAS, In order to foster cooperative action between the Authority and the City to reach common ends, it is necessary to further define and detail the undertakings of the Authority and the City in an Intergovernmental Cooperation Agreement (the "Agreement") as anticipated in the Act; and

WHEREAS, The City Council is the governing body of the City, and as such is responsible for approving all operating and capital budgets and amendments thereto and should, accordingly, participate fully in the interchanges of information and the development of City financial plans required by the Agreement and the Act; now therefore

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The Intergovernmental Cooperation Agreement attached hereto as Exhibit "A," and incorporated herein, is hereby approved, and all

appropriate officers of the City are hereby authorized to execute such Agreement, and, consistent with the terms of this ordinance, implement its provisions.

SECTION 2. Prior to the submission to the Authority of the initial financial plan pursuant to Section 4.01(a) of the Agreement, and prior to the submission of a proposed revision to the plan pursuant to Section 4.07 or 4.08(b) of the Agreement or of proposed remedial action pursuant to Section 4.10(b)(ii) of the Agreement, if such proposed revision or remedial action will require the adoption of an ordinance of City Council for its implementation, the Mayor shall submit such financial plan, revisions thereto and proposals for remedial action (individually and collectively to be referred to hereinafter as a "filing") to City Council for preliminary approval by resolution. Without said approval no filing shall be deemed an official filing by the City: Provided, however, that in the event that City Council has no regularly scheduled meeting within ten (10) days of the time the administration has completed the preparation of a filing and is ready to submit said filing to the Authority, the administration may request the President of City Council to waive the requirement for Council approval by resolution, and if the President of City Council determines that time is of the essence and elects not to call a special meeting of City Council, the President of City Council may waive the requirement that City Council approve the filing by resolution, such waiver to be in writing and addressed to the Mayor, the Finance Director and each Councilmember. Further provided, that if City Council fails to approve or disapprove a request for approval of any of the filings within ten (10) days of the submission of the request, or if the President of City Council fails to approve or disapprove a waiver within ten

(10) days of the submission of the request, City Council's approval, and where appropriate, the President of City Council's waiver, shall be deemed to have been given.

SECTION 3. All written financial, contract-related, and other reports and written communications submitted to the Authority by the City pursuant to the Agreement or the Act shall simultaneously be submitted to the President of the Council for immediate distribution to all members of City Council, and all decisions, recommendations, and other written communications received from the Board shall be submitted to the President of the Council for immediate distribution to all members of City Council immediately upon receipt thereof by any City official.

SECTION 4. All proposed amendments to the Agreement shall be submitted to the President of City Council for immediate distribution to all members of City Council. If the President of City Council determines that the proposed amendments are substantial in nature, they shall be submitted to City Council for approval by ordinance. An amendment is substantial in nature if it changes the terms of the Agreement to materially alter the relationship of the parties to the Agreement, directly or indirectly increases the City's financial obligations under the Agreement, materially diminishes the obligations of the Authority to the City under the Agreement or otherwise adversely affects the rights of the City or any official of the City under said Agreement. If the President of City Council determines that proposed amendments are not substantial in nature, the appropriate officers of the City are authorized to execute such amendments, and, consistent with the terms of this ordinance, implement their provisions.

APP. NO. 678-5

INTERGOVERNMENTAL COOPERATION
AGREEMENT
by and between
PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY
and
THE CITY OF PHILADELPHIA

Dated as of _____, 1992

TABLE OF CONTENTS

Page

ARTICLE I — DEFINITIONS

Section 1.01	Definitions	11
Section 1.02	Rules of Construction	16

ARTICLE II — ISSUANCE OF BONDS BY THE
AUTHORITY

Section 2.01	Initial Issuance of Bonds to Finance a Deficit.....	16
Section 2.02	Application of Net Proceeds of Initial Bonds.....	19
Section 2.03	Additional Bonds of the Authority ...	19

ARTICLE III — THE CITY ACCOUNT

Section 3.01	Establishment of the City Account...	21
Section 3.02	Deposits into the City Account	21
Section 3.03	Investment of the City Account.....	24
Section 3.04	Disbursement of Funds from the City Account.....	24

ARTICLE IV — PREPARATION, APPROVAL AND
EFFECT OF THE CITY'S
FINANCIAL PLAN

Section 4.01	Submission of the Financial Plan.....	25
Section 4.02	Standards for the Financial Plan	27
Section 4.03	Form of the Financial Plan	28
Section 4.04	Supporting Information, Opinions, and Statements for the Financial Plan	29
Section 4.05	Authority Consultation with the City in Preparation of the Financial Plan.....	31
Section 4.06	Authority Review and Approval of the Financial Plan	31

	<i>Page</i>
Section 4.07	Authority Disapproval of the Financial Plan 32
Section 4.08	Revisions to the Financial Plan..... 33
Section 4.09	Supplemental Reports..... 34
Section 4.10	Determination of Adherence to or Variance from the Financial Plan 36
Section 4.11	Authority Recommendations 37
Section 4.12	Withholding of Funds..... 37
Section 4.13	Exemptions to Withholding by the Commonwealth 39
Section 4.14	Commonwealth's Failure to Disburse Funds 40
 ARTICLE V — ADDITIONAL AGREEMENTS OF THE CITY AND THE AUTHORITY	
Section 5.01	Authority Budgets 41
Section 5.02	Authority Taxes 41
Section 5.03	Additional Reporting Requirements of the City 42
Section 5.04	Inspection Rights..... 44
Section 5.05	Independent Audits..... 45
Section 5.06	Contracts of the City 46
Section 5.07	Collective Bargaining Agreements of the City 49
Section 5.08	Arbitration Awards 50
Section 5.09	City Expenditure of Available Funds 52
Section 5.10	Additional Remedies of Authority for Failure to File Financial Plans and Reports 53
 Article VI — MISCELLANEOUS	
Section 6.01	Term 53
Section 6.02	General Rights and Prohibitions..... 54

	<i>Page</i>
Section 6.03	Compliance with the Act;
	Severability 54
Section 6.04	Notices 54
Section 6.05	Governing Law..... 56
Section 6.06	No Third Party Rights..... 56
Section 6.07	Amendments and Waivers..... 56
EXHIBIT "A"	Principal Terms of Proposed Extraordinary Contracts
EXHIBIT "B"	Principal Terms of Proposed Bond Purchase Agreements (Estimated)
<i>EXHIBIT "C"</i>	<i>Corporate Entities</i>

**INTERGOVERNMENTAL COOPERATION
AGREEMENT**

THIS INTERGOVERNMENTAL COOPERATION AGREEMENT made and entered into as of the ____ day of _____, 1992, by and between the **PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**, a body corporate and politic constituting a public authority and instrumentality of the Commonwealth of Pennsylvania (the "Authority"), and the **CITY OF PHILADELPHIA**, a city of the first class of the Commonwealth of Pennsylvania (the "City");

W I T N E S S E T H :

WHEREAS, The General Assembly of the Commonwealth of Pennsylvania has enacted the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. _____, No. 6) (the "Act"); and

WHEREAS, The Act declares it to be the public policy of the Commonwealth of Pennsylvania (the "Commonwealth") to exercise its retained sovereign powers with regard to taxation, debt issuance and matters of state-wide concern in a manner calculated to foster the fiscal integrity of cities of the first class to assure that these cities provide for health, safety and welfare of their citizens; pay principal and interest owed on their debt obligations when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial planning procedures and budgeting practices; and

WHEREAS, The Act further declares that the inability of a city of the first class to provide essential services to its citizens as a result of a fiscal emergency has been determined to affect adversely the health, safety and welfare not only of the citizens of that municipality but also of other citizens of the Commonwealth; and

WHEREAS, In accordance with the Act, a governing board of the Authority has been duly appointed and has initiated actions intended to provide the City with access to capital markets for deficit elimination and to foster sound financial planning and budgetary practices that will address the underlying problems which result in such deficits; and

WHEREAS, In order to implement such cooperative intergovernmental actions, it is necessary to further define and detail the undertakings of the Authority and the City in this Agreement as anticipated in the Act; and

WHEREAS, The Act declares that the Commonwealth may attach conditions to grants of authority to incur indebtedness or assistance to the City in order to ensure that deficits are eliminated and access to capital markets is achieved and maintained, and that such conditions shall be incorporated into one or more intergovernmental cooperation agreements between the Authority and the City; and

WHEREAS, The Authority and the City intend that this Agreement constitute such an intergovernmental cooperation agreement incorporating certain of such conditions in accordance with the Act; and

WHEREAS, By resolution approved by a qualified majority of its governing board, the Authority has authorized the execution and delivery of this Agreement by the Authority; and

WHEREAS, By ordinance of its City Council, approved by the Mayor, the City has authorized the execution and delivery of this Agreement by the City and has determined that this Agreement constitutes a service agreement as provided for in Section 8-200(3) of the City's Home Rule Charter; and

WHEREAS, In furtherance of the legislative intent of the Act and the actions to be undertaken by the Authority pursuant to the Act and this Agreement, the City, by Ordinance (Bill No. 1437) of its City Council, approved by the Mayor on June 12, 1991, has enacted exclusively for purposes of the Authority a one and one-half percent (1½%) tax on wages, salaries, commissions and other compensation earned by residents of the City and on the net profits earned in businesses, professions or other activities conducted by residents of the City (the "Authority Tax");

NOW, THEREFORE, for good and valuable consideration, and intending to be legally bound hereby, the Authority and the City agree as follows:

ARTICLE I DEFINITIONS

SECTION 1.01. Definitions.

In addition to any words and terms elsewhere defined in this Agreement, the following words and terms, when used in this Agreement, shall have the following respective meanings, unless the context clearly requires

otherwise. Any other words and terms used in this Agreement which are defined in the Act are used in this Agreement as so defined in the Act.

"Act" shall mean the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. ____, No. 6), as it may be amended, supplemented or otherwise modified and in effect from time to time.

"Additional City Documents" shall mean any and all additional documents, instruments, certificates and agreements delivered by or on behalf of the City pursuant to Section 2.01(d) or 2.03 hereof.

"Agreement" shall mean this Intergovernmental Cooperation Agreement, as it may be amended, supplemented or otherwise modified and in effect from time to time.

"Authority Tax" shall have the meaning given to that term in the recitals to this Agreement.

"City Account" shall mean the account so designated and established pursuant to Section 3.01 of this Agreement.

"City Account Depository" shall have the meaning given to that term in Section 3.01 hereof.

"City Controller" shall mean the City Controller of the City.

"City Council" shall mean the City Council of the City.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and all regulations promulgated from time to time thereunder.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Corporate Entity" shall mean an authority or other corporate entity, *now existing or hereafter created*, of which one or more of the members of its governing board are appointed by the Mayor and which performs governmental functions for the City[.], *and currently including, without limitation, those authorities and corporate entities listed in Exhibit "C" attached hereto.*

"Covered Fund" or "Covered Funds" shall mean the principal operating fund or funds of the City, now existing or hereafter created, and shall include the General Fund, the General Capital Fund, and the Grants Revenue Fund and any other principal operating fund of the City which becomes a member of the City's Consolidated Cash Account.

"Days" shall mean, with respect to any period of time under consideration, the number of calendar days during such period excluding the first and including the last day of such period. Whenever the last day of any such period shall fall on a Saturday or Sunday, or on any day made a legal holiday by the laws of the City, the Commonwealth, or of the United States, such day shall be omitted from the computation.

"Deficit" shall mean as of any relevant date of determination or estimation thereof with respect to any Covered Fund or Funds, the amount of such negative fund balance as is reasonably estimated, projected or determined by the City to exist in any such Covered Fund or Funds as of the close of the relevant fiscal year, as

calculated pursuant to the modified accrual basis of accounting according to generally accepted standards and set forth in the relevant approved Financial Plan.

"Director of Finance" shall mean the Director of Finance of the City.

"Extraordinary Contract" shall mean any contract or agreement to which the City is a party or under or on account of which the City may be or become obligated, directly or indirectly, pursuant to which the City will (or upon the occurrence of certain events or circumstances or the satisfaction of certain conditions may) incur a financial obligation or confer a financial benefit upon another, in either case in excess of one million (\$1,000,000) dollars during any fiscal year of the City during the term of such contract or agreement or in excess of five million (\$5,000,000) dollars in the aggregate during the term of such contract or agreement. The City shall not divide individual contracts into separate contracts for purposes of avoiding such limits. Notwithstanding the foregoing, the term "Extraordinary Contract," (a) shall in all cases include, without limitation, any contract or agreement to which the City is a party and which relates to the borrowing of money by the City (regardless of the amount thereof and regardless of whether such borrowing would legally constitute indebtedness of the City), or the direct or indirect guaranty or incurrence of a liability by the City (through an agreement of guaranty or suretyship, a service agreement or lease with an authority, or otherwise) of or on account of all or any portion of any indebtedness for money borrowed by another person or entity, (b) shall not include any contracts or agreements entered into by the City in the ordinary and usual course

of business for the purchase of materials, equipment or supplies or for construction, alteration, repairs, maintenance or other services which are, in any such case, subject to the competitive bidding requirements of the Home Rule Charter or other relevant Pennsylvania law, and (c) shall not include any collective bargaining agreements entered into by the City with any labor union representing any employees of the City.

"Financial Plan" shall mean each financial plan of the City, including all amendments, supplements or revisions thereto from time to time, required to be prepared in accordance with the requirements of Article IV hereof.

"Governor" shall mean the Governor of the Commonwealth.

"Home Rule Charter" shall mean the Philadelphia Home Rule Charter as adopted by the electors of the City of Philadelphia on April 17, 1951, as it may be amended, supplemented or otherwise modified and in effect from time to time.

"Initial Bonds" shall have the meaning given to that term in Section 2.01 hereof.

"Initial Bond Request" shall have the meaning given to that term in Section 2.01 hereof.

"Mayor" shall mean the Mayor of the City.

"Net Proceeds" shall have the meaning given to that term in the Act.

"Outstanding" shall mean, with respect to any bonds of the Authority issued from time to time, all such bonds except, (a) bonds purchased by the Authority or the City for cancellation by the Authority or otherwise required to

be canceled by the Authority, and (b) bonds for the payment of the principal of and interest on which moneys or investments sufficient to make such payments timely have been irrevocably deposited with a fiduciary for obligees of the Authority owning such bonds, in each case subject to such limitations and such additional requirements with regard to the payment or provision for payment or cancellation of such bonds as may be set forth in any agreement between the Authority and any obligee of the Authority.

"School District" shall mean The School District of Philadelphia, Pennsylvania.

"Secretary of the Budget" shall mean the Secretary of the Budget of the Commonwealth.

"Special Fund" shall mean any fund (other than the General Fund), whether governmental, proprietary or fiduciary in nature, now existing or hereafter created on the books of account of the City to account for the receipt and use by the City of financial resources dedicated, earmarked or otherwise in any manner restricted for a particular purpose.

"Supplemental Funds" shall mean the Water Fund and the Aviation Fund of the City.

"Variance" shall have the meaning given to that term in Section 4.10 hereof.

SECTION 1.02. Rules of Construction.

Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, the singular the plural, and the part the whole. The words "hereof," "herein," "hereunder" and similar terms in this

Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. The section and other headings contained in this Agreement and the table of contents preceding this Agreement are for reference purposes only and shall not control or affect the construction of this Agreement or the interpretation thereof in any respect. Section, subsection and exhibit references are to this Agreement unless otherwise specified. References in this Agreement to any section or subsection of the Act are to such sections or subsections of the Act as originally in effect and to any successor sections or subsections.

ARTICLE II

ISSUANCE OF BONDS BY THE AUTHORITY

SECTION 2.01. Initial Issuance of Bonds to Finance a Deficit.

(a) As soon as practicable after the receipt by the Authority of a request by the City therefor in accordance with Section 301(g) of the Act (the "Initial Bond Request") and the approval (or deemed approval) by the Authority of the Initial Financial Plan of the City pursuant to Sections 4.06 or 4.07 hereof, as the case may be, the Authority shall use its best efforts, subject to the provisions of the Act, to issue and sell bonds (the "Initial Bonds") for the purposes of:

(i) financing, as contemplated by Section 317 of the Act, the entire Deficit with respect to the General Fund of the City for its fiscal year ended June 30, 1991, in such amount as shall have been set forth as such in the initial Financial Plan of the City referred to above;

(ii) funding twelve (12) months' capitalized interest on the Initial Bonds;

(iii) funding a debt service reserve fund for the Initial Bonds, in an amount not to exceed ten percent (10%) of the aggregate principal amount of the Initial Bonds;

(iv) paying the costs of issuance and of credit enhancement, if any, for the Initial Bonds;

(v) funding the initial operating expenses of the Authority; and

(vi) any and all other purposes permitted by the Act, as determined by the Authority in its discretion.

(b) If so requested by the City in the Initial Bond Request, the Authority may, in its sole discretion, issue the Initial Bonds for the additional purpose of financing all or a portion of the Deficit with respect to the General Fund of the City for its fiscal year ending June 30, 1992.

(c) The initial Bonds shall be sold at such prices, rates of interest and in accordance with such other terms and conditions as may be determined by the Authority in its discretion, consistent with the requirements of the Act. As soon as practicable after the issuance of the Initial Bonds, the Authority shall furnish to the City a complete copy of the transcript of closing documents relating to the Initial Bonds.

(d) The City agrees to cooperate fully with the Authority with respect to the issuance and sale of the Initial Bonds, such cooperation to include, without limitation, (i) promptly furnishing to the Authority and to such other entities as the Authority may reasonably request all such information (accompanied by such

certifications of the City concerning the accuracy and completeness of such information as the Authority may reasonably request) concerning the City and its finances and operations as the Authority may reasonably request at any time and from time to time (before or after the issuance of the Initial Bonds) in order to enable the Authority timely to prepare or update and distribute to investors or potential investors in the Initial Bonds disclosure documents (and amendments or supplements thereto) concerning the Initial Bonds and the security therefor and in order to enable the Authority otherwise to comply with all relevant federal and state securities laws and regulations in respect of the offering and sale of the Initial Bonds, and (ii) the execution and delivery by or on behalf of the City of such additional documents, instruments, certificates, agreements and legal opinions as may be reasonably determined by the Authority, by bond counsel to the Authority or by the initial purchasers of the Initial Bonds to be necessary or desirable in connection with the issuance and sale of the Initial Bonds or to establish or maintain the exclusion from gross income for Federal income tax purposes of the interest on the Initial Bonds.

(e) The Authority shall use its best efforts to request the information, certifications, documents, instruments, certificates, agreements and legal opinions within a reasonable period of time prior to the dates needed for delivery of the foregoing in order to provide the City with a reasonable period for preparation of such information and documentation.

SECTION 2.02. Application of Net Proceeds of Initial Bonds.

Subject to the provisions of the Act (including, without limitation, Section 202(i) thereof), and subject to the provisions of any of the Additional City Documents or other financing documents executed and delivered by the Authority in connection with the issuance of the Initial Bonds which may require that all or any portion of such Net Proceeds be deposited into an escrow account or similar segregated account subject to special provisions as to the disbursement or application thereof in order to assure compliance with the requirements of the Code applicable to the Initial Bonds, the Authority shall, on the date of its custody and control thereof, or on the business day next succeeding the date of its custody and control thereof, disburse or cause to be disbursed the Net Proceeds of the issuance and sale of the Initial Bonds to the City by wire transfer of immediately available funds to such account of the City as is designated in writing to the Authority by the Director of Finance. Such disbursement of the Net Proceeds of the Initial Bonds shall constitute a grant of such funds by the Authority to the City without obligation on the part of the City to repay such funds to the Authority.

SECTION 2.03 Additional Bonds of the Authority.

(a) As and to the extent permitted by the Act, the Authority may from time to time in its discretion issue and sell one or more series of bonds in addition to the Initial Bonds, but only after receiving a proper request by the City therefor to the extent required by the Act. The City acknowledges that the Authority may, in the exercise of such discretion, refuse to issue any such additional bonds.

The City agrees to cooperate fully with the Authority in connection with the issuance and sale of any such additional bonds, such cooperation to include, without limitation, (i) promptly furnishing to the Authority, and to such other entities as the Authority may reasonably request, all such information (accompanied by such certifications of the City concerning the accuracy and completeness of such information as the Authority may reasonably request) concerning the City and its finances and operations as the Authority may reasonably request at any time and from time to time (before or after the issuance of such additional bonds) in order to enable the Authority timely to prepare or update and distribute to investors or potential investors in such additional bonds disclosure documents (and amendments or supplements thereto) concerning such additional bonds and the security therefor and in order to enable the Authority otherwise to comply with all relevant federal and state securities laws and regulations in respect to the offering and sale of such additional bonds, and (ii) the execution and delivery by or on behalf of the City of such additional documents, instruments, certificates, agreements and legal opinions as may be reasonably determined by the Authority, by bond counsel to the Authority or by the initial purchasers of any such additional bonds to be necessary or desirable in connection with the issuance and sale thereof or to establish or maintain the exclusion from gross income for Federal income tax purposes of the interest thereon.

(b) The Authority shall use its best efforts to request the information, certifications, documents, instruments, certificates, agreements and legal opinions within a reasonable period of time prior to the dates needed for

delivery of the foregoing in order to provide the City with a reasonable period for preparation of such information and documentation.

ARTICLE III THE CITY ACCOUNT

SECTION 3.01. Establishment of the City Account.

As contemplated by the Act, the Authority has heretofore established with CoreStates Bank, N.A., in trust for the exclusive benefit of the City, an account designated as the "City Account." The Authority shall maintain the City Account at all times with CoreStates Bank, N.A. or, upon prior written notice to the City, with any other bank with trust powers or a trust company with a place of business in the Commonwealth selected by the Authority in its discretion. CoreStates Bank, N.A. and any other such depository of the City Account are herein referred to as the "City Account Depository." The City Account and all funds and investments on deposit to the credit thereof shall at all times constitute trust funds for the exclusive benefit of the City and shall not, unless the City otherwise expressly agrees in writing, be subject to lien or attachment by or in favor of any creditor or obligee of the Authority.

SECTION 3.02 Deposits into the City Account.

(a) There shall be deposited to the credit of the City Account, weekly prior to the issuance of the Initial Bonds and thereafter no less often than monthly, the proceeds of the taxes or other revenues pledged by the Authority or the City, as the case may be, to secure any bonds of the Authority or to secure any payments due from the City to the Authority, but only if and to the extent such tax

proceeds or revenues are in excess of the following requirements, as reasonably determined by the Authority, and subject to any limitations as may be set forth in any agreements entered into between the Authority and any obligees of the Authority:

(i) the payment requirements for any bond payment account or accounts established by the Authority in respect of the bonds of the Authority secured by taxes or revenues so pledged;

(ii) any amount required to cure a deficiency in any debt service reserve fund or funds established by the Authority in respect of any bonds of the Authority secured by taxes or revenues so pledged;

(iii) any amount permitted or required to be paid to or retained by the Authority for or on account of the Authority's operating expenses consistent with its budget as enacted pursuant to the Act, after exhaustion for such operating expense purposes of the revenues derived from the investment income of the Authority to the extent such investment income is available to the Authority, and any other amounts representing costs or expenses incurred by the Authority at any time with respect to any bonds of the Authority or with respect to the Authority's compliance with any terms and conditions applicable to such bonds;

(iv) any amounts required to be paid or set aside for future payment by the Authority to the issuer or provider of any credit enhancement or liquidity facility issued in respect of any bonds of the Authority;

(v) any amounts required to be paid or set aside for future payment by the Authority under any interest rate exchange agreements, interest rate cap or floor

agreements or other similar agreements or arrangements entered into by the Authority in respect of any bonds of the Authority;

(vi) any amounts required to be paid or set aside for future payment to the Federal Government in respect of the arbitrage rebate requirements of the Code as applicable to any bonds of the Authority; and

(vii) any other amounts required to be paid or set aside for future payment under or in connection with any agreements entered into between the Authority and any obligees of the Authority or between the Authority and the City.

(b) Notwithstanding the foregoing, the City expressly acknowledges and agrees that, until such time as the Authority shall have issued and sold the Initial Bonds, the Authority may deduct from time to time from such tax proceeds or revenues before they are deposited to the credit of the City Account, (i) an initial amount [not to exceed] *of five hundred fifty thousand (\$550,000) dollars on account of operating expenses of the Authority for the months of August and September, 1991, and to establish an initial operating reserve for the Authority [and to repay] in [full] the [one hundred fifty thousand (\$150,000) dollars advanced to] amount of one hundred fifty-six thousand three hundred thirty-nine (\$156,339) dollars, which five hundred fifty thousand (\$550,000) dollars amount* the Authority *and the City acknowledge has been received* by the [Commonwealth pursuant to Section 701 of the Act, and] *Authority*, (ii) additional amounts each month thereafter on account of operating expenses budgeted to be incurred by the Authority during the next following month *and*

(iii) an additional amount sufficient to repay in full the one hundred fifty thousand (\$150,000) dollars advanced to the Authority by the Commonwealth pursuant to Section 701 of the Act. The Authority agrees, to the extent permitted by the Act, to issue the Initial Bonds in such aggregate principal amount as to fund, inter alia, five hundred thousand (\$500,000) dollars of Authority operating expenses and to repay such one hundred fifty thousand (\$150,000) dollars advance from the Commonwealth, and to the extent the Authority has previously deducted amounts from tax proceeds or revenues pursuant to the immediately preceding sentence on account of operating expenses (up to five hundred thousand (\$500,000) dollars), or on account of issuance costs of bonds of the Authority (to the extent such amounts are reimbursed from bond proceeds), or on account of such advance from the Commonwealth, the Authority agrees to pay over to the City, as part of the Net Proceeds of the Initial Bonds, to be paid immediately to the City, the amounts so deducted.

SECTION 3.03. Investment of the City Account.

(a) Amounts on deposit to the credit of the City Account shall be invested at the direction of the City only in investments permitted by the Act.

(b) The directions of the City as to the investment of the City Account shall be provided in writing to the City Account Depository (with a copy sent concurrently to the Authority) by the Director of Finance or his or her designee, and the Authority shall not be liable or responsible for any loss suffered on account of any investment made upon such directions.

(c) The Authority shall direct the City Account Depository to provide to the City and the Authority at least monthly an accounting in reasonable detail of all investments, interest earnings, and fees, costs, expenses and charges in connection with the City Account. All fees, charges, costs and expenses associated with the City Account and the investment thereof shall be the responsibility of the City and not the Authority.

SECTION 3.04. Disbursement of Funds from the City Account.

Subject to any suspension of disbursements permitted pursuant to Section 4.12 of this Agreement and Section 210(e) of the Act, the Authority shall cause the disbursement to the City of all amounts on deposit to the credit of the City Account on a weekly basis, on or before the last business day of each calendar week, prior to the issuance of the Initial Bonds and thereafter on a monthly basis on the last business day of each calendar month so long as any bonds are Outstanding. Disbursements from the City Account may be made on a more frequent basis as may be requested by the City at any time and agreed to by the Authority in its discretion. Such amounts shall be disbursed by wire transfer of immediately available funds to such account of the City's General Fund as is designated in writing to the Authority by the Director of Finance, to be applied by the City to the general expenses of government of the City.

ARTICLE IV

**PREPARATION, APPROVAL AND
EFFECT OF THE CITY'S FINANCIAL PLAN**

SECTION 4.01. Submission of the Financial Plan.

(a) [On or before October 10, 1991, t]The City shall, *as soon as practicable*, submit to the Authority an initial Financial Plan prepared in accordance with the requirements of this Article IV and the Act. The initial Financial Plan shall include projected revenues and expenditures of the Covered Funds for five (5) fiscal years of the City consisting of the *then-current* fiscal year of the City [ending June 30, 1992] and the next four (4) fiscal years thereafter.

(b) In addition, at least one hundred (100) [d]Days (or on or before such other date as the Authority may approve at the request of the City) prior to the beginning of each fiscal year of the City so long as any bonds of the Authority are Outstanding, [commencing with the fiscal year of the City ending June 30, 1993, the City] *the Mayor* shall submit to the Authority a revised Financial Plan prepared in accordance with the requirements of this Article IV and the Act. Each such revised Financial Plan shall include projected revenues and expenditures of the Covered Funds for five (5) fiscal years of the City consisting of the fiscal year of the City beginning on the July 1 next following the date such Financial Plan is required to be submitted to the Authority pursuant to the immediately preceding sentence and the next four (4) fiscal years thereafter.

(c) Each Financial Plan shall include, without limitation, components that will:

(i) eliminate any Deficit for the current fiscal year and for subsequent fiscal years;

(ii) restore to Special Fund accounts money from those accounts used for purposes other than those specifically authorized;

(iii) balance the current fiscal year budget and subsequent budgets in the Financial Plan through sound budgetary practices, including, but not limited to, reductions in expenditures, improvements in productivity, increases in revenues, or a combination of these steps;

(iv) provide procedures to avoid a fiscal emergency condition in the future; and

(v) enhance the ability of the City to regain access to the short-term and long-term credit markets.

(d) Each Financial Plan shall demonstrate the City's responsibility to exercise efficient and accountable fiscal practices, such as, but without limitation:

(i) increased managerial accountability;

(ii) consolidation or elimination of inefficient City programs;

(iii) recertification of tax-exempt properties;

(iv) increased collection of existing tax revenues;

(v) privatization of appropriate City services;

(vi) sale of City assets as appropriate;

(vii) improvement of procurement practices, including competitive bidding procedures;

(viii) review of compensation and benefits of City employees; and

(ix) identification of and requests for appropriate funding from other governments for services delivered by the City.

SECTION 4.02. Standards for the Financial Plan.

(a) Each Financial Plan shall reflect balanced budgets for each fiscal year of the City. All projection of revenues and expenditures in the Financial Plan shall be based on assumptions and methods of estimation determined to be reasonable and appropriate by the Authority, all such assumptions and methods to be consistently applied. All revenue and appropriation estimates shall be on a modified accrual basis in accordance with generally accepted standards. Estimates of revenues shall recognize revenues in the accounting period in which they become both measurable and available. Estimates of City-generated revenues shall be based on current or proposed tax rates, historical collection patterns and generally recognized econometric models reasonably acceptable to the Authority.

(b) Estimates of revenues to be received from the Commonwealth shall be based on historical patterns, currently available levels, or on levels proposed in a budget by the Governor. Estimates of revenues to be received from the Federal Government shall be based on historical patterns, currently available levels, or on levels proposed in a budget by the President of the United States or in a Congressional budget resolution. Non-tax revenues shall be based on current or proposed rates, charges or fees, historical patterns and generally recognized econometric models reasonably acceptable to the Authority. Appropriation estimates shall include, at a minimum, all obligations incurred during the fiscal year

and estimated to be payable during the fiscal year or in the twenty-four (24) month period following the close of the current fiscal year, and all obligations of prior fiscal years not covered by encumbered funds from prior fiscal years.

(c) All cash flow projections for the Financial Plan shall be based upon assumptions as to sources and uses of cash determined to be reasonable and appropriate by the Authority, including, but not limited to, assumptions as to the timing of receipt and expenditure of such cash and the issuance of tax or revenue anticipation notes of the City pursuant to Chapter 4 of the Act, and shall provide for operations of the City to be conducted within the resources so projected. All estimates shall take into account the past and anticipated collection, expenditure and service demand experience of the City and current and projected economic conditions.

(d) Any deviations from the standards set forth in this Section 4.02 which the City proposes to use in the preparation of any Financial Plan shall be specifically disclosed by the City to the Authority not later than the submission to the Authority of such Financial Plan and shall be subject to approval by a qualified majority of the board of the Authority.

SECTION 4.03. Form of the Financial Plan.

(a) Each Financial Plan shall, consistent with the Home Rule Charter, be in such form as may be prescribed by the Authority and shall contain the following:

(i) for each of the first two (2) fiscal years of the City covered by the Financial Plan, with respect to the Covered Funds, such information as shall reflect the City's total expenditures by fund and by lump sum amount for each board, commission, department or office of the City; and

(ii) for each of the three (3) remaining fiscal years of the City covered by the Financial Plan, with respect to the Covered Funds, such information as shall reflect the City's total expenditures by fund and by lump sum amount for major object classification.

(b) Each Financial Plan shall include projections of all revenues and expenditures for five (5) fiscal years, including, but not limited to, projected capital expenditures and short-term and long-term debt incurrence and cash flow forecasts by Covered Fund for the first year of the Financial Plan. Each Financial Plan shall include a schedule of projected capital commitments of the City and proposed sources of funding for such commitments; shall specifically explain the estimated or projected impact, if any, of such capital commitments on the Covered Funds; and shall with respect to the Supplemental Funds and Special Funds provide such information as is necessary to explain the estimated or projected impact, if any, of those Supplemental Funds and Special Funds on the Covered Funds.

SECTION 4.04. Supporting Information, Opinions, and Statements for the Financial Plan.

Each Financial Plan submitted by the City to the Authority shall be accompanied by the following supporting information:

(a) a schedule of debt service payments due or projected to become due in respect of all indebtedness of the City and all indebtedness of others supported in any manner by the City (by guaranty, lease, service agreement or otherwise) during each fiscal year of the City until the final scheduled maturity of such indebtedness, such schedule to set forth such debt service payments separately according to the general categories of direct general obligation debt, direct revenue debt, lease obligations, service agreement obligations and guaranty obligations;

(b) a schedule of payments for legally mandated services included in the Financial Plan and due or projected to be due during the fiscal years of the City covered by the Financial Plan;

(c) a statement describing, in reasonable detail, the significant assumptions and methods of estimation used in arriving at the projections contained in the Financial Plan;

(d) the Mayor's proposed operating budget and capital budget for each of the Covered Funds for the next (or in the case of the initial Financial Plan, the current) fiscal year of the City, which budgets shall be consistent with the first year of the Financial Plan and which budgets shall be prepared in accordance with the Home Rule Charter;

(e) a statement by the Mayor that the budgets described in Section 4.04(d) hereof;

(i) are consistent with the Financial Plan;

(ii) contain funding adequate for debt service payments, legally mandated services and lease payments securing bonds of other government agencies or of any other entities; and

(iii) are based on reasonable and appropriate assumptions and methods of estimation.

(f) a cash flow forecast for the City's consolidated cash account for the first fiscal year of the City covered by the Financial Plan;

(g) an opinion or certification of the City Controller, prepared in accordance with generally accepted auditing standards, with respect to the reasonableness of the assumptions and estimates in the Financial Plan; and

(h) a schedule setting forth the number of authorized employee positions (filled and unfilled) for the first year covered by such Financial Plan for each board, commission, department or office of the City[.], *and an estimate of this information for the later years covered by the Financial Plan. The schedule required under this paragraph (h) shall be accompanied by a report setting forth the City's estimates of wage and benefit levels for various groups of employees, such information to be presented in a manner which will allow the Authority to understand and effectively review the portions of the Financial Plan which reflect the results of the City's labor agreements with its employees and an analysis of the financial effect on the City and its employees of changes in compensation and benefits, in collective bargaining agreements, and in other terms and conditions of*

employment, which changes may be appropriate in light of the City's current and forecast financial condition. The parties agree to cooperate such that the form of the report required under this paragraph (h), and the subjects covered, are reasonably satisfactory to the Authority.

SECTION 4.05. Authority Consultation with the City in Preparation of the Financial Plan.

The Authority shall consult with the City as it prepares its Financial Plan and may offer such assistance and advice as the Authority deems appropriate.

SECTION 4.06. Authority Review and Approval of the Financial Plan.

(a) The Authority shall promptly review each Financial Plan, proposed operating budget and capital budget submitted by the City. Not more than thirty (30) [d]Days after submission by the City of a Financial Plan and proposed operating and capital budgets, the Authority shall determine the following:

(i) whether the Financial Plan projects balanced budgets for the Covered Funds, based on reasonable assumptions, as described in this Agreement, for each year of the Financial Plan; and

(ii) whether the proposed operating budget and capital budget are consistent with the proposed Financial Plan.

(b) If the Authority determines that these criteria are satisfied, the Authority shall approve such Financial Plan by vote of a qualified majority of its board. The Authority shall not be bound by any opinions or certifications of the

City Controller issued pursuant to the Act or this Agreement. If the Authority fails to take any action within thirty (30) Days of the submission of a proposed Financial Plan, the proposed Financial Plan as submitted shall be deemed approved by the Authority. However, if during such 30-Day period a written request by two (2) members of the Authority board for a meeting and vote on the question of approval of the proposed Financial Plan has been submitted to the chairperson and a meeting and vote does not take place, the proposed Financial Plan shall be deemed disapproved.

SECTION 4.07. Authority Disapproval of the Financial Plan.

If a proposed Financial Plan is disapproved by the Authority, the Authority shall notify the City thereof and shall state in writing in reasonable detail the reasons for such disapproval, including the amount of any estimated budget imbalance in a Covered Fund. The City shall submit a revised Financial Plan to the Authority within fifteen (15) Days of such disapproval, which revised Financial Plan eliminates the Budget imbalance. Not more than fifteen (15) Days after the submission of such revised Financial Plan, the Authority shall determine whether the revised Financial Plan satisfies the criteria set forth in Section 4.06 of this Agreement. If the Authority determines that these criteria are satisfied, the Authority shall approve the revised Financial Plan by vote of a qualified majority of its board. If the Authority shall not so approve the revised Financial Plan, then the Authority shall, subject to the occurrence of the events described in

Section 4.12 of this Agreement, certify the City's non-compliance with the Financial Plan to the Secretary of the Budget.

SECTION 4.08. Revisions to the Financial Plan.

(a) While any bonds of the Authority remain Outstanding, each Financial Plan shall be revised on an annual basis to include, among other things, the operating and capital budgets of the City for its next fiscal year and any additional funds which pursuant to the definition of the term "Covered Funds" become new Covered Funds at any time during the prior fiscal year, and to extend the Financial Plan for an additional fiscal year. Such annual Financial Plans shall be submitted by the City in accordance with Section 4.01 of this Agreement and shall be reviewed by the Authority in accordance with Section 4.06 of this Agreement.

(b) Each Mayor shall, within ninety (90) Days of assuming office, propose to the Authority revisions to the Financial Plan, or certify to the Authority that he or she adopts the then-existing Financial Plan. If the Mayor fails, within said 90-Day period, to propose revisions to the Financial Plan or to certify that he or she adopts the then-existing Financial Plan, the then-existing Financial Plan shall nevertheless remain in full force and effect. In addition, the City may, during the course of a fiscal year, submit proposed revisions to the then-existing Financial Plan, and the City shall submit a proposed revision to the then-existing Financial Plan for any amendment to the City's operating or capital budget within fifteen (15) Days after such amendment becomes effective and for any additional fund which, pursuant to the definition of the term "Covered Funds," becomes a new Covered Fund,

within fifteen (15) Days after such fund becomes a Covered Fund. The Authority shall review each such proposed revision within twenty (20) Days of its submission. The Authority shall approve the revision if it will not, based on assumptions deemed reasonable by the Authority, cause the Financial Plan to become imbalanced. Proposed revisions shall become part of the Financial Plan upon the approval of a qualified majority of the board of the Authority, unless some other method of approval is permitted by Authority rules and regulations approved by a qualified majority of the board of the Authority. If the Authority fails to take action within twenty (20) Days on a proposed revision, such submission shall be deemed approved unless a written request for a meeting and vote of the Authority has been made in accordance with Section 4.06 of this Agreement, in which event if a meeting and vote does not take place, the proposed revision shall be deemed to have been disapproved. If the City Council adopts a budget inconsistent with an approved Financial Plan, the City shall submit the enacted budget to the Authority as a proposed revision to such Financial Plan within twenty (20) Days after such budget has been so enacted. In this event, the Authority shall review the proposed revision within thirty (30) Days of its submission, in accordance with the criteria set forth in Section 4.06 of this Agreement and this Section 4.08(b).

SECTION 4.09. Supplemental Reports.

(a) After a Financial Plan has been approved by the Authority, the City shall prepare and submit to the Authority and the Authority shall review the periodic reports required by this Section 4.09.

(b) Within forty-five (45) Days of the end of each fiscal quarter of the City, and also monthly (within thirty (30) Days after the end of the previous month) if a Variance from the Financial Plan has been determined to have occurred in accordance with Section 4.10 of this Agreement, the Mayor shall provide to the Authority a report describing actual, or current estimates of, revenues, expenditures and cash flows by Covered Fund (excepting the Grants Revenue Fund) compared to budgeted revenues, expenditures and cash flows by Covered Funds (excepting the Grants Revenue Fund) for such previous quarterly or monthly period (as the case may be) and for the year-to-date period from the beginning of the then-current fiscal year of the City to the last day of the fiscal quarter or month (as the case may be) just ended. Each report shall explain any Variance existing as of the last day of such fiscal quarter or month, as the case may be.

(c) Any reports after the original Financial Plan for the Grants Revenue Fund financial projections will assume the fiscal year 1992 funding level throughout the five (5) year period. The City will include a Contingency Account appropriation which will be utilized to fund any increases in existing grants or new grants to the City. The City will provide to the Authority within twenty (20) Days after the close of each of its fiscal quarters a report by department of the disbursements from the Contingency Account.

(d) At least sixty (60) Days prior to the beginning of each fiscal quarter of the City, the Mayor shall provide to the Authority a report certified by the City Controller describing for the following quarter the debt service requirements on all bonds and notes of the City and all

lease payments of the City securing the bonds of other government agencies. The reports shall be in such form and contain such information as may be specified by the Authority, and shall be updated to reflect any change in debt service immediately upon each issuance of bonds or notes by the City or upon execution of a lease by the City which secures bonds of another government agency.

(e) The Director of Finance shall provide within forty-five (45) Days of the end of each fiscal quarter a report of financial operations of each of the Supplemental Funds for such fiscal quarter.

SECTION 4.10. Determination of Adherence to or Variance from the Financial Plan.

(a) Based upon the reports described in [Section 4.09] *Sections 4.09 and 5.03(e)* of this Agreement or upon such independent audits, examinations or studies of the City's finances as may be conducted by or on behalf of the Authority, the Authority shall determine if the City has adhered to or varied from its Financial Plan. For the purposes of this Agreement, a "Variance" shall be deemed to have occurred as of the end of a reporting period as reflected on a report submitted pursuant to Section 4.09 hereof if (i) a net adverse change in the fund balance of a Covered Fund of more than one percent (1%) of the revenues budgeted for such Covered Fund for that fiscal year is reasonably projected to occur, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year; or (ii) the actual net cash flows of the City for a Covered Fund are reasonably projected to be less than ninety-five percent (95%) of the net cash flows of the City for such Covered Fund for that fiscal year originally forecast at the time of adoption of the budget, such

projection to be calculated from the beginning of the fiscal year for the entire fiscal year. If the Authority determines that a Variance exists it shall notify the City in writing. The City shall, within ten (10) Days after request by the Authority, provide to the Authority such additional information as the Authority deems necessary to explain the Variance.

(b) The Authority shall take no action with respect to the City for Variances from the Financial Plan in any fiscal quarter if:

(i) the City, within thirty (30) Days after receipt of notification from the Authority pursuant to Section 4.10(a) hereof, provides a written explanation for the Variance that the Authority deems reasonable;

(ii) the City, within forty-five (45) Days after receipt of notification from the Authority pursuant to Section 4.10(a) hereof, proposes remedial action which the Authority believes will restore the City's overall compliance with the Financial Plan;

(iii) information provided by the City to the Authority in the immediately succeeding quarterly financial report pursuant to Section 4.09(b) hereof demonstrates, to the reasonable satisfaction of the Authority, that the City is taking such remedial action and is otherwise complying with the Financial Plan; and

(iv) the City submits monthly supplemental reports in accordance with Section 4.09(b) of this Agreement until it regains compliance with the Financial Plan.

SECTION 4.11. Authority Recommendations.

The Authority may at any time issue recommendations as to how the City may achieve compliance with the Financial Plan, and shall provide copies of such recommendations to the Mayor, the City Controller, the City Council, the Governor, the presiding officers of the Senate and the House of Representatives of the Commonwealth, and the Chairpersons of the Appropriations Committees of the Senate and the House of Representatives of the Commonwealth.

SECTION 4.12. Withholding of Funds.

(a) The Authority shall certify to the Secretary of the Budget the City's non-compliance with any Financial Plan during any period when the Authority has determined by the vote of a qualified majority of its board that the City has not adhered to such Financial Plan and has not taken acceptable remedial action during the next fiscal quarter following such departure from the Financial Plan. In addition, the Authority shall certify to the Secretary of the Budget that the City is not in compliance with its Financial Plan if the City:

(i) has no Financial Plan approved by the Authority at any time, or has failed to file any Financial Plan with the Authority as required hereunder or under the Act; or

(ii) has failed to file with the Authority mandatory revisions to any Financial Plan required by the Act or Sections 4.08, 5.06(b), 5.07(b) and 5.08(e) of this Agreement or reports as required by the Act or Section 4.09 of this Agreement; and

(iii) has not been compelled to file a Financial Plan, a mandatory revision to a Financial Plan, or a report through a mandamus action authorized under Section 5.10 of this Agreement and Section 210(j) of the Act.

(b) The City and the Authority acknowledge that the Act provides that if the Authority certifies that the City is not in compliance with any Financial Plan in accordance with this Section 4.12, the Secretary of the Budget shall notify the City that such certification has been made and that each grant, loan, entitlement or payment to the City by the Commonwealth, or any of its agencies, of Commonwealth funds and payment to the City from the City Account, shall be suspended pending compliance with such Financial Plan. Funds withheld shall be held in escrow by the Commonwealth or, in the case of the City Account, shall be retained in the City Account until compliance with the Financial Plan is restored as set forth below. The Act provides that funds held in escrow pursuant to this Section 4.12(b) shall not lapse pursuant to section 621 of the act of April 9, 1929 (P.L. 177, No. 175), known as The Administrative Code of 1929, or any other law.

(c) The Authority shall, by a qualified majority of its board, determine when the conditions which caused the City to be certified as not in compliance with a Financial Plan have ceased to exist, and shall promptly notify the Secretary of the Budget of such determination. The City and the Authority acknowledge that the Act provides that the Secretary of the Budget shall thereupon release all funds held in escrow, together with all interest and income earned thereon during the period held in escrow, and the disbursements to the City of amounts in the City Account

shall resume as provided in Section 3.04 of this Agreement (with all amounts then on deposit to the credit of the City Account which would have been, but for the suspension of disbursements referred to in this Section 4.12, previously distributed to the City to be disbursed to the City within one (1) business day following such release).

SECTION 4.13. Exemptions to Withholding by the Commonwealth.

Notwithstanding the provisions of Section 4.12 of this Agreement, the Authority and the City acknowledge that the Act provides that the following shall not be withheld from the City by the Commonwealth:

- (a) funds for capital projects under contract in progress;
- (b) funds granted or allocated to the City directly from an agency of the Commonwealth, or from the Federal Government for distribution by the Commonwealth after the declaration of a disaster resulting from a catastrophe;
- (c) pension fund payments required by law;
- (d) funds administered by the City's Department of Human Services or Department of Health that provide benefits or services to recipients;
- (e) funds that the City has pledged to repay bonds or notes issued under the act of October 18, 1972 (P.L. 955, No. 234), known as The First Class City Revenue Bond Act; and
- (f) funds appropriated by the Commonwealth for the court system or correctional programs of the City.

Except as otherwise permitted by law, the City agrees that it shall apply any such funds it receives on account of any of the foregoing obligations or purposes solely to such obligations and purposes (or, to the extent permitted by law and by the terms of any relevant contract or agreement, to reimburse itself for prior payments it has made from other sources on account of such obligations and purposes in anticipation of receipt of such funds) and for no other obligations or purposes. The City shall promptly furnish to the Authority such information in such detail as the Authority may reasonably request from time to time to evidence the City's compliance with the immediately preceding sentence.

SECTION 4.14 Commonwealth's Failure to Disburse Funds.

The withholding provisions set forth in Section 4.12 of this Agreement shall not apply, and the City shall not be found to have departed from any Financial Plan, due to the Commonwealth's failure to pay any money, including payment of Federal funds distributed by or through the Commonwealth, due to the City from moneys appropriated by the General Assembly of the Commonwealth, provided that any such failure by the Commonwealth to pay any such money shall not be as a result of any fault of the City.

ARTICLE V
ADDITIONAL AGREEMENTS OF THE CITY AND
THE AUTHORITY

SECTION 5.01. Authority Budgets.

As, when and to the extent required by the Act, the Authority shall submit to the Governor and the General

Assembly of the Commonwealth a copy of the Authority's budget for each fiscal year of the Authority. The Authority shall deliver an additional copy of each such budget to the Director of Finance concurrently with the submission thereof by the Authority to the Governor and the General Assembly as aforesaid, it being expressly understood that, notwithstanding such delivery, the Act does not provide the City with any rights of approval regarding the budgets of the Authority, and the City acknowledges that it has no such rights. The City acknowledges that it has received a copy of the initial operating budget of the Authority for the period ending June 30, 1992.

SECTION 5.02. Authority Taxes.

(a) The City and the Authority acknowledge that the City has heretofore enacted and imposed the Authority Tax exclusively for the purposes of the Authority pursuant to Section 601 of the Act and that the City may hereafter, in its discretion, enact and impose additional taxes for the Authority pursuant to said Section 601 of the Act.

(b) Pursuant to Sections 307(c), 308 and 602 of the Act and the Ordinance (Bill No. 1437) of City Council approved June 12, 1991, the City hereby pledges to and agrees with the Authority and each and every obligee of the Authority secured by an Authority pledge of the Authority Tax (which obligees are expressly intended to be third-party beneficiaries of this Section 5.02(b)) that the City will not reduce the rate of or repeal in whole or in part the Authority Tax until the principal amount of all bonds of the Authority secured by a pledge of the Authority Tax, together with interest thereon, is fully paid or provision for such payment is made in accordance with the terms of any agreement between the Authority and any obligee of

the Authority. The City acknowledges and agrees that, as provided in the Act, all revenues from the Authority Tax shall be revenues and property of the Authority and not revenues or property of the City, and accordingly may be freely pledged by the Authority to secure bonds of the Authority and other obligations of the Authority to obligees of the Authority and shall not be subject to appropriation by the City Council. The Authority may assign its rights to enforce the provisions of this Section 5.02(b) to any obligees of the Authority secured by a pledge of any Authority Tax.

(c) To the extent the City or any department or agency of the City has been duly appointed to act as the agent of the Department of Revenue of the Commonwealth to collect and enforce any Authority Tax pursuant to the Act, the City agrees to so collect and enforce such Authority Tax, including interest and penalties, in a lawful and diligent manner at the direction of the Commonwealth's Department of Revenue; provided, however, that any moneys so collected by the City or any department or agency thereof as such agent shall not be commingled with any other funds of the City and shall be segregated and paid over to the Department of Revenue of the Commonwealth at least every two (2) weeks.

SECTION 5.03. Additional Reporting Requirements of the City.

(a) The City hereby agrees to deliver or cause to be delivered to the Authority, as soon as they become available, copies of all reports, documents, budgetary and financial planning data and any other information prepared by or on behalf of the City regarding the

revenues, expenditures, budgets, costs, plans, operations, estimates and any other financial or budgetary matters of the City.

(b) In addition, the City hereby agrees, promptly upon request of the Authority from time to time, to prepare and furnish to the Authority, or cause to be prepared and furnished to the Authority, at the expense of the City, such additional reports concerning the matters described in Section 5.03(a) hereof or otherwise described herein or in the Act as the Authority may deem necessary to accomplish the purposes of the Act. The City acknowledges that the Authority may, in its sole discretion, at any time and from time to time accept and rely upon any reports prepared and furnished to the Authority by the City Controller in lieu of engaging private consultants to prepare reports of the City pursuant to this Section 5.03(b); provided, however, that nothing in this sentence shall be deemed to expand or vary the powers of the City Controller pursuant to the Home Rule Charter.

(c) The City hereby agrees to deliver to the Authority, within sixty (60) Days after the effective date of this Agreement, a schedule setting forth in reasonable detail the nature and amount of all funds which as of such date may not be withheld from the City by the Commonwealth pursuant to Section 210(f) of the Act and as described in Section 4.13 hereof; the dates on or as of which the City reasonably anticipates receipt of such funds; and the nature and amount of all other funds payable by or through the Commonwealth to the City and the date or dates on or as of which the City reasonably anticipates receipt of such other funds. The City shall periodically update such schedule at least once during each fiscal

quarter of the City thereafter. Each such schedule shall be accompanied by a certificate of the Director of Finance setting forth the specific uses of all such funds so exempt from withholding and demonstrating that such uses fall within one or more of the exemptions from withholding described in Section 4.13 hereof.

(d) The City hereby agrees to deliver to the Authority, promptly upon receipt thereof by the City, copies of all reports, documents, budgetary and financial planning data and any other information prepared by or on behalf of the School District or any Corporate Entity regarding the revenues, expenditures, budgets, costs, plans, operations, estimates and any other financial or budgetary matters of the School District or any such Corporate Entity. To the extent permitted by law, the City agrees to cooperate with the Authority in connection with any request by the Authority to the School District or any such Corporate Entity for any such information by exercising any available rights and remedies to this [and] *end* under any contracts or agreements between the City and the School District or such Corporate Entity to cause the School District and such Corporate Entity to deliver to the Authority all such information to which the Authority may be entitled under the Act. The Authority agrees to comply with the applicable laws and regulations with respect to the confidentiality of personnel, patient care, and other records maintained or received by the City.

(e) The Director of Finance shall as promptly as practicable provide to the Authority additional informational reports from time to time concerning changed conditions or unexpected events which may affect the City's adherence to its then-current Financial Plan.

SECTION 5.04. Inspection Rights.

Upon reasonable notice from the Authority, the City agrees to permit such persons as the Authority may designate from time to time to visit, inspect and observe the operations of the City; to examine, inspect and copy any and all books, records and other information of or pertaining to the City; and to discuss the affairs of the City with any or all of the officials, employees and independent accountants of the City, as the case may be, all to the extent deemed necessary by the Authority to accomplish the purposes of the Act and at such times and as often as the Authority may reasonably request. The City agrees to cooperate fully in connection with any such undertaking by the Authority. As to the School District or any Corporate Entity, the City agrees to cooperate with the Authority in connection with any request by the Authority to the School District or any such Corporate Entity for any such information by exercising any available rights and remedies to this end under any contracts or agreements between the City and the School District or such Corporate Entity to cause the School District and such Corporate Entity to deliver to the Authority all such information to which the Authority may be entitled under the Act. The Authority agrees to comply with applicable laws and regulations with respect to the confidentiality of personnel, patient care, and other records maintained by the City.

SECTION 5.05. Independent Audits.

As provided under the Act, the City agrees that the Authority may in its reasonable discretion conduct or cause to be conducted such independent audits, examinations or studies of the City as the Authority deems

appropriate. As to the School District or any Corporate Entity, the City agrees to cooperate with the Authority in connection with any request by the Authority to the School District or any such Corporate Entity for any such information by exercising any available rights and remedies to this end under any contracts or agreements between the City and the School District or such Corporate Entity to cause the School District and such Corporate Entity to deliver to the Authority all such information to which the Authority may be entitled under the Act. The Authority agrees to comply with applicable laws and regulations with respect to the confidentiality of personnel, patient care, and other records maintained by the City.

SECTION 5.06. Contracts of the City.

(a) A contract in existence in the City prior to the approval by the Authority of a Financial Plan submitted pursuant to the Act and this Agreement shall remain effective after approval of such Financial Plan until such contract expires, but the City shall provide to the Authority in writing, promptly upon the request of the Authority from time to time, such explanations and analyses regarding any aspects of any such contracts as the Authority may so request at any time.

(b) After the approval by the Authority of a Financial Plan submitted pursuant to the Act and this Agreement, the City shall execute contracts the financial terms of which are in compliance with such Financial Plan. If the City executes a contract which is not in compliance with the Financial Plan, the contract shall not be void or voidable solely by reason of such noncompliance, but the City shall as soon as practicable (but in no event later than

fifteen (15) Days after the execution by the City of such contract) submit to the Authority a proposed revision to the Financial Plan which demonstrates to the reasonable satisfaction of the Authority that revenues sufficient to pay the costs of the contract will be available in the affected fiscal years of the Financial Plan.

(c) The City agrees that it shall, as soon as practicable but in no event later than seven (7) Days prior to entering into any Extraordinary Contract, deliver to the Authority:

(i) a summary of the terms of such Extraordinary Contract, said summary shall be substantially in the form of Exhibit "A" attached hereto; and

(ii) a written statement of the Director of Finance setting forth whether or not, in the opinion of the Director of Finance, the performance by the City of such Extraordinary Contract will be consistent with the Financial Plan of the City as then in effect pursuant to the Act and this Agreement.

The Authority may, within seven (7) Days after receipt by the Authority of said summary of the Extraordinary Contract and such statement of the Director of Finance, make comments or recommendations in writing with respect to such Extraordinary Contract, which comments and recommendations the City agrees to consider. Within four (4) Days after receipt of the summary and written statement, the Authority may request a full and complete copy of the Extraordinary Contract. The Authority may within three (3) Days after receipt by the Authority of the full and complete Extraordinary Contract make comments and recommendations with respect to such Extraordinary

Contract, which comments and recommendations the City agrees to consider prior to its execution of such Extraordinary Contract.

Notwithstanding the foregoing provisions of this Section 5.06(c), to the extent that, due to a *bona fide* emergency involving an imminent threat to the health or safety of any persons, the City is effectively unable to comply with the requirements of this Section 5.06(c) before entering into an Extraordinary Contract in respect of such an emergency, the City shall be deemed to have complied with this Section 5.06(c) if it delivers a summary of such Extraordinary Contract, in a form substantially similar to the form on Exhibit "A" hereto, to the Authority as soon as practicable before, and in no event later than five (5) Days after, the City enters into such Extraordinary Contract and no later than ten (10) Days after so delivering such summary delivers the statement of the Director of Finance required above and an additional statement of the Director of Finance explaining the full circumstances of such emergency and certifying that solely due to such emergency the City was unable to comply with the requirements of this Section 5.06(c) that would otherwise be applicable. For Extraordinary Contracts of the City in circumstances other than those posing an imminent threat to the health or safety of any persons but requiring the immediate attention of the City including, but not limited to, circumstances involving a bond or note purchase agreement or settlement agreement, the City will be deemed to have complied with this Section 5.06(c) if it delivers to the Authority: (i) a summary of such Extraordinary Contract (other than for a bond or note purchase agreement or settlement agreement) in a form substantially similar to the form on

Exhibit "A," hereto, (ii) in the case of a settlement agreement, a description of the impact of such agreement on the Financial Plan, or (iii) in the case of a bond or note purchase agreement, a summary in a form substantially similar to the form on Exhibit "B" hereto, (such delivery of the summary of a bond or note purchase agreement to be as soon as practicable before but no less than three (3) Days prior to execution thereof and with respect to a settlement agreement or other Extraordinary Contract, such delivery of required information to be as soon as practicable before, and in no event later than five (5) Days after, the City enters into such Extraordinary Contract), and in any such case no later than ten (10) Days after so delivering such information delivers the statement of the Director of Finance required above and an additional statement of the Director of Finance explaining the full circumstances of such contract.

Prior to the execution of any Extraordinary Contract, the Authority shall keep confidential all information relating to such contract and shall make all recommendations and communications with respect thereto exclusively to the City.

SECTION 5.07. Collective Bargaining Agreements of the City.

(a) A collective bargaining agreement in existence in the City prior to the approval by the Authority of a Financial Plan submitted pursuant to the Act and this Agreement shall remain effective after approval of such Financial Plan until such collective bargaining agreement expires by its terms or is otherwise terminated, but the City shall provide to the Authority in writing, promptly upon the request of the Authority from time to time, such

explanations and analyses regarding any aspects of any such collective bargaining agreements as the Authority may so request at any time.

(b) After the approval by the Authority of a Financial Plan submitted pursuant to the Act and this Agreement, the City shall execute collective bargaining agreements in compliance with such Financial Plan. If the City executes a collective bargaining agreement, *or receives an arbitration award (other than an arbitration award covered by Section 5.08 hereof, as to which the provisions of Section 5.08 shall apply)*, which is not in compliance with such Financial Plan, [the] *neither such* collective bargaining agreement *nor such arbitration award* shall [not] be void or voidable solely by reason of such noncompliance, but the City shall as soon as practicable (but in no event later than fifteen (15) Days after the execution by the City of such collective bargaining agreement *or receipt by the City of such arbitration award*) submit to the Authority a proposed revision to the Financial Plan which demonstrates to the reasonable satisfaction of [the] *such* Authority that revenues sufficient to pay the costs of the collective bargaining agreement *or such arbitration award, as the case may be*, will be available in the affected fiscal years of the Financial Plan.

(c) [Prior to the execution of any collective bargaining agreement, the Authority shall keep confidential all information relating to such collective bargaining process and shall make all recommendations and communications with respect thereto exclusively to the City.] *In negotiating collective bargaining agreements in accordance with Section 5.07(b) hereof, the City*

shall consider any Authority views concerning the financial impact on the City. The City will provide to the Authority any information requested by the Authority to assist the Authority in anticipating the manner in which proposed labor agreements will comply with the Financial Plan then in effect. Without limiting the requirements of Section 5.07(b) hereof, the City shall, within fifteen (15) Days after execution of a collective bargaining agreement or receipt of an arbitration award, provide to the Authority a report in writing on the effect of such agreement or award on the Financial Plan.

(d) To enable it to be fully informed with regard to the manner in which collective bargaining agreements will be reconciled with the approved Financial Plan, the Authority will review all information concerning such agreements provided to it by the City, including but not limited to the information concerning such agreements provided to it by the City, including but not limited to the information required pursuant to Section 4.04(h) hereof. If it determines that additional information is required to allow it to accomplish its objectives in accordance with the Act, the Authority may prepare or cause to be prepared reports or studies of the financial implications of the City's relationships with its work force.

(e) Prior to the execution of any collective bargaining agreement, the Authority shall not disclose any confidential information received from the City with respect to the negotiations by the City of such collective bargaining agreement so long as

the City specifically requests that such information be maintained confidential and represents to the Authority that the disclosure of such information would adversely affect such negotiations.

[(d)](f) Nothing in this Agreement is intended to impair in any manner the relationships between the City and its employees or the collective bargaining representatives of such employees or to adversely affect the collective bargaining process in any manner.

SECTION 5.08. Arbitration Awards.

(a) The City and the Authority acknowledge that the Act provides that after the approval by the Authority of a Financial Plan submitted pursuant to this Agreement and the Act, any determination of a board of arbitration established pursuant to the provisions of the act of June 24, 1968 (P.L. 237, No. 111), referred to as the Policemen and Firemen Collective Bargaining Act, providing for an increase in wages or fringe benefits of any employee of the City under the Financial Plan, in addition to considering any standard or factor required to be considered by applicable law, shall take into consideration and accord substantial weight to:

- (i) the approved Financial Plan; and
- (ii) the financial ability of the City to pay the cost of such increase in wages or fringe benefits without adversely affecting levels of service.

(b) The Act further provides that such a determination of a board of arbitration shall be in writing and a copy thereof shall be forwarded to each party to the dispute and the Authority, and that any determination of the board of arbitration which provides for an increase in wages or

fringe benefits of any employee of the City shall state with specificity in writing all factors which the board of arbitration took into account in considering and giving substantial weight to:

- (i) the approved Financial Plan of the City; and
- (ii) the City's financial ability to pay the cost of such increase.

(c) The Act further provides that any party to a proceeding before a board of arbitration may appeal to the court of common pleas to review:

- (i) the consideration of the City's Financial Plan;
- (ii) the determination as to the City's financial ability to pay; or
- (iii) the failure of the board of arbitration to issue a determination including a detailed writing of all factors which the board of arbitration took into account in considering and giving substantial weight to the City's financial ability to pay and the City's Financial Plan.

(d) The Act further provides that the decision of the board of arbitration shall be vacated and remanded to the board of arbitration if the court finds:

- (i) that the board of arbitration failed to take into consideration and accord substantial weight to the approved Financial Plan;
- (ii) that the board of arbitration's determination as to the City's financial ability to pay is not supported by substantial evidence as produced by the parties to the proceedings before the board of arbitration; or

(iii) that the board of arbitration has failed to state with specificity in writing the factors which it took into account in considering and giving substantial weight to the City's financial ability to pay or the City's approved Financial Plan.

(e) The Act further provides that such appeal shall be commenced not later than thirty (30) Days after the issuance of a final determination by the board of arbitration, and that if, after the exhaustion of all appeals, the final arbitration award is not in compliance with the approved Financial Plan, the award shall not be void or voidable solely by reason of such noncompliance, but the City shall submit (and the City hereby agrees with the Authority that it shall submit no later than twenty (20) Days after the date of such final arbitration award) to the Authority a proposed revision to its Financial Plan which demonstrates that revenues sufficient to pay the costs of the award will be available in the affected fiscal years of the Financial Plan.

(f) The City expressly acknowledges and consents to all of the provisions of Section 209(k) of the Act and of this Section 5.08; agrees to take or cause to be taken all such action requisite to carry out fully or give effect to the intent of such provisions[.]; *and agrees to keep the Authority fully informed with respect to any arbitration proceeding or appeal described in this Section 5.08, including without limitation all scheduled hearing dates and other similar dates relating to such proceeding or appeal.*

SECTION 5.09. City Expenditure of Available Funds.

Nothing in this Agreement shall be construed to limit the power of the City to determine, from time to time, within available funds of the City, the purposes for which expenditures are to be made by the City and the amounts of such expenditures then permitted under a Financial Plan of the City.

SECTION 5.10. Additional Remedies of Authority for Failure to File Financial Plans and Reports.

In the event that the City shall fail to file with the Authority any Financial Plan, revision to the Financial Plan, report or other information required to be filed with the Authority pursuant to the Act or this Agreement, the Authority, in addition to all other rights which the Authority may have at law or in equity, shall have the right by mandamus to compel the City and the officers, employees and agents thereof to file with the Authority the Financial Plan, revision to a Financial Plan, report or other information which the City has failed to file. The Authority shall give the City written notice of the failure of the City to file and of the Authority's intention to initiate an action under this Section 5.10, and the Authority shall not initiate such an action earlier than ten (10) days after the giving of such notice.

**ARTICLE VI
MISCELLANEOUS**

SECTION 6.01. Term.

(a) This Agreement shall take effect upon such date as this Agreement shall have been duly executed by each of the parties hereto and shall extend for so long as any bonds of the Authority are Outstanding.

(b) The City represents and warrants that this Agreement constitutes a service contract between the City and an authority pursuant to Section 8-200(3) of the Home Rule Charter, and as such, the City does not have the right to terminate this Agreement without liability after the expiration of four (4) years.

SECTION 6.02. General Rights and Prohibitions.

Nothing in this Agreement shall limit the rights or impair the obligations of the City to comply with the provisions of any contract in effect on the effective date of the Act (June 5, 1991), or shall in any way impair the rights of the obligees of the City with respect to any such contract.

SECTION 6.03. Compliance with the Act; Severability.

(a) The City and the Authority intend that this Agreement shall constitute an intergovernmental cooperation agreement within the meaning of the Act and hereby declare that this Agreement is entered into to accomplish the public purposes of the Act. This Agreement shall be read, taken and construed to the maximum extent possible in a manner consistent with the Act, but to the extent of any conflict between any of the provisions of this Agreement and any of the provisions of the Act, the provisions of the Act shall control. The City and the Authority each acknowledges that it is subject to the provisions of the Act and each agrees to observe and perform all provisions thereof applicable to it, whether or not such provisions are expressly referred to in this Agreement.

(b) The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held

invalid or unenforceable in whole or in part, such provision shall be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability of the remaining provisions of this Agreement.

SECTION 6.04. Notices.

All notices, demands, requests, consents, approvals, certificates, waivers or other communications with respect to this Agreement (collectively, "notices") shall be in writing (including telecopied communication) and shall be effective if sent by certified or registered United States mail, postage prepaid, return receipt requested, or by overnight courier with signed receipt evidencing such delivery, or by same day delivery service with signed receipt evidencing such delivery, or by telecopier (with confirmation in writing mailed by first-class mail, postage prepaid), to the following parties:

For the Authority:

[2500 One Liberty Place
Philadelphia, Pennsylvania 19103
Telecopier No. 215-851-1420]

1429 Walnut Street
Fourteenth Floor
Philadelphia, Pennsylvania 19102
Telecopier No.:

For the City:

Mayor
City Hall, Room 215
Philadelphia, Pennsylvania 19107
Telecopier No.:

With a copy to:

City Solicitor
1520 Municipal Services Building
Philadelphia, Pennsylvania 19107
Telecopier No.:

Finance Director
1420 Municipal Services Building
Philadelphia, Pennsylvania 19107
Telecopier No.:

President, City Council
City Hall, Room 490
Philadelphia, Pennsylvania 19107
Telecopier No.:

City Controller
1230 Municipal Services Building
Philadelphia, Pennsylvania 19107
Telecopier No.:

or to such other address or telecopier number as the party to receive notice may from time to time designate by written notice to the other party in the manner above described. Any such properly given notice shall be effective on the earliest to occur of receipt, the third business day after mailing in the manner set forth herein, on the first business day after deposit with an overnight courier service, on the day of deposit with a same day delivery service or upon telephone confirmation of receipt of telecopy communication.

SECTION 6.05. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

SECTION 6.06. No Third Party Rights.

Except as otherwise expressly provided in Section 5.02(b) hereof, nothing in this Agreement shall be construed to constitute or create rights in any person not a party to this Agreement (as third party beneficiary or otherwise), or to create obligations or responsibilities of the parties to such persons, or to permit any person other than the parties hereto and their respective successors and assigns to rely upon the covenants, conditions and agreements contained in this Agreement.

SECTION 6.07. Amendments and Waivers.

This Agreement shall be amended only by written instrument duly executed by the City and the Authority. The Authority may in its discretion, to the extent consistent with the Act, waive compliance by the City with any provision of this Agreement or extend the time specified for performance by the City of any covenant or agreement on its part set forth herein, and such waiver or extension shall be effective only to the extent specifically set forth in writing and shall not, unless so specified, apply to any subsequent failure on the part of the City to observe or perform any such provision. Notwithstanding the foregoing, the provisions of Section 5.02(b) hereof may not be amended without the express written consent of the requisite percentage of the obligees of the Authority entitled to the benefits thereof as set forth in any agreement between the Authority and such obligees.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, as of the date first above written.

APP. NO. 678-64

ATTEST

:

Name:

Title:

[AUTHORITY SEAL]

ATTEST:

Name:

Title:

[CITY SEAL]

PENNSYLVANIA
INTERGOVERNMENTAL
COOPERATION
AUTHORITY

By _____

Name:

Title:

CITY OF PHILADELPHIA

By _____

Name:

Title:

EXHIBIT "A"

**PRINCIPAL TERMS OF PROPOSED
EXTRAORDINARY CONTRACTS**

**SERVICE/COMMODITY
TO BE PROVIDED:**

**AMOUNT
(by fiscal year):**

**FUND(S) OR
ACCOUNT(S)
FROM WHICH
PAYMENTS MADE
(by fiscal year):**

**PAYMENT
SCHEDULE
(by fiscal year):**

**SCHEDULE OF REVENUE
TO BE PRODUCED (IF ANY)
(by fiscal year):**

TERM:

**DATE OF EXPECTED
COMPLETION OF
PERFORMANCE:**

EXPIRATION DATE:

**HOW AGREEMENT
MAY BE TERMINATED:**

**RENEWAL
PROVISIONS/OPTIONS:**

**IMPACT ON FINANCIAL
PLAN (by fiscal year):**

APP. NO. 678-66

EXHIBIT "B"

**PRINCIPAL TERMS OF PROPOSED BOND
PURCHASE AGREEMENTS
(ESTIMATED)**

TERM:

PRINCIPAL AMOUNT:

DEBT SERVICE:

INTEREST RATES (BY YEAR)

PRINCIPAL (BY YEAR)

INTEREST (BY YEAR)

ISSUANCE COSTS:

DISCOUNT/FEE

OTHER

EXHIBIT "C"

CORPORATE ENTITIES

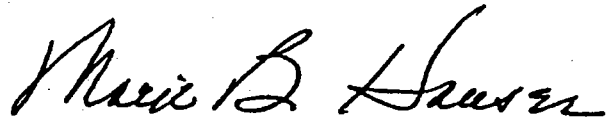
1. *Community College of Philadelphia*
2. *Penn's Landing Corporation*
3. *Philadelphia Housing Development Corporation*
4. *Philadelphia Municipal Authority*
5. *Philadelphia Parking Authority*
6. *Redevelopment Authority of the City of Philadelphia*
7. *Philadelphia Industrial Development Corporation*
8. *Philadelphia Authority for Industrial Development*
9. *Hospitals and Higher Education Facilities Authority*
10. *Philadelphia Housing Authority*
11. *Pennsylvania Convention Center Authority*
12. *Philadelphia Facilities Management Corporation*
13. *Southeastern Pennsylvania Transportation Authority*
14. *Philadelphia Commercial Development Corporation*

Explanation:

[**Bold Brackets**] indicate matter deleted on Final Passage.
Bold Italics indicate new matter added on Final Passage.

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

JANUARY 3, 1992

A handwritten signature in cursive script, reading "Marie B. Hansen".

Deputy Chief Clerk of the Council

Exhibit D

(Resolution Approving City Plan)

**FIVE-YEAR FINANCIAL
PLAN FY1999-FY2003**

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Resolution No. 1998 - 03
June 9, 1998

WHEREAS, there has been submitted to this meeting a document entitled "City of Philadelphia, Five-Year Financial Plan, Fiscal Year 1999 - Fiscal Year 2003 (including Fiscal Year 1998)" (the "Plan") prepared by the City of Philadelphia (the "City"); and

WHEREAS, Section 209(e) of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6) (the "PICA Act") provides that the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") shall receive from the City an annual revision of the City's Five-Year Financial Plan; and

WHEREAS, the PICA Act provides that the Authority, by action of a qualified majority of its governing board, shall have the power to approve the Five-Year Financial Plan as so revised; and

WHEREAS, the Authority has received the City's annual revision of the Five-Year Financial Plan, in the form of the Plan, from the Mayor of the City; and

WHEREAS, the Authority has received and reviewed the report entitled "Pennsylvania Intergovernmental Cooperation Authority Staff Report on the City of Philadelphia's Five-Year Financial Plan for Fiscal Year 1999 - Fiscal Year 2003", dated June 9, 1998 (the "Staff Report"); and

WHEREAS, the Authority has determined to approve the Plan based upon the recommendation of the Staff Report; and

NOW THEREFORE, BE IT RESOLVED:

1. The Authority hereby approves the Plan in the form submitted to this meeting and attached hereto as Exhibit "A".

2. The Authority hereby ratifies and confirms any and all prior actions taken by or on behalf of the Authority consistent with the intent of this Resolution.

3. All resolutions or parts of resolutions not in accordance with this Resolution are hereby repealed insofar as they conflict herewith.

MOVED: Arnold S. Hoffman

SECONDED: William J. Leonard, Esq.

APPROVED: Yes

Qualified Majority Required: Y x N

Vote:	<u>YES</u>	<u>NO</u>	<u>ABSTAIN</u>
DiDonato	<u>x</u>	<u> </u>	<u> </u>
Hoffman	<u>x</u>	<u> </u>	<u> </u>
Kavulich	<u>x</u>	<u> </u>	<u> </u>
Leonard	<u>x</u>	<u> </u>	<u> </u>
Van Dyck	<u>x</u>	<u> </u>	<u> </u>

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

\$165,550,000

**Special Tax Revenue Refunding Bonds
(City of Philadelphia Funding Program)
Series of 2003**


**CERTIFICATE AS TO
PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
INCOME TAX COLLECTION AGENCY AGREEMENT**

The undersigned, the City Solicitor and the Revenue Commissioner of The City of Philadelphia, Pennsylvania (the "City"), hereby certify, in connection with the issuance and sale of the Pennsylvania Intergovernmental Cooperation Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003, in the aggregate principal amount of \$165,550,000 that:


1. Attached hereto is a true, correct and complete copy of the Pennsylvania Intergovernmental Cooperation Authority Income Tax Collection Agency Agreement dated as of June 1, 1992 (the "Agreement"), between the City and the Commonwealth of Pennsylvania.
2. The Agreement has not been changed, amended or modified since its date and is in full force and effect on the date hereof.
3. No default on the part of the City has occurred and is continuing under the Agreement, and no event has occurred and is continuing which, with notice or upon lapse of time, or both, would constitute such a default.

IN WITNESS WHEREOF, we have hereunto set our hands and affixed the seal of the City, this 16th day of June 2003.

CITY OF PHILADELPHIA,
PENNSYLVANIA

By: 
NELSON A. DIAZ,
City Solicitor

[SEAL]

By: 
NANCY KAMMERDEINER
Revenue Commissioner

**PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY INCOME TAX
COLLECTION AGENCY AGREEMENT**

This Agreement is made and entered into as of the 1st day of June, 1992, by and between the Commonwealth of Pennsylvania ("Commonwealth"), Department of Revenue (hereinafter referred to as the "Department"), with its office at Strawberry Square, Harrisburg, Pennsylvania 17128, and the City of Philadelphia ("City"), acting by and through its Revenue Department ("Collection Agent") and its Law Department (hereinafter collectively referred to as the "Agent"), with offices at the Municipal Services Building, John F. Kennedy Boulevard at 15th Street, Philadelphia, PA 19102.

WHEREAS, pursuant to Section 601(a) of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act of June 5, 1991 (P.L. 9, No. 6) (hereinafter referred to as the "Act") the governing body of any city of the first class is authorized to impose certain taxes exclusively for purposes of the Pennsylvania Intergovernmental Cooperation Authority ("Authority"); and

WHEREAS, pursuant to authority granted pursuant to Section 601(a)(3) of the Act, the City Council of the City, by ordinance (Bill No. 1437), approved June 12, 1991 ("Income Tax Ordinance"), attached hereto as Appendix A, has amended Title 19 of the Philadelphia Code by adding a new Chapter 19-2800 imposing a tax of 1.5% exclusively for the Authority, on the salaries, wages, commissions and other compensation earned by residents of the City and on the net profits earned in businesses, professions or other activities conducted by residents of the City ("Authority Income Tax"); and

WHEREAS, pursuant to Section 604 of the Act, the Department is charged with the administration, enforcement and collection of any tax imposed pursuant to Section 601 of the Act, including the Authority Income Tax, and pursuant to Section 604(c) of the Act, the Department is authorized to appoint as its agents tax officers, clerks, collectors and assistants, including revenue and legal departments of cities imposing a tax under Chapter 6 of the Act, to collect any tax, including interest and penalties, imposed under the authority of Chapter 6 of the Act, including the Authority Income Tax; and

WHEREAS, by letter dated June 28, 1991, attached hereto as Appendix B, the Department, through its Secretary, the Honorable Eileen Healy McNulty (the "Secretary"), appointed the Agent as the agent of the Department for administering, collecting and enforcing the Authority Income Tax; and

WHEREAS, the Commonwealth and the City deem it in their common best interest to set forth the method of implementation of the collection, enforcement and administration of the Authority Income Tax pursuant to the Act and the performance by the Department and the Collection Agent of their respective powers and duties with respect thereto.

NOW, THEREFORE, in consideration of the foregoing recitals, the Commonwealth of Pennsylvania, Department of Revenue, and the City of Philadelphia, Revenue Department and Law Department, through their authorized representatives, agree to implement the administration, collection and enforcement of the Authority Income Tax as follows:

1. APPOINTMENT OF AGENT; COLLECTION AND ENFORCEMENT OF AUTHORITY INCOME TAX:

The appointment of the Agent as the agent of the Department as provided in the letter of the Department dated June 28, 1991 and the Income Tax Ordinance is hereby ratified and confirmed in all respects. The Agent shall administer, collect and enforce the Authority Income Tax as provided in the Income Tax Ordinance and shall remit the proceeds of the Authority Income Tax, including interest and penalties paid by taxpayers thereon, as provided in the Act and this Agreement.

2. TERM:

The term of this Agreement shall begin upon the date first above written and shall continue until terminated upon prior written notice by the Department to the Agent. The Department shall send a copy of any notice of termination of this Agreement to the Authority. Upon receipt of notice of termination, the Agent shall cooperate with the Department in providing for the orderly transfer of the duties and functions of the Agent hereunder to the Department or any agent appointed by the Department so that the collection and remittance of the Authority Income Tax shall continue to be made as provided in the Act without interruption.

3. REMITTANCE OF AUTHORITY INCOME TAX:

(a) On each City business day, the Collection Agent shall deposit, in immediately available funds, the Authority Income Tax collected that day in a demand deposit account, designated "The City of Philadelphia Collection Agent for Department of Revenue, Commonwealth of Pennsylvania Account" (herein, the "Agency Account"), which account shall be established in a Commonwealth depository bank in accordance with all applicable Commonwealth laws and regulations regarding State depositories. The Department acknowledges and approves

the establishment of the Agency Account at Fidelity Bank, National Association, or at any other Commonwealth depository designated in writing to the Department by the Agent ("Agency Bank"). The Agency Account shall be used solely for the deposit and remittance of the Authority Income Tax by the Collection Agent as agent of the Department and shall not be commingled with any funds of the City. The Collection Agent shall notify the Department in writing of any change in the depository for the Agency Account, prior to such change, and shall give a copy of such notice to the Authority. The Department acknowledges and approves the establishment of the Agency Account identified on Appendix C hereto.

(b) On each business day next following the day of deposit of Authority Income Tax in the Agency Account, all amounts in the Agency Account shall be transferred by the Agency Bank to a Commonwealth account designated in writing to the Collection Agent by the Department ("Commonwealth Account"). The Commonwealth Account at CoreStates Bank, N.A., Account No. 0196-628-8, is hereby designated by the Department to the Collection Agent as the Commonwealth Account to which daily electronic transfers of the amounts in the Agency Account shall be made. The Department shall notify the Collection Agent in writing of any change in the depository for the Commonwealth Account to which the Authority Income Tax shall be transferred, prior to such change, and the Collection Agent shall give a copy of any such notice to the Agency Bank and the Authority.

(c) The Collection Agent shall deliver an executed or certified copy of this Agreement to the Agency Bank, shall obtain from the Agency Bank an executed acknowledgement of receipt of this Agreement, and shall deliver a copy thereof to the Department. The provisions of this Section 3(c) of this Agreement shall constitute a direction of the Department and the Collection Agent to the Agency Bank (i) to make the daily transfers to

the Commonwealth Account specified in Section 3(b) strictly in accordance with the terms of this Agreement, and (ii) to make payments from the Agency Account if required by Section 310 of the Act in the manner required by Section 310 of the Act.

4. RECONCILIATION/ADJUSTMENT:

(a) Reconciliation: The Collection Agent shall reconcile monthly, the daily deposits to the Agency Account with the actual amount of Authority Income Tax collected. The Collection Agent shall use its Monthly Settlement Statistics Report, a copy of which Report is attached hereto as Appendix D, as the basis for such reconciliation.

(b) Adjustments: If a reconciliation made pursuant to paragraph (a), above, indicates that the actual Authority Income Tax collections for the preceding month are at variance with Agency Account deposits for that month, the Collection Agent shall:

(1) Identify any necessary adjustments, and

(i) If the amount deposited in the Agency Account is greater than actual Authority Income Tax collected, the Collection Agent shall deduct an amount equal to such excess from the next daily deposit to the Agency Account; or

(ii) If the amount deposited in the Agency Account is less than the actual Authority Income Tax collected, the Collection Agent shall deposit an amount equal to such under-remittance in the next daily deposit to the Agency Account.

(2) Any other reconciliation which results in an adjustment to an Authority Income Tax remittance shall be clearly identified on the subsequent daily remittance and the adjustment made in the manner set forth in (b)(1), above.

(3) The Monthly Settlement Statistics Report, together with any and all supporting documents therefor, requiring any adjustment made pursuant to this Section 4 shall be submitted to the Department for review monthly.

5. DETERMINATION OF RESIDENCE/NONRESIDENCE:

The Department shall determine the percentage of wage, earnings and net profits taxes attributable to residents and to nonresidents of the City. The method of calculating resident/nonresident collections shall be determined by the Department and approved by the Secretary. The current method approved by the Secretary for calculation of Authority Income Tax collection is attached hereto as Appendix E, which shall be revised from time to time as the Department shall determine and the Secretary shall approve. The Department shall notify the Agent of any change in the method of calculation and the effective date of such change, with a copy to the Authority.

6. CHANGES IN COLLECTION:

The City agrees that any changes or modifications in its computer system, tax reports or other reports, generation of reports, forms, accounting and/or bookkeeping methods that will or may affect in any material respect the administration, collection and enforcement of the Authority Income Tax shall be communicated to the Department in writing no less than forty-five (45) days before the effective date of any such change or modification.

7. ACCOUNTING RECORDS:

The City shall maintain, in accordance with the accounting principles applied to the City's own financial statements, all pertinent books, documents, financial and accounting records and evidence pertaining to this Agreement to the extent and in such detail as is

reasonably necessary to document all remittances, adjustments and collections of the Authority Income Tax. The City shall provide the Department a reconciliation of the City's accounting principles to generally accepted accounting principles.

Such financial and accounting records shall be made available for inspection and copying, upon request, to the Department, its designees, the State Inspector General, or any authorized agency of the Commonwealth of Pennsylvania at any time during the term of this Agreement and for three years from the expiration of this Agreement.

8. RIGHT TO AUDIT:

The City agrees to permit the audit of its records of the Authority Income Tax by the Department, its designees, and the State Inspector General. All returns, reports, costs and financial accounting records, source documentation, data systems, programs, applications, and planning summaries relating to the Authority Income Tax will be available for audit examination, inspection and copying; provided, however, that the Department agrees to maintain the confidentiality of taxpayer records required by §19-2809(5) of the Income Tax Ordinance. The Department reserves the right to perform at its sole reasonable discretion additional audits relating to the Authority Income Tax including, but not limited to, audits of financial/compliance, economy/efficiency or limited scope audits. Additionally, the Department also reserves the right to inspect and copy any of the City's third party auditors' reports and management letters relating to the Authority Income Tax.

9. COSTS:

In accordance with Section 604(b) of the Act, the Department shall deduct from the remittances of the Authority Income Tax costs of administration of this Agreement and shall

inform the Authority in writing monthly of the sum retained and the costs of administration and collection reimbursed. The Department as part of its cost, shall reimburse the City for certain limited expenses incurred by the Agent, as agent for the Department. The terms of such reimbursement shall be set forth in a separate agreement attached hereto as Appendix F.

10. INDEMNIFICATION:

[RESERVED]

11. AMENDMENTS, MODIFICATIONS:

This Agreement may not be modified or amended unless in writing and signed by both parties. A copy of any such modification or amendment shall be sent by the City to the Authority. Any breach or default by a party shall not be waived or released other than in writing

signed by the other party. Changes in the procedures set forth in this Agreement approved by the Department shall not constitute amendments to this Agreement.

12. TERMINATION:

This Agreement may be terminated by the Department upon prior written notice to the City. The Department shall send a copy of such notice of termination to the Authority. Upon receipt of notice of termination, the Agent shall cooperate with the Department in providing for the orderly transfer of the duties and functions of the Agent hereunder to the Department or any agent appointed by the Department so that the collection and remittance of the Authority Income Tax shall continue to be made as provided in the Act without interruption.

13. USUFRUCT:

If, for any reason, the City should lose its ability to serve as Agent under this Agreement, the Department shall acquire a usufruct in all contractual items owned by the City in conjunction with the Agreement and which are necessary to provide the services of Agent. Said usufruct shall be limited to the right of the Department to possess and make use of such contractual items solely for the use and benefit of the Department in administering, enforcing and collecting the Authority Income Tax in the manner provided in this Agreement. Such usufruct shall be limited in time to the duration of this Agreement and in scope for program systems and other items being used by the Department under this Agreement.

14. NONDISCRIMINATION:

The City agrees to maintain a policy of nondiscrimination and agrees to comply with all of the Commonwealth laws, rules and regulations involving nondiscrimination on the basis

of race, color, religion, national origin, age or sex. Appendix G, Nondiscrimination Provisions, is attached hereto and made a part hereof as if set forth fully herein.

15. NOTICES:

The parties agree that all notices given pursuant to the terms of this Agreement shall be sufficient if in writing and sent by telecopy, facsimile or a courier service with receipt acknowledged. All other communications shall be sufficient if in writing and mailed postage prepaid first class. Any such notice or communication shall be sent to the following addresses or such other addresses as may be designated from time to time by the parties in writing:

(A) Department of Revenue
Secretary of Revenue
Pennsylvania Department of Revenue
Dept. 281100
Harrisburg, PA 17128-1100
Telecopy No.: (717) 787-3990
and

(B) City of Philadelphia

(1) Department of Revenue
City of Philadelphia
Municipal Services Building
John F. Kennedy Boulevard
at 15th Street
Philadelphia, PA 19102
Attention:
Telecopy No.: (215) 972-8738

Courier Service Address:

1600 Arch Street
Philadelphia, PA 19103

(2) Law Department
Municipal Services Building
John F. Kennedy Boulevard
at 15th Street
Philadelphia, PA 19102
Attention: City Solicitor
Telecopy No.: (215) 686-5223

Courier Service Address:

1600 Arch Street
Philadelphia, PA 19103

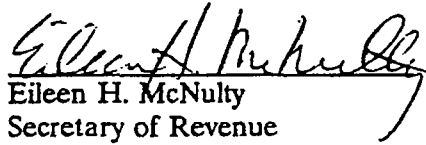
- (C) Pennsylvania Intergovernmental
Cooperation Authority
1429 Walnut Street, 14th Floor
Philadelphia, PA 19102
Attention: Executive Director
Telecopy No.: (215) 563-2570

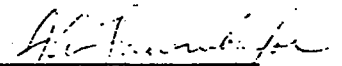
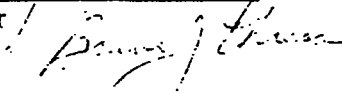
16. **SEVERABILITY:**

If a court of competent jurisdiction determines any portion of this Agreement to be invalid, it shall be severed and the remaining portions of this Agreement shall remain in effect.

IN WITNESS WHEREOF, the parties hereto, being duly authorized and intending to be legally bound, have caused this Agreement to be executed as of the day and year first above written.

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF REVENUE


Eileen H. McNulty
Secretary of Revenue

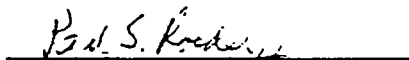

Comptroller


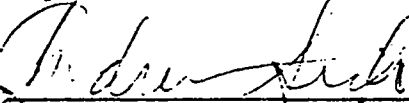
CITY OF PHILADELPHIA

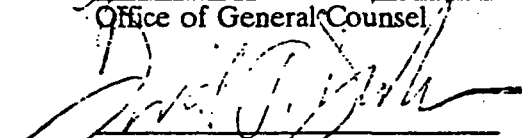
By: 
Revenue Commissioner

By: 
City Solicitor

Approved as to form and legality:


Chief Counsel
Department of Revenue


Office of General Counsel


Office of Attorney General

BLANK, ROME,

JUN 19 1991

COMISKY & MCCAULEY



(Bill No. 1437)

AN ORDINANCE

Explanation: Italicized indicates new matter added

Amending Title 19 of The Philadelphia Code, entitled "Finances, Taxes and Collections," by adding a new Chapter 19-2500, entitled "Pennsylvania Intergovernmental Cooperation Authority Tax on Wages and Net Profits," by imposing a tax of one and one-half percent on the salaries, wages, commissions and other compensation earned by residents of the City and on the net profits earned in businesses, professions or other activities conducted by residents of the City; providing that revenues from the tax are to be used for the purposes of the Pennsylvania Intergovernmental Cooperation Authority; pledging to obligees of the Authority that the City will neither repeal nor reduce the tax for so long as bonds of the Authority secured by the pledge of the tax remain outstanding; providing for the collection of the tax; and imposing penalties.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. Title 19 of The Philadelphia Code, entitled "Finances, Taxes and Collections," is hereby amended by adding a new Chapter 19-2800, entitled "Pennsylvania Intergovernmental Cooperation Authority Tax on Wages and Net Profits," to read as follows:

CHAPTER 19-2800. PENNSYLVANIA
INTERGOVERNMENTAL
COOPERATION AUTHORITY TAX
ON WAGES AND NET PROFITS.

§19-2801. *Legislative Acknowledgements.*

(1) *The General Assembly of the Commonwealth of Pennsylvania has enacted the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of _____, 1991, P.L. _____ No. ____).*

(2) *The Act declares it to be the public policy of the Commonwealth to exercise its retained sovereign powers with regard to taxation, debt issuance and matters of State-wide concern in a manner calculated to foster the fiscal integrity of cities of the first class to assure that these cities provide for the health, safety and welfare of their citizens; pay principal and interest owed on their debt*

obligations when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial planning procedures and budgeting practices. The inability of a city of the first class to provide essential services to its citizens as a result of a fiscal emergency has been determined to affect adversely the health, safety and welfare not only of the citizens of that municipality but also of other citizens in this Commonwealth.

(3) The stated intent of the General Assembly for enacting the Act is to:

(a) provide cities of the first class with the legal tools with which cities of the first class can eliminate deficits that render them unable to perform essential municipal services;

(b) create an authority that will enable cities of the first class to access capital markets for deficit elimination and seasonal borrowings to avoid default on existing obligations and chronic cash shortages that will disrupt the delivery of municipal services;

(c) foster sound financial planning and budgetary practices that will address the underlying problems which result in such deficits; and

(d) exercise its powers consistent with the rights of citizens to home rule and self government by maintaining a system pursuant to which the principal responsibility for conducting the governmental affairs of a municipality remains with its local elected officials;

(e) remedy the fiscal emergency confronting cities of the first class through the implementation of sovereign powers of the Commonwealth with respect to taxation, indebtedness and matters of State-wide concern. To safeguard the rights of the citizens to the electoral process and home rule, the General Assembly intends to exercise its power in a cooperative manner with the elected officers of cities of the first class as contemplated by the Constitution of Pennsylvania.

(f) authorize the imposition of a tax or taxes to provide a source of funding for an intergovernmental cooperation authority to enable it to assist cities of the first class and to incur debt of such authority for such purposes; however, the General Assembly intends that such debt shall not be

a debt or liability of the Commonwealth or a city of the first class nor shall debt of the authority payable from and secured by such source of funding create a charge directly or indirectly against revenues of the Commonwealth or a city of the first class.

(4) In enacting the Act the General Assembly of the Commonwealth inter alia found:

(a) That cities of the first class have encountered recurring financial difficulties which may affect the performance of necessary municipal services to the detriment of the health, safety and general welfare of residents of such cities.

(b) That the financial difficulties have caused cities of the first class to lose an investment-grade credit rating and direct access to capital markets.

(c) That it is critically important that cities of the first class achieve an investment-grade credit rating and thereafter maintain their credit-worthiness.

(d) That, without the ability to enter the capital markets, cities of the first class may face a fiscal emergency that could render them unable to pay their obligations when due and deliver essential services to their citizens.

(e) That, due to the economic and social interrelationship among all citizens in our economy, the fiscal integrity of cities of the first class is a matter of concern to residents of the entire Commonwealth, and the financial problems of such cities have a direct and negative effect on the entire Commonwealth.

(f) That, because cities of the first class consume a substantial proportion of the products of Pennsylvania's farms, factories, manufacturing plants and service enterprises, economic difficulties confronting cities of the first class detrimentally affect the economy of the Commonwealth as a whole and become a matter of State-wide concern.

(g) That, because residents of cities of the first class contribute a substantial proportion of all Commonwealth tax revenues, a disruption of the economic and social life of such cities may have a significant detrimental effect upon Commonwealth revenues.

(h) That, cities of the first class and the Commonwealth have shown a willingness to cooperate in order to address important financial and budgetary concerns.

(i) That, the financial difficulties of cities of the first class can best be addressed and resolved by cooperation between governmental entities.

(j) That, the Constitution of Pennsylvania grants municipalities authority to cooperate with other governmental entities in the exercise of any function or responsibility.

(k) That, the Commonwealth retains certain sovereign powers with respect to cities of the first class, among them the powers to authorize and levy taxes, to authorize the incurring of indebtedness and to provide financial assistance that may be necessary to assist cities in solving their financial problems.

(l) That, the Commonwealth may attach conditions to grants of authority to incur indebtedness or assistance to

cities of the first class in order to ensure that deficits are eliminated and access to capital markets is achieved and maintained.

(m) That, such conditions shall be incorporated into intergovernmental cooperation agreements between the Commonwealth or its instrumentalities and cities of the first class.

(n) That, cities of the first class and the Commonwealth will benefit from the creation of an independent authority composed of members experienced in finance and management which may advise such cities, the General Assembly and the Governor concerning solutions to fiscal problems cities of the first class may face.

(o) That, the creation of such an authority with the power to borrow money and issue bonds in order to assist cities of the first class will allow such cities to continue to provide the necessary municipal services for their residents and to contribute to the economy of the Commonwealth.

(p) That, in order for an authority to effectively assist cities of the first class in financing their cash flow needs and for cities of the first class to be able to cost-effectively

finance their cash flow needs during the term of any authority bonds and thereafter, the enactment of certain provisions of law in connection with the issuance of tax and revenue anticipation notes of cities of the first class is necessary and desirable.

(q) That, a dedicated source of funding for the authority is necessary in order to address the immediate financial difficulties of cities of the first class.

(r) That, the Commonwealth's action in authorizing cities of the first class to impose taxes for the authority will allow such cities to continue to provide necessary services for their residents and for those non-residents enjoying the benefits of such services.

(s) That, the levy of a tax within cities of the first class for the authority should be authorized by the Commonwealth for the benefit of cities of the first class, with the revenue produced as a result of such levy being Commonwealth-authorized revenues and revenues of a State authority, and not revenues of the city of the first class.

(t) *That, the authority to levy a tax only within cities of the first class or as a rate that is higher than that imposed outside cities of the first class is based upon a legitimate classification which the General Assembly deems to be reasonable and just, since the benefit received by taxpayers in cities of the first class as a result of such levy is determined to be in proportion to the tax burden imposed in such cities of the first class.*

(u) *That, a levy imposed only, or at a higher rate, in cities of the first class will be used to benefit citizens of cities of the first class by providing for their health, safety, convenience and welfare.*

(5) *City Council further acknowledges that the Act:*

(a) *Specifically authorizes the imposition and pledge of any combination of the following taxes:*

(i) *a sale and use and hotel occupancy tax;*

(ii) *a realty transfer tax such as is now or as may be hereafter enacted for general revenue purposes of the City pursuant to Section 1301(b) of the Act of December 13, 1988 (P.L. 1121, No. 45), known as the Local Tax Reform Act; and*

(iii) a tax on salaries, wages, commissions, compensation or other income received or to be received for work done by residents of the City, imposed pursuant to the provisions of the Sterling Act.

(b) Provides that the revenues generated by any such tax are to become the exclusive property of the Pennsylvania Intergovernmental Cooperation Authority (PICA) and shall not be subject to appropriation by City Council or the General Assembly of the Commonwealth.

(c) Provides that the Department of Revenue of the Commonwealth is charged with the administration, enforcement and collection of the tax imposed by this Chapter and if the tax imposed is pursuant to Subsections 601(a)(2), or (3) of the Act the administration, enforcement and collection procedures for the taxes and the fines, forfeitures, penalties and interest charges shall be as are specified in this Chapter.

(d) Provides that the Department of Revenue of the Commonwealth is authorized to appoint as its agents, tax officers, clerks, collectors and other assistants, including revenue and legal departments of cities imposing a tax under this chapter, to collect and enforce any tax, including

interest and penalties, imposed under authority of this chapter; provided, however, that any moneys collected by any such agent shall not be commingled with any other funds of such agent and must be segregated and paid over to the Department of Revenue of the Commonwealth at least monthly.

(c) Provides that the revenues collected by any of the Department of Revenue's agents, tax officers, clerks, collectors and other assistants are to be paid over to the Department of Revenue of the Commonwealth to be deposited by the Treasurer of the Commonwealth in the Pennsylvania Intergovernmental Cooperation Authority Tax Fund.

(f) Provides that the obligees of PICA shall have the right to enforce a pledge of or security interest in revenues of the authority securing payment of bonds of the authority against all government agencies in possession of any such revenues at any time, which revenues may be collected directly from such officials upon notice by such obligees or a trustee for such obligees for application to the payment of such bonds as and when due or for deposits in any sinking, bond or debt service fund established by the

Commonwealth or established by resolution of the authority with such trustee at the times and in the amounts specified in such bonds or the resolution or indenture or trust agreement securing such bonds. Any government agency in possession of any such revenues shall make payment against receipt and shall thereby be discharged from any further liability or responsibility for such revenues. If such payment shall be to a holder of bonds, it shall be made against surrender of such bonds to the payor for delivery to the authority in the case of payment in full, otherwise it shall be made against production of such bonds for notation thereon of the amount of the payment. The provisions of this section with respect to the enforceability and collection of revenues which secure bonds shall supersede any contrary or inconsistent statutory provision or rule of law. This section shall be construed and applied to fulfill the legislative purpose of clarifying and facilitating the financing of the authority of the costs of assisting a city by assuring to the obligees of the authority the full and immediate benefit of the security for

the bonds without delay, diminution or interference based on any statute, decision, ordinance, or administrative rule or practice.

§19-2802. Definitions.

(1) *"Authority." The Pennsylvania Intergovernmental Cooperation Authority established in the Act.*

(2) *"Bond." A note, bond, refunding note and bond, interim certificate, debenture and other evidence of indebtedness or obligation which an authority is authorized to issue pursuant to the Act.*

(3) *"Business." An enterprise, activity, profession or undertaking of any nature conducted for profit or ordinarily conducted for profit, whether by an individual, copartnership, association, governmental body or unit or agency, or any other entity.*

(4) *"Department." The Department of Revenue of the Commonwealth or its agents, tax officers, clerks, collectors and other assistants, including revenue and legal departments of the City of Philadelphia. For purpose of complying with the provisions of this Chapter, the Revenue*

Department of the City is the authorized agent of the Department of Revenue of the Commonwealth for the collection of taxes imposed hereunder.

(5) "Employee." Any person who renders services to another for a consideration or its equivalent, under an express or implied contract, and who is under the control and direction of the latter, including temporary, provisional, casual or part-time employment.

(6) "Employer." An individual, copartnership, association, corporation, governmental body or unit or agency, or any other entity, who or that employs one or more persons on a salary, wage, commission or other compensation basis.

(7) "Net Profits." The net gain from the operation of a business, profession or enterprise, after provision for all allowable costs and expenses incurred in the conduct thereof, either paid or accrued in accordance with the accounting system used, without deduction of taxes based on income.

(8) "Obligee of the Authority." Any holder or owner of any bond of the Pennsylvania Intergovernmental

Cooperation Authority or any trustee or other fiduciary for any such holder or any provider of a letter of credit, policy of municipal bond insurance or other credit enhancement or liquidity facility for bonds of the authority.

(9) *"Person."* Every individual, copartnership, fiduciary or association.

(10) *"Resident."* An individual, copartnership, association, corporation or any other entity domiciled in the City.

(11) *"Salaries, Wages, Commissions and Other Compensation."* All salaries, wages, commissions, bonuses, incentive payments, fees and tips that may accrue or be received by an individual, whether indirectly or through an agent and whether in cash or in property, for services rendered, but excluding:

(a) *periodical payments for sick or disability benefits and those commonly recognized as old age benefits;*

(b) *retirement pay, or pensions paid to persons retired from service after reaching a specific age or after a stated period of employment;*

(c) any wages or commissions paid by the United States to any person for active service in the Army, Navy or Air Force of the United States;

(d) any bonus or additional compensation paid by the United States, this Commonwealth, or any other state for such service;

(e) any statutory per diem compensation paid any witness or juror, or member of the District Election Board.

(12) "Taxpayer." Any person required by this Chapter to file a return or to pay a tax.

§19-2503. Imposition of Pennsylvania Intergovernmental Cooperation Authority Tax on Wages and Net Profits.

(1) An annual tax to provide revenues for the purposes of the Pennsylvania Intergovernmental Cooperation Authority is imposed as follows:

(a) On salaries, wages, commissions, and other compensation earned by residents of Philadelphia on and after July 1, 1991 at the rate of one and one-half percent.

(b) *On the net profits earned in business, professions or other activities conducted by residents after July 1, 1991 at the rate of one and one-half percent.*

(2) *The tax imposed under §19-2803(1)(a) shall relate to and be imposed upon salaries, wages, commissions, and other compensation paid by an employer or on his behalf to any person who is employed by or renders services to him.*

(3) *The tax levied under §19-2803(1)(b) shall relate to and be imposed on the net profits of any business, profession, or enterprise carried on by any person as owner or proprietor, either individually or in association with some other person or persons.*

§19-2804. City Pledge; Duration of Taxes.

(1) *The city pledges and agrees with each and every obligee of the authority acquiring bonds secured by an authority pledge of taxes imposed by this Chapter that the city will not repeal the tax or reduce the rate of the tax imposed for the authority until all bonds so secured by the pledge of the authority, together with the interest thereon, are fully paid or provided for. The revenues from the taxes imposed by this Chapter shall be revenues and property of*

the authority and shall not be revenues or property of the city. The taxes shall be collected by the Department of Revenue of the Commonwealth and shall not be subject to appropriation by the City Council or by the General Assembly.

(2) The taxes imposed under this chapter shall continue in effect until all bonds of the authority which are secured by the authority's pledge of such tax revenues are no longer outstanding. For as long as any such bonds remain outstanding, City Council pledges not to repeal this Chapter or reduce the rate of tax imposed for the authority under this Chapter.

§19-2505. Return and Payment of Tax.

(1) Each person whose net profits are subject to the tax imposed by this chapter shall, on or before April 15 of each year, make and file with the Department a return on a form furnished by or obtainable from the Department setting forth the amount of such net profits earned by him during the preceding year and subject to the said tax, together with such other pertinent information as the Department may require. Where a return is made for a fiscal year or for any

other period different from a calendar year, the said return shall be made within one hundred five (105) days from the end of the said fiscal year or other period.

(2) Each person who is employed on a salaried, wage, commission or other compensation basis, which is subject to a tax imposed by this Chapter and which tax is not withheld by his employer and paid to the Department as provided in §19-2806 shall make and file a tax return with the Department for the three (3) months ending December 31, on or before the 15th day of the following February, and shall make and file a tax return with the city on or before the last day of April, July and October for the last three (3) months ending on the last day of the month preceding the due date. The return shall be made on a form furnished by the Department, setting forth the aggregate amount of salaries, wages, commissions and other compensation subject to the said tax earned by such person for the three (3) months, together with such other pertinent information as the city may require.

(3) Whenever any person files a return required by this Section he shall at the time of filing pay to the Department the amount of tax due thereon.

§19-2806. Collection at Source.

(1) Each employer within a city of the first class who employs one or more persons on a salary, wage, commission or other compensation basis shall deduct at the time of payment thereof, the tax imposed by this Chapter on the salaries, wages, commissions and other compensation due from the said employer to the said employee, except that due to employees engaged as domestic servants, and shall make a return and pay to the Department the amount of tax so deducted at such intervals as the Department shall establish by regulations.

(a) The return shall be on a form or forms furnished by the Department and shall set forth the names and residences of each employee of said employer during all or any part of the period covered by the said return, the amounts of salaries, wages, commissions or other compensation earned during such period by each of such employees, together with such other information as the Department may require.

(b) The employer making the return shall, at the time of filing, pay to the Department the amount of tax due thereon.

(c) *The failure of any employer, residing either within or outside of a city of the first class to make such return and/or to pay such tax shall not relieve the employee from the responsibility for making the returns, paying the tax, and complying with the regulations with respect to making the returns and paying the tax.*

(2) *When an employer makes deductions or returns under §19-2806(1) he shall deposit such deduction with the Department or with any bank designated by the Department, which shall in all cases be a bank designated as a City depository bank.*

(a) *Each bank so designated shall issue official receipts to the employer for the money received from him, which money shall be credited to the authority's account. Such deposits shall be reported daily to the department.*

(b) *At the time of each deposit, the employer shall file with the department or designated bank a depository form to be furnished by the department which shall contain such information as the department may require.*

§19-2807. Estimated Net Profits Tax.

(1) *Returns and Payments of Estimated Tax.*

(a) *Each person whose net profits are subject to the tax imposed by this Chapter shall be required to file returns and pay estimated tax on account of the net profits due for the current taxable year.*

(2) *For the purposes of this Chapter, the term "estimated tax" means the amount of net profits tax which a person calculated to be his tax due under this Chapter for the preceding taxable year, after giving effect to the tax credit provided in Section 19-2808.*

(3) *Calendar Year Taxpayers.*

(a) *Returns and payments of estimated tax for taxable years beginning after December 31, 1991 shall be due and payable as follows:*

(.1) *The first installment of one-fourth of the estimated tax shall be due and payable on or before April 15 of the taxable year.*

(.2) *The second installment of one-fourth of the estimated tax shall be due and payable on or before June 15 of the taxable year.*

(4) *Fiscal Year Taxpayers.*

(a) *Persons who report net income for a fiscal year period other than a calendar year shall make returns and payments of estimated tax for taxable years beginning after December 31, 1991 as follows:*

(.1) *The first installment of one-fourth of the estimated tax shall be due and payable within three and one-half months after the beginning of the taxable fiscal year.*

(.2) *The second installment of one-fourth of the estimated tax shall be due and payable within five and one-half months after the beginning of the taxable fiscal year.*

(5) *Credits for Excessive Estimated Payments.*

(a) *Any estimated payments which exceed a person's tax liability for the taxable year shall be applied as a credit against the estimated tax for the following taxable year, to the extent of the estimated tax due for the following taxable year.*

(b) *The amount of any estimated payments which exceed the estimated tax for the following year shall be refunded to the taxpayer.*

(6) Provisions not Applicable. The provisions of Section 19-2807 shall not be applicable to a person for a taxable year if:

(a) Such person was not engaged in business in the preceding taxable year; or

(b) Such person's net profits tax liability for the preceding taxable year does not exceed one hundred (\$100) dollars; or

(c) Such person terminated his business activity prior to the due date of the net profits tax return for the preceding taxable year.

(7) Any person who terminates his business activity prior to the due date of any estimated payment shall not be required to make any additional estimated payments for that taxable year.

§19-2808. Credit Against Tax.

(1) In the event that any person subject to a tax under §19-1502(1)(c) and who is entitled to a credit pursuant to §19-1506 does not totally exhaust such credit against tax

liability incurred pursuant to §19-1502(1)(c). The remaining credit may be applied against taxes owed pursuant to this chapter.

(2) The credit provided pursuant to this Section relates to the following tax year;

(a) When a return is made for a fiscal year corresponding to the calendar year, the same calendar year as that which is used as the measuring period for computing net income subject to the tax imposed under Chapter 19-2600 of this Title on which the credit is based.

(b) When a return is made for a fiscal year other than a calendar year, the fiscal year which ends within the calendar year for which the tax imposed under Chapter 19-2600 of this Title is paid, and on which the credit is based.

(3) Nothing in this Section shall permit credits to be charged against any given tax year in excess of the amount of tax due under §19-2803 for that tax year.

§19-2809. Penalties and Enforcement.

(1) Penalties.

(a) *For late deposits of withheld taxes due under this Chapter there shall be added, in addition to the penalties set forth herein, a penalty of ten percent (10%) of the underpayment.*

(2) *Extension for Payment.*

(a) *If the due date for the payment of any tax due falls on a Sunday or a holiday, or any day during which the agency collecting such tax is not open for a full business day, the Department may postpone such due date to the next following business day.*

(b) *The Department may, upon proper cause shown, grant a taxpayer an extension of not more than sixty (60) days for the payment of the tax. Application for such extension shall be made on or before the last day for the payment of the tax, in such form as the Department prescribes.*

(c) *If any Federal taxing authority grants to any taxpayer an extension for the payment of Federal income tax for a period in excess of sixty (60) days, the Department*

may grant an additional extension of time for the payment of any City tax affected thereby, not to exceed thirty (30) days after the termination of the Federal extension period.

(d) Where an extension for payment of any tax has been granted by the Department, the principal amount of such tax shall be subject to interest from the original due date at the rate of one-half of one percent per month, or part thereof, but shall not be subject to any penalty if paid within the extended period.

(3) Extension for Filing Returns.

(a) The Department may, upon proper cause shown, grant a taxpayer an extension of not more than sixty (60) days for the filing of any tax return. Application for such extension shall be made on or before the last day of the payment of the tax, in such form as the Department prescribes.

(b) If any Federal taxing authority grants to any taxpayer an extension for the filing of Federal income tax returns for a period in excess of sixty (60) days, the

Department may grant an additional extension of time for the filing of any tax returns affected thereby, not to exceed the date of termination of the Federal extension period.

(c) In order for an extension to be granted, the taxpayer must file a tentative return and pay one hundred percent (100%) of the tax estimated to be due, on or before the statutory due date. The extension will not relieve the taxpayer from the obligation to pay interest and penalty from the date such return was originally due upon the amount of tax due in excess of the estimated tax paid.

(4) Allocation of Delinquent Payments.

(a) Unless otherwise provided, when a partial payment is made on account of any delinquent tax, such payment shall be pro-rated between the principal sum of such tax and the penalties and interest accumulated on it.

(5) Records of Taxpayer.

(a) Every person who has paid, or from whom there is due or alleged to be due, any moneys collectible by the Department, for or on behalf of the authority, including

any taxes, charges, or other sums, and any person upon whom there is imposed any other obligation to collect and remit to a city any such moneys shall:

(.1) preserve and retain his books, records, accounts, copies of tax returns filed with other taxing authorities, and other data relating thereto, for a period of six (6) years after such moneys become collectible or have been collected by the Department, whichever is later;

(.2) when requested by the Department produce his books, records, accounts, copies of tax returns filed with other taxing authorities, and other data relating thereto, and give to the Department the opportunity to make examination of such books, records, accounts, copies, data, and any property owned or controlled by such person in order to verify the accuracy of any report or return made, or if no report or return has been made, to ascertain the amount of tax, rent, charge, or other sum due.

(.3) Any information obtained by the Department in the conduct of any examination or investigation shall be treated as confidential, except in the course of departmental business, or in accordance with judicial order, or as otherwise provided by law.

(6) *Oaths.*

(a) *Whenever the Department shall hold hearings or conduct investigations, the Revenue Commissioner of the City, or any deputy designated by him, shall have the power to administer oaths to persons under examination.*

(7) *Interest, Penalties and Costs.*

(a) *If any tax authorized or imposed under this Chapter is not paid when due, there shall be added to the amount of the unpaid tax and collected therewith, interest at the rate of one-half of one percent of the amount of the unpaid tax, and a penalty at the rate of one percent of the amount of the unpaid tax shall be added for each month or fraction thereof during which said tax shall remain unpaid and shall be collected, together with the amount of the tax. This provision shall not apply to:*

(.1) *Taxes imposed by §19-2803 that are not, in fact, withheld pursuant to §19-2806; provided, however, when such tax is not paid when due interest at the rate of one-half percent of the amount of the unpaid tax and a penalty of one percent of the amount of the unpaid tax per month for*

the first year and one-half percent per month thereafter shall be added and collected together with the amount of the tax.

(b) Where suit is brought for the recovery of any such tax the person liable therefor shall, in addition, be liable for the costs of collection together with the interest and penalties herein imposed.

(c) If any tax imposed under this Chapter was not paid when due or is not paid when it becomes due, there shall be added to the amount of the unpaid tax, interest, and penalty and collected therewith:

(.1) interest at the rate of one-half of one percent of the amount of the unpaid tax each month or fraction thereof during which the tax remains unpaid; and

(.2) penalty calculated on the amount of the unpaid tax at the following rates for each month during which the tax remains unpaid:

(.a) in the first month or fraction thereof following the due date, one percent (1%);

(b) in the second month or fraction thereof following the due date, an additional one percent (1%) for a total of two percent (2%);

(c) in the third month or fraction thereof following the due date, an additional one percent (1%) for a total of three percent (3%);

(d) in the fourth month or fraction thereof following the due date, an additional two percent (2%) for a total of five percent (5%);

(e) in the fifth month or fraction thereof following the due date, an additional two percent (2%) for a total of seven percent (7%);

(f) in the sixth month or fraction thereof following the due date, an additional two percent (2%) for a total of nine percent (9%);

(g) in the seventh month or fraction thereof following the due date, an additional three percent (3%) for a total of twelve percent (12%);

(.h) in the eighth month or fraction thereof following the due date, an additional three percent (3%) for a total of fifteen percent (15%);

(.i) in the ninth month or fraction thereof following the due date, an additional three percent (3%) for a total of eighteen percent (18%);

(.j) in the tenth month or fraction thereof following the due date, an additional four percent (4%) for a total of twenty-two percent (22%);

(.k) in the eleventh month or fraction thereof following the due date, an additional four percent (4%) for a total of twenty-six percent (26%);

(.l) in the twelfth month or fraction thereof following the due date, an additional four percent (4%) for a total of thirty percent (30%);

(.m) thereafter, for each additional month or fraction thereof following the due date, one and one-quarter percent ($1\frac{1}{4}\%$) shall be added to the amount charged under subsection (.l).

(d) In addition to any other sanction or remedial procedure provided, any person who shall:

(.1) make any false or untrue statement on his report or return;

(.2) fail or refuse to file any report or return;

(.3) violate any condition of any license required hereunder;

(.4) fail to pay over to the Department any moneys which he may hold as agent for the Department;

(.5) violate any provision of this Chapter or any regulation adopted hereunder;

shall be subject to a fine of not more than three hundred (\$300) dollars, for each offense together with imprisonment for not more than ninety (90) days if the fine and costs are not paid within ten (10) days. A separate offense shall be deemed to occur on the first day of each month that conduct described in subsections (d)(.2) or (d)(.4) continues.

(e) Any person who shall have paid, or from whom there is due or alleged to be due any moneys collectible by the Department, including any taxes, charges, or other sums, and who fails and refuses to produce or permit the examination of his books, records, accounts, and related data, or to afford to authorized representatives of the Department an opportunity for such examination, shall be subject to a fine of not more than three hundred (\$300) dollars for each such offense, with imprisonment for not more than ninety (90) days if the fine and costs are not paid within ten (10) days.

(f) When any person shall give or cause to be given to a city official or agency a check in payment of any obligation whether due to the department or others, including but not limited to any tax which is dishonored or unpaid by the bank upon which it is drawn, the sum of twenty (\$20) dollars shall be added to the obligation and interest and penalties provided by law or otherwise, to cover the additional cost to the Department.

(E) Limitation of Actions.

(a) Any suit to recover any tax authorized or imposed by this chapter shall be begun within six (6) years after such tax is due or within six (6) years after a return or a report has been filed, whichever date is later; but this limitation shall not apply in the following cases:

(.1) where the taxpayer has failed to file the return or report required under the provisions of this chapter;

(.2) where an examination of a return or report filed by the taxpayer and of other evidence relating to such return or report in the possession of the Department reveals a fraudulent evasion of taxes, including, but not limited to, substantial understatement of gross income, or any other receipt of income, moneys or funds in any such return or report;

(.3) where the taxpayer has collected or withheld tax funds or moneys of any nature or description under this Chapter as agent of or trustee for the Department and has failed, neglected or refused to pay the amount so collected or so withheld to the Department.

(b) *All defenses to the collection of any tax authorized or imposed by this Chapter shall be raised by appropriate petition pursuant to provisions of local ordinance.*

(c) *Where a taxpayer has filed any petition pursuant to ordinance, the period of limitation set forth in §19-2809(a) shall be tolled until final determination of such petition has been made.*

(9) *Construction.*

(a) *Each tax authorized or imposed under this Chapter upon any person, transaction, occupation, privilege, subject or personal property shall be in addition to any other taxes imposed by a city of the first class upon such person, transaction, occupation, privilege, subject or personal property.*

(10) *Administration and Enforcement.*

(a) *The Commissioner of Revenue of the City of Philadelphia is hereby authorized to promulgate regulations governing the administration, enforcement and interpretation of the provisions of this chapter.*

SECTION 2. Effective Date. This ordinance shall become effective upon the later of either July 1, 1991 or upon the effective date of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of _____, 1991, P.L. _____, No. _____).

Explanation:

Italics indicate new matter added

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

JUNE 12, 1991

Marie B. Hansen

Deputy Chief Clerk of the Council



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF REVENUE
HARRISBURG, PENNSYLVANIA
17127

City of Philadelphia
Appen. B

THE SECRETARY

June 28, 1991

HONORABLE CHERYL WEISS
REVENUE COMMISSIONER
CITY OF PHILADELPHIA
CITY HALL
PHILADELPHIA PA

The Commonwealth of Pennsylvania, Department of Revenue, pursuant to its authority under Section 604(c) of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act of June 5, 1991 (P.L. _____, No. 6, Section 604(c)), (hereinafter referred to as the "Act") hereby appoints as its agent the Revenue Department of the City of Philadelphia, its tax officers, clerks, collectors and other assistants including the City Solicitor and such deputies as she shall designate, to collect and enforce any tax imposed under the authority of Section 601(a)(3) of the Act including interest and penalties.

A separate agreement setting forth the terms and conditions of this appointment shall be executed by the Commonwealth, Department of Revenue and the City of Philadelphia, Revenue Department.

Any monies collected by the City of Philadelphia pursuant to this appointment shall be segregated in a separate fund and shall not be commingled with any other funds.

This appointment shall be effective July 1, 1991 and shall remain in effect until terminated by notice in writing by the Commonwealth of Pennsylvania, Department of Revenue.

In witness whereof, I have set my hand and seal this
28 day of June, 1991.

Eileen H. McNulty
Eileen H. McNulty
Secretary of Revenue

SEAL

APPENDIX B

Appendix C

The City of Philadelphia Collection
Agent for Department of Revenue,
Commonwealth of Pennsylvania Account.

Fidelity Bank, National Association

Account No. 338-925-1

MONTHLY RECONCILIATION OF PICA DEPOSITS

JANUARY, 1992

W-7, 1-92 Settlement Statistics	\$ 67,068,948	
	X 0.62	(resident %)

	\$ 41,582,748	
	X 0.3	(PICA share)

Total PICA Due on W-7	\$ 12,474,824	
Total PICA Paid on W-7		
(\$67,068,472 on dailies X.62X.3)	12,474,736	

Difference on W-7	\$ 88	

W-5, 1-92 Settlement Statistics	\$ 10,507,511	
W-1, 1-92 Settlement Statistics	5,927,372	

	\$ 16,434,883	
	X 0.62	(resident %)

	\$ 10,189,627	
	X 0.3	(PICA share)

Total PICA Due on W-1 & W-5	\$ 3,056,888	
Total PICA Paid on W-1 & W-5		
(\$16,488,445 on dailies X.62X.3)	3,066,293	

Difference on W-1 & W-5	\$ (9,405)	

E-2, 1-92 Settlement Statistics	\$ 544,453	
	X 0.62	(resident %)

	\$ 337,561	
	X 0.3	(PICA share)

Total PICA Due on E-2	\$ 101,268	
Total PICA Paid on E-2		
(\$574,290 on dailies X.62X.3)	106,818	

Difference on E-2	\$ (5,550)	

DIFFERENCE DUE FROM PICA, 1-92	\$ (14,866)	

MONTHLY SETTLEMENT STATISTICS

MONTH OF 01-92

DISC

TAX

I/P

TOTAL

COUNT

HOTL

1989
1990
1991

25,647.38	.00	25,647.38	1
105.26	48.95	154.21	1
847,448.90	1,485.04	848,930.94	78
573,198.54 *	1,533.99 *	574,732.53 *	80 *

BPT

1985
1986
1987
1988
1989
1990
1991
1992

39,948.64	26,817.86	66,766.50	391
60,462.23	57,454.44	117,916.67	713
196,356.87	90,539.03	286,895.93	1092
139,398.74	56,050.27	196,247.01	855
300,394.40	142,606.87	443,001.27	1895
261,829.14	68,807.85	330,636.99	1075
713,020.46	137,570.61	850,591.07	1799
923,379.75	2,211.82	925,591.37	113
2,634,788.23 *	582,858.58 *	3,217,646.81 *	7933 *

GBT

1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
1984

.00	20.29	20.29	1
.00	27.30	27.30	1
.00	59.52	59.52	2
.00	72.76	72.76	2
.00	73.54	73.54	3
.00	65.18	65.18	2
.00	96.14	96.14	3
118.62	186.14	304.76	8
177.28	110.64	287.90	5
301.27	336.47	637.74	12
321.02	131.90	452.92	8
405.63	196.69	602.32	17
634.50	446.77	1,081.27	25
1,958.30 *	1,823.34 *	3,781.64 *	87 *

W. I.

1979
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992

553.14	50.00	603.14	2
1,591.21	613.86	2,205.07	11
1,365.81	505.45	1,871.26	10
1,020.07	751.61	1,771.68	16
1,786.87	1,777.17	3,563.84	27
919.06	598.29	1,517.35	15
1,559.46	923.98	2,483.44	25
6,208.52	1,042.76	7,251.28	34
18,295.26	4,430.17	22,725.43	97
23,562.99	5,258.96	28,821.95	117
52,499.10	15,755.89	68,254.99	238
5,905,202.28	8,966.48	5,914,168.76 }	7382
13,203.27	.00	13,203.27 }	20

5,927,312

MONTHLY SETTLEMENT STATISTICS

MONTH OF 01-92

DESC TAX T/P TOTAL COUNT

6,027,766.84 • 40,674.62 • 6,068,441.46 • 7994 •

E-2

1949	.00	17.13	17.13	1
1950	.00	7.87	7.87	1
1952	112.16	.00	112.16	2
1953	115.36	.00	115.36	2
1954	115.22	.00	115.22	2
1955	126.06	.00	126.06	2
1956	147.10	.00	147.10	2
1958	.00	158.62	158.62	2
1961	207.94	.00	207.94	1
1965	.00	52.19	52.19	1
1966	.00	31.54	31.54	1
1967	.00	34.68	34.68	1
1968	102.81	87.82	190.63	6
1969	888.51	580.48	1,468.99	16
1970	2,056.41	661.92	2,718.33	34
1971	2,305.81	942.94	3,228.75	31
1972	2,287.73	1,805.79	4,093.52	34
1973	2,017.81	1,036.32	3,054.13	34
1974	1,917.03	821.19	2,738.22	38
1975	994.61	1,348.30	2,340.97	26
1976	84.47	891.36	975.83	14
1977	440.62	493.95	934.57	18
1978	1,984.62	555.34	2,539.96	27
1979	3,073.82	520.75	3,594.57	29
1980	1,578.98	2,975.48	4,554.46	64
1981	10,042.60	8,096.19	18,138.79	208
1982	14,166.37	9,651.33	23,817.70	266
1983	19,925.33	9,653.79	29,579.12	296
1984	29,943.05	11,228.43	41,171.48	347
1985	44,619.93	10,998.67	55,618.60	361
1986	34,204.81	10,910.50	45,115.11	298
1987	27,929.64	7,090.62	35,020.06	247
1988	27,466.95	7,403.69	34,870.64	229
1989	25,608.15	6,716.94	32,325.09	165
1990	42,696.84	8,809.28	51,506.12	189
1991	529,234.99	14,710.80	543,945.79	1324
1992	492.05	14.42	507.37	7

826,968.38 • 118,306.29 • 945,274.67 • 4326 •

NP

1969	.00	100.00	100.00	3
1973	.00	153.90	153.90	3
1974	.00	230.67	230.67	4
1975	160.00	73.67	233.67	5
1976	.00	74.15	74.15	1
1977	323.01	228.47	551.48	5
1978	176.99	90.57	267.56	3

511,453

MONTHLY SETTLEMENT STATISTICS

MONTH OF 01-92

	DISC	TAX	T/P	TOTAL	COUNT
--	------	-----	-----	-------	-------

1979		113.03	1.02	114.05	2
1980		1,199.93	19,399.50	20,599.43	206
1981		1,932.76	4,855.13	6,787.89	69
1982		2,463.91	1,166.97	3,630.48	35
1983		10,009.79	3,593.19	22,498.94	70
1984		5,681.56	2,173.06	7,854.62	60
1985		14,422.28	7,234.10	21,656.38	132
1986		12,231.34	3,785.81	16,017.15	84
1987		11,504.49	2,422.45	13,926.94	85
1988		21,364.69	9,879.86	31,044.69	208
1989		41,008.13	11,487.21	53,345.34	207
1990		78,865.67	13,889.26	92,754.93	294
1991		1,535,249.50	790.96	1,536,040.46	356
1992		2,267.00	.00	2,267.00	4

1,748,750.04 • 81,399.55 • 1,830,149.59 • 1838 •

1960		.00	25.00	25.00	1
1966		.00	10.00	10.00	1
1972		.00	8.40	8.40	1
1973		.00	12.91	12.91	1
1974		.00	7.09	7.09	1
1976		13.00	.00	13.00	1
1977		18.00	142.71	160.71	4
1978		477.26	312.16	789.42	7
1979		274.59	2,380.34	2,654.93	28
1980		10,286.84	2,009.31	12,295.15	30
1981		12,188.90	2,080.44	14,217.34	46
1982		11,610.45	1,295.19	12,905.64	37
1983		2,802.78	1,836.96	4,639.74	47
1984		4,044.02	7,484.37	11,528.39	120

41,882.84 • 17,584.88 • 59,267.72 • 325 •

1978		287.04	.00	287.04	1
1980		852.00	.00	852.00	1
1981		1,036.32	.00	1,036.32	2
1982		2,039.00	.00	2,039.00	2
1983		2,982.00	1,598.61	4,560.61	22
1984		6,743.30	4,084.98	10,828.38	60
1985		3,579.21	1,686.40	5,265.67	27
1986		11,711.97	3,682.52	15,394.49	57
1987		22,314.74	7,894.81	30,209.55	102
1988		12,090.53	1,831.28	14,781.81	48
1989		88,688.31	4,609.84	103,208.15	85
1990		34,030.78	7,027.72	41,058.50	131
1991		10,221,039.93	26,548.20	10,247,588.13	8732
1992		259,923.34	.00	259,923.34	200

8732

-200

10,507.511

MONTHLY SETTLEMENT STATISTICS

MONTH OF 01-92

DISC TAX T/P TOTAL COUNT

10,679,068.55 * 50,864.42 * 10,737,932.97 * 9470 *

AMUS

1978	.00	8,894.00	.00	8,894.00	1
1981	.00	204,903.43	780.87	205,684.30	134
1982	.00	2,876.09	.00	2,876.09	3
	.00	216,673.52 *	780.87 *	217,454.39 *	138 *

W 7

1978		300.00	.00	300.00	1
1981		.00	380.88	380.88	15
1983		8,572.98	15,685.32	24,258.30	160
1984		251.55	4,946.81	5,198.36	78
1985		889.42	6,990.86	7,880.28	128
1988		16,451.04	4,884.08	21,118.02	59
1987		11,783.84	2,888.08	14,648.89	73
1986		21,739.12	11,552.09	33,291.21	134
1989		68,153.32	5,772.32	73,925.64	112
1990		120,111.83	3,558.65	123,670.48	84
1991		19,926,565.06	47,843.13	19,974,408.99	5398
1992		47,080,017.31	14,521.34	47,094,538.65	13650
		67,254,817.17 *	118,809.94 *	67,373,626.71 *	19892 *

47,068,911

1989

1989		2,052.12	32.83	2,084.95	8
1990		16,920.33	75.42	16,003.75	15
1991		1,800,885.06	1,117.41	1,809,982.46	409
		1,826,845.50 *	1,225.66 *	1,828,071.16 *	432 *

BOWL

1992

1992		3,050.00	.00	3,050.00	3
		3,050.00 *	.00 *	3,050.00 *	3 *

COIN

1991

1991		5,600.00	.00	5,600.00	3
1992		107,198.52	1.48	107,200.00	32
		112,798.52 *	1.48 *	112,800.00 *	35 *

TOTAL 91,948,366.43 1,023,863.22 92,972,229.65 52551

DETERMINATION OF RESIDENCE/NONRESIDENCE

(a) The method of calculating resident/nonresident collections as of the date of this Agreement is based on a three-year moving average of resident/nonresident collections of wage, earnings and net profits taxes. The City shall file annually with the Department the annual reconciliation of resident/nonresident collections based upon returns for wage tax in the form attached hereto as Schedule 1 and appropriate documentation for the earnings and net profits taxes and the three-year moving average will be adjusted accordingly upon approval by the Department.

(b) The method of calculation of Authority Income Tax collection as of the date of this Agreement has been determined by the Department and approved by the Secretary as follows:

(1) The calculation is made daily by the City on the Daily Receipt and Deposit Statement attached hereto as Schedule 2.

(2) (i) Total wage and earnings taxes are multiplied by 62%, the average of the last three years' percentages of resident wage and earnings taxes to total wage and earnings taxes.

(ii) Total Net profits taxes are multiplied by 68%, the average of the last three years' percentages of resident net profits taxes to total net profits taxes.

(3) The sum of (2)(i) and (2)(ii) is multiplied by $\frac{1.5}{4.96}$ a number which represents 1.5% (the rate of the Authority Income Tax) divided by 4.96%, the aggregate rate of wage, earnings, and net profits tax imposed on City residents for all purposes.

APPENDIX E

(4) A copy of the Daily Receipt and Deposit Statement (Schedule 2) showing each day's calculation of the Agency Account Deposit shall be sent by telecopy to the Department on the day of each deposit.

(5) The Collection Agent shall provide the Department annually with such information as the Department deems appropriate to adjust the calculations described in this Appendix E and the Department shall determine whether to adjust the method of calculation on the basis of such information. If the Department determines to adjust the method of calculation, the Department shall notify the Collection Agent in writing of its determination and the effective date of the adjustment.

Due Date:
2/28/90

1989

Print your numbers like this:

1 2 3 4 5 6 7 8 9 0

TAXPAYER COPY

Type
Tax



SEE INSTRUCTIONS ON BACK

ACCOUNT NO.

If you had no taxable compensation
in 1989, see instructions.

Note: "A" and "B" Denote Employees, Not Gross Wages

A. Number of Taxable Philadelphia Residents

B. Number of Taxable Non-Residents

1. Taxable Residents Compensation

2. Line 1 times .0696 (6.96%)

3. Taxable Non-Residents Compensation

4. Line 3 times .043125 (4.3125%)

5. Total Tax Due (Line 2 plus Line 4)

6. Tax Previously Paid For 1989

----- DO NOT DETACH -----
NAME: ACCOUNT NO.

If line 5 is Greater Than Line 6, Use Line 7

7. Tax Due (Line 5 Minus Line 6)
Make Check Payable To: City of Philadelphia

If line 5 is Less Than Line 6, Use Line 8

8. Tax Overpaid (Line 6 Less Line 5)

Signature: _____
I hereby certify that I have paid for this return and that it is correct to the best of my knowledge.

TAXPAYER COPY

ANNUAL RECONCILIATION OF WAGE TAX

The Annual Reconciliation of Wage Tax Withheld for the year 1989 is due on or before February 28, 1990.

- If the tax due on line 7 is more than \$1, please make check payable to "City of Philadelphia."
- All compensation paid to residents is taxable, even if earned outside CP Philadelphia.
- Compensation paid to non-residents is taxable only if earned inside Philadelphia.
- To ensure efficient processing, please print your numbers carefully.
- Please direct telephone inquiries to 686-5600.

MAGNETIC TAPE INSTRUCTIONS

FORMAT: The City of Philadelphia Income Tax regulations requires all employers to submit a copy of Federal Form W-2 for each employee. If the number of forms exceeds 250, then the data MUST be provided on magnetic tape. The format is to be the same as transmitted to the Social Security Administration as stated in their Technical Information Booklet-4 (TIB-4); please note that the Code S - Supplemental Record must also be included. On the Code S, be sure to include the following fields:

LOCATION 212 = Tax Type Code = C
LOCATION 213-217 = Taxing Entity Code = PHILA
LOCATION 218-226 = Taxable Philadelphia Wages
LOCATION 227-232 = Philadelphia Wage Tax Withheld
LOCATION 233-240 = Philadelphia Tax Account Number

LABELS: The following data is required on the label to be affixed to the magnetic tape: Name of Taxpayer
Seven-digit City of Philadelphia Business Tax Account Number
Tax Year: 1989

TERMINATION: please complete below and remit this form.

If you had no taxable compensation in 1989, indicate date taxable compensation terminated: _____

Do you intend to have taxable compensation in 1990? Yes ☐ No ☐
If no, your wage tax account will be terminated.

WHERE TO FILE: Mail this return and W2's or tape to:

City of Philadelphia
Department of Revenue
Room 220 Municipal Services Building
15th Street and JFK Boulevard
Philadelphia, PA 19102

File 11/2/91

DAILY RECEIPT & DEPOSIT STATEMENT - PA INTERGOVERNMENTAL COOP. AUTHORITY (PICA)

(Source Philadelphia Daily Consolidated Summary of Deposits)

Date Prepared: July 26, 1991

Date of Deposit: July 26, 1991

1. W-7's Collected: \$ 2,393,053.16

2. W-1/W-5's Collected: \$ _____

3. E-2 Collected: \$ _____ Total of 1 + 2 + 3 = 2,393,053.16 x .62 = \$ 1,483,692.96
Phila. Resident
Collections -A-

4. NP-3 Collected: \$ _____ x .68 = \$ _____
Phila. Resident
Collections -B-

5. PICA DEPOSIT:

\$ 1,483,692.96 + \$ - 0 - = 1,483,692.96 x .3024 = \$ 448,668.75
A B Total Resident Total Deposit
Collections Amount

Affirmed: Francis M. Jones City Revenue Commissioner _____ City Finance Director

-----For Commonwealth Use Only-----

Transmittal Date: _____ Transmittal #: _____

6. Adjustments: _____ Adjustment Date: _____

\$ _____ +/- _____ = _____
Total Deposit Amt. Adjustment Amt. Funds Transferred Authorized by

Rev. WG-2

Schedule 2

Page 2

Key:

W-7's are wage tax collections, weekly filers
W-1's are wage tax collections, quarterly filers
W-5's are wage tax collections, monthly filers
E-2's are earnings tax collections
NP-3's are net profits tax collections

Reimbursement Agreement

The Department pursuant to paragraph 9 of the "Pennsylvania Intergovernmental Cooperation Authority" Tax Collection Agency Agreement agrees to reimburse the Agent up to a maximum of \$40,000 per annum for expenses incurred by the Agent as a result of bad checks remitted to the Agent by taxpayers in collecting the Authority Income Tax. The Agent shall submit on a periodic basis acceptable to the Department for approval by the Department such documentation as deemed necessary by the Department to establish such expenses.

APPENDIX F

The nondiscrimination clause to be incorporated into every contractual agreement or other arrangement shall be in the following form:

NONDISCRIMINATION CLAUSE

During the term of this contract, Contractor agrees as follows:

1. Contractor shall not discriminate against any employee, applicant for employment, independent contractor, or any other person because of race, color, religious creed, ancestry, national origin, age, or sex. Contractor shall take affirmative action to insure that applicants are employed, and that employees or agents are treated during employment, without regard to their race, color, religious creed, handicap, ancestry, national origin, age, or sex. Such affirmative action shall include, but is not limited to: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training. Contractor shall post in conspicuous places, available to employees, agents, applicants for employment, and other persons, a notice to be provided by the contracting agency setting forth the provisions of this nondiscrimination clause.

2. Contractor shall, in advertisements or requests for employment placed by it or on its behalf, state that all qualified applicants will receive consideration for employment without regard to race, color, religious creed, handicap, ancestry, national origin, age, or sex.

3. Contractor shall send each labor union or workers' representative with which it has a collective bargaining agreement or other contract or understanding, a notice advising said labor union or workers' representative of its commitment to this nondiscrimination clause. Similar notice shall be sent to every other source of recruitment regularly utilized by Contractor.

4. It shall be no defense to a finding of noncompliance with this nondiscrimination clause that Contractor had delegated some of its employment practices to any union, training program, or other source of recruitment which prevents it from meeting its obligations. However, if the evidence indicates that the Contractor was not on notice of the third-party discrimination or made a good faith effort to correct it, such factor shall be considered in mitigation in determining appropriate sanctions.

5. Where the practices of a union or any training program or other source of recruitment will result in the exclusion of minority group persons, so that Contractor will be unable to meet its obligations under this nondiscrimination clause, Contractor shall then employ and fill vacancies through other nondiscriminatory employment procedures.

6. Contractor shall comply with all state and federal laws prohibiting discrimination in hiring or employment opportunities. In the event of Contractor's noncompliance with the nondiscrimination clause of this contract or with any such laws, this contract may be terminated or suspended, in whole or in part, and Contractor may be declared temporarily ineligible for further Commonwealth contracts, and other sanctions may be imposed and remedies invoked.

7. Contractor shall furnish all necessary employment documents and records to, and permit access to its books, records, and accounts by the contracting agency for purposes of investigation to ascertain compliance with the provisions of this clause. If Contractor does not possess documents or records reflecting the necessary information requested, it shall furnish such information on reporting forms supplied by the contracting agency.

8. Contractor shall actively recruit minority and women subcontractors or subcontractors with substantial minority representation among their employees.

9. Contractor shall include the provisions of this nondiscrimination clause in every subcontract, so that such provisions will be binding upon each Subcontractor.

10. Contractor obligations under this clause are limited to the Contractor's facilities within Pennsylvania or, where the contract is for purchase of goods manufactured outside of Pennsylvania, the facilities at which such goods are actually produced.



CITY OF PHILADELPHIA

OFFICE OF THE DIRECTOR OF FINANCE
1401 John F. Kennedy Blvd.
Room 1330, Municipal Services Bldg.
Philadelphia, Pennsylvania 19102-1693
(215) 686-6140
FAX (215) 568-1947

JANICE D. DAVIS
Secretary of Financial
Oversight and
Director of Finance

June 12, 2003

Raymond James & Associates, Inc.
as Representative for the Underwriters
880 Carillon Parkway
St. Petersburg, FL 33716

Ladies and Gentlemen:

Pursuant to the Bond Purchase Contract (the "Purchase Contract") between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and Raymond James & Associates, Inc. (the "Representative"), as representative of the Underwriters specified therein, the Authority has agreed, inter alia, to sell to the Underwriters One Hundred Sixty-Five Million Five Hundred Fifty Thousand (\$165,550,000) Dollars aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "2003 Bonds") and the Underwriters have agreed to purchase said 2003 Bonds upon the terms and conditions set forth in the Purchase Contract. Unless otherwise defined herein, the terms defined in the Purchase Contract are used herein with the same meanings. This Letter of Representations is delivered to you pursuant to the Purchase Contract.

As of the date hereof, the undersigned, on behalf of the City, hereby represents and warrants to and agrees with each of you as follows:

1. The terms of the Purchase Contract are hereby approved, without waiving any of the City's rights due to provisions of paragraph 12 thereof;
2. The City has duly and validly authorized and approved the execution and delivery of the Cooperation Agreement, the Tax Collection Agreement and the Tax Compliance Agreement, and the performance by the City of its obligations, covenants and agreements contained therein;

3. The City has duly and validly acknowledged and approved the City Account Deposit Agreement;

4. The City has duly and validly executed and delivered, and has, and at the date of Closing will have, full legal right, power and authority to perform its obligations under the Cooperation Agreement and the Tax Collection Agreement; and the City has, and at the date of Closing will have, full legal right, power and authority to perform its obligations under the Tax Compliance Agreement;

5. The Tax Ordinance and the Cooperation Ordinance and the resolution of City Council approving the Plan (the "City Resolutions") have been duly and validly enacted or adopted, as applicable, by City Council and the Tax Ordinance and the Cooperation Ordinance have been approved by the Mayor, all pursuant to authority granted in the Act and in accordance with the Constitution of the Commonwealth and the Philadelphia Home Rule Charter;

6. All action taken by City Council, the Mayor and other authorized City officials in connection with the enactment of the Tax Ordinance and the Cooperation Ordinance and the adoption of the City Resolutions, including, without limitation, publication, convening and conduct of the public meetings at which public hearings were held and action was taken, were and are in compliance with the Philadelphia Home Rule Charter and Act 1998-93 of the General Assembly of the Commonwealth, approved October 15, 1998 (or, in the case of any action taken prior to the effective date thereof, the Act approved July 3, 1986, No. 84, P.L. 388, as amended). The Tax Ordinance, the Cooperation Ordinance and the City Resolutions are in full force and effect as of the date hereof and have not been amended since the respective dates of their enactment and adoption.

7. As provided in the Act, the proceeds of the Authority Tax as of the date hereof are, and at all times subsequent to the date hereof and as of and after the Closing will be, the revenues and property of the Authority, are not property or revenues of the Commonwealth or the City and are not subject to appropriation by either the Commonwealth or the City;

8. Except as otherwise disclosed in the Official Statement, the City is not, to the best of the City's knowledge in any material respect, in breach of or default under the City's Home Rule Charter or the Code of General Ordinances, or any applicable law or administrative regulation of the Commonwealth or the United States, or any applicable judgment, decree or loan agreement, note, resolution, ordinance, agreement or other instrument to which the City is a party or by which it is otherwise bound, the consequence of which or the correction of which would materially and adversely affect the financial condition or operations of the City as a whole;

9. The execution and delivery of the Cooperation Agreement and the Tax Collection Agreement by the City and compliance with the provisions thereof did not, do not and will not constitute a breach of or default under the City's Home Rule Charter or the Code of General Ordinances, or any existing applicable law or administrative regulation or the Constitution of the Commonwealth or the United States or any applicable judgment or decree and did not and do not, to the best of the City's knowledge, in any material respect constitute a default under any loan agreement, note, resolution, ordinance, agreement or other instrument to which the City is a party or by which it is otherwise bound;

10. The execution and delivery of the Tax Compliance Agreement by the City and compliance with the provisions thereof do not and will not constitute a breach of or default under

the City's Home Rule Charter or the Code of General Ordinances, or any applicable law or administrative regulation or the Constitution of the Commonwealth or the United States or any existing applicable judgment or decree and do not to the best of the City's knowledge in any material respect constitute a default under any loan agreement, note, resolution, ordinance, agreement, or other instrument to which the City is a party or by which it is otherwise bound;

11. The acknowledgment and approval of the City Account Deposit Agreement by the City do not and will not constitute a breach of or default under the City's Home Rule Charter or the Code of General Ordinances, or any applicable law or administrative regulation or the Constitution of the Commonwealth or the United States or any applicable judgment or decree;

12. The information concerning the City contained in the Official Statement, including without limitation, the financial information concerning the City, is correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect, and the City has consented to the use of such information in the Official Statement;

13. The City will notify the Representative, and the Authority, to the extent not disclosed in the Official Statement, of any material adverse change in the business, properties, financial condition or results of operation of the City as a whole occurring before the Closing or within 25 days after the end of the underwriting period for the 2003 Bonds (within the meaning of Rule 15c2-12). The City may presume for purposes of this section that the underwriting period of the 2003 Bonds will end on the date of Closing unless the City is otherwise notified in writing at the Closing by the Representative.

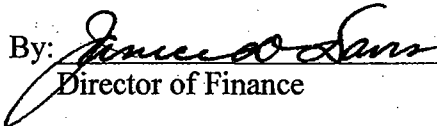
14. The City agrees that between the date hereof and the date of Closing it will take no action which will cause the representations and warranties contained herein to be untrue at any time from the date hereof up to and including the date of Closing; and

15. Based solely on the information provided to me by the Law Department of the City of Philadelphia (the "Department") after inquiry within the Department, except for litigation which in the opinion of the Department is without merit, and except as disclosed in the Official Statement, no litigation or other legal proceeding is pending against the City or, to the best of the Department's knowledge, threatened in writing against the City (i) to restrain or enjoin the issuance or sale of the 2003 Bonds or the City's execution or delivery of, or performance under, the Cooperation Agreement, the Tax Collection Agreement or the Tax Compliance Agreement, or in any way contesting any authority for or the validity or enforceability of the 2003 Bonds, the Act, the City Resolution, the Ordinances, the Cooperation Agreement, the Tax Collection Agreement, the Tax Compliance Agreement, the City Account Deposit Agreement or the Indenture, or (ii) in which a final adverse decision can reasonably be anticipated in a magnitude or scope which would materially and adversely affect the financial condition or operations of the City as a whole, or (iii), contesting in any way the completeness or accuracy of the information concerning the City in the Official Statement or (iv) contesting in any way the validity or enforceability of the City's obligations under the Cooperation Agreement or the Tax Collection Agreement, the powers of the City or the validity, collection or pledge of the Authority Tax or (v) in any way challenging the right of the Director of Finance or any other official of the City signatory to any of the Bond Documents to which the City is a party or referred to in the Purchase Contract or herein to hold his or her office, or the respective powers of such offices.

This Letter of Representations is made solely for the benefit of the addressees hereof and the signatories hereto (including the successors and assigns of any Underwriter) and no other persons shall acquire or have any right hereunder or by virtue hereof. The terms "successors" and "assigns" as used herein shall not include any purchaser, as such purchaser, of any of the 2003 Bonds from the Underwriters. All representations, warranties and agreements in this Letter of Representations shall remain operative and survive the execution hereof.

Very truly yours,

CITY OF PHILADELPHIA

By: _____
Director of Finance

Acknowledged and accepted on June 16, 2003

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

By: _____
(Vice) Chairperson

RAYMOND JAMES & ASSOCIATES, INC.
on behalf of the Underwriters

By: _____

This Letter of Representations is made solely for the benefit of the addressees hereof and the signatories hereto (including the successors and assigns of any Underwriter) and no other persons shall acquire or have any right hereunder or by virtue hereof. The terms "successors" and "assigns" as used herein shall not include any purchaser, as such purchaser, of any of the 2003 Bonds from the Underwriters. All representations, warranties and agreements in this Letter of Representations shall remain operative and survive the execution hereof.

Very truly yours,

CITY OF PHILADELPHIA

By: _____
Director of Finance

Acknowledged and accepted on June 16, 2003

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

By: Joseph C. Uyeda
Executive Director

RAYMOND JAMES & ASSOCIATES, INC.
on behalf of the Underwriters

By: MTB

\$165,895,000*
PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SPECIAL TAX VARIABLE RATE REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)
SERIES OF 2003

June 5, 2003

PRELIMINARY BLUE SKY MEMORANDUM

Raymond James & Associates, Inc.,
as Representative of the Underwriters
880 Carillon Parkway
St. Petersburg, FL 33716

Ladies and Gentlemen:

We have prepared the attached Preliminary Blue Sky Memorandum setting forth in summary form certain information relating to the Blue Sky or securities statutes of certain jurisdictions of the United States with respect to the Special Tax Variable Rate Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "Bonds") which will be purchased by you as underwriters pursuant to a Bond Purchase Agreement, dated as of June __, 2003, between the Authority and you.

We have examined the latest standard compilation available to us of the statutes and the published rules and regulations, if any, of the states and other jurisdictions that relate to the sale of securities therein. These statutes, rules and regulations were examined as they appeared in an unofficial compilation upon which memoranda of this type are customarily based. We are members of the Bar of the Commonwealth of Pennsylvania and do not purport to be experts in the law of any other state or jurisdiction. We have not consulted with local counsel in any other jurisdiction. We have not researched court decisions in the various jurisdictions discussed herein nor obtained special rulings of the securities commissions or other administrative bodies or officials charged with administration of the respective securities statutes or Blue Sky laws.

*Estimated; subject to change

This Memorandum is furnished only for the general information of the underwriters of the Bonds and is not intended to be relied upon as an opinion of counsel. The statements made in this Memorandum are subject to the existence of broad discretionary powers in the authorities administering the Blue Sky or securities statutes of many of the states and other jurisdictions, authorizing them, among other things, to withdraw the exempt status accorded by statute to particular classes of, and transactions in, securities, to impose special or additional requirements with respect to any offering of securities, to deny, withdraw, revoke or suspend exemption, permits or registrations and to issue stop orders.

In preparing this Memorandum, we have relied on the accuracy of information set forth in the Authority's Preliminary Official Statement with respect to the Bonds dated June 5, 2003 and on information furnished to us by representatives of the Authority relating to the Bonds. In all instances in which we have indicated that persons licensed or registered as dealers or brokers may sell the Bonds we have assumed compliance by such persons with all dealer or broker requirements in connection with the sale thereof and with all statutes, rules and regulations with respect to registration and licensing.

This Memorandum does not purport to cover any restrictions on the publication and use of advertising materials, or the filings which must be made prior to any advertising or publication. The advice of counsel should be sought as to any such restrictions in the various jurisdictions.

Although this Memorandum is entitled "Preliminary Blue Sky Memorandum," the views herein expressed shall constitute our final Blue Sky Memorandum as of the date of the Official Statement of the Authority with respect to the Bonds, unless we have notified you to the contrary at or before such date.

This Memorandum does not cover the requirements or restrictions, if any, with respect to the registration or licensing of dealers, brokers or salespersons in any of the states and other jurisdictions (except as specifically set forth herein) and with respect to advertising material (other than the Preliminary Official Statement relating to the Bonds) published or distributed in any of the states and other jurisdictions, nor does it deal with the eligibility of the Bonds under legal investment statutes for purchase by any institution or person referred to therein.

Very truly yours,

OBERMAYER REBMANN MAXWELL & HIPPEL LLP

BLUE SKY MEMORANDUM

NO OFFER OR SALE OF THE BONDS SHOULD BE MADE
IN ANY JURISDICTION EXCEPT IN ACCORDANCE WITH
THE FOLLOWING MEMORANDUM OF THE BLUE SKY LAWS

PART I

SALES TO THE PUBLIC BY REGISTERED OR LICENSED DEALERS OR BROKERS

A. FILING NOT REQUIRED. It is believed that the Bonds may be offered for sale or sold to the public in the following jurisdictions without registration of the Bonds or any filings being made, by reason of available exemptions or otherwise, subject to the specific requirements that the sellers, unless otherwise noted below, must be registered or licensed as dealers or brokers therein:

Alabama	Illinois	Montana	Rhode Island
Alaska	Indiana	Nebraska	South Carolina
Arizona	Iowa (1)	Nevada	South Dakota
Arkansas	Kansas	New Hampshire	Tennessee
California	Kentucky	New Jersey	Texas
Colorado	Louisiana	New Mexico	Utah
Connecticut	Maine	New York	Vermont
Delaware	Maryland	North Carolina	Virginia
District of Columbia	Massachusetts	North Dakota	Washington
Florida	Michigan	Ohio (2)	West Virginia
Georgia	Minnesota	Oklahoma (3)	Wisconsin (4)
Guam	Mississippi	Oregon	Wyoming
Hawaii	Missouri	Pennsylvania	
Idaho		Puerto Rico	

(1) Does not include any revenue obligation made for the benefit of a non-governmental industrial or commercial enterprise, unless the securities are guaranteed by a person whose securities are exempt from registration.

(2) Provided that at the time of the first sale in Ohio, there is no default on the payment of interest or principal of the security, and there are no adjudications or pending suits adversely affecting its validity.

(3) Subject to the Oklahoma Bond Oversight and Reforms Act.

(4) Provided the issuer's financial statements are prepared according to generally accepted accounting principles or guidelines which the Wisconsin Commissioner designated by rule.

B. FILINGS REQUIRED. The Bonds may be sold to the public in the following jurisdictions only if the appropriate action, as indicated below, has been taken to qualify the Bonds for sale:

None.

PART II

EXEMPT TRANSACTIONS

In the following jurisdictions, the Bonds may be offered and sold to the persons or institutions noted below without registration or other filings therein relating to the Bonds and without any requirement that the sellers thereof be registered or licensed as dealers or brokers therein, except as otherwise indicated:

Alabama

To any bank, savings institution, credit union, trust company, insurance company or investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Alabama, is a bank, savings institution, savings and loan association, credit union, or has no place of business in Alabama and effects transactions in Alabama exclusively with or through the issuers of the securities involved in the transactions or other dealers.

Alaska

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Alaska, is a bank, savings institution, or trust company or has no place of business in Alaska and either (1) effects transactions in Alaska exclusively with or through (i) such persons or institutions, whether acting for themselves or as trustees, (ii) the issuer, or (iii) other broker-dealers; or (2) during any period of twelve (12) consecutive months does not effect more than fifteen (15) offers to sell or buy into Alaska in any manner to persons other than those specified above, whether or not the offeror or offeree is then present in Alaska.

Arizona

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer or dealer, whether the purchaser is acting for itself or in a fiduciary capacity; provided the person making the sale, if not a dealer registered in Arizona, (1) is a bank or savings institution the business of which is supervised and regulated by an agency of Arizona or the United States; (2) has no place of business within Arizona and sells or offers to sell securities exclusively to dealers registered in Arizona; or (3) is a person who buys or sells securities for his own account, either individually or in a fiduciary capacity, but not as part of a regular business.

Arkansas

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Arkansas, (1) is a bank, savings institution, savings and loan association, or trust company; or has no place of business in Arkansas and either (2) effects transactions in Arkansas exclusively with or through either (a) such persons or institutions, or (b) the issuer, or (c) other broker-dealers; or (3) during any period of twelve (12) consecutive months does not direct more than fifteen (15) offers to sell or buy into Arkansas in any manner to persons other than those specified above, whether or not the offeror or offeree is then present in Arkansas.

California

To any bank, savings and loan association, trust company, insurance company, investment company registered under the Investment Company Act of 1940, pension or profit-sharing trust (other than a pension or profit sharing trust of the issuer, a self-employed individual retirement plan or individual retirement account), or such other institutional investor or governmental agency or instrumentality as the Commissioner of Corporations may designate by rule, whether the purchaser is acting for itself or as trustee, including any organization described in Section 501(c)(3) of the Internal Revenue Code, as amended December 29, 1981, which has total assets (including endowment, annuity and life income funds) of not less than \$5,000,000 according to

its most recent audited financial statement, any corporation which has a net worth on a consolidated basis according to its most recent audited financial statement of not less than \$14,000,000 or any wholly-owned subsidiary of such institutional investors, the federal government, any agency or instrumentality of the federal government, any corporation wholly-owned by the federal government, any state, any city, city and county, or county, or any agency or instrumentality or state college, and any retirement system for the benefit of the employees of any of the foregoing, whether the purchaser is acting for itself or a trustee, provided the purchaser represents that it is effecting transactions in securities in California for its own account (or for the account of others) for investment and not with a view to or sale in connection with any distribution of the security and further provided that the person making the sale, if not licensed in California, is a bank, trust company, or savings and loan organization, buys or sells securities for his own account, either individually or in some fiduciary capacity, but not as part of a regular business, or has no place of business in California, is licensed as a broker or dealer by the Real Estate Commissioner of California or is registered under the Securities Exchange Act of 1934, and has not previously had any certificate denied or revoked under the Corporate Securities Laws of 1968 or any predecessor statute, does not direct offers to sell or buy into California in any manner to persons other than broker-dealers, the foregoing institutional investors, governmental agencies or instrumentalities designated by rule of the Commissioner of Corporations or more than 15 other customers (whether or not self-employed individual retirement plans) having an existing account with such broker-dealer prior to any offer made to them in California during any period of 12 consecutive months, whether or not the offeror or any of the offerees is then present in California.

Colorado

To any financial or institutional investor including: (i) a depository institution including (a) a person that is organized or chartered, or is doing business or holds an authorization certificate, under the laws of a state of the United States which authorize the person to receive deposits, including deposits in savings, share, certificate, or other deposit accounts, and that is supervised and examined for the protection of depositors by an official or agency of a state or the United States; and (b) a trust company or other institution

that is authorized by federal or state law to exercise fiduciary powers of the type a national bank is permitted to exercise under the authority of the Comptroller of the Currency and is supervised and examined by an official or agency of a state or the United States other than an insurance company or other organization primarily engaged in the insurance business); (ii) an insurance company; (iii) a separate account of an insurance company; (iv) an investment company registered under the Investment Company Act of 1940; (v) a business development company as defined in the Investment Company Act of 1940; (vi) any private business development company as defined in the Investment Advisers Act of 1940; (vii) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of five million dollars (\$5,000,000) or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution, or an insurance company; (viii) an entity, but not an individual, a substantial part of whose business activities consist of investing, purchasing, selling or trading in securities of more than one issuer and not of its own issue and that has total assets in excess of five million dollars (\$5,000,000) as of the end of its latest fiscal year; (ix) a small business investment company licensed by the federal Small Business Administration under the Small Business Investment Act of 1958; and (x) any other institutional buyer; or to any registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Colorado, is a bank, a broker-dealer registered under the Securities Exchange Act of 1934 and has no place of business in Colorado and whose business transacted in Colorado as a broker-dealer is exclusively with (1) issuers in transactions involving their own securities, (2) other broker-dealers licensed or exempt from licensing (except when the broker-dealer is acting as a clearing broker-dealer for such other broker-dealers), (3) financial or institutional investors, (4) individuals who are existing customers of the broker-dealer and whose principal places of residence are not in Colorado, or (5) not more than five (5) persons in Colorado during any twelve (12) consecutive months, excluding persons described in (1) through (4).

Connecticut

To any state bank and trust company, national banking association, savings bank, savings and loan association, federal savings and loan association, credit union, federal credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, as amended, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Connecticut, (1) is a bank, as defined in section 3(a)(6) of the Securities Act of 1933, or (2) has no place of business in Connecticut and effects transactions in Connecticut exclusively with or through (i) such persons or institutions, whether acting for themselves or as trustees, (ii) issuers, or (iii) other broker-dealers.

Delaware

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Delaware, (1) is a bank, savings institution, or trust company, to the extent that these entities are exempt or excluded from broker-dealer registration requirements under federal securities law; or (2) has no place of business in Delaware and effects transactions in Delaware exclusively with or through (i) such persons or institutions, whether acting for themselves or as trustees, (ii) issuers, or (iii) other broker-dealers.

District of Columbia

To any financial institution or institutional buyer, or to any registered dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in the District of Columbia, (1) is a bank, defined under Section 3(a)(4)(B) and (C) of the Securities Exchange Act of 1934; (2) has no place of business in the District of Columbia and effects transactions in the District of Columbia exclusively with or through either such persons or institutions, whether acting for themselves or as trustees; or (3) the person is licensed under the securities law of the state in which the person maintains a place of business and the person offers and sells in the District of

Columbia to a person who is an existing customer of the person.

Florida

To any bank or trust company, savings institution, insurance company, dealer, investment company, as defined in the Investment Company Act of 1940, or pension or profit-sharing trust, or qualified institutional buyer as defined by rule of the Florida Department of Banking and Finance in accordance with Securities and Exchange Commission Rule 144A, whether any such entity is acting in its individual or fiduciary capacity, provided that such offer or sale of securities is not for the direct or indirect promotion of any scheme or enterprise with the intent of violating or evading any provision of the Florida Securities and Investor Protection Act; further provided the person making the sale, if not registered in Florida, is a bank (excluding non-bank subsidiaries), a trust company, any wholesaler selling exclusively to dealers, or any person buying or selling for his own account exclusively through a registered dealer.

Georgia

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, as now or hereafter amended, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, other financial institution, or any registered dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Guam

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any registered dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Guam, is a bank, savings institution, or trust company; or has no place of business in Guam and either (1) effects transactions in Guam exclusively with or through such persons or institutions; or (2) during any period of twelve (12) consecutive months does not direct more than fifteen (15) offers to sell or to buy into Guam in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in Guam.

Hawaii

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any registered dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Hawaii, has no place of business in Hawaii and either (1) effects transactions in Hawaii exclusively with or through such persons or institutions, whether acting for themselves or as trustees; or (2) during any period of twelve (12) consecutive months does not direct more than fifteen (15) offers to sell or to buy into Hawaii in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in Hawaii.

Idaho

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Idaho, is a bank, savings institution, trust company, credit union or insurance company; or has no place of business in Idaho and either (1) effects transactions in Idaho exclusively with or through such persons or institutions, whether acting for themselves or as trustees; or (2) during any period of twelve (12) consecutive months does not direct more than fifteen (15) offers to sell or buy into Idaho in any manner to persons or institutions other than those specified above.

Illinois

To any corporation, bank, savings bank, savings institution, savings and loan association, trust company, insurance company, building and loan association, dealer, pension fund or pension trust, employees' profit-sharing trust, or to any financial institution or institutional investor including: (i) any investment company, university, and other organization whose primary purpose is to invest its own assets or those held in trust by it for others, (ii) trust accounts and individual or group retirement accounts in which a bank, trust company, insurance company or savings and loan institution acts in a fiduciary capacity, (iii) foundations and endowment funds exempt from taxation under the Internal Revenue Code, a principal business function of which is to invest funds to

produce income in order to carry out the purpose of the foundation or fund, (iv) a manager of investment accounts on behalf of other than natural persons who, with affiliates, exercises sole investment discretion with respect to such accounts, and provided such accounts exceed 10 in number and have a fair market value of not less than \$10,000,000 at the end of the calendar month preceding the month during which the transaction occurred; or to any government or political subdivision or instrumentality thereof, whether the purchaser is acting for itself or in some fiduciary capacity; or to any partnership or other association engaged as a substantial part of its business or operations in purchasing or holding securities; or to any trust in respect of which a bank or trust company is trustee or co-trustee; or to any entity in which at least ninety percent (90%) of the equity is owned by persons described in Subsection C, H or S of Section 4 of the Illinois Securities Law of 1953; or to any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974 if: (i) the investment decision is made by a plan fiduciary as defined in Section 3(21) of the Employee Retirement Income Security Act of 1974 and such plan fiduciary is either a bank, savings and loan association, insurance company, registered investment adviser or any investment adviser registered under the Investment Advisers Act of 1940, or (ii) the plan has total assets in excess of \$5,000,000, or (iii) in the case of a self-directed plan, investment decisions are made solely by persons that are described under Subsection C, D, H or S of Section 4 of the Illinois Securities Law of 1953; or to any plan established and maintained by and for the benefit of the employees of, any state or political subdivision or agency or instrumentality thereof if such plan has total assets in excess of \$5,000,000 or to any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, any Massachusetts or similar business trust, or any partnership, if such organization, trust or partnership has total assets in excess of \$5,000,000.

Indiana

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit sharing trust, or other financial institution or institutional buyer, including (i) an unaffiliated investment company registered under the Investment Company Act of 1940, (ii) an unaffiliated business development company as defined in Section

2(a)(48) of the Investment Company Act of 1940, and (iii) a private business development company as defined in Section 202(a)22 of the Investment Advisors Act of 1940, or a comparable business entity which is engaged, as a substantial part of its business, in the purchase and sale of securities and which owes less than 20% of the Issuer's securities outstanding at the completion of the proposed public offering, or to any registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Indiana, (1) is a bank, savings institution or trust company; or (2) has no place of business in Indiana and effects transactions in Indiana exclusively with such persons or institutions.

Iowa

To any bank, savings and loan association, credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any registered broker-dealer, whether the purchaser is acting for itself or in a fiduciary capacity; provided the person making the sale, if not registered in Iowa, is a bank when acting on its own account or when exercising trust or fiduciary powers permitted for banks under applicable Iowa law or Federal laws and regulations providing for the organization, operation, supervision, and examination of such banks; is an insurance company which effects transactions in its own accounts; has no place of business in Iowa and either (a) effects transactions in Iowa exclusively with such persons or institutions, or (b) during any period of twelve (12) consecutive months does not effect transactions in Iowa in any manner with more than three (3) persons other than those specified above, whether or not the offeror or any of the offerees are then present in Iowa, or the Commissioner of Insurance designates such person as exempt by rule or order from the registration requirement.

Kansas

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer or underwriter; provided the person, if not registered in Kansas, is a bank, savings institution, insurance company, or person who effects transactions in Kansas

exclusively with the issuer or with any person whom the sale is exempt under subsection (f) of Kansas Statutes Annotated 17-1262, and amendments thereto.

Kentucky

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, is not registered in Kentucky is (1) a bank, savings institution; or (2) is a person without a place of business in Kentucky and either (a) effects transactions in Kentucky exclusively with or through such persons or institutions, whether acting for themselves or as trustees, or (b) during any period of twelve (12) consecutive months he does not direct more than fifteen (15) offers to sell or to buy into Kentucky in any manner to persons, other than those specified above.

Louisiana

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, as now or hereafter amended, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, other financial institution, or a registered dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

Maine

To any financial and institutional investor, including any depository institution or depository institution holding company, insurance company, separate account of an insurance company, investment company or business development company as defined in the Investment Company Act of 1940, any entity other than a natural person, a substantial part of whose business activities consists of investing, purchasing, selling or trading in securities of more than one issuer and not of its own issue and that has gross assets in excess of \$1,000,000 at the end of its latest fiscal year, any employee pension and profit-sharing or benefit plan (other than an employee pension and profit-sharing or benefit plan of the issuer, a self-employed individual retirement plan or individual retirement account) if the investment decision is made by a plan fiduciary as defined in the Employee Retirement Income Security Act of 1974, which is either a depository institution, insurance company

or registered investment adviser, or the plan has total assets in excess of \$5,000,000, any small business investment company licensed by the United States Small Business Administration under the Small Business Investment Act of 1958, Sections 301(c) or (d), any entity organized and operated not for private profit as described in Section 501(c)(3) of the Internal Revenue Code with total assets in excess of \$5,000,000, whether acting for itself or for others in a fiduciary capacity, or to a registered broker-dealer; provided the person making the sale, if not licensed in Maine, (1) is a depository institution when engaged in one or more activities described in 15 U.S.C. §78(c)(a)(4)(b), except for the activities described in 15 U.S.C. §78(c)(a)(4)(b) subsections (vii) and (xi); or (2) is registered as a broker-dealer under the Securities Exchange Act of 1934 and effects transactions in Maine exclusively with (a) the issuer of the securities involved in the transaction; (b) other broker-dealers, except when the broker-dealer is acting as a clearing broker-dealer; and financial and institutional investors acting for themselves or in a fiduciary capacity; (c) a registered broker-dealer under the Securities Exchange Act of 1934 and licensed under the securities act of the state in which the broker-dealer maintains its principal place of business, has no place of business in Maine and the broker-dealer sells in Maine to persons who are existing customers of broker-dealer and who represent that they have no principal place of residence in Maine.

Maryland

To any investment company as defined in the Investment Company Act of 1940, investment adviser with assets under management of not less than \$1,000,000, broker-dealer, bank, trust company, savings and loan association, insurance company, employee benefit plan with assets not less than \$1,000,000, governmental agency or instrumentality, whether acting for itself or as a trustee or a fiduciary with investment control, or other institutional investor as designated by rule or order of the Securities Commissioner of the Division of Securities; provided the person making the sale, if not registered in Maryland, is a bank, savings institution, trust company; or has no place of business in Maryland and either (1) effects transactions in Maryland exclusively with or through such persons or institutions; or (2) during any period of twelve (12) consecutive months does not direct more than fifteen (15) offers to sell or buy into Maryland in any manner, other than to the persons or

institutions specified above, whether or not the offeror or any offeree is then present in Maryland.

Massachusetts

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, including: (i) a small business investment company licensed by the U.S. Small Business Administration under the Small Business Investment Act of 1958, as amended, (ii) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended, (iii) a business development company as defined in Section 2(a)(48) of the Investment Company Act of 1940, as amended, (iv) an entity with total assets in excess of \$5,000,000 which is either: (a) a company (whether a corporation, a Massachusetts or similar business trust or a partnership) not formed for the specific purpose of acquiring the securities offered; a substantial part of whose business activities consists of investing, purchasing, selling or trading in securities issued by others and whose investment decisions are made by persons who are reasonably believed by the seller to have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of investment; or (b) an organization described in Section 501(c)(3) of the Internal Revenue Code; and (v) a Qualified Institutional Buyer as defined in 17 CFR 230.144A (a); or to any registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Massachusetts, (1) is a bank, savings institution, trust company, or the Central Credit Union Fund, Inc.; or (2) has no place of business in Massachusetts and either (A) effects transactions in Massachusetts exclusively with or through such persons or institutions; or (B) during any period of twelve (12) consecutive months, does not direct more than fifteen (15) offers to sell or buy into Massachusetts in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in Massachusetts.

Michigan

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation,

or the Government National Mortgage Association, pension or profit-sharing trust the assets of which are managed by an institutional manager, the treasurer of the State of Michigan, other financial institution, or a registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity, or a lender approved by the Federal Housing Administration and who has satisfied any additional requirement established by the Corporation and Securities Bureau of the Michigan Department of Commerce; provided the person making the sale, if not registered in Michigan, (1) is a bank, savings institution, or trust company; or (2) has no place of business in Michigan and either (a) effects transactions in Michigan exclusively with or through such persons or institutions; or (b) during any period of twelve (12) consecutive months, he does not direct more than fifteen (15) offers to sell or buy into Michigan in any manner, to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in Michigan.

Minnesota

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, including a corporation with a class of equity securities registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended, any accredited investor within the meaning of SEC Rule 501(a) (17 CFR 230.501(a)), or to a licensed broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Minnesota, (1) is a trust company; (2) a bank, savings institution, savings and loan association or credit union, whether or not acting for its own account or in some fiduciary capacity; or (3) has no place of business in Minnesota and effects transactions in Minnesota exclusively with or through (i) such persons or institutions, whether or not the purchaser is acting for itself or in some fiduciary capacity, (ii) the Issuer, or (iii) other broker-dealers.

Mississippi

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any registered broker-dealer, whether the purchaser is acting for

itself or in some fiduciary capacity; provided the person making the sale, if not registered in Mississippi, is a bank, savings institution, or trust company; or has no place of business in Mississippi and either (1) effects transactions in Mississippi exclusively with or through such persons or institutions; or (2) during any period of twelve (12) consecutive months does not direct more than fifteen (15) offers to sell or buy into Mississippi in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in Mississippi.

Missouri

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, the assets of which are managed by a bank or trust company or other institutional manager, or other financial institution or institutional buyer, including an endowment or trust fund of a charitable organization specified in Internal Revenue Code Section 170(b)(1)(A), an issuer which has any class of securities registered under Section 12 of the Securities Exchange Act of 1934 and any wholly-owned subsidiary, and any corporation, partnership, or association which has been in existence for ten years or whose net assets exceeds \$500,000 and whose principal purpose is investing in securities, or to any registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Missouri, is a bank, savings institution, or trust company; or has no place of business in Missouri and either (1) effects transactions in Missouri exclusively with or through such persons or institutions; or (2) has fewer than five (5) clients in the state of Missouri.

Montana

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Montana, is a bank, savings institution, trust company, or insurance company; or has no place of business in Montana and effects transactions in Montana exclusively with or through such persons or institutions, whether acting for themselves or as trustees.

Nebraska

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, including any employee benefit plan as defined in the Employee Retirement Income Security Act of 1974, if investment decisions are made by a "plan fiduciary" (as defined in Section 3(21) of the Employee Retirement Income Security Act of 1974) which is either a bank, insurance company or registered investment adviser, or an organization described in section 501(c)(3) of the Internal Revenue Code as defined in section 49-801.01, or a corporation, Massachusetts or similar business trust, or partnership with total assets in excess of \$5,000,000 dollars according to its most recent audited financial statements; or to any other financial institution or institutional buyer, any Business Development Company as defined in Section 2(a)(48) of the Investment Company Act of 1940, any Small Business Investment Company licensed under the Small Business Investment Company Act of 1958, or to any individual accredited investor, or to any registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Nebraska, is a bank, savings institution, or trust company; or has no place of business in Nebraska and either (1) effects transactions exclusively with or through such persons or institutions, whether acting for themselves or as trustees; or (2) during any period of twelve (12) consecutive months does not direct more than five (5) offers to sell or buy into Nebraska in any manner to persons other than those specified above.

Nevada

To any financial or institutional investor whether acting for itself or others in a fiduciary capacity other than as an agent, including a depository institution, insurance company, a separate account of an insurance company, investment company as defined in the Investment Company Act of 1940, employee pension, profit-sharing or benefit plan if the plan has total assets in excess of \$5,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution, an insurance company, any

other institutional buyer, or any registered broker-dealer, whether the purchaser is acting for itself or as a trustee; provided the person making the sale, if not registered in Nevada, is a depository institution; or is registered or is not required to be registered under the Securities Exchange Act of 1934, has no place of business in Nevada, and (1) effects transactions in Nevada exclusively with or through the Issuer, other broker-dealers registered or exempt from registration, and financial or institutional investors; or (2) the broker-dealer is licensed under the securities laws of a state in which he maintains a place of business and he offers and sells in Nevada to a person who is an existing customer of the broker-dealer and whose principal place of residence is not in Nevada; or (3) the broker-dealer is licensed under the securities laws of a state in which he maintains a place of business and during any period of twelve (12) consecutive months he does not direct more than five (5) persons of Nevada in addition to the transactions with the Issuer, financial or institutional investors, or broker-dealers, whether or not the offeror or an offeree is then present in Nevada.

New Hampshire

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, a venture capital company which operates a small business investment company under the Small Business Investment Act of 1958, as amended, or other financial institution or institutional buyer, or to a licensed broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not licensed in New Hampshire, (1) is a bank, savings institution or trust company; or (2) has no place of business in New Hampshire and effects transactions in New Hampshire exclusively with or through such persons or institutions, other broker-dealers, or the Issuer.

New Jersey

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in New Jersey, (1) is a bank, savings institution, or trust company; (2) effects transactions in New Jersey exclusively with or through (i)

such persons or institutions, whether acting for themselves or as trustees, (ii) the Issuer, or (iii) other broker-dealers; (3) during any period of twelve (12) consecutive months does not effect more than fifteen (15) transactions into New Jersey with persons or institutions other than those specified above; (4) does not effect transactions in more than five (5) customer accounts of New Jersey residents; or (5) effects transactions with persons who have no place of residence in New Jersey and the broker-dealer has no place of residence in New Jersey and is a member in good standing of a recognized self-regulating organization in the state in which the broker-dealer is located.

New Mexico

To any financial or institutional investor, whether acting for itself or others in a fiduciary capacity other than as an agent, including any depository institution, insurance company, separate account of an insurance company, investment company as defined in the Investment Company Act of 1940, employee pension, profit-sharing or benefit plan if the plan has total assets in excess of \$5,000,000 or if investment decisions are made by a plan fiduciary, as defined in the Employee Retirement Income Security Act of 1974, which is either a depository institution, insurance company, broker-dealer registered under the Securities Exchange Act of 1934 or investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, or any business development company as defined in the Investment Company Act of 1940, or any small business investment company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, any entity, other than a natural person, which is directly engaged in the business of, and derives at least eighty percent of its annual growth income from, investing, purchasing, selling or trading in securities of more than one issuer and not of its own issue, and that has gross assets in excess of \$5,000,000 at the end of its latest fiscal year, any entity organized and operated not for private profit as described in Section 501(c)(3) of the Internal Revenue Code with total assets in excess of \$5,000,000, any state or political subdivision of a state or an agency or corporate or other instrumentality of a state or a political subdivision of a state; or to any licensed broker-dealer; provided the person making the sale, if not licensed in New Mexico, is registered as a broker-dealer under the Securities Exchange Act of 1934, has no place of business in

New Mexico and (1) effects transactions in New Mexico exclusively with or through such persons or institutions, or (2) is licensed under the securities act of a state in which the broker-dealer maintains a place of business and the broker-dealer offers and sells in New Mexico to persons who are existing customers of the broker-dealer and whose principal place of residence is not in New Mexico.

New York

To any bank, including a state or national bank, trust company or savings institution incorporated under the laws and subject to the examination, supervision and control of any state or of the United States or of any insular possession thereof, to any dealer or broker, any syndicate, corporation or group formed for the specific purpose of acquiring such securities for resale to the public directly or through other syndicates or groups, any corporation, insurance company, investment company, as defined in the Investment Company Act of 1940, any pension or profit-sharing trust or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity, as part of a private placement; provided the person making the sale, if not registered in New York, effects transactions exclusively with or through such persons or institutions.

North Carolina

To any entity having a net worth in excess of one million dollars (\$1,000,000) as determined by generally accepted accounting principles, bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any registered dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in North Carolina, (1) is a bank, savings institution, or trust company; or (2) has no place of business in North Carolina and either (a) effects transactions in North Carolina exclusively with such persons or institutions, or (b) is registered as a dealer with the Securities and Exchange Commission under the Securities Exchange Act of 1934 and in one or more states and during any period of twelve (12) consecutive months does not effect more than fifteen (15) purchases or sales in North Carolina in any manner with persons other than those specified above, whether or not the dealer or any of the purchasers or sellers are then present in North Carolina.

North Dakota

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, other financial institution, qualified institutional buyer, or any registered dealer, whether the purchaser is acting for itself or in a fiduciary capacity.

Ohio

To any dealer or institutional investor, including any corporation, bank, insurance company, pension fund or pension fund trust, employees' profit-sharing fund or employees' profit-sharing trust, any association engaged, as a substantial part of its business or operations, in purchasing or holding securities, or any trust in respect of which a bank is trustee or cotrustee.

Oklahoma

To a financial or institutional investor, including any (1) depository institution, (2) insurance company, (3) separate account of an insurance company, (4) investment company as defined in the Investment Company Act of 1940, (5) employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of five million dollars (\$5,000,000.00) or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution, or an insurance company, (6) a qualified institutional buyer as defined in Rule 144A adopted by the United States Securities and Exchange Commission, or (7) any other institutional buyer; or any registered broker-dealer; provided the person making the sale, if not registered in Oklahoma, is a depository institution; or has no place of business in Oklahoma and (1) effects transactions in Oklahoma exclusively with or through (a) the Issuer, (b) other broker-dealers, or (c) financial or institutional investors, whether acting for themselves or as trustees; or (2) is licensed under the securities act of the state in which that person maintains a place of business and offers and sells securities in Oklahoma to a person who is an existing customer of that person and whose principal place of residence is not in Oklahoma; or (3) during any period of twelve (12) consecutive months does not direct more than fifteen (15) offers and sales in Oklahoma to persons other

than financial or institutional investors, whether or not any of the offerees is then present in Oklahoma, so long as that person is licensed under the laws of a state in which he or she maintains a place of business.

Oregon

To any bank, savings institution, trust company, insurance company, investment company, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any registered broker-dealer, mortgage broker or mortgage banker, whether the purchaser is acting for itself or in a fiduciary capacity when the purchaser has discretionary authority to make investment decisions; provided the person making the sale, if not registered in Oregon, is a financial institution or trust company, as defined in Oregon Securities Law 706.008; bank holding company, the subsidiaries and affiliates of the bank holding company, or subsidiaries and affiliates of financial institutions or trust companies, if the appropriate statutory regulatory authority is exercising control over or is regulating or supervising the person in the sale of securities in accord with the purposes of the Oregon Securities Law; or a person without a place of business in Oregon effecting transactions Oregon exclusively with broker-dealers.

Pennsylvania

To any institutional investor, including any bank, savings bank, savings institution, savings and loan association, thrift institution, trust company or similar organization which is organized under the laws of the United States or of any state, is authorized to and receives deposits and is supervised and examined by an official or agency of a state or by the United States if its deposits are insured by the Federal Deposit Insurance Corporation or a successor authorized by Federal Law, any insurance company, pension or profit-sharing plan or trust, investment company as defined in the Investment Company Act of 1940, or any person who controls any of the foregoing, any corporation or business trust or a wholly-owned subsidiary of the person which has been in existence for 18 months and which has a tangible net worth on a consolidated basis, as reflected in its most recent audited financial statements, of \$10,000,000 or more; a college, university or other public or private institution which has received exempt status under section 501(c)(3) of the Internal Revenue Code and which has a total endowment of trust funds (including annuity of life income funds) of \$5,000,000 or more according to its most recent audited

financial statements (provided that the aggregate dollar amount of the securities being sold to such institution may not exceed 5% of the endowment or trust funds; a wholly-owned subsidiary of a bank as defined in the Pennsylvania Securities Act; a person (other than an individual or entity owned by an individual or group of related individuals) which is organized primarily for the purpose of purchasing, in non-public offerings, the securities of corporations or issuers engaged in research and development activities in conjunction with a corporation, and (i) has purchased \$5,000,000 or more of the securities (not including any dollar amount in excess of 20% of the person's net worth or the purchase of securities of a corporation in which the person directly or beneficially owns more than 50% of the corporation's voting securities), (ii) is capitalized at \$2,500,000 and controlled by an individual controlling a person which meets the criteria of subparagraph (i), (iii) is capitalized at \$10,000,000 or more and has purchased \$500,000 or more of the securities (not including the purchase of securities of a corporation in which the person directly or beneficially owns more than 50% of the voting securities), or (iv) is capitalized at \$250,000 or more and is a person promoted and controlled by individuals controlling a person meeting the criteria in subparagraphs (i), (ii), or (iii) and formed exclusively for the purposes of purchasing securities of issuers in various amounts and on the same terms and conditions as the person described in subparagraph (i); any Small Business Investment Company as defined in Section 103 of the Small Business Investment Act of 1958 which either has a total capital of \$1,000,000 or more or is controlled by institutional investors as defined in the Pennsylvania Securities Act of 1972, any Seed Capital Fund as defined in the Small Business Incubators Act (73 P.S. §395.2 and §395.6), any Business Development Credit Corporation as authorized by the Business Development Credit Corporation Law (15 P.S. §§2701-2716), any person whose security holders consist solely of institutional investors or broker-dealers, any person as to which the issuer reasonably believes qualifies as an institutional investor at the time of the offer or sale of the securities on the basis of written representations made to the Issuer by the purchaser, to any qualified institutional buyer, as defined under 17 CFR 230.144A, or any successor rule thereto, to any other financial institution or any person (other than an individual) which controls any of the foregoing, or to the Federal

Government or any state, agency or political subdivision thereof (except public schools of districts of Pennsylvania), or any other person so designated by regulation of the Pennsylvania Securities Commission, or to a registered broker-dealer, whether the buyer is acting for itself or in some fiduciary capacity; provided that an institutional investor which purchased securities for the benefit of another person shall be empowered under applicable state or federal law to act as a corporate fiduciary and is acting as trustee, guardian, conservator, executor or administrator other than for the purpose of evading the registration requirements of the act; and further provided that the seller, if not registered in Pennsylvania, (1) is a bank effecting transactions for its own account or for the account of a bank not registered as a broker-dealer executing orders for the purchase or sale of securities for the account of the purchaser or seller thereof; (2) is an executor, administrator, guardian, conservator or pledgee; or (3) has no place of business in Pennsylvania and effects transactions in Pennsylvania exclusively with or through broker-dealers or institutional investors; (4) is licensed as a real estate broker or agent under the Real Estate Brokers License Act of 1929, as amended, and whose transactions in securities are isolated transactions incidental to that business; (5) is registered as a broker-dealer under the Securities Exchange Act of 1934, has never previously had a certificate denied or revoked under the securities laws of Pennsylvania, has no place of business in Pennsylvania and during any period of twelve (12) consecutive months directs offers to sell or buy into Pennsylvania exclusively to broker-dealers, institutional investors, or governmental agencies, or to no more than five (5) other customers in Pennsylvania whether or not the offeror or any offeree is then present in Pennsylvania.

Puerto Rico

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Companies Act of Puerto Rico, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the seller, if not registered in Puerto Rico, (1) is (a) a governmental instrumentality, (b) an agent or (c) a bank, savings institution, or trust company; or (2) has no place of business in Puerto Rico and effects transactions in Puerto Rico exclusively with or through (a) such persons or institutions,

whether acting for themselves or as trustees; or (b) the Issuer; or (c) other broker-dealers; or (3) during any period of twelve (12) consecutive months does not direct more than fifteen (15) offers to sell or buy into Puerto Rico in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in Puerto Rico.

Rhode Island

To a broker-dealer or any financial or institutional investor whether acting for itself or another in a fiduciary capacity, including a depository institution; an insurance company; a separate account of an insurance company; an investment company as defined in the Investment Company Act of 1940; an employee pension, profit-sharing or benefit plan if the plan has total assets in excess of five million dollars (\$5,000,000), or if the investment decisions are made by a plan fiduciary, as defined in the Employee Retirement Income Security Act of 1974, which is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution or insurance company; or any other institutional buyer; provided, that the person making the sale, if not registered in Rhode Island, (1) is an issuer effecting transactions only with respect to its own securities; or (2) has no place of business in Rhode Island and is not required to be registered under the Securities Exchange Act of 1934 and effects transactions exclusively for (a) the Issuer, (b) other exempt or licensed broker-dealers, or (c) financial or institutional investors; except broker-dealers who deal exclusively in governmental securities and are not registered under the Securities Exchange Act of 1934, unless the broker-dealer is subject to supervision as a dealer in government securities by the Federal Reserve Board; or (3) is licensed under the securities laws of a state in which the broker-dealer maintains a place of business and the broker-dealer offers and sells in Rhode Island to an existing customer of the broker-dealer whose principal place of business is not in Rhode Island.

South Carolina

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, other financial institution or institutional buyer, or any registered broker-dealer, whether the purchaser is acting for itself or in

some fiduciary capacity; provided that the person making the sale, if not registered in South Carolina, is not required to be registered under the Securities Exchange Act of 1934 and has no place of business in South Carolina and either (a) the transactions effected by the broker-dealer in South Carolina are exclusively with the issuer of the securities involved in the transactions, other broker-dealers licensed or exempt under the South Carolina Securities Act, and financial and institutional investors, except broker-dealers who deal solely in government securities and are not registered under the Securities Exchange Act of 1934, unless the broker-dealer is subject to supervision as a dealer in government securities by the Federal Reserve Board; (b) the broker-dealer is licensed under the securities act of a state in which the broker-dealer maintains a place of business and the broker-dealer offers and sells in South Carolina to a person who is an existing customer of the broker-dealer and whose principal place of residence is not in South Carolina; or (c) the broker-dealer is licensed under the securities law of a state in which the broker-dealer maintains a place of business and during any twelve (12) consecutive months does not effect transactions with more than five (5) persons in South Carolina in addition to transactions with the issuers of the securities involved in the transactions, financial or institutional investors, or broker-dealers, whether or not the offeror or an offeree is then present in South Carolina.

South Dakota

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, including a qualified institutional buyer as defined under Rule 144(A) of the Securities Act of 1933, as amended, or to any licensed broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in South Dakota, (1) has no place of business in South Dakota and either (a) effects transactions in South Dakota exclusively with or through (i) such persons or institutions, whether acting for themselves or as trustees; or (ii) the Issuer; or (iii) other broker-dealers; or (b) the person is licensed under the securities act of the state in which the person maintaining a place of business and the person offers and sells to a person who is an existing customer whose principal place of business is not in South Dakota; or (2) is a bank or trust company effecting

transactions for its own account in a fiduciary capacity or pursuant to a formal agency agreement administered under the trust powers of the bank or trust company.

Tennessee

To any institutional investor, including any bank, unless the bank is acting as a broker-dealer as defined by the Tennessee Securities Act, trust company, insurance company, investment company registered under the Investment Company Act of 1940, as amended, a holding company which controls any of the foregoing, a trust or fund over which any of the foregoing has or shares investment discretion, a pension or profit-sharing plan, an institutional buyer, or any other person (excluding a broker-dealer) engaged as a substantial part of its business in investing in securities, in each case having a net worth in excess of \$1,000,000, or to any registered broker-dealer; provided the person making the sale, if not registered in Tennessee, (1) is an institutional investor; or (2) has no place of business in Tennessee and (2) is registered as a broker-dealer with the Securities and Exchange Commission or the National Association of Securities Dealers and either (a) effects transactions in Tennessee exclusively with or through (i) institutional investors; or (ii) the Issuer; or (iii) other broker-dealers; or (b) during any period of twelve (12) consecutive months does not effect more than fifteen (15) transactions in securities from, in, or into Tennessee other than to persons or institutions specified above.

Texas

To any bank, trust company, building and loan association, insurance company, surety or guaranty company, savings institution (including federally chartered credit union, savings and loan association, or federal savings bank and any credit union or savings and loan association chartered under the laws of any state of the United States), investment company as defined in the Investment Company Act of 1940, small business investment company as defined in the Small Business Investment Act of 1958, as amended, or to any registered dealer actually engaged in buying and selling securities; provided such financial institution or institutional investor is not acting only as agent for another purchaser that is not a financial institution or other institutional investor specified above and is otherwise acting for its own account or as a bona fide trustee of a trust organized and existing other than for the purpose of acquiring the specific securities for which the seller is claiming an exemption; or to an

accredited investor as defined under the Securities Act of 1933 (excluding any self-directed employee benefit plan with investment decisions made solely by accredited investors); to any qualified institutional buyer as defined under the Securities Act of 1933; or to a corporation, partnership, trust, estate, or other entity (excluding individuals) having net worth of not less than five million dollars (\$5,000,000) or to a wholly-owned subsidiary of such entity, as long as the entity was not formed for the purpose of acquiring specific securities.

Utah

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional investor, or to any registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Utah, (1) is a bank, savings institution, or trust company; or (2) has no place of business in Utah and either (a) effects transactions in Utah exclusively with or through (i) such persons or institutions, (ii) the Issuer, or (iii) other broker-dealers; or (b) during any period of twelve (12) consecutive months does not direct more than fifteen (15) offers to sell or buy into Utah in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in Utah.

Vermont

To any financial or institutional investor, including any depository institution, including persons organized, chartered or holding an authorization certificate under the laws of a state or the United States which authorizes the person to receive deposits, including a savings, share, certificate, or deposit account, and which is supervised and examined for the protection of depositors by an official or agency of a state or the United States, and further including trust companies and other institutions authorized by federal or state law to exercise fiduciary power of the type a national bank is permitted to exercise under the authority of the Comptroller of the Currency and is supervised and examined by an official or agency or of a state or the United States; to an insurance company, separate account of an insurance company, investment company as defined in the Investment Company Act of 1940, an employee pension, profit sharing, or benefit plan if the plan has total assets in excess of

\$5,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution or an insurance company, or any other financial or institutional buyer which qualifies as an accredited investor under Regulation D of the Securities Act of 1933, whether the purchaser is acting for itself or in some fiduciary capacity, including any broker-dealer; provided, the person making the sale, if not registered in Vermont, (1) is a depository institution, as defined above; (2) an issuer; or (3) has no place of business in Vermont and effects the transaction exclusively with the Issuer or through other registered or exempt broker-dealers.

Virginia

To any corporation, investment company, pension or profit-sharing trust or to any registered broker-dealer; provided the person making the sale, if not registered in Virginia, is a bank or a trust subsidiary.

Washington

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided, the person making the sale, if not registered in Washington, (1) is a bank, savings institution or trust company; or (2) has no place of business in Washington and (a) effects transactions in Washington exclusively with or through (i) such persons or institutions, (ii) the Issuer, or (iii) other broker-dealers; or (b) during any period of twelve (12) consecutive months does not direct more than fifteen (15) offers to sell or buy into Washington or make more than five (5) sales in Washington in any manner to persons other than those specified above.

West Virginia

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person

making the sale, if not registered in West Virginia, (1) is a bank, savings institution or trust company; or (2) has no place of business in West Virginia and (a) effects transactions in West Virginia exclusively with or through either (i) such persons or institutions, whether acting for themselves or as trustees, or (ii) the Issuer, or (iii) other broker-dealers; or (b) during any period of twelve (12) consecutive months does not direct more than fifteen (15) offers to sell or buy into West Virginia in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in West Virginia.

Wisconsin

To any bank, savings institution, savings bank, credit union, trust company, insurer, registered broker-dealer, investment adviser, Federal covered advisor, or savings and loan association, if the purchaser or prospective purchaser is acting for itself or as trustee with investment control, any investment company as defined in the Investment Company Act of 1940, a pension or profit-sharing trust or an individual retirement plan administered by one of the above persons or institutions that has investment control, the state of Wisconsin or any of its agencies or political subdivisions, the federal government or any of its agencies or instrumentalities, or to any financial institution or institutional investor designated by rule or order of the Commissioner of Securities, including any bank organized under the laws of the United States or any state, any federal savings and loan association or similar association organized under the laws of any state, any federal credit union or any credit union or similar association organized under the laws of any state, any other savings institutions and any trust company organized under the laws of any state, any endowment or trust fund of a charitable organization specified in Section 170(b)(1)(A) of the Internal Revenue Code, an issuer which has any class of securities registered under Section 12 of the Securities Exchange Act of 1934 and any wholly-owned subsidiary thereof, a venture capital company which is either: (1) operating as a small business investment company licensed under the Small Business Investment Act of 1958, as amended; or (2) a corporation, partnership, limited liability company, or association whose net assets exceed \$1,000,000 and whose principal purpose as stated in its articles, bylaws or other organizational instruments is investing in securities, or whose primary

business is investing in developmental stage companies or eligible small business companies as defined in the regulations of the Small Business Administration; any of the following qualified institutional buyer entities, whether acting for their own account or for the accounts of other qualified institutional buyers listed in Section 230.144A under the Securities Act of 1933, whether acting for its own account or the accounts of other qualified institutional buyers, that in the aggregate owns and invests on a discretionary basis at least \$100,000,000 in securities of issuers that are not affiliated with the qualified institutional buyer: (1) any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, (2) any employee benefit plan within the meaning of the Employment Retirement Income Security Act of 1974, (3) any business development company as defined in Section 201(l)(22) of the Investment Advisers Act of 1940 or in Section 2(a)(48) of the Investment Company Act of 1940, (4) any organization described in Section 501(c)(3) of the Internal Revenue Code, or any corporation (other than a bank as defined in Section 3(a)(2) of the Securities Act of 1933 or a savings and loan association or other institution referenced in Section 3(a)(5)(A) of the Securities Act of 1933 or a foreign bank or savings and loan association or equivalent institution), or (5) any partnership or Massachusetts or similar business trust; or any entity, all of the equity owners of which are persons specified above whether acting for its own account or the accounts of other persons specified above; any individual accredited investor, including: (1) any director, executive officer or general partner of the issuer of the securities being offered or sold, or any director, executive officer or general partner of a general partner of that issuer, (2) any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase exceeds \$1,000,000 or (3) any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year; or any accredited investor as defined and listed in Section 230.501(a)(1), (2), (3) or (7) under Regulation D under Sections 3(b) and 4(2) of the Securities Act of 1933; provided the person making the sale, if not registered in

Wisconsin, is a bank, savings institution or trust company, whether effecting transactions for its own account or as agent; a personal representative, guardian, conservator, or pledgee; a person licensed as a real estate broker under ch. 452 (Real Estate practice) and whose transactions in securities are isolated transactions incidental to that business.

Wyoming

To any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any registered broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity; provided the person making the sale, if not registered in Wyoming, (1) is a bank, savings institution, or trust company engaging in securities transactions limited to trust or banking functions and not with the general public; and (2) has no place of business in Wyoming and (a) effects transactions in Wyoming exclusively with or through (i) such persons or institutions, whether acting for themselves or as trustees, or (ii) the Issuer, or (iii) other broker-dealers; or (b) during any period of twelve (12) consecutive months does not direct more than fifteen (15) offers to sell or buy into Wyoming in any manner to persons or institutions other than those specified above, whether or not the offeror or any of the offerees are then present in Wyoming.



Moody's Investors Service

99 Church Street
New York, New York 10007

June 13, 2003

Pennsylvania Intergovernmental Cooperation Authority
1429 Walnut Street, 14th floor
Philadelphia, PA 19102

Attn: Joseph C. Vignola
Executive Director/CEO

**Re: \$165,550,000 Pennsylvania Intergovernmental Cooperation Authority
Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program)
Series of 2003**

Dear Mr. Vignola:

At your request, Moody's Rating Committee has reviewed the documents submitted to us in connection with the above-referenced issue and has assigned a rating of **Aaa/VMIG 1** to the bonds based upon a bond insurance policy provided by Ambac Assurance Corporation and a standby bond purchase agreement provided by JPMorgan Chase Bank.

The long term rating is based on bond insurance policy #21041BE provided by Ambac and the short term rating is based upon the support of the standby bond purchase agreement provided by JPMorgan Chase Bank. The ratings will be revised whenever the ratings of these entities is changed. The rating was also based on the legal documentation relating to the issue and sale of the bonds.

The rating is subject to reconsideration at Moody's sole discretion. It requires delivery of executed documents in form satisfactory to Moody's within 30 days from closing and also requires notice to Moody's hereafter of certain events as described in the documents.

The **VMIG 1** rating for each series shall terminate automatically upon the earliest of (1) the stated expiration date of the standby bond purchase agreement, June 14, 2004, (2) the mandatory tender date triggered by the expiration of the standby bond purchase agreement, (3) conversion to a rate mode other than daily or weekly, and (4) termination of the standby bond purchase agreement.

If you have any questions regarding this transaction, you may call me directly at 212-553-4667. Thank you for your interest in our services.

Sincerely,

Joseph Staffa, Esq.
Vice-Pres & Senior Credit Officer

Wachovia Bank, N.A.
Corporate Trust Group
PA1249
123 South Broad Street
Post Office Box 7558
Philadelphia, PA 19109-1199

Tel 215 670-6300
Fax 215 670-6337



WACHOVIA

165,550,000.00
PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
CITY OF PHILADELPHIA FUNDING PROGRAM
SERIES OF 2003

CERTIFICATE OF TRUSTEE

This Certificate is delivered in connection with the execution and delivery of documents related to the issuance by the Pennsylvania Intergovernmental Cooperation Authority of the City of Philadelphia (the "Authority") to Wachovia Bank, National Association, as Trustee, (the "Bank") of \$165,550,000 principal amount of the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds City of Philadelphia Funding Program, Series of 2003 (the "2003 Bonds"), hereby certifies on behalf of the Bank as follows:

I, George J. Rayzis, Vice President, of Wachovia Bank, National Association, (the "Bank"), hereby certify:

1. The Bank has accepted its appointment by the Authority to serve as trustee, paying agent, authentication agent and registrar in respect of the Bonds and in connection therewith the Bank has duly authorized, executed and delivered the Trust Indenture, dated as of June 1, 2003 (the "Indenture"), between the Bank and the Authority. The Indenture is a valid and binding agreement of the Bank. The Bank has full corporate power and authority to act in this regard.

2. The individuals named below have been duly authorized to execute and deliver the Indenture and all other papers relating to the Bonds on behalf of the Bank in its capacity as trustee, paying agent, authentication agent, and registrar. Such individuals hold the respective offices set opposite their respective names, and the signatures of such individuals set opposite their respective offices are their genuine signatures.

<u>Name</u>	<u>Office</u>
Alice M. Amoro	Vice President
Joann Fantini	Assistant Vice President

Signature

3. The Bank is a national banking association duly organized and validly existing under the laws of the United States of America with lawful corporate and trusts power and authority to carry out and perform the duties and obligations contemplated of it as trustee, paying agent, authenticating agent, and registrar for the Bonds under the Indenture. Attached hereto as Exhibit A is a true, correct and complete copy of the By-laws and the Articles of Association of the Bank, which are in effect at the date hereof and are in full force and effect, and which evidence the authority of the officers so named to act on behalf of the Trustee.

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WACHOVIA

4. The Bank has created the various funds and accounts contemplated under the Indenture to be established with the Bank, as trustee as the case may be. All moneys and securities delivered to the Bank as trustee under the Indenture have been duly deposited to the credit of the appropriate funds established under or in accordance with the Indenture or otherwise applied as provided in the Indenture. As trustee under the Indenture, the Bank has received all of the documents and instruments required to be delivered to it there under in connection with the issuance and delivery of the Bonds.

5. Pursuant to written instructions from the Authority, the Bank, as trustee and authentication agent, has authenticated the Bonds and delivered the Bonds to or upon the order of Raymond James & Associates, through the book-entry-only facilities of The Depository Trust Company.

WITNESS the due execution hereof this 16th day of June 2003.

WACHOVIA BANK, NATIONAL ASSOCIATION


By: George J. Rayzis
Title: Vice President



Comptroller of the Currency
Administrator of National Banks

Washington, D.C. 20219

CERTIFICATE OF FIDUCIARY POWERS

I, John D. Hawke, Jr., Comptroller of the Currency, do hereby certify that:

1. The Comptroller of the Currency, pursuant to Revised Statutes 324, et seq., as amended, 12 U.S.C. 1, et seq., as amended, has possession, custody and control of all records pertaining to the chartering of all National Banking Associations.

2. "Wachovia Bank, National Association," Charlotte, North Carolina, (Charter No. 1) was granted, under the hand and seal of the Comptroller, the right to act in all fiduciary capacities authorized under the provisions of the Act of Congress approved September 28, 1962, 76 Stat. 668, 12 U.S.C. 92a, and that the authority so granted remains in full force and effect on the date of this Certificate.

IN TESTIMONY WHEREOF, I have hereunto

subscribed my name and caused my seal of office to

be affixed to these presents at the Treasury

Department in the City of Washington and District of

Columbia, this Thursday, April 04, 2002



John D. Hawke, Jr.

Comptroller of the Currency



Comptroller of the Currency
Administrator of National Banks

Washington, D.C. 20219

CERTIFICATE OF CORPORATE EXISTENCE

I, John D. Hawke, Jr., Comptroller of the Currency, do hereby certify that:

1. The Comptroller of the Currency, pursuant to Revised Statutes 324, et seq., as amended. 12 U.S.C. 1, et seq., as amended, has possession, custody and control of all records pertaining to the chartering of all National Banking Associations.
2. "Wachovia Bank, National Association," Charlotte, North Carolina, (Charter No. 1) is a National Banking Association formed under the laws of the United States and is authorized thereunder to transact the business of banking on the date of this Certificate.

IN TESTIMONY WHEREOF, I have hereunto subscribed
my name and caused my seal of office to be affixed to
these presents at the Treasury Department in the City of
Washington and District of Columbia, this Thursday,
April 04, 2002.



John D. Hawke, Jr.

Comptroller of the Currency

WACHOVIA BANK, NATIONAL ASSOCIATION

CHARTER NO. 1*

ARTICLES OF ASSOCIATION

AS RESTATED 4/1/02

- * The OCC allowed the reassignment of Charter No. 1 (formerly held by CoreStates Bank, N.A., which merged into First Union National Bank on 5/15/98) to First Union National Bank on 5/18/98. Charter No. 1 superceded Charter No. 22693. On 4/1/02, First Union National Bank changed its name to Wachovia Bank, National Association.

WACHOVIA BANK, NATIONAL ASSOCIATION

ARTICLES OF ASSOCIATION

For the purpose of organizing an Association to carry on the business of banking under the laws of the United States, the undersigned do enter into the following Articles of Association:

FIRST. The title of this Association shall be WACHOVIA BANK, NATIONAL ASSOCIATION.

SECOND. The main office of the Association shall be in Charlotte, County of Mecklenburg, State of North Carolina. The general business of the Association shall be conducted at its main office and its branches.

THIRD. The Board of Directors of this Association shall consist of not less than five nor more than twenty-five directors, the exact number of directors within such minimum and maximum limits to be fixed and determined from time to time by resolution of a majority of the full Board of Directors or by resolution of the shareholders at any annual or special meeting thereof. Unless otherwise provided by the laws of the United States, any vacancy in the Board of Directors for any reason, including an increase in the number thereof, may be filled by action of the Board of Directors.

FOURTH. The annual meeting of the shareholders for the election of directors and the transaction of whatever other business may be brought before said meeting shall be held at the main office or such other place as the Board of Directors may designate, on the day of each year specified therefor in the By-Laws, but if no election is held on that day, it may be held on any subsequent day according to the provisions of law; and all elections shall be held according to such lawful regulations as may be prescribed by the Board of Directors.

Nominations for election to the Board of Directors may be made by the Board of Directors or by any stockholder of any outstanding class of capital stock of the bank entitled to vote for election of directors. Nominations, other than those made by or on behalf of the existing management of the bank, shall be made in writing and shall be delivered or mailed to the President of the bank and to the Comptroller of the Currency, Washington, D.C., not less than 14

days nor more than 50 days prior to any meeting of stockholders called for the election of directors, provided, however, that if less than 21 days' notice of the meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the Bank and to the Comptroller of the Currency not later than the close of business on the seventh day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of shares of capital stock of the bank that will be voted for each proposed nominee; (d) the name and residence address of the notifying shareholder; and (e) the number of shares of capital stock of the bank owned by the notifying shareholder. Nominations not made in accordance herewith may, in his discretion, be disregarded by the Chairman of the meeting, and upon his instructions, the vote tellers may disregard all votes cast for each such nominee.

FIFTH.

(a) **General.** The amount of capital stock of this Association shall be (i) 25,000,000 shares of common stock of the par value of twenty dollars (\$20.00) each (the "Common Stock") and (ii) 160,540 shares of preferred stock of the par value of one dollar (\$ 1. 00) each (the "Non-Cumulative Preferred Stock"), having the rights, privileges and preferences set forth below, but said capital stock may be increased or decreased from time to time in accordance with the provisions of the laws of the United States.

(b) Terms of the Non-Cumulative Preferred Stock.

1. **General.** Each share of Non-Cumulative Preferred Stock shall be identical in all respects with the other shares of Non-Cumulative Preferred Stock. The authorized number of shares of Non-Cumulative Preferred Stock may from time to time be increased or decreased (but not below the number then outstanding) by the Board of Directors. Shares of Non-Cumulative Preferred Stock redeemed by the Association shall be canceled and shall revert to authorized but unissued shares of Non-Cumulative Preferred Stock.

2. Dividends.

(a) **General.** The holders of Non-Cumulative Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, but only out of funds legally available therefor, non-cumulative cash dividends at the annual rate of \$83.75 per share, and no more, payable quarterly on the first days of December, March, June and September,

respectively, in each year with respect to the quarterly dividend period (or portion thereof) ending on the day preceding such respective dividend payment date, to shareholders of record on the respective date, not exceeding fifty days preceding such dividend payment date, fixed for that purpose by the Board of Directors in advance of payment of each particular dividend. Notwithstanding the foregoing, the cash dividend to be paid on the first dividend payment date after the initial issuance of Non-Cumulative Preferred Stock and on any dividend payment date with respect to a partial dividend period shall be \$83.75 per share multiplied by the fraction produced by dividing the number of days since such initial issuance or in such partial dividend period, as the case may be, by 360.

(b) Non-cumulative Dividends. Dividends on the shares of NonCumulative Stock shall not be cumulative and no rights shall accrue to the holders of shares of Non-Cumulative Preferred Stock by reason of the fact that the Association may fail to declare or pay dividends on the shares of Non-Cumulative Preferred Stock in any amount in any quarterly dividend period, whether or not the earnings of the Association in any quarterly dividend period were sufficient to pay such dividends in whole or in part, and the Association shall have no obligation at any time to pay any such dividend.

(c) Payment of Dividends. So long as any share of Non-Cumulative Preferred Stock remains outstanding, no dividend whatsoever shall be paid or declared and no distribution made on any junior stock other than a dividend payable in junior stock, and no shares of junior stock shall be purchased, redeemed or otherwise acquired for consideration by the Association, directly or indirectly (other than as a result of a reclassification of junior stock, or the exchange or conversion of one junior stock for or into another junior stock, or other than through the use of the proceeds of a substantially contemporaneous sale of other junior stock), unless all dividends on all shares of non-cumulative Preferred Stock and non-cumulative Preferred Stock ranking on a parity as to dividends with the shares of Non-Cumulative Preferred Stock for the most recent dividend period ended prior to the date of such payment or declaration shall have been paid in full and all dividends on all shares of cumulative Preferred Stock ranking on a parity as to dividends with the shares of Non-Cumulative Stock (notwithstanding that dividends on such stock are cumulative) for all past dividend periods shall have been paid in full. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on any junior stock from time to time out of any funds legally available therefor, and the Non-Cumulative

Preferred Stock shall not be entitled to participate in any such dividends, whether payable in cash, stock or otherwise. No dividends shall be paid or declared upon any shares of any class or series of stock of the Association ranking on a parity (whether dividends on such stock are cumulative or non-cumulative) with the Non-Cumulative Preferred Stock in the payment of dividends for any period unless at or prior to the time of such payment or declaration all dividends payable on the Non-cumulative Preferred Stock for the most recent dividend period ended prior to the date of such payment or declaration shall have been paid in full. When dividends are not paid in full, as aforesaid, upon the Non-Cumulative Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends (whether dividends on such stock are cumulative or non-cumulative) with the Non-Cumulative Preferred Stock, all dividends declared upon the Non-Cumulative Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with the Non-Cumulative Preferred Stock shall be declared pro rata so that the amount of dividends declared per share on the Non-cumulative Preferred Stock and such other Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the Non-Cumulative Preferred Stock (but without any accumulation in respect of any unpaid dividends for prior dividend periods on the shares of Non-Cumulative Stock) and such other Preferred Stock bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Non-Cumulative Preferred Stock which may be in arrears.

3. **Voting.** The holders of Non-Cumulative Preferred Stock shall not have any right to vote for the election of directors or for any other purpose.

4. **Redemption.**

(a) **Optional Redemption.** The Association, at the option of the Board of Directors, may redeem the whole or any part of the shares of Non-Cumulative Preferred Stock at the time outstanding, at any time or from time to time after the fifth anniversary of the date of original issuance of the Non-Cumulative Preferred Stock, upon notice given as hereinafter specified, at the redemption price per share equal to \$1,000 plus an amount equal to the amount of accrued and unpaid dividends from the immediately preceding dividend payment date (but without any accumulation for unpaid dividends for prior dividend periods on the shares of Non-Cumulative Preferred Stock) to the redemption date.

(b) Procedures. Notice of every redemption of shares of Non-Cumulative Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses as they shall appear on the books of the Association. Such mailing shall be at least 10 days and not more than 60 days prior to the date fixed for redemption. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the shareholder receives such notice, and failure duly to give such notice by mail, or any defect in such notice, to any holder of shares of Non-Cumulative Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Non-Cumulative Preferred Stock.

In case of redemption of a part only of the shares of Non-Cumulative Preferred Stock at the time outstanding the redemption may be either pro rata or by lot or by such other means as the Board of Directors of the Association in its discretion shall determine. The Board of Directors shall have full power and authority, subject to the provisions herein contained, to prescribe the terms and conditions upon which shares of the Non-Cumulative Preferred Stock shall be redeemed from time to time.

If notice of redemption shall have been duly given, and, if on or before the redemption date specified therein, all funds necessary for such redemption shall have been set aside by the Association, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, all shares so called for redemption shall no longer be deemed outstanding on and after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to, receive the amount payable on redemption thereof, without interest.

If such notice of redemption shall have been duly given or if the Association shall have given to the bank or trust company hereinafter referred to irrevocable authorization promptly to give such notice, and, if on or before the redemption date specified therein, the funds necessary for such redemption shall have been deposited by the Association with such bank or trust company in trust for the pro rata benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, from and after the time of such deposit, all

shares so called for redemption shall no longer be deemed to be outstanding and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive from such bank or trust company at any time after the time of such deposit the funds so deposited, without interest. The aforesaid bank or trust company shall be organized and in good standing under the laws of the United States of America or any state thereof, shall have capital, surplus and undivided profits aggregating at least \$50,000,000 according to its last published statement of condition, and shall be identified in the notice of redemption. Any interest accrued on such funds shall be paid to the Association from time to time. In case fewer than all the shares of Non-Cumulative Preferred Stock represented by a stock certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

Any funds so set aside or deposited, as the case may be, and unclaimed at the end of the relevant escheat period under applicable state law from such redemption date shall, to the extent permitted by law, be released or repaid to the Association, after which repayment the holders of the shares so called for redemption shall look only to the Association for payment thereof.

5. Liquidation.

(a) Liquidation Preference. In the event of any voluntary liquidation, dissolution or winding up of the affairs of the Association, the holders of Non-cumulative Preferred Stock shall be entitled, before any distribution or payment is made to the holders of any junior stock, to be paid in full an amount per share equal to an amount equal to \$1,000 plus an amount equal to the amount of accrued and unpaid dividends per share from the immediately preceding dividend payment date (but without any accumulation for unpaid dividends for prior dividend periods on the shares of Non-cumulative Preferred Stock) per share to such distribution or payment date (the "liquidation amount").

In the event of any involuntary liquidation, dissolution or winding up of the affairs of the Association, then, before any distribution or payment shall be made to the holders of any junior stock, the holders of Non-Cumulative Preferred Stock shall be entitled to be paid in full an amount per share equal to the liquidation amount.

If such payment shall have been made in full to all holders of shares of Non-Cumulative Preferred Stock, the remaining assets of the Association

shall be distributed among the holders of junior stock, according to their respective rights and preferences and in each case according to their respective numbers of shares.

(b) Insufficient Assets. In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Association are insufficient to pay such liquidation amount on all outstanding shares of Non-cumulative Preferred Stock, then the holders of Non-Cumulative Preferred Stock shall share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled.

(c) Interpretation. For the purposes of this paragraph 5, the consolidation or merger of the Association with any other corporation or association shall not be deemed to constitute a liquidation, dissolution or winding up of the Association.

6. Preemptive Rights. The Non-Cumulative Preferred Stock is not entitled to any preemptive, subscription, conversion or exchange rights in respect of any securities of the Association.

7. Definitions. As used herein with respect to the Non-Cumulative Preferred Stock, the following terms shall have the following meanings:

(a) The term "junior stock" shall mean the Common Stock and any other class or series of shares of the Association hereafter authorized over which the Non-Cumulative Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Association.

(b) The term "accrued dividends", with respect to any share of any class or series, shall mean an amount computed at the annual dividend rate for the class or series of which the particular share is a part, from, if such share is cumulative, the date on which dividends on such share became cumulative to and including the date to which such dividends are to be accrued, less the aggregate amount of all dividends theretofore paid thereon and, if such share is noncumulative, the relevant date designated to and including the date to which such dividends are accrued, less the aggregate amount of all dividends theretofore paid with respect to such period.

(c) The term "Preferred Stock" shall mean all outstanding shares of all series of preferred stock of the Association as defined in this Article Fifth of the Articles of Association, as amended, of the Association.

8. Restriction on Transfer. No shares of Non-Cumulative Preferred Stock, or any interest therein, may be sold, pledged, transferred or otherwise disposed of without the prior written consent of the Association. The foregoing restriction shall be stated on any certificate for any shares of Non-Cumulative Preferred Stock.

9. Additional Rights. The shares of Non-Cumulative Preferred Stock shall not have any relative, participating, optional or other special rights and powers other than as set forth herein.

SIXTH. The Board of Directors shall appoint one of its members President of this Association, who shall be Chairman of the Board, unless the Board appoints another director to be the Chairman. The Board of Directors shall have the power to appoint one or more Vice Presidents; and to appoint a cashier or such other officers and employees as may be required to transact the business of this Association.

The Board of Directors shall have the power to define the duties of the officers and employees of the Association, to fix the salaries to be paid to them; to dismiss them, to require bonds from them and to fix the penalty thereof; to regulate the manner in which any increase of the capital of the Association shall be made; to manage and administer the business and affairs of the Association; to make all By-Laws that it may be lawful for them to make; and generally to do and perform all acts that it may be legal for a Board of Directors to do and perform.

SEVENTH. The Board of Directors shall have the power to change the location of the main office to any other place within the limits of Charlotte, North Carolina, without the approval of the shareholders but subject to the approval of the Comptroller of the Currency; and shall have the power to establish or change the location of any branch or branches of the Association to any other location, without the approval of the shareholders but subject to the approval of the Comptroller of the Currency.

EIGHTH. The corporate existence of this Association shall continue until terminated in accordance with the laws of the United States.

NINTH. The Board of Directors of this Association, or any three or more shareholders owning, in the aggregate, not less than 10 percent of the stock of

this Association, may call a special meeting of shareholders at any time. Unless otherwise provided by the laws of the United States, a notice of the time, place, and purpose of every annual and special meeting of the shareholders shall be given by first-class mail, postage prepaid, mailed at least ten days prior to the date of such meeting to each shareholder of record at his address as shown upon the books of this Association.

TENTH. Each director and executive officer of this Association shall be indemnified by the association against liability in any proceeding (including without limitation a proceeding brought by or on behalf of the Association itself) arising out of his status as such or his activities in either of the foregoing capacities, except for any liability incurred on account of activities which were at the time taken known or believed by such person to be clearly in conflict with the best interests of the Association. Liabilities incurred by a director or executive officer of the Association in defending a proceeding shall be paid by the Association in advance of the final disposition of such proceeding upon receipt of an undertaking by the director or executive officer to repay such amount if it shall be determined, as provided in the last paragraph of this Article Tenth, that he is not entitled to be indemnified by the Association against such liabilities.

The indemnity against liability in the preceding paragraph of this Article Tenth, including liabilities incurred in defending a proceeding, shall be automatic and self-operative.

Any director, officer or employee of this Association who serves at the request of the Association as a director, officer, employee or agent of a charitable, not-for-profit, religious, educational or hospital corporation, partnership, joint venture, trust or other enterprise, or a trade association, or as a trustee or administrator under an employee benefit plan, or who serves at the request of the Association as a director, officer or employee of a business corporation in connection with the administration of an estate or trust by the Association, shall have the right to be indemnified by the Association, subject to the provisions set forth in the following paragraph of this Article Tenth, against liabilities in any manner arising out of or attributable to such status or activities in any such capacity, except for any liability incurred on account of activities which were at the time taken known or believed by such person to be clearly in conflict with the best interests of the Association, or of the corporation, partnership, joint venture, trust, enterprise, Association or plan being served by such person.

In the case of all persons except the directors and executive officers of the Association, the determination of whether a person is entitled to indemnification

under the preceding paragraph of this Article Tenth shall be made by and in the sole discretion of the Chief Executive Officer of the Association. In the case of the directors and executive officers of the Association, the indemnity against liability in the preceding paragraph of this Article Tenth shall be automatic and self-operative.

For purposes of this Article Tenth of these Articles of Association only, the following terms shall have the meanings indicated:

(a) "Association" means Wachovia Bank, National Association and its direct and indirect wholly-owned subsidiaries.

(b) "Director" means an individual who is or was a director of the Association.

(c) "Executive officer" means an officer of the Association who by resolution of the Board of Directors of the Association has been determined to be an executive officer of the Association for purposes of Regulation O of the Federal Reserve Board.

(d) "Liability" means the obligation to pay a judgment, settlement, penalty, fine (including an excise tax assessed with respect to an employee benefit plan), or reasonable expenses, including counsel fees and expenses, incurred with respect to a proceeding.

(e) "Party" includes an individual who was, is, or is threatened to be made a named defendant or respondent in a proceeding.

(f) "Proceeding" means any threatened, pending, or completed claim, action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal.

The Association shall have no obligation to indemnify any person for an amount paid in settlement of a proceeding unless the Association consents in writing to such settlement.

The right to indemnification herein provided for shall apply to persons who are directors, officers, or employees of banks or other entities that are hereafter merged or otherwise combined with the Association only after the effective date of such merger or other combination and only as to their status and activities after such date.

The right to indemnification herein provided for shall inure to the benefit of the heirs and legal representatives of any person entitled to such right.

No revocation of, change in, or adoption of any resolution or provision in the Articles of Association or By-laws of the Association inconsistent with, this Article Tenth shall adversely affect the rights of any director, officer, or employee of the Association with respect to (i) any proceeding commenced or threatened prior to such revocation, change, or adoption, or (ii) any proceeding arising out of any act or omission occurring prior to such revocation, change, or adoption, in either case, without the written consent of such director, officer, or employee.

The rights hereunder shall be in addition to and not exclusive of any other rights to which a director, officer, or employee of the Association may be entitled under any statute, agreement, insurance policy, or otherwise.

The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, or employee of the Association, or is or was serving at the request of the Association as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, trade association, employee benefit plan, or other enterprise, against any liability asserted against such director, officer, or employee in any such capacity, or arising out of their status as such, whether or not the Association would have the power to indemnify such director, officer, or employee against such liability, excluding insurance coverage for a formal order assessing civil money penalties against an Association director or employee.

Notwithstanding anything to the contrary provided herein, no person shall have a right to indemnification with respect to any liability (i) incurred in an administrative proceeding or action instituted by an appropriate bank regulatory agency which proceeding or action results in a final order assessing civil money penalties or requiring affirmative action by an individual or individuals in the form of payments to the Association, (ii) to the extent such person is entitled to receive payment therefor under any insurance policy or from any corporation, partnership, joint venture, trust, trade association, employee benefit plan, or other enterprise other than the Association, or (iii) to the extent that a court of competent jurisdiction determines that such indemnification is void or prohibited under state or federal law.

ELEVENTH. These Articles of Association may be amended at any regular or special meeting of the shareholders by the affirmative vote of the holders of a majority of the stock of this Association, unless the vote of holders of a greater

amount of stock is required by law, and in that case, by the vote of the holders of such greater amount.

TWELFTH. The Association, at any time and from time to time, may authorize and issue debt obligations, whether or not subordinated, without the approval of the shareholders.

**AMENDED AND RESTATED BY-LAWS OF
WACHOVIA BANK, NATIONAL ASSOCIATION**

Charter No. 1

Effective October 15, 2002

BY-LAWS OF
WACHOVIA BANK, NATIONAL ASSOCIATION

ARTICLE I

Meetings of Shareholders

Section 1.1 Annual Meeting. The annual meeting of the shareholders for the election of Directors and for the transaction of such other business as may properly come before the meeting shall be held on the third Tuesday of April in each year, commencing with the year 2002, except that the Board of Directors may, from time to time and upon passage of a resolution specifically setting forth its reasons, set such other date for such meeting during the month of April as the Board of Directors may deem necessary or appropriate; provided, however, that if an annual meeting would otherwise fall on a legal holiday, then such annual meeting shall be held on the second business day following such legal holiday. The holders of a majority of the outstanding shares entitled to vote which are represented at any meeting of the shareholders may choose persons to act as Chairman and as Secretary of the meeting.

Section 1.2 Special Meetings. Except as otherwise specifically provided by statute, special meetings of the shareholders may be called for any purpose at any time by the Board of Directors or by any three (3) or more shareholders owning, in the aggregate, not less than ten percent (10%) of the stock of the Association. Unless otherwise provided by the laws of the United States, a notice of the time, place and purpose of every special meeting of the shareholders shall be given by first-class mail, postage prepaid, mailed at least ten (10) days prior to the date of such meeting to each shareholder of record at his address as shown upon the books of this Association.

Section 1.3 Nominations for Directors. Nominations for election to the Board of Directors may be made by the Board of Directors or by any shareholders of any outstanding class of capital stock of the Association entitled to vote for the election of Directors. Nominations, other than those made by or on behalf of the existing management of the Association, shall be made in writing and shall be delivered or mailed to the President of the Association and to the Comptroller of the Currency, Washington, D. C., not fewer than fourteen (14) days nor more than fifty (50) days prior to any meeting of shareholders called for the election of Directors, provided, however, that if fewer than twenty-one (21) days' notice of such meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the Association and to the Comptroller of the Currency not later than the close of business on the seventh day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of shares of capital stock of the Association that will be voted for each proposed nominee; (d) the name and residence address of the notifying shareholder; and (e) the number of shares of capital

stock of the Association owned by the notifying shareholder. Nominations not made in accordance herewith may, in his discretion, be disregarded by the chairman of the meeting, and upon his instructions, the vote tellers may disregard all votes cast for each such nominee.

Section 1.4 Judges of Election. The Board may at any time appoint from among the shareholders three (3) or more persons to serve as Judges of Election at any meeting of shareholders; to act as judges and tellers with respect to all votes by ballot at such meeting and to file with the Secretary of the meeting a Certificate under their hands, certifying the result thereof.

Section 1.5 Proxies. Shareholders may vote at any meeting of the shareholders by proxies duly authorized in writing, but no officer or employee of this Association shall act as proxy. Proxies shall be valid only for one meeting, to be specified therein, and any adjournments of such meeting. Proxies shall be dated and shall be filed with the records of the meeting.

Section 1.6 Quorum. A majority of the outstanding capital stock, represented in person or by proxy, shall constitute a quorum at any meeting of shareholders, unless otherwise provided by law; but less than a quorum may adjourn any meeting, from time to time, and the meeting may be held, as adjourned, without further notice. A majority of the votes cast shall decide every question or matter submitted to the shareholders at any meeting, unless otherwise provided by law or by the Articles of Association.

ARTICLE II

Directors

Section 2.1 Board of Directors. The Board of Directors (hereinafter referred to as the "Board"), shall have power to manage and administer the business and affairs of the Association. Except as expressly limited by law, all corporate powers of the Association shall be vested in and may be exercised by said Board.

Section 2.2 Number. The Board shall consist of not fewer than five (5) nor more than twenty-five (25) Directors, the exact number within such minimum and maximum limits to be fixed and determined from time to time by resolution of a majority of the full Board or by resolution of the shareholders at any annual or special meeting thereof; provided, however, that a majority of the full Board of Directors may not increase the number of Directors to a number which, (1) exceeds by more than two (2) the number of Directors last elected by shareholders where such number was fifteen (15) or fewer, and (2) to a number which exceeds by more than four (4) the number of Directors last elected by shareholders where such number was sixteen (16) or more, but in no event shall the number of Directors exceed twenty-five (25).

Section 2.3 Organization Meeting. The Secretary of the meeting upon receiving the Certificate of the Judges of Election, of the result of any election, shall notify the

Directors-elect of their election and of the time at which they are required to meet at the Main Office of the Association for the purpose of organizing the new Board and electing and appointing officers of the Association for the succeeding year. Such meeting shall be held as soon thereafter as practicable. If, at the time fixed for such meeting, there shall not be a quorum present, the Directors present may adjourn the meeting from time to time, until a quorum is obtained.

Section 2.4 Regular Meetings. Regular meetings of the Board of Directors shall be held at such place and time as may be designated by resolution of the Board of Directors. Upon adoption of such resolution, no further notice of such meeting dates or the places or times thereof shall be required. Upon the failure of the Board of Directors to adopt such a resolution, regular meetings of the Board of Directors shall be held, without notice, on the third Tuesday in February, April, June, August, October and December, commencing with April 2002, at the Main Office or at such other place and time as may be designated by the Board of Directors. When any regular meeting of the Board would otherwise fall on a holiday, the meeting shall be held on the next business day unless the Board shall designate some other day.

Section 2.5 Special Meetings. Special meetings of the Board of Directors may be called by the President of the Association, or at the request of three (3) or more Directors. Each member of the Board of Directors shall be given notice stating the time and place, by telegram, letter, or in person, of each such special meeting.

Section 2.6 Quorum. A majority of the Directors shall constitute a quorum at any meeting, except when otherwise provided by law; but a lesser number may adjourn any meeting, from time to time, and the meeting may be held, as adjourned, without further notice.

Section 2.7 Vacancies. When any vacancy occurs among the Directors, the remaining members of the Board, in accordance with the laws of the United States, may appoint a Director to fill such vacancy at any regular meeting of the Board, or at a special meeting called for that purpose.

Section 2.8 Advisory Boards. The Board of Directors may appoint Advisory Boards for each of the States in which the Association conducts operations. Each such Advisory Board shall consist of as many persons as the Board of Directors may determine. The duties of each Advisory Board shall be to consult and advise with the Board of Directors and senior officers of the Association in such State with regard to the best interests of the Association and to perform such other duties as the Board of Directors may lawfully delegate. The senior officer in such State, or such officers as directed by such senior officer, may appoint advisory boards for geographic regions within such State and may consult with the State Advisory Boards prior to such appointments.

ARTICLE III

Committees of the Board

Section 3.1 The Board of Directors, by resolution adopted by a majority of the number of Directors fixed by these By-laws, may designate two (2) or more Directors to constitute an Executive Committee and other committees, each of which, to the extent authorized by law and provided in such resolution, shall have and may exercise all of the authority of the Board of Directors and the management of the Association. The designation of any committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility or liability imposed upon it or any member of the Board of Directors by law. The Board of Directors reserves to itself alone the power to act on (1) dissolution, merger or consolidation, or disposition of substantially all corporate property, (2) designation of committees or filling vacancies on the Board of Directors or on a committee of the Board (except as hereinafter provided), (3) adoption, amendment or repeal of these By-laws, (4) amendment or repeal of any resolution of the Board which by its terms is not so amendable or repealable, and (5) declaration of dividends, issuance of stock, or recommendations to shareholders of any action requiring shareholder approval.

The Board of Directors or the Chairman of the Board of Directors of the Association may change the membership of any committee at any time, fill vacancies therein, discharge any committee or member thereof either with or without cause at any time, and change at any time the authority and responsibility of any such committee.

A majority of the members of any committee of the Board of Directors may fix such committee's rules of procedure. All action by any committee shall be reported to the Board of Directors at a meeting succeeding such action, except such actions as the Board may not require to be reported to it in the resolution creating any such committee. Any action by any committee shall be subject to revision, alteration, and approval by the Board of Directors, except to the extent otherwise provided in the resolution creating such committee; provided, however, that no rights or acts of third parties shall be affected by any such revision or alteration.

ARTICLE IV

Officers and Employees

Section 4.1 Officers. The officers of the Association may be a Chairman of the Board, a Vice Chairman of the Board, one or more Chairmen or Vice Chairmen (who shall not be required to be Directors of the Association), a President, one or more Vice Presidents, a Secretary, a Cashier or Treasurer, and such other officers, including officers holding similar or equivalent titles to the above in regions, divisions or functional units of the Association, as may be appointed by the Board of Directors. The Chairman of the Board and the President shall be members of the Board of Directors. Any two or more offices may be held by one person, but no officer shall sign or execute any document in more than one capacity.

Section 4.2 Election, Term of Office, and Qualification. Each officer shall be chosen by the Board of Directors and shall hold office until the annual meeting of the Board of Directors held next after his election or until his successor shall have been duly chosen and qualified, or until his death, or until he shall resign, or shall have been disqualified, or shall have been removed from office.

Section 4.3 Officers Acting as Assistant Secretary. Notwithstanding Section 4.1 of these By-laws, any officer holding the title of Assistant Vice President or above shall have, by virtue of his office, and by authority of the By-laws, the authority from time to time to act as an Assistant Secretary of the Association, and to such extent, said officers are appointed to the office of Assistant Secretary.

Section 4.4 Chief Executive Officer. The Board of Directors shall designate one of its members to be the President of this Association, and the officer so designated shall be an ex officio member of all committees of the Association except the Examining Committee, and its Chief Executive Officer unless some other officer is so designated by the Board of Directors.

Section 4.5 Duties of Officers. The duties of all officers shall be prescribed by the Board of Directors. Nevertheless, the Board of Directors may delegate to the Chief Executive Officer the authority to prescribe the duties of other officers of the Association not inconsistent with law, the charter, and these By-laws, and to appoint other employees, prescribe their duties, and to dismiss them. Notwithstanding such delegation of authority, any officer or employee also may be dismissed at any time by the Board of Directors.

Section 4.6 Other Employees. The Board of Directors may appoint from time to time such tellers, vault custodians, bookkeepers, and other clerks, agents, and employees as it may deem advisable for the prompt and orderly transaction of the business of the Association, define their duties, fix the salary to be paid them, and dismiss them. Subject to the authority of the Board of Directors, the Chief Executive Officer or any other officer of the Association authorized by him, may appoint and dismiss all such tellers, vault custodians, bookkeepers and other clerks, agents, and employees, prescribe their duties and the conditions of their employment, and from time to time fix their compensation.

Section 4.7 Removal and Resignation. Any officer or employee of the Association may be removed either with or without cause by the Board of Directors. Any employee other than an officer elected by the Board of Directors may be dismissed in accordance with the provisions of the preceding Section 4.6. Any officer may resign at any time by giving written notice to the Board of Directors or to the Chief Executive Officer of the Association. Any such resignation shall become effective upon its being accepted by the Board of Directors, or the Chief Executive Officer.

ARTICLE V

Fiduciary Powers

Section 5.1 Trust Services Division. There shall be divisions of this Association known as the Capital Management Group and the Wealth Management Group which shall be responsible for the exercise of the fiduciary activities of this Association.

Section 5.2 Trust Officers. There shall be one or more Officers of this Association whose duties shall be to manage, supervise and direct all the fiduciary activities of the Capital Management and Wealth Management Groups. Further, there shall be one or more Senior Trust Officers designated to assist the Officers in the performance of their duties. They shall do or cause to be done all things necessary or proper in carrying out the business of the Capital Management and Wealth Management Groups in accordance with provisions of applicable laws and regulations.

Section 5.3 General Trust Committee. There shall be a General Trust Committee composed of not fewer than four (4) members of the Board of Directors or officers of this Association who shall be appointed annually, or from time to time, by the Board of Directors of this Association. Each member shall serve until his successor is appointed. The Board of Directors or the Chairman of the Board may change the membership of the General Trust Committee at any time, fill any vacancies therein, or discharge any member thereof with or without cause at any time. The General Trust Committee shall counsel and advise on all matters relating to the fiduciary business or affairs of the Capital Management and Wealth Management Groups and shall adopt overall policies for the conduct of the fiduciary business of the Capital Management and Wealth Management Groups, including, but not limited to: general administration, investment policies, new business development, and review for approval of major assignments of functional responsibilities. The General Trust Committee shall assign the administration and performance of any of its fiduciary powers or duties to any subcommittee as it may designate. The General Trust Committee shall appoint the members of any such subcommittees and shall determine the number of members which constitutes a quorum at meetings of such subcommittees. The General Trust Committee shall meet at least quarterly or as called for by its Chairman or any three (3) members of the Committee. A quorum shall consist of three (3) members. In carrying out its responsibilities, the General Trust Committee shall review the actions of all officers, employees and committees utilized by this Association in connection with the fiduciary activities of the Capital Management and Wealth Management Groups and may assign the administration and performance of any fiduciary powers or duties to any officers or employees of the Capital Management Group or Wealth Management Group or to any committee it may designate. One of the methods to be used in the review process will be the scrutiny of the Reports of Examination by the Office of the Comptroller of the Currency and the reports of the Audit Division of Wachovia Corporation, as they relate to the activities of the Capital Management and Wealth Management Groups. These reviews shall be in addition to reviews of such reports by the Audit Committee of the Board of Directors. The Chairman of the General Trust Committee shall be appointed by the Board of Directors. The Chairman of the General Trust Committee shall cause to be recorded in appropriate minutes all actions taken by the Committee. The minutes shall be signed by its Secretary and approved by its Chairman. Further, the General Trust Committee shall make its minutes available to the Board of Directors at its next regularly scheduled

meeting following a meeting of the General Trust Committee. As required by Section 9.4 of Regulation 9 of the Comptroller of the Currency, the Board of Directors retains responsibility for the proper exercise of this Association's fiduciary powers.

Members of the General Trust Committee will abide by the Association's Code of Conduct as it applies to the Capital Management and Wealth Management Groups.

ARTICLE VI

Stock and Stock Certificates

Section 6.1 Transfers. Shares of stock shall be transferable on the books of the Association, and a transfer book shall be kept in which all transfers of stock shall be recorded. Every person becoming a shareholder by such transfer shall, in proportion to his shares, succeed to all rights and liabilities of the prior holder of such shares.

Section 6.2 Stock Certificates. Certificates of stock shall bear the signature of the Chairman, the Vice Chairman, the President, or a Vice President (which may be engraved, printed, or impressed), and shall be signed manually or by facsimile process by the Secretary, Assistant Secretary, Cashier, Assistant Cashier, or any other officer appointed by the Board of Directors for that purpose, to be known as an Authorized Officer, and the seal of the Association shall be engraved thereon. Each certificate shall recite on its face that the stock represented thereby is transferable only upon the books of the Association properly endorsed.

ARTICLE VII

Corporate Seal

Section 7.1 The President, the Cashier, the Secretary, or any Assistant Cashier, or Assistant Secretary, or other officer thereunto designated by the Board of Directors shall have authority to affix the corporate seal to any document requiring such seal, and to attest the same. Such seal shall be in the form adopted by the Board of Directors.

ARTICLE VIII

Miscellaneous Provisions

Section 8.1 Fiscal Year. The fiscal year of the Association shall be the calendar year.

Section 8.2 Execution of Instruments. All agreements, indentures, mortgages, deeds, conveyances, transfers, certificates, declarations, receipts, discharges, releases, satisfactions, settlements, petitions, notices, applications, schedules, accounts, affidavits, bonds, undertakings, proxies, and other instruments or documents may be signed, executed, acknowledged, verified, delivered or accepted in behalf of the Association by

the Chairman of the Board, the Vice Chairman of the Board, any Chairman or Vice Chairman, the President, any Senior Executive Vice President, Executive Vice President, Vice President or Assistant Vice President, the Secretary, the Cashier or Treasurer, or any officer holding similar or equivalent titles to the above in any regions, divisions or functional units of the Association, or, if in connection with the exercise of fiduciary powers of the Association, by any of said officers or by any Trust Officer or Assistant Trust Officer (or equivalent titles), and if so required by applicable law or regulation, attested or countersigned by the Secretary or Assistant Secretary; provided, however, that where required, any such instrument shall be attested by one of said officers other than the officer executing such instrument. Any such instruments may also be executed, acknowledged, verified, delivered or accepted in behalf of the Association in such other manner and by such other officers as the Board of Directors may from time to time direct. The provisions of this Section 8.2 are supplementary to any other provision of these By-laws.

Section 8.3 Records. The Articles of Association, the By-laws, and the proceedings of all meetings of the shareholders, the Board of Directors, standing committees of the Board, shall be recorded in appropriate minute books provided for the purpose. The minutes of each meeting shall be signed by the Secretary, Cashier, or other officer appointed to act as Secretary of the meeting.

ARTICLE IX

By-laws

Section 9.1 Inspection. A copy of the By-laws, with all amendments thereto, shall at all times be kept in a convenient place at the Main Office of the Association, and shall be open for inspection to all shareholders, during banking hours.

Section 9.2 Amendments. The By-laws may be amended, altered or repealed, at any regular or special meeting of the Board of Directors, by a vote of a majority of the whole number of Directors.

ARTICLE X

Emergency By-Laws

Section 10.1. Emergency. In the event of an emergency declared by the President of the United States or the person performing his functions, the officers and employees of this Association will continue to conduct the affairs of the Association under such guidance from the Directors or the Executive Committee as may be available except as to matters which by statute require specific approval of the Board of Directors and subject to conformance with any applicable governmental directives during the emergency.

Section 10.2. Officers Pro Tempore. The surviving members of the Board of Directors or the Executive Committee shall have the power, in the absence or disability

of any officer, or upon the refusal of any officer to act, to delegate and prescribe such officer's powers and duties to any other officer, or to any Director, for the time being.

Section 10.3. Executive Committee Powers. In the event of a state of disaster of sufficient severity to prevent the conduct and management of the affairs and business of this Association by its Directors and officers as contemplated by these By-laws, any two (2) or more available members of the Board of Directors shall constitute the Executive Committee and shall constitute a quorum of that Committee for the full conduct and management of the affairs and business of the Association in accordance with the provisions of Article II of these By-laws; and in addition, the Executive Committee shall be empowered to exercise all of the powers reserved to the General Trust Committee under Section 5.3 of Article V hereof. In the event of the unavailability, at such time, of a minimum of two (2) members of the then incumbent Executive Committee, any three (3) available Directors shall constitute the Executive Committee for the full conduct and management of the affairs and business of the Association in accordance with the foregoing provisions of this section. This By-law shall be subject to implementation by resolutions of the Board of Directors passed from time to time for that purpose. Any provisions of these By-laws (other than this section) and any resolutions which are contrary to the provisions of this section or to the provisions of any such implementary resolutions shall be suspended until it shall be determined by an interim Executive Committee acting under this section that it shall be to the advantage of this Association to resume the conduct and management of its affairs and business under all of the other provisions of these By-laws.

Section 10.4. Officer Succession. If consequent upon war or warlike damage or disaster, the Chief Executive Officer of this Association cannot be located or is unable to assume or to continue normal executive duties, then the authority and duties of the Chief Executive Officer shall, without further action of the Board of Directors, be automatically assumed by one of the following persons in the order designated:

Chairman

President

Head of the General Bank

Division Head/Area Administrator - Within this officer class, officers shall take seniority on the basis of length of service in such office or, in the event of equality, length of service as an officer of the Association.

Any one of the above persons who in accordance with this Section 10.4 assumes the authority and duties of the Chief Executive Officer shall continue to serve until he resigns or until five-sixths of the other officers who are attached to the then acting Main Office decide in writing he is unable to perform said duties or until the elected Chief Executive Officer of this Association, or a person higher on the above list, shall become available to perform the duties of Chief Executive Officer of the Association.

Section 10.5. Certification. Anyone dealing with this Association may accept a certification by any three (3) officers that a specified individual is acting as Chief Executive Officer in accordance with this By-law; and that anyone accepting such

certification may continue to consider it in force until notified in writing of a change, said notice of change to carry the signatures of three (3) officers of the Association.

Section 10.6. Alternate Locations. The offices of the Association at which its business shall be conducted shall be the Main Office thereof and each of its branches, and any other legally authorized location which may be leased or acquired by this Association to carry on its business. During an emergency resulting in any authorized place of business of this Association being unable to function, the business ordinarily conducted at such location shall be relocated elsewhere in suitable quarters, in addition to or in lieu of the locations heretofore mentioned, as may be designated by the Board of Directors or by the Executive Committee or by such persons as are then, in accordance with resolutions adopted from time to time by the Board of Directors dealing with the exercise of authority in the time of such emergency, conducting the affairs of this Association. Any temporarily relocated place of business of this Association shall be returned to its legally authorized location as soon as practicable and such temporary place of business shall then be discontinued.

Section 10.7. Acting Main Offices. In case of war or warlike damage or disaster, the Main Office of this Association, located in Charlotte, North Carolina, is unable temporarily to continue its functions, the Business Continuity Plan, as approved by the Board of Directors from time to time, shall automatically and without further action of this Board of Directors become effective.

Section 10.8. Resumption of Main Office. The Main Office shall resume its functions at its legally authorized location as soon as practicable as determined by the Executive Committee pursuant to Section 10.3 of these By-laws.



WACHOVIA

WACHOVIA BANK, NA
CORPORATE TRUST OPERATIONS
BOND CALL PROCESSING

AFFIDAVIT OF MAILING

Bond Issue: 5557 PICA 1993A
Bond Call Date: 6/15/03
No. of notices mailed to Financial Institutions:
No. of notices mailed to Registered Bondholders:
TOTAL No. of notices mailed: 6
TOTAL No. of notices faxed: 2

Administrator: Alice Amoro
Date of Mailing: 5/14/03
Date of Mailing: 5/14/03
Date of Mailing: 5/14/03

Used Fiduciary Communications to notify Financial Institutions? ☐
Copy of FIDCOM notice attached to this page? ☐

17859228553

The Depository Trust Co.
Attn: Supervisor, Call Notification Dept.
55 Water Street
50th Floor
New York, NY 10041-0099
Fax: (212) 855-7232

17859309355

Financial Information Inc.
Daily Called Bond Service
30 Montgomery Street, 10th Floor
Jersey City, NJ 07302

17860047052

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024

11059268556

Mergent/FIS, Inc.
Attn: Called Bond Department
5250 77 Center Drive
Suite 150
Charlotte, NC 28217

17859334651

Standard & Poor's J.J. Kenny Repository
55 Water Street
45th Floor
New York, NY 10041

17860111953

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558

 (FAX ONLY)
Interactive Data
100 William Street
New York, NY 10038
Fax: (212) 771-7390

We hereby certify that the notices described by number and type herein have been mailed this 14 day of MAY, 2003.

Witness: Steph Ball

Witness: Sharon Koster

Attachments: Refunding ✓
Copy of Redemption Notice:
List of Bondholders:

Mailing Capacity:
Priority Overnight (UPS):
Standard Overnight (UPS):
2nd Day Air (UPS):
First Class (USPS):

**NOTICE OF OPTIONAL REDEMPTION
TO HOLDERS OF
PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)
SERIES OF 1993A
Cusip Number 708840**

NOTICE IS HEREBY GIVEN, pursuant to the Amended and Restated Trust Indenture dated as of December 1, 1994, as amended and supplemented, that all of the outstanding bonds will be redeemed on June 15, 2003 at 100% of principal amount thereof together with accrued interest thereon to such Redemption Date.

<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Cusip Number</u>
6/15/2004	\$ 5,335,000.00	CB7
6/15/2005	\$ 5,595,000.00	CC5
6/15/2006	\$ 5,870,000.00	CD3
6/15/2007	\$ 6,165,000.00	CE1
6/15/2008	\$ 6,480,000.00	CF8
6/15/2013	\$12,000,000.00	CG6
6/15/2013	\$25,710,000.00	CH4
6/15/2022	\$96,030,000.00	CJ0

On June 15, 2003, the Redemption Date, the Bonds so called for redemption will become due and payable and should be sent as follows:

BY MAIL:

**Wachovia Bank, National Association
Customer Information Center, NC1153
1525 West W. T. Harris Boulevard
Charlotte, NC 28288-1153**

Interest payable on June 15, 2003 will be paid in the normal manner. After June 15, 2003 interest will cease to accrue on the called portion of the above referenced bond.

It is suggested that registered or certified mail be used for redeeming the Bonds and that it is not necessary to endorse and guarantee the bonds unless payment is to be made to someone other than the registered holder. Holders of the above-described securities should submit certified Taxpayer Identification Number on I.R.S. Form W-9 when presenting their securities for redemption to avoid the withholding of 30% of the principal to be redeemed as required by Section 3406(a)(1) of the Internal Revenue Code of 1986 as amended.

This Notice of Redemption is conditional in that it is subject to deposit of monies by the Pennsylvania Intergovernmental Cooperation Authority with the Trustee on or prior to the date of payment of such redemption price. In the event sufficient monies are not deposited this notice shall be of no effect.

No representation is made as to the accuracy of the CUSIP Number listed above or printed on the Series A of 1993 Bonds.

Pennsylvania Intergovernmental Cooperation Authority
BY: Wachovia Bank, National Association
As Successor Trustee

Date: May 15, 2003



Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Financial Guaranty Insurance Policy

Obligor: PENNSYLVANIA INTERGOVERNMENTAL COOPERATION
AUTHORITY

Policy Number: 21041BE

Obligations: \$165,550,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2003, dated June 16, 2003 and maturing on June 15, 2022. The Trustee is Wachovia Bank, National Association, Philadelphia, Pennsylvania. Premium: \$1,041,268.01

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

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

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

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

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

President



Effective Date: June 16, 2003

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

A- 4376

Secretary

Authorized Representative

Authorized Officer of Insurance Trustee



Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

Attached to and forming part of Policy No.:

21041BE

Effective Date of Endorsement:

June 16, 2003

The Policy to which this endorsement is attached and of which it forms a part is hereby amended to provide that the payment by Ambac to the Insurance Trustee, for the benefit of the Holders, of the principal of and interest on the Obligations which shall become Due for Payment but which are unpaid by reason of Nonpayment by the Obligor shall include any scheduled interest payment and required mandatory redemption of Bank Bonds pursuant to Section 401 of the Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003, by and between the Obligor and Wachovia Bank, National Association, as Trustee.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

President



Secretary

Authorized Representative

Tax Certificate of Bond Insurer

[See Item C-10 Exhibit D]

2500 One Liberty Place
1650 Market Street
Philadelphia, PA 19103-7301
215.851.8100
Fax 215.851.1420

June 16, 2003

Raymond James & Associates, Inc.,
acting for itself and as
representative of the
several underwriters named on
Schedule 1 to the within-mentioned
Bond Purchase Contract
880 Carillon Parkway
St. Petersburg, Florida 33716

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004

JPMorgan Chase Bank
270 Park Avenue, 48th Floor
New York, New York 10017

Ladies and Gentlemen:

We have acted as counsel to the Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic constituting a public authority and instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") created pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"), in connection with the issuance and sale by the Authority on this date of \$165,550,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "2003 Bonds"). Pursuant to the power and authority vested in it by virtue of the Act, and to carry out the public purposes of the Act, the Authority is issuing the 2003 Bonds under an Amended and Restated Indenture of Trust, dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and Wachovia Bank, National Association (successor to Meridian Bank), as trustee (the "Trustee"), as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust, dated as of May 15, 1996 (the "First Supplemental Indenture"), by a Second Supplement to the Amended and Restated Indenture of Trust, dated as of April 1, 1999 (the "Second Supplemental Indenture"), and by the Third Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2003 (together with the 1994 Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the "Indenture"), for the purpose of refunding certain outstanding bonds of the Authority, as more

Raymond James & Associates, Inc.
Ambac Assurance Corporation
JP Morgan Chase Bank
June 16, 2003
Page 2

particularly described in the Indenture. The 2003 Bonds are secured under the Indenture by the Authority's pledge to the Trustee of, and the Authority's grant to the Trustee of a security interest in, the proceeds of a 1.5% tax (the "Authority Income Tax") on salaries, wages, commissions and other compensation earned by residents of the City of Philadelphia, Pennsylvania (the "City") and on net profits earned in business, professions and other activities conducted by residents of the City, which has been enacted by the City exclusively for the purposes of the Authority pursuant to Section 601(a)(3) of the Act and pursuant to an ordinance (Bill No. 1437) of the City Council of the City, approved by the Mayor of the City on June 12, 1991 (the "Authority Income Tax Ordinance").

Pursuant to a Bond Purchase Contract dated June 12, 2003 (the "Bond Purchase Contract") between the Authority and Raymond James & Associates, Inc., as representative of the several underwriters named therein (collectively, the "Underwriters"), the Authority is selling the 2003 Bonds to the Underwriters for offering by the Underwriters to the public. In connection with such public offering of the 2003 Bonds, the Authority has prepared an Official Statement, dated June 12, 2003 (the "Official Statement"), relating to the 2003 Bonds.

As contemplated by the Act, the Authority and the City have heretofore entered into an Intergovernmental Cooperation Agreement dated as of January 8, 1992 (the "Intergovernmental Cooperation Agreement").

In connection with the issuance of the 2003 Bonds, the Authority has executed and delivered a Tax Compliance Agreement dated as of June 16, 2003 (the "Tax Compliance Agreement"); the Authority, the Trustee and JPMorgan Chase Bank (the "Liquidity Bank") have entered into a Standby Bond Purchase Agreement, dated as of June 1, 2003 (the "Standby Bond Purchase Agreement"); and the Authority and Raymond James & Associates, Inc. have entered into a Remarketing Agreement dated as of June 1, 2003 (the "Remarketing Agreement").

For the purpose of rendering this opinion letter, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the Indenture, the Bond Purchase Contract, the Intergovernmental Cooperation Agreement, the Official Statement, the Authority Income Tax Ordinance, the Tax Compliance Agreement, the Standby Bond Purchase Agreement, the Remarketing Agreement and such other instruments, documents, records and certificates, and have made such investigations as to matters of law, as we have deemed necessary and appropriate. We also have examined a specimen of the 2003 Bonds.

In rendering this opinion letter, we have assumed, with respect to all documents and instruments reviewed by us, the genuineness of all signatures, the capacity of natural persons, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as copies. We have further assumed as follows:

Raymond James & Associates, Inc.
Ambac Assurance Corporation
JP Morgan Chase Bank
June 16, 2003
Page 3

A. We have assumed that each party to the documents specified in paragraph 5 below other than the Authority (each such other party being referred to as an "Other Party") is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the lawful power and authority to enter into and perform its obligations under such documents; that such documents have been duly authorized, executed and delivered by each such Other Party; and that such documents constitute the legal, valid and binding obligation of each such Other Party, enforceable against each such Other Party in accordance with its terms. We have further assumed that the 2003 Bonds have been duly authenticated by the Trustee in accordance with the requirements of the Indenture.

B. We have assumed that the City has duly and validly enacted the Authority Income Tax pursuant to the Authority Income Tax Ordinance in compliance with all procedural requirements of the City's Home Rule Charter, the Philadelphia Code of Ordinances and other applicable law, rules or regulations. We have further assumed that the Authority Income Tax Ordinance has not been amended, modified or repealed in whole or in part and is in full force and effect on the date hereof. We have further assumed that the City has duly authorized, executed and delivered the Intergovernmental Cooperation Agreement.

C. We have assumed that each Bond Insurer (as defined in the Indenture, and including without limitation Ambac Assurance Corporation) and each Credit Facility Issuer (as defined in the Indenture) is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and is duly licensed and authorized by all applicable regulatory bodies to issue the Bond Insurance Policy (as defined in the Indenture) or the Credit Facility (as defined in the Indenture) issued by such Bond Insurer or Credit Facility Issuer, as appropriate. We have further assumed that each Bond Insurance Policy has been duly authorized, executed and delivered by the relevant Bond Insurer and constitutes the legal, valid and binding obligation of such Bond Insurer, enforceable in accordance with its terms. We have further assumed that each Credit Facility has been duly authorized, executed and delivered by the relevant Credit Facility Issuer and constitutes the legal, valid and binding obligation of such Credit Facility Issuer, enforceable in accordance with its terms.

Based upon and subject to the foregoing, and subject to the further exceptions, qualifications and limitations hereinafter set forth, we are pleased to advise you that we are of the following opinions:

1. The Authority is a body corporate and politic, constituting a public authority and instrumentality of the Commonwealth, created pursuant to the Act.

2. The Authority has the power and the authority under the Act to enter into the Indenture and to issue the 2003 Bonds thereunder, and to enter into the Intergovernmental Cooperation Agreement, the Bond Purchase Contract, the Tax Compliance Agreement, the Remarketing Agreement and the Standby Bond Purchase Agreement.

Raymond James & Associates, Inc.
Ambac Assurance Corporation
JP Morgan Chase Bank
June 16, 2003
Page 4

3. The Indenture, the 2003 Bonds, the Intergovernmental Cooperation Agreement, the Bond Purchase Contract, the Tax Compliance Agreement, the Remarketing Agreement and the Standby Bond Purchase Agreement have each been duly authorized, executed and delivered by the Authority.

4. The Official Statement has been duly authorized and executed by the Authority.

5. The Indenture, the 2003 Bonds, the Bond Purchase Contract, the Tax Compliance Agreement, the Intergovernmental Cooperation Agreement, the Remarketing Agreement and the Standby Bond Purchase Agreement are each legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms. We call to your attention, however, that the 2003 Bonds are not general obligations of the Authority but are limited obligations of the Authority, payable only out of the revenues from the Authority Income Tax and certain funds held by the Trustee under the Indenture, and that neither the credit nor the taxing power of the Commonwealth or any political subdivision (including the City) or agency thereof, other than the credit of the Authority to the limited extent described above, is pledged for the payment of the principal or redemption price of or interest on the 2003 Bonds. According to the Act, the 2003 Bonds do not constitute a debt or obligation of the Commonwealth or any political subdivision (including the City) or agency thereof. The Authority itself has no taxing power.

6. To our knowledge, except as disclosed in the Official Statement, there are no actions or proceedings pending, or overtly threatened in writing, against the Authority before any court, governmental agency or arbitrator, which seek to restrain or enjoin the issuance or delivery of the 2003 Bonds by the Authority or which in any way contest the validity or enforceability of the 2003 Bonds, the Indenture, the Bond Purchase Contract, the Intergovernmental Cooperation Agreement, the Tax Compliance Agreement, the Standby Bond Purchase Agreement, the Remarketing Agreement or the pledge of the revenues from the Authority Income Tax under the Indenture.

7. As provided in the Act, the proceeds of the Authority Income Tax are at all times the revenues and property of the Authority, are not property or revenues of the City and are not subject to appropriation by either the Commonwealth or the City.

8. The Indenture creates a valid lien on, and a valid and binding security interest in, the Pledged Revenues (as defined in the Indenture) for the security of the 2003 Bonds.

Although we have not undertaken to determine independently the accuracy, completeness or fairness of the information contained in the Official Statement, nothing has

Raymond James & Associates, Inc.
Ambac Assurance Corporation
JP Morgan Chase Bank
June 16, 2003
Page 5

come to our attention during the course of the performance of our duties as counsel to the Authority that would lead us to believe that the information contained in the Official Statement (except for the information contained in any of the Appendices to the Official Statement, any other information in the Official Statement concerning the City, any information under the headings "THE 2003 Bonds –Book-Entry-Only System", "BOND INSURANCE", "CERTAIN INFORMATION CONCERNING THE BANK", "TAX EXEMPTION" and "UNDERWRITING" and any financial or statistical data or projections contained or required to be contained in any portion of the Official Statement, as to which we express no opinion or belief) contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

We express no opinion concerning the exempt status of interest on the 2003 Bonds under any Federal or state tax laws or regulations or concerning any other Federal or state tax law consequences of owning or disposing of the 2003 Bonds. We express no opinion concerning the status of the Indenture, the 2003 Bonds or the offering or sale of the 2003 Bonds under any registration or qualification requirements of the Federal or state securities laws or regulations. We express no opinion concerning the status of the 2003 Bonds as legal investments for any person or entity under any Federal or state laws or regulations. In addition, our opinions expressed herein are subject to, and limited by, (a) applicable bankruptcy, insolvency, reorganization, moratorium, arrangement, liquidation or other similar laws affecting the rights and remedies of creditors and secured parties generally, and (b) general principles of equity, public policy considerations, judicial discretion and general requirements of good faith, fair dealing and reasonableness (regardless of whether considered in a proceeding at law or in equity).

Without limiting the generality of the preceding paragraph, we express no opinion as to the validity or enforceability of (1) any provision in any document granting or creating rights not available under Pennsylvania law, relating to self-help, imposing penalties, forfeitures, increased rates or late payment charges (to the extent they are found to be penalties or forfeitures or to be unreasonable or to the extent they are applied after the cure of the default or other triggering event), (2) any provision purporting to release persons from liability for acts or omissions resulting from negligence, bad faith or willful misconduct, (3) any provision providing for a right of indemnification or right of contribution (to the extent it is found to be a penalty or forfeiture or to be unreasonable in amount or to the extent that it provides for indemnification for the negligence or willful misconduct of, or a violation of law or public policy by, the person being indemnified), (4) any set-off rights set forth in any documents, (5) any provision with respect to payment of costs and expenses of enforcement, including, without limitation, attorneys' fees, to the extent that the same is determined to be contrary to public policy, (6) any provision relating to consent to jurisdiction for bringing suit or the waiver of jury trial, (7) any provision modifying or waiving any requirement of good faith, fair dealing, diligence, commercial reasonableness or prior notice or the right of redemption arising under any law, waiving any rights afforded to any party thereto under

Raymond James & Associates, Inc.
Ambac Assurance Corporation
JP Morgan Chase Bank
June 16, 2003
Page 6

any constitutional provision or waiving the rights afforded to any party under any statute, or by which any party thereto waives any rights afforded to such party by applicable law, except to the extent such waiver is expressly permitted by statute, (8) any provision which waives broadly or vaguely stated rights or future rights, or waives certain rights or defenses to obligations where such waivers are against statutes, laws or public policy, (9) any provision that provides that rights or remedies are not exclusive, that every right or remedy is cumulative and may be exercised in addition to or with any other right or remedy, or that the election of some remedy or remedies does not preclude recourse to one or more other remedies, (9) any provision that purports to prevent oral modification or waivers or purports to preclude the modification of the documents through conduct, custom or the course of performance, action or dealing, (9) any provision the breach of which a court concludes is not material or does not adversely affect any relevant party, (10) any provision purporting to make discretionary determinations of a person conclusive, (11) any provision imposing penalties, forfeitures, legal costs, late payment charges or an increase in interest rate upon delinquency in payment or the occurrence of a default, including any provisions relating to the accrual of interest on unpaid interest or "Deferred Interest" or the "Deferred Interest Fee Amount" as defined in the Standby Bond Purchase Agreement, (12) any provision purporting to characterize damages which may be claimed in the event of a breach or termination as liquidated damages, (13) any provision relating to amounts payable upon a breach or termination to the extent such amounts are found to be penalties or forfeitures or to be unreasonable in amount or to the extent that such provisions provide for indemnification for the negligence or willful misconduct of, or a violation of law or public policy by, the person to whom such amounts are payable, and (14) any provision relating to subrogation rights, payment of legal fees and other costs of indemnity.

We call your attention to the provisions of Section 911(b) of the Pennsylvania Crimes Code (the "Crimes Code"), 18 Pa.C.S. § 911(b), which makes it unlawful to use or invest income derived from a pattern of "racketeering activity" in the establishment or operation of any enterprise. "Racketeering activity", as defined in the Crimes Code, includes the collection of money or other property in full or partial satisfaction of a debt which arose as the result of the lending of money or other property at a rate of interest exceeding 25% per annum where not otherwise authorized by law. Accordingly, our opinions in this letter are qualified to the extent, if any, that the statute referenced in this paragraph may be applicable to this transaction.

We are members of the Bar of the Commonwealth, and this opinion letter is limited to the present law of the Commonwealth and the present Federal law of the United States of America. This opinion letter is limited to the matters expressly stated herein, no opinion may be inferred or is implied beyond the matters expressly stated herein to be our opinion, and our opinions and other statements herein must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth in this letter.

The opinions and other statements herein are expressed as of the date hereof only, and not as of some future date. We undertake no responsibility to advise you of any change in

Raymond James & Associates, Inc.
Ambac Assurance Corporation
JP Morgan Chase Bank
June 16, 2003
Page 7

law or any new laws, regulations, judicial decisions or other developments which may be promulgated or which may otherwise occur in the future. The phrase "to our knowledge" as used in this opinion letter means the conscious awareness, without independent investigation, of those attorneys in our firm who have devoted substantive attention to matters involving our representation of the Authority.

This opinion letter is being rendered solely for your benefit in connection with the issuance of the 2003 Bonds by the Authority. You may not rely on this opinion letter for any other purpose and no other person or entity may rely on this opinion letter for any purpose. This opinion letter may not be referred to or quoted in whole or in part in any document, report or financial statement of, or filed with or delivered to, any person or entity, without the express written consent of the undersigned, but this opinion letter may be included as part of the transcript of closing documents relating to the 2003 Bonds.

Very truly yours,


REED SMITH LLP

SWR/SML/mp



CITY OF PHILADELPHIA

HON. NELSON A. DIAZ
CITY SOLICITOR

(215) 683-5003 (Tel)
(215) 683-5068 (Fax)

June 16, 2003

Raymond James & Associates, Inc. acting for itself and as
Representative of the several underwriters named on
Schedule 1 to the within-mentioned Bond Purchase Contract
880 Carillon Parkway
St. Petersburg, Florida 33716

Re: \$165,550,000 aggregate principal amount, Pennsylvania
Intergovernmental Cooperation Authority, Special Tax Revenue
Refunding Bonds (City of Philadelphia Funding Program), Series of 2003

Ladies and Gentlemen:

The Law Department (the "Department") of the City of Philadelphia, Pennsylvania (the "City") has acted on behalf of the City in matters relating to the issuance by the Pennsylvania Intergovernmental Cooperation Authority ("Authority") of its \$165,550,000 aggregate principal amount, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "Bonds"). This opinion is being delivered to you pursuant to section 9(e)(xii) of the Bond Purchase Agreement dated June 12, 2003, between the Authority and Raymond James & Associates, Inc., acting for itself and as representative of the underwriters named on Schedule 1 thereto (the "Purchase Contract"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Contract.

In rendering the opinions expressed below, the Department has examined such proceedings, documents, statutes, and ordinances as we have deemed necessary as the basis for the opinions hereinafter expressed, including:

- a. certified copies of the Cooperation Ordinance and the Tax Ordinance (together, the "Ordinances");
- b. a certified copy of the Resolution of the City Council of the City approving the Plan (the "Resolution");
- c. a fully executed copy of the Letter of Representations;
- d. a fully executed copy of the Cooperation Agreement;
- e. a fully executed copy of the Tax Collection Agreement;
- f. a fully executed copy of the Tax Compliance Agreement;
- g. the Preliminary Official Statement, dated June 5, 2003, and Final Official Statement, dated June 12, 2003, relating to the Bonds ("Official Statement").

As to certain factual matters material to the opinions hereinafter expressed, we have relied upon the representations and warranties contained in the Letter of Representations (except for those contained in paragraph 15 of such Letter) and in the Certificate of the Director of Finance of even date herewith and on information and advice from officials and representatives of the City, including the Certificate of the Chief Clerk of City Council, as a basis for the opinions hereinafter expressed. We have not undertaken to verify such factual matters set forth therein by independent investigation or inquiry, except as set forth in paragraph 10 herein.

In our examination of the documents referred to above, the Department has assumed the legal capacity (other than as to City officials) and competence of natural persons, the authenticity of all documents submitted to the Department as originals, the genuineness of all signatures (other than those of the officers of the City), the due authority of the parties (other than the City) executing such documents, and the conformity to the originals of all such documents submitted to us as copies. We have also assumed (i) that each of the parties, other than the City, to each of the documents, has duly executed and delivered the same, with all necessary power and authority (corporate and otherwise, including, without limitation, due authorization by all necessary corporate and other action on the part of such party), (ii) that each such party, other than the City, has complied in all material respects with all laws, regulations, court orders, and material agreements applicable to it that affect the transactions contemplated by such documents, and (iii) that such documents are valid as to, binding upon, and enforceable against all parties thereto other than the City.

Based on and subject to the foregoing, and subject to the assumptions, exceptions, limitations, and qualifications set forth herein and only with regard to the laws of the

Commonwealth of Pennsylvania as enacted and construed as of the date hereof, it is the opinion of the Department that:

1. The Ordinances have been duly and validly adopted by City Council and approved by the Mayor pursuant to authority granted in the Act and in accordance with the Philadelphia Home Rule Charter.

2. The Resolution has been duly adopted by City Council pursuant to the Act and in accordance with the Philadelphia Home Rule Charter.

3. All action taken by City Council, the Mayor and other authorized City officials in connection with the enactment of the Ordinances and adoption of the Resolution, including, without limitation, publication, notice, convening and conduct of the public meetings at which public hearings were held and action taken, was and is in compliance with the Philadelphia Home Rule Charter and Act 1998-93 of the General Assembly of the Commonwealth of Pennsylvania, approved October 15, 1998 (or, in the case of any action taken prior to the effective date thereof, the Act approved July 3, 1986, No. 84, P.L. 388, as amended).

4. The Ordinances and the Resolution have not been modified, amended, repealed or rescinded since the respective dates of enactment and adoption thereof, and are valid and in full force and effect as of the date hereof.

5. The City has the power and authority under the Act and the Philadelphia Home Rule Charter to execute and deliver the Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement, and the Tax Compliance Agreement. The Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement and the Tax Compliance Agreement have been duly and validly executed and delivered by the City.

6. The covenants and agreements of the City in the Tax Ordinance, in Section 5.02(b) of the Cooperation Agreement, and in the Letter of Representations, the Tax Collection Agreement and the Tax Compliance Agreement are valid and binding obligations of the City, enforceable against the City in accordance with the respective terms thereof.

7. Except as to the possible application of state or federal securities laws, as to which no opinion is expressed, there is no authorization, consent, approval, or other action required by any governmental authority or agency in connection with the execution by the City of the Cooperation Agreement, the Letter of Representations, the Tax Compliance Agreement or the Tax Collection Agreement which has not been obtained.

8. Except as disclosed in the Official Statement, and except for litigation which in the opinion of the Department is without merit, there is, to the knowledge of the Department after inquiry within the Department, no action, suit, proceeding or investigation at law or in

equity before or by any court, public board or body, pending or overtly threatened in writing against the City, (i) to restrain or enjoin the City's execution or delivery, or performance under the Cooperation Agreement, the Tax Compliance Agreement or the Tax Collection Agreement, or in any way contesting the validity or enforceability of the Cooperation Agreement, the Tax Collection Agreement, the Tax Compliance Agreement or the Ordinances, or (ii) contesting in any way the accuracy or completeness of the Official Statement as it relates to the City, or (iii) contesting in any way the validity or enforceability of the City's obligations under the Ordinances, the Cooperation Agreement, the Tax Collection Agreement, the Tax Compliance Agreement or the Letter of Representations.

9. The enactment of the Ordinances and the execution and delivery of the Cooperation Agreement, the Letter of Representations, the Tax Collection Agreement and the Tax Compliance Agreement and fulfillment of and compliance with the pledge and agreement set forth in the Tax Ordinance and Section 5.02(b) of the Cooperation Agreement do not and will not constitute on the part of the City a breach of or default under any existing law, regulation, administrative order or decree to which the City is subject or, to the knowledge of the Department, in any material respect, any indenture, deed of trust or guaranty or other instrument to which the City is a party or by which it is bound.

10. To the knowledge of the Department after inquiry within the Department, the description contained in Appendix "B" to the Official Statement under the heading "Litigation" does not contain any untrue statement of a material fact or omit to state a material fact with respect thereto necessary to be stated therein in order to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

This opinion is subject to the following exceptions, limitations, and qualifications:

- a. This opinion is subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer, marshaling, or similar laws affecting creditors' rights and remedies generally, general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith, and fair dealing (regardless of whether such enforceability is considered in a proceeding in equity or at law); and limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy.
- b. The Department expresses no opinion as to the application or requirements of state securities, antitrust and unfair competition, environmental, health and safety, or tax laws other than those governing the City Wage Tax and the Authority Tax in respect of the transactions contemplated by or

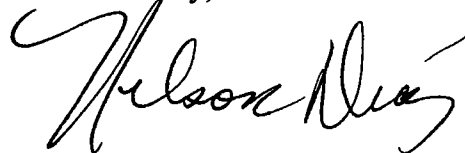
referred to in the Letter of Representations, Cooperation Agreement, Tax Collection Agreement or Tax Compliance Agreement.

- c. The Department expresses no opinion as to the validity or enforceability of any provision of the Letter of Representations, Cooperation Agreement, Tax Collection Agreement or Tax Compliance Agreement which, directly or indirectly: (i) purports to require that waivers must be in writing to the extent that an oral agreement or implied agreement by trade practice or course of conduct modifying provisions thereof has been made; (ii) purports to be a waiver of the right to a jury trial, waiver of any right to object to jurisdiction or venue, a waiver of any right to claim damages, or to service of process, or a waiver of other rights or benefits bestowed by operation of law, or waiver of which is limited by applicable law; (iii) purports to be a waiver of the obligations of good faith, fair dealing, diligence, mitigation of damages, or commercial reasonableness; (iv) purports to exculpate any party from its own negligent acts, or limit any party from certain liabilities; or (v) purports to require payment of consequential damages insofar as a court could conclude that such consequential damages are punitive in nature.

This opinion is given to you as of the date hereof and we express no opinion as to any matter not expressly set forth herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. By rendering this opinion, we do not undertake any obligation to advise you of any changes in fact or circumstances which may come to our attention after the date hereof or any changes in law which may occur after the date hereof.

We have rendered this opinion to you solely in connection with the consummation of the transactions contemplated by the Purchase Contract and this opinion may not be used or relied upon by you or any other person for any other purpose. This opinion may not be distributed or disclosed and may not be relied upon by any person, firm, or entity other than those to whom it is addressed without the prior written consent, in each instance, of the undersigned.

Sincerely,

A handwritten signature in black ink, appearing to read "Nelson Diaz", written over a horizontal line.

NELSON A. DIAZ
City Solicitor

June 16, 2003

Raymond James & Associates, Inc.,
acting for itself and as Representative
of the several underwriters named on
Schedule 1 to the within-mentioned
Bond Purchase Contract
880 Carillon Parkway
St. Petersburg, Florida 33716

Re: \$165,550,000, aggregate principal amount, Pennsylvania Intergovernmental
Cooperation Authority, Special Tax Revenue Refunding Bonds
(City of Philadelphia Funding Program), Series of 2003

Ladies and Gentlemen:

We have served as special counsel to the City of Philadelphia, Pennsylvania ("City"), in connection with matters relating to the issuance by the Pennsylvania Intergovernmental Cooperative Authority ("Authority") of its \$165,550,000, aggregate principal amount, Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 ("Bonds").

The Bonds are authorized to be issued by the Authority by virtue of and pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act No. 1991-6 (P.L. 9, No. 6), approved by the General Assembly of the Commonwealth of Pennsylvania ("Commonwealth") on June 5, 1991, as amended ("Act").

Pursuant to authority granted by the Act, the City has, by ordinance (Bill No. 1437, effective July 1, 1991) adopted by City Council and approved by the Mayor on June 12, 1991 ("Tax Ordinance"), enacted a tax, exclusively for the purposes of the Authority, of one and one-half percent (1.5%) on the salaries, wages, commissions and other compensation earned by City residents and on net profits earned in business, professions and other activities conducted by City residents ("Authority Tax").

Raymond James & Associates, Inc.

June 16, 2003

Page 2

In the Act, the Commonwealth has pledged to and agreed with each and every obligee of the Authority acquiring bonds of the Authority secured by the Authority Tax that the Commonwealth itself will not, nor will it authorize any government agency levying the Authority Tax to, reduce the rate of such tax until all bonds of the Authority so secured by the pledge of the Authority, together with the interest thereon, are fully paid or provided for. The Act further provides that the terms of the Act as in effect at the time of authorization of the Bonds constitute an agreement between the Authority and the obligees of the Authority, subject to modification and limitation as provided in the Act.

In addition, the Act expressly requires the City to include a pledge similar to that of the Commonwealth described in the first sentence of the immediately preceding paragraph in the Tax Ordinance and prohibits the City from repealing the Tax Ordinance or reducing the rate of the Authority Tax while any bonds of the Authority secured by the Authority's pledge of the Authority Tax are outstanding. Pursuant to the pledge made by the Commonwealth and in furtherance of the agreements of the Commonwealth and the mandates contained in the Act, the City has, in the Tax Ordinance and the Intergovernmental Cooperation Agreement by and between the Authority and the City dated as of January 8, 1992 ("Cooperation Agreement"), pledged to and agreed with each and every obligee of the Authority secured by the Authority pledge of the Authority Tax that the City will not reduce the rate of or repeal the Authority Tax until the principal amount of all bonds of the Authority secured by the Authority Tax, together with interest thereon, is fully paid or provision for such payment is made in accordance with the terms of any agreement between the Authority and any obligee of the Authority.

This opinion is rendered pursuant to Section 9(e)(xiii) of the Bond Purchase Contract, dated June 12, 2003, between the Authority and Raymond James & Associates, Inc., acting for itself and as Representative of the several underwriters named on Schedule 1 thereto ("Purchase Contract"). Terms used herein and not otherwise defined have the meanings ascribed thereto in the Purchase Contract.

As the basis for this opinion, we have examined such statutes and other matters at law, and such documents, instruments and certifications as we have deemed necessary in order to enable us to render this opinion, including, without limiting the generality of the foregoing, the Act, the Tax Ordinance, the Cooperation Agreement and the other documents and instruments listed in the Closing Document List prepared in respect of the Bonds and filed with the Trustee, and have relied upon the genuineness, truthfulness and completeness of all documents, instruments and certifications examined and the authenticity of all signatures thereon. We have assumed that the Cooperation Agreement has been duly and validly authorized, executed and delivered by the Authority and is a valid and binding



Raymond James & Associates, Inc.

June 16, 2003

Page 3

obligation of the Authority. We have also relied, in the opinion set forth below, upon the opinion of the City Solicitor of even date herewith with respect to actions taken by the City in connection with the enactment of the Ordinances and the execution and delivery of the Cooperation Agreement.

Based on the foregoing, we are of the opinion that:

1. The City has the power and authority under the Act to levy the Authority Tax exclusively for the purposes of the Authority and the Authority Tax has been duly and validly levied by the City pursuant to the Act and the Tax Ordinance exclusively for the purposes of the Authority.
2. As provided in the Act, the proceeds of the Authority Tax are at all times the revenues and property of the Authority, are not property or revenues of the Commonwealth or the City and are not subject to appropriation by either the Commonwealth or the City.
3. The covenants and agreements of the City contained in the Tax Ordinance and in Section 5.02(b) of the Cooperation Agreement are valid and binding obligations of the City, enforceable against the City in accordance with the respective terms thereof, except as enforceability may be limited by bankruptcy, reorganization, insolvency and other laws or legal or equitable principles affecting creditors' rights and remedies and by the exercise of judicial discretion under general principles of equity.

We call your attention to the facts that the imposition of the Authority Tax by the City pursuant to the Act does not constitute the exercise of the general taxing power of the City for City purposes conferred by other acts of the General Assembly of the Commonwealth and that the sole agreement by the City with respect to the Authority Tax is its pledge and agreement not to reduce the rate of the Authority Tax or to repeal the Authority Tax so long as bonds of the Authority secured by the Authority's pledge of the Authority Tax remain outstanding, all in accordance with the pledge of the Commonwealth and the mandates contained in the Act. Accordingly, as provided in the Act, the Bonds do not and shall not at any time constitute a debt or liability of the City of Philadelphia and the obligees of the Authority have no right or claim against any property or revenues of the City nor shall they have any recourse to the City for payment of the Bonds.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. 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 law which may hereafter occur. This opinion is given only with respect to the laws of the Commonwealth of Pennsylvania as enacted and construed on

BLANK



ROME LLP
COUNSELORS AT LAW

Raymond James & Associates, Inc.

June 16, 2003

Page 4

the date hereof. This opinion is being furnished to you solely in connection with your purchase of the Bonds from the Authority pursuant to the Purchase Contract on the date hereof and may not be relied upon for any other purpose. This opinion may not be relied upon by any other person, firm or entity or distributed or disclosed to any person, firm or entity other than those represented at the Closing for the Bonds without the prior written consent in each instance of a partner of the undersigned firm.

Very truly yours,

Blank Rome LLP

BLANK ROME LLP

**LEONARD
TILLERY &
SCIOLLA, LLP**
ATTORNEYS AT LAW

John J. Leonard
M. Kelly Tillery **
Gregory E. Sciolla *†
Hugh J. Hutchison
Keith N. Leonard *
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June 13, 2003

Pennsylvania Intergovernmental
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Philadelphia, PA 19102

Wachovia Bank, N.A.
123 South Broad Street
11th Floor
Philadelphia, PA 19102

**Re: Pennsylvania Intergovernmental Cooperation Authority (PICA) –
Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program)
Series of 2003, \$165,550,000.00 aggregate principal amount**

Dear Ladies and Gentlemen:

We have acted as counsel to Wachovia Bank, N.A., as trustee (the "Trustee"), for the purpose of rendering the opinions set forth herein, in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$165,550,000 aggregate principal amount of the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2003 (the "2003 Bonds") pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the "Act"). The 2003 Bonds are being issued pursuant to an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and the Trustee, as successor trustee to Meridian Bank, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "First Supplement"), a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "Second Supplement"), and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplement" and, together with the 1994 Indenture, the First Supplement and Second Supplement, the "Indenture"). The 1994 Indenture amended and restated an Indenture of Trust dated as of June 1, 1992, as amended and supplemented (the "Original Indenture") between the Authority and Meridian Bank (successor trustee by assignment from

CoreStates Bank, N.A., the initial trustee). All capitalized terms not otherwise defined herein shall have the meanings given to them in the Indenture.

We have been informed that the proceeds from the sale of the 2003 Bonds will be used to (i) currently refund the 1993A Bonds maturing on and after June 15, 2004 in the aggregate principal amount of \$163,185,000, and (ii) pay the costs of issuing the 2003 Bonds.

In providing the opinions set forth herein, we have examined such matters of fact and questions of law as we have considered appropriate, except where a statement is qualified as to knowledge or awareness, in which case we have made no inquiry. We have also examined an executed copy of the Third Supplement, Second Supplement, a specimen 2003 Bond, and such other documents related thereto as we have deemed appropriate.

Based upon our examination of the documents referred to above, and subject to the limitations, qualifications, assumptions, and exceptions hereinafter set forth, it is our opinion that:

1. The Trustee is a national banking association established under the laws of the United States of America, and is lawfully empowered, authorized and duly qualified to serve as Trustee under the Indenture, pursuant to 12 U.S.C. §92a (a) and (b) and in accordance with 7 P.S. § 106 (c).

2. The Third Supplement has been duly authorized, executed and delivered by the Trustee and constitutes the legal, valid and binding obligation of the Trustee, enforceable against the Trustee in accordance with its terms.

3. The Trustee has all the necessary corporate power required to carry out its obligations under the Third Supplement, pursuant to Trustee's Articles of Association (restated April 1, 2002) and Article V of Trustee's Amended and Restated Bylaws (effective October 15, 2002).

The opinions expressed herein are subject in all respect to the following qualifications, assumptions and exceptions.

(a) In the course of our examination, we have assumed the genuineness of all signatures other than those of the Trustee to the Third Supplement, the authenticity of all documents submitted to us as originals, and the conformity to original documents of all documents submitted as certified or photostatic copies. In addition, in making our examination of documents executed by entities or persons other than the Trustee we have assumed that each of such other entities or persons had the power and authority to enter into and perform all of its obligations under such documents, and have also assumed the due execution and delivery of those documents by each entity or person, and have further assumed that such documents are valid and binding upon the other parties thereto and are enforceable against such parties in accordance with the respective terms thereof.

(b) We express no opinion with respect to the enforceability of the Third Supplement, as such enforceability may be limited by: (i) the availability or unavailability of equitable remedies including, but not limited to, specific performance and injunctive relief; and (ii) the effect of

bankruptcy, moratorium, insolvency, reorganization, arrangement or other similar laws relating to bank insolvency (including the Federal Deposit Insurance Act) and affecting the rights of creditors generally, whether now or hereafter in effect and subject to general principles of equity (whether such enforcement is sought at law or in equity).

(c) Our opinions set forth herein are based upon and rely upon the current state of the law and, in all respects, are subject to and may be limited by future legislation as well as by developing case law. The opinions expressed herein relate solely to the laws of the Commonwealth of Pennsylvania and of the City of Philadelphia and with respect to the statements in paragraph 1 herein, the federal laws of the United States of America. No opinion is expressed with respect to the laws of any other jurisdiction or as to the municipality or other local agent of any state.

(d) Wherever a statement herein is qualified by "to our knowledge" or a similar phrase, it is intended to indicate that those attorneys at this firm who have rendered legal services in connection with the transactions pursuant to the Third Supplement have relied solely on the representations and warranties of the Trustee. We have not undertaken any independent investigation to determine the accuracy of the Trustee's representations and warranties in the Third Supplement, and no inference that we have knowledge of any matters pertaining thereto should be drawn from our representation of the Trustee.

(e) No opinion is to be implied or may be inferred beyond the matters expressly stated in this letter. We assume no obligation to update or supplement our opinions set forth herein to reflect any facts or circumstances that may hereafter come to our attention or any changes in laws that may hereafter occur. This opinion is intended for the benefit of the Authority and may not, without our express written consent, be otherwise used or relied upon by any other person or entity.

Very truly yours,


LEONARD, TILLERY & SCIOLLA, LLP

**LEONARD
TILLERY &
SCIOLLA, LLP**
ATTORNEYS AT LAW

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June 13, 2003

Pennsylvania Intergovernmental
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1429 Walnut Street
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Wachovia Bank, N.A.
123 South Broad Street
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Philadelphia, PA 19102

**Re: Pennsylvania Intergovernmental Cooperation Authority (PICA) –
Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program)
Series of 2003, \$165,550,000.00 aggregate principal amount**

Dear Ladies and Gentlemen:

We have acted as counsel to Wachovia Bank, N.A., as trustee (the "Trustee"), for the purpose of rendering the opinions set forth herein, in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$165,550,000 aggregate principal amount of the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2003 (the "2003 Bonds") pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the "Act"). The 2003 Bonds are being issued pursuant to an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and the Trustee, as successor trustee to Meridian Bank, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1996 (the "First Supplement"), a Second Supplement to the Amended and Restated Indenture of Trust dated as of April 1, 1999 (the "Second Supplement"), and a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "Third Supplement" and, together with the 1994 Indenture, the First Supplement and Second Supplement, the "Indenture"). The 1994 Indenture amended and restated an Indenture of Trust dated as of June 1, 1992, as amended and supplemented (the "Original Indenture") between the Authority and Meridian Bank (successor trustee by assignment from

CoreStates Bank, N.A., the initial trustee). All capitalized terms not otherwise defined herein shall have the meanings given to them in the Indenture.

We have been informed that the proceeds from the sale of the 2003 Bonds will be used to (i) currently refund the 1993A Bonds maturing on and after June 15, 2004 in the aggregate principal amount of \$163,185,000, and (ii) pay the costs of issuing the 2003 Bonds.

In providing the opinions set forth herein, we have examined such matters of fact and questions of law as we have considered appropriate, except where a statement is qualified as to knowledge or awareness, in which case we have made no inquiry. We have also examined an executed copy of the Third Supplement, Second Supplement, a specimen 2003 Bond, and such other documents related thereto as we have deemed appropriate.

Based upon our examination of the documents referred to above, and subject to the limitations, qualifications, assumptions, and exceptions hereinafter set forth, it is our opinion that:

1. The Trustee is a national banking association established under the laws of the United States of America, and is lawfully empowered, authorized and duly qualified to serve as Trustee under the Indenture, pursuant to 12 U.S.C. §92a (a) and (b) and in accordance with 7 P.S. § 106 (c).

2. The Third Supplement has been duly authorized, executed and delivered by the Trustee and constitutes the legal, valid and binding obligation of the Trustee, enforceable against the Trustee in accordance with its terms.

3. The Trustee has all the necessary corporate power required to carry out its obligations under the Third Supplement, pursuant to Trustee's Articles of Association (restated April 1, 2002) and Article V of Trustee's Amended and Restated Bylaws (effective October 15, 2002).

The opinions expressed herein are subject in all respect to the following qualifications, assumptions and exceptions.

(a) In the course of our examination, we have assumed the genuineness of all signatures other than those of the Trustee to the Third Supplement, the authenticity of all documents submitted to us as originals, and the conformity to original documents of all documents submitted as certified or photostatic copies. In addition, in making our examination of documents executed by entities or persons other than the Trustee we have assumed that each of such other entities or persons had the power and authority to enter into and perform all of its obligations under such documents, and have also assumed the due execution and delivery of those documents by each entity or person, and have further assumed that such documents are valid and binding upon the other parties thereto and are enforceable against such parties in accordance with the respective terms thereof.

(b) We express no opinion with respect to the enforceability of the Third Supplement, as such enforceability may be limited by: (i) the availability or unavailability of equitable remedies including, but not limited to, specific performance and injunctive relief; and (ii) the effect of

bankruptcy, moratorium, insolvency, reorganization, arrangement or other similar laws relating to bank insolvency (including the Federal Deposit Insurance Act) and affecting the rights of creditors generally, whether now or hereafter in effect and subject to general principles of equity (whether such enforcement is sought at law or in equity).

(c) Our opinions set forth herein are based upon and rely upon the current state of the law and, in all respects, are subject to and may be limited by future legislation as well as by developing case law. The opinions expressed herein relate solely to the laws of the Commonwealth of Pennsylvania and of the City of Philadelphia and with respect to the statements in paragraph 1 herein, the federal laws of the United States of America. No opinion is expressed with respect to the laws of any other jurisdiction or as to the municipality or other local agent of any state.

(d) Wherever a statement herein is qualified by "to our knowledge" or a similar phrase, it is intended to indicate that those attorneys at this firm who have rendered legal services in connection with the transactions pursuant to the Third Supplement have relied solely on the representations and warranties of the Trustee. We have not undertaken any independent investigation to determine the accuracy of the Trustee's representations and warranties in the Third Supplement, and no inference that we have knowledge of any matters pertaining thereto should be drawn from our representation of the Trustee.

(e) No opinion is to be implied or may be inferred beyond the matters expressly stated in this letter. We assume no obligation to update or supplement our opinions set forth herein to reflect any facts or circumstances that may hereafter come to our attention or any changes in laws that may hereafter occur. This opinion is intended for the benefit of the Authority and may not, without our express written consent, be otherwise used or relied upon by any other person or entity.

Very truly yours,


LEONARD, TILLERY & SCIOLLA, LLP



Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
212.668.0340

A member of the Ambac Financial Group, Inc.

June 16, 2003

Pennsylvania Intergovernmental
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Philadelphia, PA 19103

Dilworth Paxson LLP
1735 Market Street
Philadelphia, PA 19103

Wachovia Bank, National Association
123 South Broad Street
Philadelphia, PA 19109

Penn Capital Advisors
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Malvern, PA 19355

Raymond James & Associates, Inc.
880 Carillon Parkway
St. Petersburg, FL 33716

Klett Rooney Lieber & Schorling,
A Professional Corporation
Two Logan Square
Philadelphia, PA 19103

Ladies and Gentlemen:

This opinion has been requested of the undersigned, Managing Director and General Counsel, Public Finance of Ambac Assurance Corporation, a Wisconsin stock insurance corporation ("Ambac Assurance"), in connection with the issuance by Ambac Assurance of a certain Financial Guaranty Insurance Policy and Endorsement thereto, effective as of the date hereof (the "Policy"), insuring \$165,550,000 in aggregate principal amount of Pennsylvania Intergovernmental Cooperation Authority (the "Obligor"), Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2003, dated June 16, 2003 (the "Obligations").

In connection with my opinion herein, I have examined the Policy, such statutes, documents and proceedings as I have considered necessary or appropriate under the circumstances to render the following opinion, including, without limiting the generality of the foregoing, certain statements contained in the Official Statement of the Obligor dated June 12, 2003 relating to the Obligations (the "Official Statement") under the headings "BOND INSURANCE" and "APPENDIX E - SPECIMEN COPY OF FINANCIAL GUARANTY INSURANCE POLICY".

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

1. Ambac Assurance is a stock insurance corporation duly organized and validly existing under the laws of the State of Wisconsin and duly qualified to conduct an insurance business in the Commonwealth of Pennsylvania.
2. Ambac Assurance has full corporate power and authority to execute and deliver the Policy and the Policy has been duly authorized, executed and delivered by Ambac Assurance and constitutes a legal, valid and binding obligation of Ambac Assurance enforceable in accordance with its terms except to the extent that the

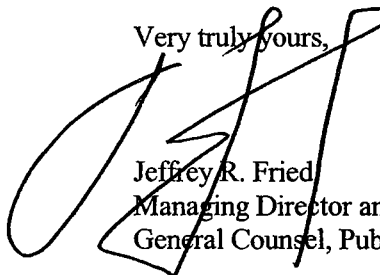
enforceability (but not the validity) of such obligation may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar law or enactment now or hereafter enacted affecting the enforcement of creditors' rights.

Ambac

3. The execution and delivery by Ambac Assurance of the Policy will not, and the consummation of the transactions contemplated thereby and the satisfaction of the terms thereof will not, conflict with or result in a breach of any of the terms, conditions or provisions of the Certificate of Authority, Articles of Incorporation or By-Laws of Ambac Assurance, or any restriction contained in any contract, agreement or instrument to which Ambac Assurance is a party or by which it is bound or constitute a default under any of the foregoing.
4. Proceedings legally required for the issuance of the Policy have been taken by Ambac Assurance and licenses, orders, consents or other authorizations or approvals of any governmental boards or bodies legally required for the enforceability of the Policy have been obtained; any proceedings not taken and any licenses, authorizations or approvals not obtained are not material to the enforceability of the Policy.
5. The statements contained in the Official Statement under the heading "BOND INSURANCE", insofar as such statements constitute summaries of the matters referred to therein, accurately reflect and fairly present the information purported to be shown and, insofar as such statements describe Ambac Financial Group, Inc. and Ambac Assurance, fairly and accurately describe Ambac Financial Group, Inc. and Ambac Assurance.
6. The form of Policy contained in the Official Statement under the heading "APPENDIX E - SPECIMEN COPY OF FINANCIAL GUARANTY INSURANCE POLICY" is a true and complete copy of the form of Policy.

The opinions expressed herein are solely for your benefit, and may not be relied upon by any other person.

Very truly yours,



Jeffrey R. Fried
Managing Director and
General Counsel, Public Finance

KLETT ROONEY LIEBER & SCHORLING

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June 16, 2003

Re: Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue
Refunding Bonds (City of Philadelphia Funding Program), Series of 2003

To the Purchasers of the Above-Captioned Bonds

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") of \$165,550,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "2003 Bonds") pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the "Act"), and an Amended and Restated Indenture of Trust dated as of December 1, 1994, (the "Amended and Restated Indenture"), between the Authority and Wachovia Bank, National Association, as successor to Meridian Bank, as Trustee (the "Trustee"), as amended pursuant to the First Supplement to the Amended and Restated Indenture dated as of May 15, 1996 (the "First Supplement to the Amended and Restated Indenture"), the Second Supplement to the Amended and Restated Indenture dated as of April 1, 1999 (the "Second Supplement to the Amended and Restated Indenture") and a Third Supplement to the Amended and Restated Indenture dated as of June 1, 2003 (the "Third Supplement to the Amended and Restated Indenture," and together with the First Supplement to the Amended and Restated Indenture, the Second Supplement to the Amended and Restated Indenture and the Amended and Restated Indenture, the "Indenture").

The proceeds of the 2003 Bonds will be used, together with other available monies, to (i) currently refund the aggregate outstanding balance of the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A Bonds") and (ii) pay the costs of issuing the 2003 Bonds (collectively, the "Refunding Project").

As Bond Counsel, we have reviewed the Act, the relevant provisions of the Constitution and such statutes of the Commonwealth of Pennsylvania (the "Commonwealth") and such resolutions of the Authority and ordinances of the City of Philadelphia (the "City"), and proceedings relating thereto as are contained in the transcripts of proceedings for the 1993A and 2003 Bonds. We have also reviewed and relied upon the proceedings authorizing the issuance of the 2003 Bonds and certain certifications and 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, agreements, certificates and opinions, all as executed and delivered in connection with the issuance of the 2003 Bonds. We have also reviewed a specimen of the 2003 Bonds and have relied on the certification of the Trustee as to its authentication of the 2003 Bonds.

As expressly stated in the form of the 2003 Bonds and in the Indenture, the 2003 Bonds are limited obligations of the Authority payable solely from the Pledged Revenues (as defined in the Indenture). The 2003 Bonds do not otherwise constitute a pledge of the general credit of the Authority. Further, the 2003 Bonds do not constitute a pledge of the credit of the Commonwealth or any political subdivision thereof (including the City), nor do the 2003 Bonds constitute a pledge of the taxing power of the Commonwealth or any political subdivision thereof (including the City). The Authority has no taxing power. Neither the

June 16, 2003

Page 2

Commonwealth nor any political subdivision thereof (including the City) is liable for the payment of the principal of, redemption premium, if any, or interest on, the 2003 Bonds.

As to questions of fact material to our opinion, we have relied upon the representations of the Authority contained in the proceedings relating to the issuance of the 2003 Bonds and other certifications furnished to us without undertaking to verify the same by independent investigation.

Based and in reliance upon the foregoing, our attendance at the closing held this day and subject to the caveats, qualifications, exceptions and assumptions set forth herein, it is our opinion that, as of the date hereof, under existing law:

1. The Authority is a body corporate and politic validly existing under the laws of the Commonwealth, and has the full power and authority under the Act to undertake the Refunding Project, to execute and deliver the Third Supplement to the Amended and Restated Indenture and to issue the 2003 Bonds.

2. The Third Supplement to the Amended and Restated Indenture has been duly authorized, executed and delivered by the Authority and the obligations of the Authority under the Third Supplement to the Amended and Restated Indenture constitute legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms.

3. The 2003 Bonds have been duly authorized, executed, issued and delivered by the Authority and are the legal, valid and binding limited obligations of the Authority, entitled to the benefit and security of the Indenture, and are enforceable against the Authority in accordance with their terms.

4. The Indenture creates a valid pledge to the Trustee for the benefit of the holders of the 2003 Bonds of, and a valid and binding security interest in, the Pledged Revenues (as defined in the Indenture) which it purports to create.

5. Under existing law, interest on the 2003 Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference within the meaning of Section 57 of the Code, for purposes of the alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest and accruals are taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. The opinion set forth in the preceding sentence is subject to the condition that the Authority comply with all the requirements of the Code that must be satisfied subsequent to the issuance of the 2003 Bonds in order that interest on the 2003 Bonds be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the 2003 Bonds to be included in gross income retroactively to the date of issuance of the 2003 Bonds. The Authority has covenanted in the Indenture to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the 2003 Bonds.

6. Under the laws of the Commonwealth as presently enacted and construed, the interest on the 2003 Bonds is exempt from Commonwealth personal income tax and Commonwealth corporate net income tax and the 2003 Bonds are exempt from personal property taxes in the Commonwealth; provided, however, under the laws of the Commonwealth as presently enacted and

June 16, 2003


Page 3

construed, any profits, gains or income derived from the sale, exchange or other disposition of the 2003 Bonds, shall be subject to state and local taxation within the Commonwealth.

It is to be understood that the rights of the owners of the 2003 Bonds and the enforceability of the 2003 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is rendered solely for the benefit of the addressee hereof in connection with the initial issuance of the 2003 Bonds. The addressee may not rely on this opinion letter for any other purpose and no other person may rely on this opinion letter for any purpose without the express written consent of the undersigned. This opinion letter is limited to the matters set forth herein. This opinion is subject to future changes in applicable law and we do not undertake any obligation to update any of the opinions expressed in this letter. No opinion may be inferred or implied beyond the matters expressly stated herein, and our opinions expressed herein must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth herein. The law covered by the opinions expressed herein is limited to the laws of the Commonwealth and the federal law of the United States of America.

Very truly yours,



KLETT ROONEY LIEBER & SCHORLING
A Professional Corporation

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June 16, 2003

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1429 Walnut Street
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Raymond James & Associates,
as representative of the underwriters
880 Carillon Parkway
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Wachovia Bank
123 S. Broad St. - 11th Floor
Philadelphia, PA 19109

AMBAC Assurance Corporation
One State Street Plaza
New York, N.Y. 10004

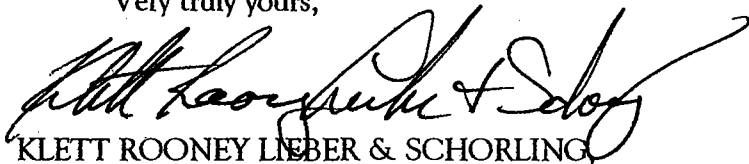
JPMorgan Chase Bank
270 Park Avenue, 48th Floor
New York, NY 10017

Re: Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue
Refunding Bonds (City of Philadelphia Funding Program), Series of 2003

Dear Sir/Madam:

We are delivering to you herewith executed copies of the opinions of Bond Counsel, dated June 16, 2003, addressed to the original purchasers of the above-captioned bonds and hereby advise you that you may rely on said opinion as if it had been directed to you in the first instance.

Very truly yours,



KLETT ROONEY LIEBER & SCHORLING
A Professional Corporation

KLETT ROONEY LIEBER & SCHORLING

A PROFESSIONAL CORPORATION

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PHILADELPHIA, PENNSYLVANIA 19103
TELEPHONE (215) 567-7500
FACSIMILE (215) 567-2737

June 16, 2003

Raymond James & Associates, Inc.
as Representative for the Underwriters

Re: \$165,550,000 Pennsylvania Intergovernmental
Cooperation Authority Special Tax Revenue Refunding
Bonds (City of Philadelphia Funding Program),
Series of 2003

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Intergovernmental Cooperation Authority (the "**Authority**") of \$165,550,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003 (the "**2003 Bonds**") pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), as amended (the "**Act**"), and an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the "**1994 Indenture**"), between the Authority and Wachovia Bank, National Association (successor to Meridian Bank), as Trustee, as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1999 (the "**First Supplemental Indenture**"), by a Second Supplement to the Amended and Restated Indenture of Trust dated as of May 15, 1999 (the "**Second Supplemental Indenture**"), and by a Third Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2003 (the "**Third Supplement**", and, together with the 1994 Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the "**Indenture**"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Third Supplemental Indenture.

This opinion is being delivered pursuant to subparagraph 9(e)(vi) of the Bond Purchase Contract (the "**Purchase Contract**") dated June 12, 2003 between Raymond James & Associates, Inc., as representative of the underwriters specified therein (the "**Underwriters**") and the Authority for the purchase of the 2003 Bonds, the Remarketing Agreement dated as of June 1 between the Representative and the Authority (the "**Remarketing Agreement**") and the Standby Bond Purchase Agreement, dated as of June 1, 2003 (the "**Standby Agreement**"), among JPMorgan Chase Bank (the "**Bank**"), the Authority and Wachovia Bank, National Association, as trustee and paying agent (the "**Trustee**"). In giving this opinion, we have examined such

Raymond James & Associates, Inc

June 16, 2003

Page 2

federal and Pennsylvania statutes, such resolutions of the Authority and proceedings relating thereto, and such certifications, agreements and other documents, including the Indenture, specimens of the 2003 Bonds and the Official Statement dated June 12, 2003 relating to the 2003 Bonds (the "**Official Statement**"), as we have deemed necessary to enable us to render the opinion set forth below.

On the basis of the foregoing, and subject to the qualifications set forth herein, we are of the opinion, under existing law, that:

1. Each of the Purchase Contract, the Standby Agreement and the Remarketing Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, is a legal, valid and binding agreement of the Authority enforceable in accordance with its terms, except as enforceability may be limited by (i) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws or equitable principles relating to or affecting creditors' rights and remedies or debtors' obligations generally, (ii) general principles of equity, whether considered and applied in a court of law or equity, and (iii) the exercise of judicial discretion in appropriate cases, and except that no opinion is given regarding the enforceability of any indemnification provision.

2. The Official Statement has been duly approved, executed and delivered by the Authority.

3. The statements contained in the Official Statement in the sections captioned "Introduction" (but only the subsections captioned "Authorization to Issue the 2003 Bonds", "Description of the 2003 Bonds", "Sources of Payment and Security for the 2003 Bonds" and "Additional Bonds"), "PLAN OF FINANCE - General" (only the third paragraph), "The 2003 Bonds" (excluding the information under the subsections captioned "Book-Entry-Only System") and "SOURCES OF PAYMENT AND SECURITY FOR THE 2003 BONDS" (only the subsection captioned "General", the fourth through seventh paragraphs under the Subsection captioned "Authority Tax", the subsection captioned "Debt Service Reserve Fund", the subsection captioned "Additional Bonds", the subsection captioned "Certain Remedies of Bondholders" and the subsection captioned "Limitation of Remedies") and in Appendix C - "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE", insofar as such statements summarize provisions of the Act, the Indenture and the 2003 Bonds, are fair and accurate summaries of such provisions. The statements contained in the Official Statement in the section captioned "TAX EXEMPTION" are accurate summaries of the opinions of Bond Counsel as to such matters.

4. The 2003 Bonds are not required to be registered under the Securities Act of 1933, as amended, and the Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended.

Raymond James & Associates, Inc

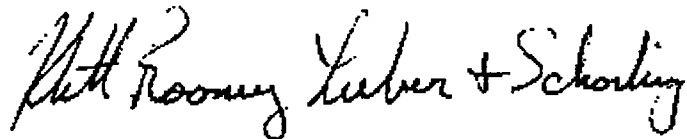
June 16, 2003

Page 3

5. Without having undertaken to determine independently the accuracy or completeness of, or to verify the information with respect to matters described in the Official Statement, and based solely on our reading of the Official Statement and on discussions with representatives of the Authority and its counsel, other members of the working group and your representatives with respect to the Official Statement in our role as Bond Counsel, nothing has come to our attention which would lead us to believe that, as of the date of Closing, the Official Statement (except for (i) any financial, economic, market and statistical data and projections included or referred to therein, (ii) Appendix A thereto, (iii) any other information in the Official Statement concerning the City and DTC and (iv) any information concerning the Bond Insurer, the Policy, the Liquidity Facility and the Liquidity Provider, as to which no opinion is made) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. We note that we are not experts within the meaning of the Securities Act of 1933 with respect to the financial statements or schedules or the other financial, economic, market and statistical data and projections included or incorporated by reference in the Official Statement.

This opinion is rendered solely for the benefit of the addressee hereof in connection with the initial issuance of the 2003 Bonds. The addressee may not rely on this opinion letter for any other purpose and no other person may rely on this opinion letter for any purpose without the express written consent of the undersigned. This opinion letter is limited to the matters set forth herein. This opinion is given as of its date and we do not undertake any obligation to update any of the opinions expressed in this letter. No opinion may be inferred or implied beyond the matters expressly stated herein, and our opinions expressed herein must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth herein. The law covered by the opinions expressed herein is limited to the laws of the Commonwealth of Pennsylvania and the federal law of the United States of America.

Very truly yours,

A handwritten signature in cursive script, reading "Klett Rooney Lieber & Schorling".

KLETT ROONEY LIEBER & SCHORLING
A Professional Corporation

KING & SPALDING LLP

June 16, 2003

To the Parties Named on
Schedule A Hereto

**Re: Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue
Refunding Bonds (City of Philadelphia Funding Program), Series of 2003**

Ladies and Gentlemen:

We have acted as counsel to JPMorgan Chase Bank (the "**Bank**") in connection with the execution and delivery by the Bank of a Standby Bond Purchase Agreement, dated as of June 1, 2003 (the "**Standby Agreement**"), among the Bank, the Pennsylvania Intergovernmental Cooperation Authority (the "**Authority**") and Wachovia Bank, National Association, as trustee and paying agent (the "**Trustee**"), relating to the Special Tax Revenue Refunding Bonds referenced above (the "**Bonds**"), and a Confirming Agreement, dated as of June 1, 2003 (the "**Confirming Agreement**"), between the Bank and the Trustee.

As such counsel, we have reviewed the Standby Agreement and the Confirming Agreement and have also examined the originals, or copies identified to our satisfaction, of such corporate records of the Bank and such other documents, agreements and instruments as we have deemed necessary as a basis for the opinions hereinafter expressed.

Our opinions expressed below are limited to the law of the State of New York and the federal law of the United States of America, and we do not express any opinion herein concerning any other law. Further, we express no opinion herein as to the applicability of, or any party's compliance with, the federal securities laws or any state securities or "blue sky" laws.

As to questions of fact material to the opinions expressed below, we have, when relevant facts were not independently established by us, examined and relied upon certificates of the Bank or of public officials.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Bank is duly licensed by the Superintendent of Banks of the State of New York to operate as a banking corporation in the State of New York and is qualified to do business in the Commonwealth of Pennsylvania.

2. The execution, delivery and performance by the Bank of the Standby Agreement and the Confirming Agreement do not contravene any law, rule or regulation of the State of New York or the laws of the United States.

3. The Standby Agreement has been duly executed and delivered by the Bank and constitutes the legal, valid and binding obligation of the Bank enforceable against the Bank in accordance with its terms, except as such enforcement may be limited by (a) applicable composition, receivership, conservatorship, insolvency, bankruptcy, reorganization, moratorium, liquidation, readjustment of debt or similar laws affecting the enforcement of the rights of creditors generally, and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4. The Confirming Agreement has been duly executed and delivered by the Bank and constitutes the legal, valid and binding obligation of the Bank enforceable against the Bank in accordance with its terms, except as such enforcement may be limited by (a) applicable composition, receivership, conservatorship, insolvency, bankruptcy, reorganization, moratorium, liquidation, readjustment of debt or similar laws affecting the enforcement of the rights of creditors generally as such laws may be applied in the event of any composition, receivership, conservatorship, insolvency, bankruptcy, reorganization, moratorium, liquidation, readjustment of debt or other similar proceeding relating to the Bank or its assets, and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The opinions expressed herein are rendered solely for your benefit and may not be relied upon or used by any other person without our prior written consent.

Very truly yours,

A handwritten signature in cursive script that reads "King & Spalding LLP".

DAB:jc

Schedule A

JPMorgan Chase Bank
New York, New York

Pennsylvania Intergovernmental Cooperation Authority
Philadelphia, Pennsylvania

Ambac Assurance Corporation
New York, New York

Wachovia Bank, National Association
as Trustee
Philadelphia, Pennsylvania

Raymond James & Associates, Inc.,
as representative of the Underwriters
St. Petersburg, Florida

Moody's Investors Service
New York, New York

Standard & Poor's Ratings Services,
a Division of The McGraw-Hill Companies, Inc.
New York, New York

Fitch, Inc.
New York, New York

Option on Interest Rate Swap Transaction Agreement

**[See Exhibit C to Certificate of Bond Pricing Committee, attached as Exhibit F to
Secretary Certificate of Authority, Item C-4]**

IDENTIFICATION OF ANTICIPATORY HEDGE FOR TAX-EXEMPT BOND ISSUE

The following Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement (the "Contract") is hereby identified on the records of the issuer of the Hedged Bonds:

1. The parties reasonably expect that the Hedged Bonds will be variable rate bonds as follows:

Bond Issuer: Pennsylvania Intergovernmental Cooperation Authority

Purpose of the issue: Current refunding of Bond Issuer's special tax revenue bonds, series of 1993A

Issue price: \$163,185,000

Maturity: June 15, 2022 (approx)

Date of issuance: June 15, 2003 (approx)

Manner in which interest is expected to be computed: remarketing rate for tender option bonds at weekly or other short-term tender periods.

Applicable section of the regulations: § 1.148-4(h)(5)(iii) (anticipatory hedge contracts not expected to be terminated substantially contemporaneously with the issue date of hedged bond).

2. The Contract will grant the Hedge Provider an option which, if exercised, will modify the Bond Issuer's risk with respect to the variable interest rate on the Hedged Bonds, by providing for the Bond Issuer to make fixed rate payments to the Hedge Provider in exchange for variable rate payments by the Hedge Provider that will closely correspond to (and offset the Bond Issuer's risk on) the interest rate payments on the variable rate Hedged Bonds. Payments under the Contract, if the option is exercised, will begin on the date of issuance of the Hedged Bonds and will continue until the maturity of the Hedged Bonds.

3. The parties to the Contract are unrelated and are the Bond Issuer and the following Hedge Provider: JP Morgan Chase Bank.

4. The source of the payments by the Bond Issuer will be special tax revenues, similarly to the payments of debt service on the Hedged Bonds.

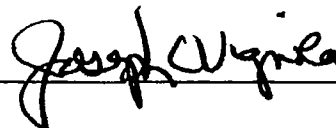
5. The parties are entering the Contract today.

6. This identification will be maintained in the permanent records for the Hedged Bonds. The existence of the Contract will be noted on Form 8038-G relating to the Hedged Bonds.

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

Date: December 6, 2001

By: _____



LAW OFFICES
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BALTIMORE, MD
CAMDEN, NJ
DENVER, CO
SALT LAKE CITY, UT
VOORHEES, NJ
WASHINGTON, DC

December 7, 2001

Pennsylvania Intergovernmental Cooperation Authority
1429 Walnut Street, 14th Floor
Philadelphia, PA 19102

ATTN: Joe Vignola

Re: 1993A and 1996 Special Tax Revenue Bonds
"Swaption" Agreements

Ladies and gentlemen:

You have asked our opinion with respect to certain Federal tax matters concerning two Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreements ("swaptions") that you propose to enter today with JP Morgan Chase Bank as provider.

The swaptions are option agreements that grant the provider an option to enter into an interest rate swap contract with the Authority on the dates that its outstanding 1993A and 1996 issues of special tax revenue bonds are redeemable. The swap contracts would provide for the Authority to make fixed rate payments at the same interest rate as the rate on the outstanding bonds and receive floating rate payments at a rate based on a short-term market index. The purchaser of an option will pay the Authority a nonrefundable cash fee (the "swaption fee") as the purchase price of the option. There will be no other payments other than the regular fixed and floating rate payments under the swap contract if the option is exercised.

The 1993A and 1996 bonds were issued as tax-exempt, fixed rate bonds in 1993 and 1996 respectively. The interest rates on both of these issues are higher than current fixed rates in the tax-exempt market, making a refunding generally desirable. However, the 1993A and 1996 bonds were in both cases issued in "advance refundings" of earlier issues. An advance refunding is characterized by the fact that the refunded bonds are not redeemed until at least 90 days after the issuance of the refunding bonds. Under the Internal Revenue Code an advance refunding issue, such as the 1993A or 1996 bonds, cannot itself be advance refunded. Use of the swaption plan as proposed in the present case will allow the Authority to capture the present value of current interest rates (through the receipt of the swaption fees) while deferring the issuance of the refunding bonds until the redemption dates of the 1993A and 1996 bonds, so that the refunding will not be an advance refunding. The payments under the swap contracts will have the effect of giving the Authority a net fixed rate burden at the fixed rate in the swap contracts, which is

equivalent to the rates on the outstanding bonds, in a refunding transaction in which the Authority would issue floating rate refunding bonds on or shortly prior to the redemption dates for the outstanding bond issues and use the proceeds of the refunding bonds to redeem those issues.

The swaption fees will be held in a special escrow from which disbursements will be permitted either to the account of the City of Philadelphia or for application to any termination fee due to the counterparty in the event that the Authority determines to terminate the swaption pursuant to its termination provisions. These provisions permit a termination at the election of the Authority, generally on payment of a termination fee based on the value of the agreement to the counterparty.

The swaptions were sold pursuant to a competitive bidding process managed by a broker with substantial experience in placing derivative financial products for issuers of tax-exempt bonds. Bidders were asked to bid a specific amount of swaption fee for each swaption, with the winning bid being the bid for each swaption with the largest swaption fee. The bid specification provided the terms for the fixed rate leg of the swap and the index basis for the floating leg, and bidders were required to bid on these terms without adjusting them. The winning provider is paying a fee to the broker.

The Treasury regulations on tax-exempt bond issues provide generally that a bond issuer may enter into a "qualified hedge" in order to modify its risk of interest rate changes with respect to a bond issue (Treas. Reg. § 1.148-4(h)). The regulations state that a qualified hedge may be an interest rate swap, a forward contract, or an option, among other arrangements. If a bond issuer elects to "identify" a qualified hedge to a bond issue, the general rule under the regulations is that yield on the bonds is determinable by including the net payments by or to the bond issuer under the qualified hedge. If the hedged bonds are issued with floating rate payments that "closely correspond" to the payments received by the bond issuer under a swap contract with a maturity equal to entire term of the issue, the yield calculation can be based solely on the fixed rate payments by the bond issuer, disregarding any small differences between the two floating rate streams of payments received under the swap contract and debt service paid on the bonds. In the present case the Authority will make the relevant identification of the swaptions to the refunding bonds by executing an identification certificate with respect to each issue of refunding bonds within three days of the present date as provided by the identification regulations. It will be able to determine at the time that the hedged refunding bonds are issued whether to use the general yield calculation method or the special method for "closely corresponding" payment streams.

The regulations provide that a qualified hedge may not contain a "significant investment element" (Treas. Reg. § 1.148-4(h)(2)(ii)). A significant investment element is present if a significant portion of any payment by one party relates to a conditional or unconditional obligation by the other party to make a payment on a different date. Examples given in the

relations are an "off-market" swap contract (which could arise if the fixed rate payments are above a market level for comparable swap contracts and this fact is compensated for by having the party who receives the fixed rate payments pay an initial premium to the counterparty) or an interest rate cap requiring the bond issuer's premium to be paid in a single, up-front payment.

The regulations provide specifically for the case in which the provider of a qualified hedge makes a single payment to the bond issuer in connection with the acquisition of a contract, such as a payment for an off-market swap. The regulations provide that in this case, the issuer may segregate the contract into a portion that is a qualified hedge and a portion that is not a qualified hedge, provided that the hedge provider's payment to the issuer and the issuer's payments under the contract in excess of those that it would make if the contract bore rates equal to the on-market rates for the contract are separately identified in a certification of the hedge provider (Treas. Reg. § 1.148-4(h)(2)(i)(C)).

The regulations provide specifically that a qualified hedge may be entered in advance of the hedged bonds. For this purpose, the regulations require the bond issuer to state, in its identification of the qualified hedge, whether it does or does not expect the contract to be closed substantially contemporaneously with the issuance of the hedged bond. In the case of contracts that are expected to be closed at the bond issuance, all payments made or received under the contract including any termination payment are taken into account in determining the yield on the bonds. In the case of contracts that are not expected to be closed at the bond issuance, the regulations are generally similar, except that payments by the issuer in advance of the bond issuance date are not taken into account. If the contract is in fact terminated in connection with the issuance of the bonds, payments by or to the issuer are taken into account in determining the yield and as an adjustment to the bond proceeds for purposes of the arbitrage bond rules on investment of bond proceeds (Treas. Reg. § 1.148-4(h)(5)(iii)). In the present case, the Authority is identifying the swaptions as contracts that are not expected to be closed substantially contemporaneously with the issuance of the hedged refunding bonds, since it expects to make and receive payments on the contracts over the life of the bonds.

The regulations do not deal specifically with options to enter swap contracts. In this situation, by analogy the regulations cited above, we believe the option element of the swaption is properly severable analytically from the swap contract, with the swaption fee being allocable to the option rather than the swap contract. On this basis we have concluded that:

1. The swaption fees are proceeds of the sale of options to enter swap contracts and therefore do not constitute proceeds of either the outstanding bonds or any bonds that may be issued to refund them. As with any other amount, regardless of its source, the swaption fees may be treated as replacement proceeds under Treas. Reg. § 1.148-1 if they are pledged or expected directly or indirectly to be used to pay debt service on bonds. The fee paid to the broker by the provider does not constitute yield to the Authority with respect to the 1993A and 1996 bonds or the refunding bonds.

2. The swap contracts covered by the swaptions will constitute qualified hedges such that the payments under the swap contracts will be properly taken into account in determining the yield on the refunding bonds.

3. The swaption fees, as proceeds of the sale of options, are not payments on qualified hedges and do not have to be included in determining the yield on the refunding bonds.

Very truly yours,

FLB/h/ktf

*Ballant Spahr Anderson &
Ingersoll*

LAW OFFICES
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CAMDEN, NJ
DENVER, CO
SALT LAKE CITY, UT
VOORHEES, NJ
WASHINGTON, DC

December 7, 2001

Pennsylvania Intergovernmental Cooperation Authority
1429 Walnut Street, 14th Floor
Philadelphia, PA 19102

ATTN: Joe Vignola

Re: 1993A and 1996 Special Tax Revenue Bonds
"Swaption" Agreements

Ladies and gentlemen:

You have asked our opinion with respect to certain Federal tax matters concerning two Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreements ("swaptions") that you propose to enter today with JP Morgan Chase Bank as provider.

The swaptions are option agreements that grant the provider an option to enter into an interest rate swap contract with the Authority on the dates that its outstanding 1993A and 1996 issues of special tax revenue bonds are redeemable. The swap contracts would provide for the Authority to make fixed rate payments at the same interest rate as the rate on the outstanding bonds and receive floating rate payments at a rate based on a short-term market index. The purchaser of an option will pay the Authority a nonrefundable cash fee (the "swaption fee") as the purchase price of the option. There will be no other payments other than the regular fixed and floating rate payments under the swap contract if the option is exercised.

The 1993A and 1996 bonds were issued as tax-exempt, fixed rate bonds in 1993 and 1996 respectively. The interest rates on both of these issues are higher than current fixed rates in the tax-exempt market, making a refunding generally desirable. However, the 1993A and 1996 bonds were in both cases issued in "advance refundings" of earlier issues. An advance refunding is characterized by the fact that the refunded bonds are not redeemed until at least 90 days after the issuance of the refunding bonds. Under the Internal Revenue Code an advance refunding issue, such as the 1993A or 1996 bonds, cannot itself be advance refunded. Use of the swaption plan as proposed in the present case will allow the Authority to capture the present value of current interest rates (through the receipt of the swaption fees) while deferring the issuance of the refunding bonds until the redemption dates of the 1993A and 1996 bonds, so that the refunding will not be an advance refunding. The payments under the swap contracts will have the effect of giving the Authority a net fixed rate burden at the fixed rate in the swap contracts, which is

equivalent to the rates on the outstanding bonds, in a refunding transaction in which the Authority would issue floating rate refunding bonds on or shortly prior to the redemption dates for the outstanding bond issues and use the proceeds of the refunding bonds to redeem those issues.

The swaption fees will be held in a special escrow from which disbursements will be permitted either to the account of the City of Philadelphia or for application to any termination fee due to the counterparty in the event that the Authority determines to terminate the swaption pursuant to its termination provisions. These provisions permit a termination at the election of the Authority, generally on payment of a termination fee based on the value of the agreement to the counterparty.

The swaptions were sold pursuant to a competitive bidding process managed by a broker with substantial experience in placing derivative financial products for issuers of tax-exempt bonds. Bidders were asked to bid a specific amount of swaption fee for each swaption, with the winning bid being the bid for each swaption with the largest swaption fee. The bid specification provided the terms for the fixed rate leg of the swap and the index basis for the floating leg, and bidders were required to bid on these terms without adjusting them. The winning provider is paying a fee to the broker.

The Treasury regulations on tax-exempt bond issues provide generally that a bond issuer may enter into a "qualified hedge" in order to modify its risk of interest rate changes with respect to a bond issue (Treas. Reg. § 1.148-4(h)). The regulations state that a qualified hedge may be an interest rate swap, a forward contract, or an option, among other arrangements. If a bond issuer elects to "identify" a qualified hedge to a bond issue, the general rule under the regulations is that yield on the bonds is determinable by including the net payments by or to the bond issuer under the qualified hedge. If the hedged bonds are issued with floating rate payments that "closely correspond" to the payments received by the bond issuer under a swap contract with a maturity equal to entire term of the issue, the yield calculation can be based solely on the fixed rate payments by the bond issuer, disregarding any small differences between the two floating rate streams of payments received under the swap contract and debt service paid on the bonds. In the present case the Authority will make the relevant identification of the swaptions to the refunding bonds by executing an identification certificate with respect to each issue of refunding bonds within three days of the present date as provided by the identification regulations. It will be able to determine at the time that the hedged refunding bonds are issued whether to use the general yield calculation method or the special method for "closely corresponding" payment streams.

The regulations provide that a qualified hedge may not contain a "significant investment element" (Treas. Reg. § 1.148-4(h)(2)(ii)). A significant investment element is present if a significant portion of any payment by one party relates to a conditional or unconditional obligation by the other party to make a payment on a different date. Examples given in the

relations are an "off-market" swap contract (which could arise if the fixed rate payments are above a market level for comparable swap contracts and this fact is compensated for by having the party who receives the fixed rate payments pay an initial premium to the counterparty) or an interest rate cap requiring the bond issuer's premium to be paid in a single, up-front payment.

The regulations provide specifically for the case in which the provider of a qualified hedge makes a single payment to the bond issuer in connection with the acquisition of a contract, such as a payment for an off-market swap. The regulations provide that in this case, the issuer may segregate the contract into a portion that is a qualified hedge and a portion that is not a qualified hedge, provided that the hedge provider's payment to the issuer and the issuer's payments under the contract in excess of those that it would make if the contract bore rates equal to the on-market rates for the contract are separately identified in a certification of the hedge provider (Treas. Reg. § 1.148-4(h)(2)(i)(C)).

The regulations provide specifically that a qualified hedge may be entered in advance of the hedged bonds. For this purpose, the regulations require the bond issuer to state, in its identification of the qualified hedge, whether it does or does not expect the contract to be closed substantially contemporaneously with the issuance of the hedged bond. In the case of contracts that are expected to be closed at the bond issuance, all payments made or received under the contract including any termination payment are taken into account in determining the yield on the bonds. In the case of contracts that are not expected to be closed at the bond issuance, the regulations are generally similar, except that payments by the issuer in advance of the bond issuance date are not taken into account. If the contract is in fact terminated in connection with the issuance of the bonds, payments by or to the issuer are taken into account in determining the yield and as an adjustment to the bond proceeds for purposes of the arbitrage bond rules on investment of bond proceeds (Treas. Reg. § 1.148-4(h)(5)(iii)). In the present case, the Authority is identifying the swaptions as contracts that are not expected to be closed substantially contemporaneously with the issuance of the hedged refunding bonds, since it expects to make and receive payments on the contracts over the life of the bonds.

The regulations do not deal specifically with options to enter swap contracts. In this situation, by analogy the regulations cited above, we believe the option element of the swaption is properly severable analytically from the swap contract, with the swaption fee being allocable to the option rather than the swap contract. On this basis we have concluded that:

1. The swaption fees are proceeds of the sale of options to enter swap contracts and therefore do not constitute proceeds of either the outstanding bonds or any bonds that may be issued to refund them. As with any other amount, regardless of its source, the swaption fees may be treated as replacement proceeds under Treas. Reg. § 1.148-1 if they are pledged or expected directly or indirectly to be used to pay debt service on bonds. The fee paid to the broker by the provider does not constitute yield to the Authority with respect to the 1993A and 1996 bonds or the refunding bonds.

2. The swap contracts covered by the swaptions will constitute qualified hedges such that the payments under the swap contracts will be properly taken into account in determining the yield on the refunding bonds.

3. The swaption fees, as proceeds of the sale of options, are not payments on qualified hedges and do not have to be included in determining the yield on the refunding bonds.

Very truly yours,

FLB/h/ktf

*Ballant Spahr Anderson &
Ingersoll*

INTEGRATION CERTIFICATE

Re: Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement

Background. In November 2001 the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") solicited cash bids from potential purchasers of an option to enter an interest rate swap contract with the Authority on June 16, 2003. Bids were submitted on November 16, 2001. The winning bidder was JP Morgan Chase Bank ("Morgan"), which offered a cash payment of \$10,720,000. The option was granted in the form of a Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement (the "Swaption Agreement") which was entered by the Authority and Morgan on December 6, 2001, at which time Morgan paid the Authority \$10,720,000 in accordance with its bid. Investment Management Advisory Group, Inc. served as bidding agent.

Morgan has exercised its option, and therefore Morgan and the Authority are entering an interest rate swap contract dated today under which Morgan will make floating rate payments to the Authority at an index rate equal to 67% of the "1 Month LIBOR Index", and the Authority will make fixed rate payments to Morgan at rates provided for in the Swaption Agreement. The fixed rates in the Swaption Agreement correspond to the interest rates on certain fixed rate bonds issued by the Authority in 1993, which will be redeemed today with the proceeds of floating rate refunding bonds in a current refunding. The refunding bonds will be weekly tender floating rate bonds insured by Ambac Assurance Corporation.

The Authority has requested this Certificate to assist it in determining the yield on the same maturities, assuming the refunding bonds for federal tax purposes under section 148 of the Internal Revenue Code.

Certification. We believe, based on historic data, that the rate setting methodology used to compute payments on the refunding bonds is substantially the same as the index formula to be used to compute floating rate payments pursuant to the Swaption Agreement. In addition, the floating rate payments under the Swaption Agreement are reasonably expected to be substantially the same as the floating rate payments on the refunding bonds throughout the term of the Swaption Agreement so long as the refunding bonds are in the weekly tender mode, and assuming that there will be no material changes in the credit of the refunding bonds, or the federal marginal tax rate.

INVESTMENT MANAGEMENT ADVISORY
GROUP, INC.

By: 

David J. Eckhart, Managing Director

Dated as of: June 16, 2003

LAW OFFICES
BALLARD SPAHR ANDREWS & INGERSOLL, LLP

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CAMDEN, NJ
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June 16, 2003

Pennsylvania Intergovernmental Cooperation
Authority
1429 Walnut Street, 14th Floor
Philadelphia, PA 19102

City of Philadelphia
Municipal Services Building, Room 1330
1401 JFK Boulevard
Philadelphia, PA 19102
ATTN: Janice Davis, Director of Finance

Re: \$165,895,000 aggregate face amount Special Tax Revenue Refunding
Bonds (City of Philadelphia Funding Program) Series of 2003

Ladies and Gentlemen:

You have asked our advice with respect to the calculation of the yield on the above bonds (the "Refunding Bonds") under section 148 of the Internal Revenue Code of 1986 (the "Code"). The Refunding Bonds will be issued today by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority"). The Authority will use the proceeds of the Refunding Bonds in a current refunding of certain outstanding revenue bonds issued by the Authority in 1993 (the "1993 Bonds"). The transaction is occurring pursuant to a "Swaption Agreement" entered into in 2001 as described below.

In November 2001 the Authority solicited cash bids from potential purchasers of an option to enter an interest rate swap contract with the Authority on June 16, 2003. Bids were submitted on November 16, 2001. The winning bidder was JPMorgan Chase Bank ("JPMorgan"), which offered a cash payment of \$10,720,000. The option was granted in the form of a Floating to Fixed (Synthetic Fixed) Forward Starting Interest Rate Swaption Agreement (the "Swaption Agreement"), which was entered into by the Authority and JPMorgan on December 6, 2001, at which time JPMorgan paid the Authority \$10,720,000 in accordance with its bid. Investment Management Advisory Group, Inc. ("Image") served as bidding agent.

The Authority "identified" the Swaption Agreement to the Refunding Bonds within three days of entering the Swaption Agreement. In doing so the Authority acted under Treas. Reg. § 1.148-4(h)(2)(viii) and 1.148-4(h)(5)(iv), which provide generally that payments by or to a bond issuer pursuant to a "qualified hedge" that is identified to a bond issue on the

records of the issuer can be taken into account in determining the yield on the bonds. An interest rate swap is specifically indicated as a contract that may be a qualified hedge.

JPMorgan has exercised its option, and, therefore, an interest rate swap transaction (the "Swap Agreement") will become effective today, pursuant to which JPMorgan will make floating rate payments to the Authority at a rate equal to 67% of the "1 Month LIBOR Index", and the Authority will make fixed rate payments to JPMorgan at rates provided for in the Swap Agreement. The fixed rates payable pursuant to the Swap Agreement correspond to the interest rates on certain fixed rate bonds issued by the Authority in 1993 (the "Prior Bonds"), which will be refunded with the proceeds of the Refunding Bonds in a current refunding.

The Refunding Bonds will be issued in an amount sufficient to redeem the Prior Bonds at a redemption price equal to their principal amount and to pay the costs of issuance of the Refunding Bonds. The Refunding Bonds will be weekly tender floating rate bonds with monthly payments. The Refunding Bonds will be insured by Ambac Assurance Corporation and supported as to liquidity by an agreement with JP Morgan.

Floating rate payments under the Swap Agreement will be determined on the basis of weekly reset dates with monthly payments on the same day as the payments of interest on the Refunding Bonds. Fixed rate payments under the Swap Agreement will be made semi-annually. The notional principal amount and amortization schedule of the Swap Agreement match the principal amount and amortization schedule of the Prior Bonds and correspond to the principal amount and amortization schedule of the Refunding Bonds except to the extent of the increase in principal amount of the Refunding Bonds on account of the costs of issuance.

JPMorgan has certified that in their best estimate, in light of the passage of time, 4.34% would have been the fixed rate that would have been on-market (i.e. not involving any upfront payment or premium) for a forward starting interest rate swap contract priced on November 16, 2001 (and entered December 6, 2001), if the contract had been mutually binding, rather than becoming effective at the option of JPMorgan, and assuming that all other terms were as provided in the Swap Agreement. This certification was made under Treas. Reg. § 1.141-4(h)(2)(i)(C), which provides that if a hedge provider makes a single payment to the bond issuer, the issuer may treat a portion of the contract as a hedge provided that the hedge provider's payment to the issuer and the issuer's payment under the contract in excess of those that it would make if the contract bore rates equal to the on-market rates for the contract are separately identified in a certification of the hedge provider, and the identified payments are not treated as payments on the hedge.

Image has certified that, based on historic data, the rate setting methodology used to compute payments on the refunding bonds is substantially the same as the index formula to be used to compute floating rate payments pursuant to the Swaption Agreement. In addition, the floating rate payments under the Swaption Agreement are reasonably expected to be substantially the same as the floating rate payments on the refunding bonds throughout the term of the Swaption Agreement so long as the refunding bonds are in the weekly tender mode, and assuming that there will be no material changes in the credit of the refunding bonds, or the

federal marginal tax rate. This certification is relevant to Treas. Reg. § 1.148-4(h)(2)(v) and Treas. Reg. § 1.148-4(h)(4).

Treas. Reg. § 1.148-4(h)(2)(v) provides that in order for an interest rate swap to constitute a qualified hedge, it must be "interest-based," meaning that as a result of treating all payments on and receipts from the contract as additional payments on and receipts from the hedged bond, the resulting bond must be substantially similar to either a fixed rate bond or certain forms of variable rate instrument described in the regulations. The regulation provides that differences that would not prevent the resulting bond from being substantially similar to a fixed rate bond include a difference between the index used to compute payments on the hedged bond and the index used to compute payments on the hedge where one index is substantially same, but not identical to the other. Treatment of a hedge as a qualified hedge under this rule means that all payments made or received under the hedge are treated as made or received with respect to the hedged bonds, similarly to interest. The hedged bonds are treated as variable yield bonds for purposes of yield calculations.

Treas. Reg. § 1.148-4(h)(4) provides that bonds hedged by a qualified hedge are treated as fixed yield bonds paying a fixed interest rate if (A) the term of the hedge is equal to the entire period during which the hedged bonds bear interest at variable interest rates, and the issuer does not reasonably expect that the hedge will be terminated before the end of that period, (B) payments to be received under the hedge correspond closely in time to the hedged portion of payments on the hedged bonds, and (C) taking into account all payments made and received under the hedge and all payments on the hedged bonds, the issuer's aggregate payments are fixed and determinable as of a date not later than 15 days after the issue date of the hedged bonds. The regulation provides that payments are treated as fixed if the payments on the bonds are based on one interest rate, payments on the hedge are based on a second interest rate that is substantially the same as, but not identical to the first interest rate, and payments on the bonds would be fixed if the two rates were identical. The regulation provides that rates are treated as substantially the same if they are reasonably expected to be substantially the same throughout the term of the hedge, giving the example that an objective 30-day tax-exempt variable rate index or other objective index may be substantially the same as an issuer's individual 30-day interest rate.

Hedged bonds treated as fixed yield bonds under Treas. Reg. § 1.148-4(h)(4) are treated for purposes of yield calculation as having floating rate interest payments that are exactly equal to the floating rate payments on the hedge, so that the two variable rate streams cancel each other out. The result is that the yield on the bonds is equal to the fixed rate payments on the hedge.

The Authority has advised us that it has no expectation to change the interest rate mode of the Refunding Bonds from a weekly mode to some other mode or to terminate the Swap Agreement while the Refunding Bonds bear interest in the weekly mode.

The regulations on qualified hedges are in addition to Treas. Reg. § 1.148-4(g), which allows issuers to take the cost of qualified guarantees into account in calculating bond yield.

June 16, 2003

Page 4

In consideration of the foregoing, we are of the opinion that the Swap Agreement is properly integrated with the Refunding Bonds on a fixed yield basis under Treas. Reg. § 1.148-4(h)(4), with a yield calculation based on the fixed rate payments on the Swap Agreement to the extent not in excess of the on-market rate certified by JPMorgan and with appropriate adjustment for the excess of the amount of Refunding Bonds over the notional principal amount of the Swap Agreement. Qualified guarantee fees paid with respect to the Refunding Bonds may be taken into account in the manner provided in the applicable regulations.

We assume that consistently with this advice, the Authority will report the Refunding Bonds on a timely filed Form 8038-G as fixed yield bonds with an identified qualified hedge.

Very truly yours,

A handwritten signature in cursive script, reading "Ballard Spahr Ahlert & Ingersoll, LLP".

LAW OFFICES
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June 16, 2003

Pennsylvania Intergovernmental Cooperation
Authority
1429 Walnut Street, 14th Floor
Philadelphia, PA 19102

City of Philadelphia
Municipal Services Building, Room 1330
1401 JFK Boulevard
Philadelphia, PA 19102
ATTN: Janice Davis, Director of Finance

Re: \$165,550,000 aggregate face amount Special Tax Revenue Refunding
Bonds (City of Philadelphia Funding Program) Series of 2003

Ladies and Gentlemen:

By letter of June 16, 2003, we advised you as to certain tax consequences of a "Swaption Agreement" entered into on December 6, 2001, by the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") and JPMorgan Chase Bank ("JPMorgan") as relates to calculation of yield on the above issue of bonds (the "Refunding Bonds") issued June 16, 2003.

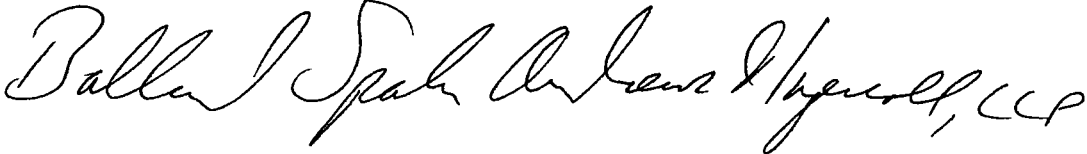
The Authority and JPMorgan also entered a Basis Cap with a trade date of June 6, 2003, confirmed by Letter Agreement dated June 9, 2003 (the "Basis Cap"). The Basis Cap provides for the Authority to receive fixed payments beginning June 15, 2003, equal to 40 basis points (0.40%) times the notional principal amounts in the Swaption Agreement and to make floating rate payments beginning June 15, 2005, in an amount based on the extent to which the ratio of the BMA Municipal Swap Index to the 1 Month LIBOR Index exceeds 70%.

You have advised us, in accordance with our recommendation, that the Basis Cap will not be identified to the Refunding Bonds and that payments under Basis Cap will not be taken into account in calculating the yield on the Refunding Bonds.

June 16, 2003
Page 2

Accordingly, the Basis Cap does not affect the conclusions expressed in our letter of June 16 relating to the calculation of yield on the Refunding Bonds.

Very truly yours,

A handwritten signature in cursive script, reading "Ballen I. Spahr Andrew I. Spahr, LLP". The signature is written in dark ink and is positioned below the "Very truly yours," text.

DRUCKER & SCACCETTI, P.C.

Certified Public Accountants/Business Advisors

1845 Walnut Street, 14th Floor
Philadelphia, PA 19103-4791
Telephone 215-665-3960
Facsimile 215-665-3980

Pennsylvania Intergovernmental
Cooperation Authority
Philadelphia, PA

Klett Rooney Lieber & Schorling
Philadelphia, PA

The City of Philadelphia, Pennsylvania
Philadelphia, PA

Reed Smith LLP
Philadelphia, PA

Raymond James & Associates
St. Petersburg, FL

Blank Rome LLP
Philadelphia, PA

**RE: \$165,550,000 Pennsylvania Intergovernmental Cooperation Authority
Special Tax Revenue Refunding Bonds (City of Philadelphia Funding
Program) Series of 2003**

We have completed our engagement to verify the mathematical accuracy of computations hereinafter described relating to the savings resulting from the exercise of an interest rate swap transaction ("1993A Bonds Swaption") as part of the current refunding of the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program) Series of 1993A ("Refunded Bonds") issued by the Pennsylvania Intergovernmental Cooperation Authority ("Authority") as summarized below:

Refunded Bonds - Original Issue

Amount Refunded

\$178,675,000 Pennsylvania Intergovernmental Cooperation
Authority Special Tax Revenue Bonds (City of Philadelphia
Funding Program) Series of 1993A

\$163,185,000

OUR UNDERSTANDING OF THE TRANSACTION

Our verification was performed solely on the basis of the accompanying schedules and computations provided by Raymond James & Associates ("Underwriter"), the factual assumptions contained or implicit therein and pages from the Official Statement for the Refunded Bonds. The Underwriter also provided us the Official Statement for the 2003 Bonds ("Official Statement") and a copy of the 1993A Bonds Swaption Master Agreement ("Agreement") which we assume to be accurate. We did not independently confirm any of the information contained therein. We express no opinion as to the accuracy, reasonableness or attainability of the assumptions referred to

therein, or on any other matter not expressly set forth herein. Such information as provided to us by the Underwriter is set forth in Exhibits A through D attached hereto.

The scope of our engagement was limited to verifying the mathematical accuracy of the computations contained in the schedules provided to us, to the extent described herein, as well as a comparison of the information contained in the schedules and computations provided to us with certain information set forth in the documents provided to us with respect to the principal payment dates and amounts, redemption date, interest payment dates and amounts of the Refunded Bonds, the 2003 Bonds and the 1993A Bonds Swaption Agreement. We express no other opinions relating to the 2003 Bonds or the 1993A Bonds Swaption.

The Authority intends to issue the 2003 Bonds on June 16, 2003. The net proceeds from the sale of the 2003 Bonds will be used together in part with other available funds, to refund the Refunded Bonds at a redemption price of 100% of the principal of the Refunded Bonds.

In December, 2001, the Authority and JP Morgan Chase Bank ("Swap Counterparty") executed the 1993A Bonds Swaption. Under the 1993A Bonds Swaption, the Swap Counterparty made a payment on December 6, 2001 to the Authority in exchange for an option to cause the Authority to enter into an interest rate exchange or swap transaction ("Swap") with the Swap Counterparty. The terms of the Swap require the payment by (i) the Swap Counterparty to the Authority of an amount ("Floating Rate Amount") on the 15th day of each month, commencing July 15, 2003, equal to the interest payable on the agreed upon principal amount ("Notional Amount") computed on the basis of a floating rate equal to 67% of one month LIBOR and (ii) the Authority to the Swap Counterparty of an amount ("Fixed Rate Amount") on each June 15 and December 15, commencing December 15, 2003, equal to the interest payable on the Notional Amount computed on the basis of a fixed rate essentially equal to the fixed rates payable on the 1993A Bonds. The Notional Amount on which such Floating Rate Amount and Fixed Rate Amount is computed is initially equal to \$163,185,000 and declines on June 15 of each year through its termination date of June 15, 2022.

We reviewed the information contained in the pages from the Official Statement for the Refunded Bonds and the 1993A Bonds Swaption Agreement with respect to maturing principal, interest rates, maturity dates, redemption provisions, and terms. We assumed these exhibits to be accurate and all debt service payments for the Refunded Bonds to be current as of June 16, 2003. We found the corresponding information in the schedules provided by the Underwriter to be in agreement with such exhibits.

PRESENT VALUE OF SAVINGS FROM THE 1993A BONDS SWAPTION

We verified the mathematical accuracy of the accompanying computation of the present value of the savings generated from the 1993A Bonds Swaption. We also

compared the debt service schedules for the Refunded Bonds to its Official Statement and the 1993A Bonds Swaption Agreement. The computations were made by use of the actuarial method using a 360-day year, with interest compounded semi-annually based upon an assumed settlement date of June 16, 2003.

Based upon the procedures, information and assumptions set forth above, the Underwriter's computations which indicate that the present value of the savings generated by the 1993A Bonds Swaption as a percentage of the Refunded Bonds in accordance with Agreement is 3.74% are mathematically correct as indicated on Exhibit A.

USE OF THIS REPORT

It is understood that this report is solely for the information of, and assistance to, the addressees hereof in connection with the offering of the 2003 Bonds and the refunding of the Refunded Bonds, and is not to be used, quoted, circulated, or otherwise referred to without our written consent for any other purpose, including, but not limited to, the purchase or sale of the 2003 Bonds, nor is it to be filed with or referred to in whole or in part in the Official Statement or any other document, except that (i) reference may be made to it in the purchase contract and in any closing documents pertaining to the offering of the 2003 Bonds, (ii) the report may be included in the transcripts pertaining to the 2003 Bonds, (iii) the report may be furnished to any rating agency or bond insurer that shall have rated or insured the Refunded Bonds or 2003 Bonds, and (iv) Bond Counsel may make use of and rely upon it in preparing their opinions.

Reference may be made to our Report and to our firm in the Official Statement for the 2003 Bonds in the section "Verification of Mathematical Computations".

The terms of our engagement are such that we have no obligation to update this report because of events occurring, or data or information coming from activities, subsequent to the date of this report.

A handwritten signature in cursive script, reading "Druce & Scavetti, P.C.", is positioned above the date and file path.

June 16, 2003

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EXHIBITS INDEX

All Exhibits Provided By Underwriter

<u>Description</u>	<u>Exhibit</u>
Cash Flows for Synthetic Fixed Rates Refunding of Series of 1993A	A
Sources and Uses	B
Option on Interest Rate Swap Transaction Agreement	C
Pages from the Official Statement for the Refunded Bonds	D

EXHIBIT A

Libor = 1.00% BMA = 0.67% BMA % of Libor = 67.0%		Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2003 Cash Flows for Synthetic Fixed Rate Refunding of Series of 1993A Insured Variable Rate Demand Obligations with a Liquidity Facility												
	Swap					Series of 2003					Cost Benefit Analysis			
	1	2	3	4	5	7	8	9	10	11	12	13	14	15
	Outstanding Notional Amount	Accrual Rate (A)	Swap Notional Amortization	Fixed Rate Payment to JP Morgan	Variable Rate Swap Receipt from JP Morgan @ 87% Libor (B) 0.67%	Net Payments to JP Morgan	Series of 2003 Principal	Variable Rate Interest Payment =BMA+2bps (B) 0.69%	JP Morgan Liquidity 0.140%	Remarketing 0.080%	Total Refunding Debt Service with Fees =7 + 8 + 9 + 10	Total Swap and Debt Service Payments = 8 + 11	Prior Debt Service Series of 1993A = 13 - 12	Present Value Cost/(Benefit) of Swap PV @ 5.01%
6/15/2003	163,185,000													
6/15/2004	163,185,000	5.01077%	5,335,000	8,176,825	1,093,340	7,083,486	5,480,000	1,136,174	233,706	132,072	6,984,852	14,048,438	13,511,833	511,004
6/15/2005	157,850,000	5.01821%	5,585,000	7,818,087	1,057,595	6,880,492	5,720,000	1,104,821	226,828	128,072	7,179,321	14,039,813	13,513,085	477,867
6/15/2006	152,255,000	5.01864%	5,870,000	7,641,130	1,020,109	6,621,022	5,995,000	1,085,183	218,534	123,498	7,402,183	14,023,205	13,511,133	442,221
6/15/2007	146,385,000	5.01738%	6,165,000	7,344,692	980,780	6,363,912	6,280,000	1,023,788	210,047	118,700	7,642,535	14,008,447	13,509,698	408,749
6/15/2008	140,220,000	5.01155%	6,480,000	7,027,185	938,474	6,088,711	6,005,000	980,367	201,140	113,598	7,900,194	13,987,815	13,507,200	378,474
6/15/2009	133,740,000	5.00000%	6,825,000	6,687,000	898,058	5,790,942	6,050,000	924,812	191,789	109,384	8,184,985	13,975,927	13,512,000	345,927
6/15/2010	128,915,000	5.00000%	7,185,000	6,345,750	850,331	5,495,420	7,290,000	888,857	181,953	102,824	8,481,834	13,957,054	13,510,750	316,988
6/15/2011	119,750,000	5.00000%	7,525,000	5,987,500	802,325	5,185,175	7,850,000	838,558	171,833	98,992	8,755,181	13,940,358	13,512,500	288,389
6/15/2012	112,225,000	5.00000%	7,900,000	5,611,250	751,908	4,859,343	8,025,000	783,771	160,801	90,872	9,080,444	13,919,787	13,511,250	268,121
6/15/2013	104,325,000	5.00000%	8,295,000	5,218,250	698,978	4,517,273	8,420,000	728,399	149,441	84,452	9,382,291	13,899,584	13,511,250	238,164
6/15/2014	96,030,000	5.00000%	8,710,000	4,801,500	643,401	4,158,099	8,835,000	670,301	137,523	77,716	9,720,540	13,878,839	13,511,500	214,434
6/15/2015	87,320,000	5.00000%	9,145,000	4,386,000	585,044	3,799,956	9,270,000	609,339	125,016	70,848	10,075,003	13,855,959	13,511,000	191,867
6/15/2016	78,175,000	5.00000%	9,600,000	3,908,750	523,773	3,384,976	9,725,000	545,376	111,891	63,232	10,445,499	13,830,477	13,508,780	170,407
6/15/2017	68,575,000	5.00000%	10,080,000	3,428,750	459,453	2,969,298	10,205,000	478,274	98,124	55,452	10,838,850	13,808,147	13,508,780	150,008
6/15/2018	58,495,000	5.00000%	10,585,000	2,924,750	391,817	2,532,934	10,710,000	407,859	83,679	47,288	11,248,826	13,781,880	13,509,750	130,806
6/15/2019	47,910,000	5.00000%	11,120,000	2,395,500	320,997	2,074,503	11,245,000	333,960	68,517	38,720	11,698,197	13,750,700	13,515,500	112,158
6/15/2020	36,790,000	5.00000%	11,870,000	1,839,500	248,483	1,591,017	11,785,000	258,370	52,598	29,724	12,133,891	13,728,898	13,509,500	94,610
6/15/2021	25,120,000	5.00000%	12,255,000	1,258,000	168,304	1,089,696	12,375,000	174,984	35,900	20,288	12,606,172	13,683,888	13,511,000	75,855
6/15/2022	12,865,000	5.00000%	12,865,000	643,250	86,196	557,055	12,985,000	89,587	18,382	10,398	13,103,367	13,680,421	13,508,250	60,110
Total			163,185,000	93,518,680	12,518,471	81,003,209	185,550,000	13,048,574	2,877,304	1,512,988	182,789,887	263,783,078	258,704,898	4,889,656

(A) Based on confirm from JP Morgan.

(B) Based on actual/actual discount

Sources and Uses of Funds	
Sources of Funds	
Par Amount of Bonds	165,550,000
Total Sources of Funds	165,550,000
Uses of Funds	
Deposit to Refunding Fund	163,185,000
Cost of Insurance	1,323,732
Insurance*	1,041,268
Total Uses of Funds	165,550,000

* Based on premium of 39.8 bps and the Bond Buyer Revenue Index as of 6-5-03 (4.83%) + 25 bps (5.08%)

Spread to BMA	
Trading Differential	2.0
Liquidity	14.0
Remarketing	8.0
Insurance	5.9
Total Spread	29.9 bps

Estimated Present Value Savings	
Swaption Premium	10,988,941 ¹
Less:	
PV of Net Debt Service	4,889,355
Present Value Savings	6,099,586
Present Value Savings (%)	3.74%

1 Based on \$10,720,000 premium received on December 6, 2001 earning interest at 1.5%

EXHIBIT B

Pennsylvania Intergovernmental Cooperation Authority

*Series 2003
Sizing with Expenses*

SOURCES & USES

Dated 06/16/2003

Delivered 06/16/2003

SOURCES OF FUNDS

Par Amount of Bonds..... \$165,550,000.00

TOTAL SOURCES..... \$165,550,000.00

USES OF FUNDS

Total Underwriter's Fee (0.350%)..... 579,425.00

Costs of Issuance..... 741,676.00

Gross Bond Insurance Premium (58.3 bp)..... 1,041,268.01

Deposit to Current Refunding Fund..... 163,185,000.00

Rounding Amount..... 2,630.99

TOTAL USES..... \$165,550,000.00

Raymond James and Associates
Public Finance

File = Sizing 6-10-03.sf-Sizing with Expenses- SINGLE PURPOSE
6/10/2003 5:27 PM

EXHIBIT C



Option On Interest Rate Swap Transaction

Date: 6 December 2001

The purpose of this document is to confirm the terms and conditions of the Option on an Interest Rate Swap Transaction entered into between:

JPMORGAN CHASE BANK – NEW YORK

and

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ("Counterparty")

on the Trade Date and identified by the JPMorgan Chase Deal Number specified below (the "Swap Transaction"). This agreement constitutes a "Confirmation" as referred to in the agreement specified below. It is our intention to have this confirmation serve as final documentation for this transaction and accordingly, no other confirmation will follow.

The definitions and provisions contained in the 2000 ISDA Definitions, incorporating the June 2000 version of the Annex as amended and supplemented through the date of this Confirmation, and the 1992 ISDA U.S. Municipal Counterparty Definitions (as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation (the "Swap Definitions"). In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

References in this Confirmation to "Transaction" shall be deemed to be references to "Swap Transaction" for the purposes of interpreting the Swap Definitions, and references in the Swap Definitions to "Swap Transaction" shall be deemed to be references to "Transaction" for the purposes of interpreting this Confirmation.

If JPMorgan Chase and the Counterparty are not yet parties to a Swap Agreement, the parties agree that this Transaction will be documented under a master agreement to be entered on the basis of the printed form of Master Agreement (Multicurrency-Cross Border) published by the International Swap Dealers Association, Inc., together with changes as shall be agreed between the parties (the "Master Agreement"). Upon execution and delivery by the parties of a Master Agreement, this Confirmation shall supplement, form a part of, and be subject to such Master Agreement. Until the parties execute and deliver a Master Agreement, this Confirmation shall supplement, form a part of, and be subject to the printed form of Master Agreement published by ISDA, as if the parties had executed that agreement (but without any Schedule thereto) on the Trade Date of this Confirmation.

JPMorgan Chase Deal Number:

507760

Type Of Transaction:

Call – Buyer has the right to receive fixed rate and pay floating rate, as referred to in the underlying swap transaction

Trade Date:

16 November 2001

Buyer:

JPMorgan Chase Bank

Seller:

Counterparty



Premium: 10,720,000.00 USD

Premium Settlement Date: 6 December 2001, subject to adjustment in accordance with the Modified Following Business Day Convention, based on Business Days in London, New York

Procedures For Exercise:

Procedure for Exercise: JPMorgan Chase has the right to exercise this option by notifying Counterparty by phone (immediately followed by written notification) on the date and during the time of day specified below.

Option Style: American

Notification Date: Notice of Exercise must be given between the hours of 9:00 AM and 11:00 AM New York time at least 90 New York Calendar Days prior to each Exercise Date.

Exercise Date: On any local Business Day after 15 June 2003 up to and including 15 December, 2021.

Physical Settlement: Applicable

1. The terms of the particular Swap Transaction to which this Option relates are as follows:

Effective Date: Exercise Date.

Termination Date: 15 June 2022

Fixed Amounts:

Fixed Rate Payer: Counterparty

Notional Amount: See Outstanding Principal Balance Schedule

Fixed Rate Payer Payment Dates: Each 15 December, 15 June starting with 15 December, June immediately following the Effective Date up to, and including, the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.

Fixed Rate: See Fixed Rate Schedule

Fixed Rate Day Count Fraction: 30/360

Calculation Period: Each period from, and including, one Payment Date to, but excluding the next following Payment Date and there will be no adjustment to the Calculation Period.



Floating Amounts:

Floating Rate Payer:	JPMorgan Chase Bank
Notional Amount:	See Outstanding Principal Balance Schedule
Floating Rate Payer Payment Dates:	Monthly on the 15 th day of each calendar month starting with the calendar month immediately following the Effective Date up to, and including, the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Floating Rate Option :	USD-LIBOR-BBA
Designated Maturity:	1 Month
Floating Rate Amount:	<p>The Floating Rate used to calculate the Floating Amount payable by JPMorgan Chase on each Payment Date will be equal to the rate determined in accordance with the specified Floating Rate Option and Designated Maturity, multiplied by 67 percent. For the avoidance of doubt, the Floating Amount payable by Morgan shall be calculated as follows.</p> $\text{Floating Amount} = \text{Notional Amount} \times (\text{Floating Rate} \times 67 \text{ percent}) \times \text{Day Count Fraction}.$
Spread:	None
Floating Rate Day Count Fraction:	Actual/Actual
Calculation Period:	Each period from, and including, one Payment Date to, but excluding, the next following Payment Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Reset Day:	Each Thursday in the Calculation Period, there will be no adjustments to the Reset Date.
Averaging	Applicable
Method of Averaging:	Weighted.
Compounding:	Inapplicable
Payment Business Day Locations for Counterparty:	London, New York
Payment Business Day Locations for JPMorgan Chase:	London, New York



Calculation Agent:

JPMorgan Chase Bank, or as defined in the Master Agreement.

Payments will be:

Net

Outstanding Principal Balance Schedule:

Accrual Start Date:	JPMorgan Chase pays on Outstanding Notional:		Counterparty pays on Outstanding Notional:	
15-Jun-2003	163,185,000.00	USD	163,185,000.00	USD
15-Jun-2004	157,850,000.00	USD	157,850,000.00	USD
15-Jun-2005	152,255,000.00	USD	152,255,000.00	USD
15-Jun-2006	146,385,000.00	USD	146,385,000.00	USD
15-Jun-2007	140,220,000.00	USD	140,220,000.00	USD
15-Jun-2008	133,740,000.00	USD	133,740,000.00	USD
15-Jun-2009	126,915,000.00	USD	126,915,000.00	USD
15-Jun-2010	119,750,000.00	USD	119,750,000.00	USD
15-Jun-2011	112,225,000.00	USD	112,225,000.00	USD
15-Jun-2012	104,325,000.00	USD	104,325,000.00	USD
15-Jun-2013	96,030,000.00	USD	96,030,000.00	USD
15-Jun-2014	87,320,000.00	USD	87,320,000.00	USD
15-Jun-2015	78,175,000.00	USD	78,175,000.00	USD
15-Jun-2016	68,575,000.00	USD	68,575,000.00	USD
15-Jun-2017	58,495,000.00	USD	58,495,000.00	USD
15-Jun-2018	47,910,000.00	USD	47,910,000.00	USD
15-Jun-2019	36,790,000.00	USD	36,790,000.00	USD
15-Jun-2020	25,120,000.00	USD	25,120,000.00	USD
15-Jun-2021	12,865,000.00	USD	12,865,000.00	USD

Fixed Rate Schedule:

Beginning On:	Counterparty Fixed Rate Accrues At:
15-Jun-2003	5.01077 percent ✓
15-Jun-2004	5.01621 percent ✓
15-Jun-2005	5.01864 percent ✓
15-Jun-2006	5.01738 percent ✓
15-Jun-2007	5.01155 percent ✓
15-Jun-2008	5.00000 percent ✓

This transaction may not be assigned by either party without the prior written consent of the other party.

2. Termination Option

As provided in paragraph (h)(i) of Part 1 of the Schedule dated the date hereof between JP Morgan Chase Bank and the Counterparty, it is the intention of the parties that the Counterparty shall have the right to terminate the Transaction described in this Confirmation whether or not JP Morgan Chase Bank has exercised the option described in this Confirmation and whether or not the Effective Date with respect to such Transaction has occurred. In the event the Counterparty terminates the Transaction, the Termination payment shall be determined pursuant to Part 1(g) of the Schedule to Master Agreement.



3. Account Details

Payments to JPMorgan Chase:

Account for payments in USD:	JPMorgan Chase Bank
Favour:	MGT New York
ABA/Bank No.:	021000238
Account No.:	999-97-979
Reference:	Ref: Interest Rate Protection Payment

If in the event this Transaction is physically exercised into a swap, the office of JPMorgan Chase Bank will change from New York to London

Swap Payment Instructions:	JPMorgan Chase Bank
Favour:	JPMorgan London
ABA/Bank No.:	ABA #:021000238
Account No.:	670-07-054
Reference:	Further credit to swap group account

Payments to Counterparty:

Account for payments in USD:	JPMorgan Chase Bank
Favour:	PENNSYLVANIA INTERGOVERNMENTAL COOPERATIVE AUTHORITY C/o First Union National Bank
ABA/Bank No.:	053000219
Account No.:	1556597839
Reference:	Trust Operations DDA 500000006439 Attention: Howard Parker 215-670-4541

4. Offices

- (a) The Office of JPMorgan Chase for the Swap Transaction is NEW YORK; and
- (b) The Office of the Counterparty for the Swap Transaction is PHILADELPHIA.

All inquiries regarding confirmations should be sent to:
JPMorgan Chase Bank
4 Metrotech Center
17th Floor
Brooklyn, New York 11245

JPMORGAN SECURITIES INCORPORATED is acting solely as agent for JPMorgan Chase Bank and will have no obligations under this Transaction.

5. Representations.

Each party hereto represents to the other as follows:

- (a) **Non-Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgement and upon advice from such advisors as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms



and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.

(b) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advise) , and understands and accepts, the terms, the conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

(c) **Status of Parties.** The other party is not acting as a fiduciary for or an advisor to it in respect of that Transaction.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation and returning it to us or by sending to us a letter, telex or facsimile substantially similar to this letter, which letter, telex or facsimile sets forth the material terms of the Transaction to which this Confirmation relates and indicates agreement to those terms. When referring to this Confirmation, please indicate: JPMorgan Chase Deal Number: 507760.

Yours sincerely,

JPMORGAN CHASE BANK

By:
Name:
Title:

Confirmed as of the
date first above written:

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

By: _____
Name:
Title:

Your Ref No.....

EXHIBIT D

NEW ISSUE-BOOK-ENTRY-ONLY

\$178,675,000

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)
SERIES OF 1993A**

Dated: August 15, 1993

Due: As shown on the inside front cover

The Series A Bonds will be issued as fully registered bonds, without coupons in the denominations of \$5,000 or any integral multiple thereof. Interest on the Series A Bonds is payable semiannually on each June 15 and December 15 (each an "Interest Payment Date"), commencing December 15, 1993, by check or draft mailed, or under certain conditions by wire transfer, to the persons in whose names such Series A Bonds are registered at the close of business on the Record Date, which is the last day (whether or not a Business Day) of the calendar month next preceding any Interest Payment Date. The Series A Bonds are being issued pursuant to an Indenture of Trust, as amended and supplemented (the "Indenture"), between the Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic organized and existing pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, approved June 5, 1991 (P.L. 9, No. 6), (the "Act"), as a public authority and instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth"), and Meridian Bank, Reading, Pennsylvania (successor trustee by assignment from CoreStates Bank, N.A.), as trustee (the "Trustee"). The principal and redemption premium, if any, of the Series A Bonds will be payable at the principal corporate trust office of the Trustee in Reading, Pennsylvania.

The Series A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. The Series A Bonds are not subject to acceleration upon the occurrence of an Event of Default (as defined in the Indenture).

The proceeds from the sale of the Series A Bonds will be used to (i) provide for the advance refunding of a portion of the Authority's Special Tax Revenue Bonds (City of Philadelphia Funding Program) Series of 1992, in the aggregate principal amount of \$136,670,000, (ii) make the required deposit to the Debt Service Reserve Fund (as defined herein) in respect of the Series A Bonds, and (iii) pay the costs of issuing the Series A Bonds, all as described herein. See "PLAN OF FINANCE" herein.

The Series A Bonds, when issued, will be registered in the name of Philadep & Co., as nominee for the Philadelphia Depository Trust Company, Philadelphia, Pennsylvania ("PHILADEP"), which will act as securities depository for the Series A Bonds. Purchases of beneficial ownership interests in the Series A Bonds will be made in book-entry-only form. So long as PHILADEP or its nominee, Philadep & Co., is the registered owner, principal of, redemption premium, if any, and interest on, the Series A Bonds is payable directly to Philadep & Co., for redistribution to PHILADEP Participants and in turn to the beneficial owners as described herein. Purchasers of Series A Bonds will not receive physical delivery of certificates representing their ownership interests in the Series A Bonds purchased. See "THE SERIES A BONDS — Book-Entry-Only System" herein.

THE SERIES A BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY ISSUED PURSUANT TO THE ACT AND THE INDENTURE AND ARE PAYABLE SOLELY FROM REVENUES OF THE AUTHORITY DERIVED FROM (i) A ONE AND ONE-HALF PERCENT (1.5%) TAX ON THE SALARIES, WAGES, COMMISSIONS AND OTHER COMPENSATION EARNED BY RESIDENTS OF THE CITY AND ON NET PROFITS EARNED IN BUSINESS, PROFESSIONS AND OTHER ACTIVITIES CONDUCTED BY RESIDENTS OF THE CITY, WHICH TAX IS IMPOSED BY THE CITY PURSUANT TO THE ACT AND AN ORDINANCE ADOPTED BY THE COUNCIL OF THE CITY OF PHILADELPHIA ("CITY COUNCIL") AND APPROVED BY THE MAYOR FOR THE EXCLUSIVE PURPOSES OF THE AUTHORITY, AND (ii) CERTAIN MONIES AND SECURITIES, AND INVESTMENT EARNINGS THEREON, HELD BY THE TRUSTEE IN CERTAIN FUNDS ESTABLISHED UNDER THE INDENTURE. THE ACT PROVIDES THAT THE REVENUES FROM THE FOREGOING TAX ARE THE REVENUES AND PROPERTY OF THE AUTHORITY AND ARE NOT THE REVENUES AND PROPERTY OF THE CITY. SEE "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES A BONDS" HEREIN.

In addition, payment of the principal of and interest on the Series A Bonds (excluding the Series A Bonds scheduled to mature on June 15, 2013 in the aggregate principal amount of \$25,710,000 and bearing interest at the rate of 5.00% originally yielding 5.62%) will be insured by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Series A Bonds by MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION.

PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES A BONDS SCHEDULED TO MATURE ON JUNE 15, 2013 IN THE AGGREGATE PRINCIPAL AMOUNT OF \$25,710,000 AND BEARING INTEREST AT THE RATE OF 5.00%, ORIGINALLY YIELDING 5.62%, WILL NOT BE INSURED.

NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE SERIES A BONDS. THE SERIES A BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, AND NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS LIABLE FOR THE PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE SERIES A BONDS. THE AUTHORITY HAS NO TAXING POWER.

In the opinion of Co-Bond Counsel, under existing law, interest on the Series A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of determining individual or corporate alternative minimum tax, in each case subject to the conditions and limitations described herein. In the opinion of Co-Bond Counsel, interest on the Series A Bonds and the gain from the sale thereof are exempt from Pennsylvania personal income tax and from Pennsylvania corporate net income tax, and the Series A Bonds are exempt from personal property taxes in Pennsylvania. See "TAX EXEMPTION" herein.

The Series A Bonds are offered when, as and if issued by the Authority and delivered to and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the receipt of the approving opinion of Dilworth, Paxson, Kalish & Kauffman and Wolf, Block, Schorr and Solis-Cohen, Co-Bond Counsel, both of Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Authority by Reed Smith Shaw & McClay, Philadelphia, Pennsylvania, General Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by Pepper, Hamilton & Scheetz, Philadelphia, Pennsylvania, Arline Jolles Lotman, Esquire, Philadelphia, Pennsylvania, and Stevens & Lee, a professional corporation, Reading, Pennsylvania, co-counsel to the Underwriters, and by Astor, Weiss & Newman, Philadelphia, Pennsylvania, special counsel to the Underwriters. Certain legal matters will be passed upon for the City by the City Solicitor, and by Blank, Rome, Comisky & McCauley and Slatley & Associates, both of Philadelphia, Pennsylvania, special co-counsel to the City. It is anticipated that the Series A Bonds in definitive form will be available for delivery to PHILADEP in Philadelphia, Pennsylvania, on or about September 14, 1993.

Pryor, McClendon, Counts & Co., Inc.

Butcher & Singer

A division of Wheat, First Securities, Inc.

RRZ Public Markets Inc.

R.W. Corby & Co., Inc.

Hopper Soliday & Co., Inc.

Artemis Capital Group, Inc.

Donaldson, Lufkin & Jenrette

INNOVA Securities, Inc.

Merrill Lynch & Co.

Dolphin & Bradbury Inc.

Janney Montgomery Scott Inc.

Meridian Capital Markets

Bear, Stearns & Co., Inc.

Drizos Investments Inc.

WR Lazard, Laidlaw & Mead Incorporated

Smith Barney Shearson Inc.

Kidder, Peabody & Co., Inc.

A.H. Williams & Co. Incorporated

Grigsby Brandford & Co., Inc.

Legg Mason Wood Walker, Incorporated

Commonwealth Securities and Investments, Inc.

Goldman, Sachs & Co.

Lehman Brothers

Sturdivant & Co., Inc.

The date of this Official Statement is August 19, 1993.

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

\$178,675,000

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION
AUTHORITY**

**SPECIAL TAX REVENUE REFUNDING BONDS
(CITY OF PHILADELPHIA FUNDING PROGRAM)**

SERIES OF 1993A

\$44,935,000 Serial Bonds*

<u>Due (June 15)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
1994	\$3,325,000	2.80%	100%
1995	1,380,000	3.40	100
1996	1,425,000	3.80	100
1997	645,000	4.00	100
1998	665,000	4.05	4.15
1999	695,000	4.20	4.30
2000	735,000	4.35	4.45
2001	750,000	4.50	4.60
2002	775,000	4.60	4.70
2003	5,095,000	4.75	4.85
2004	5,335,000	4.85	4.95
2005	5,595,000	4.95	5.05
2006	5,870,000	5.05	5.13
2007	6,165,000	5.15	5.23
2008	6,480,000	5.25	5.33

\$12,000,000 5.00% Term Bond Due June 15, 2013 at 5.47%*

\$25,710,000 5.00% Term Bond Due June 15, 2013 at 5.62%**

\$96,030,000 5.00% Term Bond Due June 15, 2022 at 5.55%*

(Plus accrued interest)

* Payment of the principal of and interest on the Series A Bonds, excluding the Series A Bonds scheduled to mature on June 15, 2013 in the aggregate principal amount of \$25,710,000 and bearing interest at the rate of 5.00%, originally yielding 5.62%, will be insured by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Series A Bonds by MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION.

MBIA

** Payment of the principal of and interest on the Series A Bonds scheduled to mature on June 15, 2013 in the aggregate principal amount of \$25,710,000 and bearing interest at the rate of 5.00%, originally yielding 5.62%, will not be insured.

PLAN OF FINANCE

General

The proceeds from the sale of the Series A Bonds will be used to (i) provide for the advance refunding of the 1992 Bonds of the maturities set forth below, in an aggregate principal amount of \$136,670,000 (the "Refunded 1992 Bonds"), (ii) fund an account in the Debt Service Reserve Fund in respect of the Series A Bonds in an amount equal to \$13,515,500, which amount is equal to the maximum annual debt service requirement on the Series A Bonds, and (iii) pay the costs of issuing the Series A Bonds.

The Refunded 1992 Bonds include all of those listed in the following table:

<u>Maturities</u> <u>(June 15)</u>	<u>Par Amount</u>
2006	\$15,140,000
2012	31,535,000
2022	89,995,000

A portion of the proceeds of the Series A Bonds shall be deposited into an irrevocable trust fund (the "1992 Bonds Escrow Fund") established and held by Meridian Bank, as escrow agent (the "Escrow Agent"), under and pursuant to the terms of an Escrow Deposit Agreement, dated as of August 15, 1993 (the "Escrow Deposit Agreement"), between the Authority and the Escrow Agent. Proceeds of the Series A Bonds deposited into the 1992 Bonds Escrow Fund shall be invested in Government Obligations (as defined in the Indenture). Moneys in the 1992 Bonds Escrow Fund shall be used to pay interest on the Refunded 1992 Bonds to June 15, 2002 and to redeem and pay on June 15, 2002, at a redemption price of 100%, the principal of the Refunded 1992 Bonds then Outstanding. Upon deposit of the necessary funds into the 1992 Bonds Escrow Fund, the Refunded 1992 Bonds will no longer be deemed to be Outstanding under the Indenture.

Financial Condition of the City

The City currently is projecting that it will end Fiscal Year 1993 without a deficit, due to receipt of not more than a \$7.8 million grant from the Authority to fund the Fiscal Year 1993 General Fund deficit. The City's Fiscal Year 1994 General Fund Budget was adopted by City Council on March 11, 1993. The Fiscal Year 1994 General Fund Budget is balanced without a grant from the Authority; provided, however, it is anticipated that the City will receive a \$23.5 million grant from the Authority to finance a program to be undertaken by the City to reduce court backlogs and to accelerate the disposition of litigation pending against the City. For additional information regarding the City's financial condition and the City's five-year financial plan, see "APPENDIX A - CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA" and "APPENDIX B - SUMMARY OF CITY'S FIVE-YEAR FINANCIAL PLAN" hereto.

Estimated Application of Series A Bond Proceeds

The application of the proceeds of the Series A Bonds is estimated to be as follows:

Deposit to 1992 Bonds	
Escrow Fund(a)	\$150,407,158.16
Debt Service Reserve Fund Deposit (b)	13,515,500.00
Financing Costs (c)	<u>\$ 14,752,341.84</u>
Proceeds of Series A Bonds	<u>\$178,675,000.00</u>

- (a) The 1992 Bonds Escrow Fund is an irrevocable trust fund established and held by the Escrow Agent under and pursuant to the terms of the Escrow Deposit Agreement.
- (b) The deposit to the Series A Bonds Account of the Debt Service Reserve Fund established under the Indenture is equal to the maximum annual debt service requirement on the Series A Bonds.
- (c) Includes legal, accounting, financial advisory, verification, printing, insurance and rating fees, underwriters' discount, original issue discount and miscellaneous fees and expenses.

THE SERIES A BONDS

General

The Series A Bonds will be dated August 15, 1993, will be payable as to interest at the rates and on the dates, and will mature in the amounts and on the dates set forth on the inside front cover hereof. Purchases of beneficial interests in the Series A Bonds may be made in denominations of \$5,000 or integral multiples thereof. Descriptions of the provisions regarding redemption, transfer and payment of the Series A Bonds are set forth below.

THE SERIES A BONDS ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF AN EVENT OF DEFAULT.

PHILADEP will serve as securities depository under a book-entry-only system for the Series A Bonds. Unless such system is discontinued, the provisions described under "Book-Entry-Only System" below (including provisions regarding payments to and transfers by the owners of beneficial interests in the Series A Bonds) will be applicable to the Series A Bonds. If such system is discontinued, the provisions described under "Discontinuance of Book-Entry-Only System" below will be applicable.

Optional Redemption

The Series A Bonds due on or prior to June 15, 2003 are not subject to optional redemption prior to maturity. The Series A Bonds due on or after June 15, 2004 are subject to optional redemption on or after June 15, 2003 in whole or in part at any time, and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot. Any such redemption shall be made at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series A Bonds maturing on June 15, 2013 and on June 15, 2022 are subject to mandatory sinking fund redemption prior to maturity on June 15 of each of the following years and in the following amounts, respectively, in direct order of maturity and within a maturity (treating the Series A Insured Bonds and the Series A Uninsured Bonds maturing on June 15, 2013 as separate maturities for this purpose) as chosen by the Trustee by lot, at the principal amount thereof plus accrued interest, or through purchase as hereinafter provided:

Series A Insured Bonds Maturing June 15, 2013

<u>Year</u>	<u>Amount</u>
2009	\$ 2,160,000
2010	2,280,000
2011	2,400,000
2012	2,520,000
2013(a)	2,640,000

Series A Uninsured Bonds Maturing June 15, 2013

<u>Year</u>	<u>Amount</u>
2009	\$ 4,665,000
2010	4,885,000
2011	5,125,000
2012	5,380,000
2013(a)	5,655,000

Series A Insured Bonds Maturing June 15, 2022

<u>Year</u>	<u>Amount</u>
2014	\$ 8,710,000
2015	9,145,000
2016	9,600,000
2017	10,080,000
2018	10,585,000
2019	11,120,000
2020	11,670,000
2021	12,255,000
2022(a)	12,865,000

(a) Final Maturity.

Prior to May 1 of each year in which Series A Bonds are subject to mandatory sinking fund redemption as described above, the Trustee, at the written direction of the Authority, may enter into contracts for the purchase, from moneys deposited in the Series A Bonds Sinking Fund Account, of as many Series A Bonds then subject to mandatory sinking fund redemption as can be purchased in the open market or pursuant to offers made at the time by the Bondholders thereof, at prices not greater than the principal amount thereof specified in such written direction, together with accrued interest to the date of purchase (which accrued interest shall be paid from moneys in the Debt Service Fund).

Notice of Redemption

When the Authority shall determine to redeem Series A Bonds, upon prior written notice to the Trustee of the redemption date and the principal amount of Series A Bonds to be redeemed, or whenever the Trustee shall be required to redeem Series A Bonds from moneys in the Series A Bonds Sinking Fund Account, without action on the part of the Authority, the Trustee, at the Authority's expense, shall cause a notice of redemption, setting forth certain information as specified in the Indenture, to be mailed to the Bondholders. Such notice shall also state the redemption price and the date fixed for redemption, that on such date the Series A Bonds called for redemption will be due and become payable at the principal corporate trust office of the Trustee, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of all Series A Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Series A Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such redemption, without the requirement of written notice. If a notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the

DRUCKER & SCACCETTI, P.C.

Certified Public Accountants/Business Advisors

1845 Walnut Street, 14th Floor
Philadelphia, PA 19103-4791
Telephone 215-665-3960
Facsimile 215-665-3980

Pennsylvania Intergovernmental
Cooperation Authority
Philadelphia, PA

Klett Rooney Lieber & Schorling
Philadelphia, PA

The City of Philadelphia, Pennsylvania
Philadelphia, PA

Reed Smith LLP
Philadelphia, PA

Raymond James & Associates
St. Petersburg, FL

Blank Rome LLP
Philadelphia, PA

**RE: \$165,550,000 Pennsylvania Intergovernmental Cooperation Authority
Special Tax Revenue Refunding Bonds (City of Philadelphia Funding
Program) Series of 2003**

We have completed a supplemental engagement at the request of Bond Counsel to verify the mathematical accuracy of computations hereinafter described relating to the yield on the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Refunding Bonds ("City of Philadelphia Funding Program") Series of 2003 ("2003 Bonds") as part of the current refunding of the Pennsylvania Intergovernmental Cooperation Authority Special Tax Revenue Bonds (City of Philadelphia Funding Program) Series of 1993A ("Refunded Bonds") issued by the Pennsylvania Intergovernmental Cooperation Authority ("Authority") as summarized below:

Refunded Bonds - Original Issue

Amount Refunded

\$178,675,000 Pennsylvania Intergovernmental Cooperation
Authority Special Tax Revenue Bonds (City of Philadelphia
Funding Program) Series of 1993A

\$163,185,000

OUR UNDERSTANDING OF THE TRANSACTION

Our verification was performed solely on the basis of the accompanying schedules and computations provided by Raymond James & Associates ("Underwriter") and the factual assumptions contained or implicit therein. The Underwriter provided us the Official Statement for the 2003 Bonds ("Official Statement") which we assume to be accurate. We did not independently confirm any of the information contained therein. We express no opinion as to the accuracy, reasonableness or attainability of the

assumptions referred to therein, or on any other matter not expressly set forth herein. Such information as provided to us by the Underwriter is set forth in Exhibits A through B attached hereto.

The scope of our engagement was limited to verifying the mathematical accuracy of the computations contained in the schedules provided to us, to the extent described herein. We express no other opinions relating to the 2003 Bonds.

YIELD ON THE 2003 BONDS

We verified the mathematical accuracy of the accompanying computation of the yield on the 2003 Bonds based on an assumed settlement date of June 16, 2003. The computation was made by use of the actuarial method using a 360-day year with interest compounded semi-annually and by adjusting the par amount of the 2003 Bonds for \$1,041,268.01 in bond insurance premium.

Based on the procedures, information and assumptions set forth above, the Underwriter's computations which indicate that the yield on the 2003 Bonds is not less than 4.5569927% are mathematically correct as indicated on Exhibit A.

USE OF THIS REPORT

It is understood that this report is solely for the information of, and assistance to, the addressees hereof in connection with the offering of the 2003 Bonds and the refunding of the Refunded Bonds, and is not to be used, quoted, circulated, or otherwise referred to without our written consent for any other purpose, including, but not limited to, the purchase or sale of the 2003 Bonds, nor is it to be filed with or referred to in whole or in part in the Official Statement or any other document, except that (i) reference may be made to it in the purchase contract and in any closing documents pertaining to the offering of the 2003 Bonds, (ii) the report may be included in the transcripts pertaining to the 2003 Bonds, (iii) the report may be furnished to any rating agency or bond insurer that shall have rated or insured the Refunded Bonds or 2003 Bonds, and (iv) Bond Counsel may make use of and rely upon it in preparing their opinions and Internal Revenue Service Form 8038.

The terms of our engagement are such that we have no obligation to update this report because of events occurring, or data or information coming from activities, subsequent to the date of this report.

June 16, 2003

Debra Savetti, P.C.

EXHIBITS INDEX

All Exhibits Provided By Underwriter

<u>Description</u>	<u>Exhibit</u>
Proof of Bond Yield	A
Debt Service Schedule	B

EXHIBIT A

Pennsylvania Intergovernmental Cooperation Authority

Series 2003

Sizing with Expenses @ 4.34%

PROOF OF BOND YIELD @ 4.5569927%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
6/16/2003	-	1.0000000x	-	-
9/15/2003	57,939.19	0.9889223x	57,297.36	57,297.36
12/15/2003	3,631,394.40	0.9778450x	3,550,940.89	3,608,238.25
3/15/2004	58,588.42	0.9668918x	56,648.66	3,664,886.91
6/15/2004	9,111,023.42	0.9560612x	8,710,695.88	12,375,582.79
9/15/2004	56,656.12	0.9453519x	53,559.97	12,429,142.76
12/15/2004	3,530,609.12	0.9347627x	3,300,281.56	15,729,424.32
3/15/2005	56,657.83	0.9242920x	52,368.38	15,781,792.70
6/15/2005	9,250,610.83	0.9139386x	8,454,490.30	24,236,282.99
9/15/2005	54,633.45	0.9037012x	49,372.31	24,285,655.31
12/15/2005	3,404,462.45	0.8935784x	3,042,154.27	27,327,809.57
3/15/2006	54,633.45	0.8835691x	48,272.43	27,376,082.00
6/15/2006	9,399,462.45	0.8736719x	8,212,045.89	35,588,127.89
9/15/2006	52,511.75	0.8638855x	45,364.14	35,633,492.03
12/15/2006	3,272,249.25	0.8542088x	2,795,183.94	38,428,675.97
3/15/2007	52,511.75	0.8446404x	44,353.55	38,473,029.52
6/15/2007	9,562,249.25	0.8351792x	7,986,191.89	46,459,221.41
9/15/2007	50,285.64	0.8258240x	41,527.09	46,500,748.50
12/15/2007	3,133,530.14	0.8165736x	2,558,758.06	49,059,506.55
3/15/2008	50,284.12	0.8074268x	40,600.75	49,100,107.30
6/15/2008	9,738,528.62	0.7983825x	7,775,070.88	56,875,178.19
9/15/2008	47,946.60	0.7894395x	37,850.94	56,913,029.13
12/15/2008	2,987,862.60	0.7805966x	2,332,315.51	59,245,344.63
3/15/2009	47,948.05	0.7718528x	37,008.84	59,282,353.47
6/15/2009	9,937,864.05	0.7632070x	7,584,647.38	66,867,000.85
9/15/2009	45,488.36	0.7546580x	34,328.15	66,901,329.00
12/15/2009	2,834,589.36	0.7462047x	2,115,184.04	69,016,513.04
3/15/2010	45,488.36	0.7378462x	33,563.41	69,050,076.46
6/15/2010	10,124,589.36	0.7295813x	7,386,710.73	76,436,787.19
9/15/2010	42,908.34	0.7214089x	30,954.46	76,467,741.65
12/15/2010	2,673,816.34	0.7133281x	1,907,308.36	78,375,050.01
3/15/2011	42,908.34	0.7053378x	30,264.88	78,405,314.88
6/15/2011	10,323,816.34	0.6974370x	7,200,211.85	85,605,526.74
9/15/2011	40,200.91	0.6896247x	27,723.54	85,633,250.28
12/15/2011	2,505,103.91	0.6819000x	1,708,230.28	87,341,480.56
3/15/2012	40,199.69	0.6742617x	27,105.11	87,368,585.67
6/15/2012	10,530,102.69	0.6667090x	7,020,514.53	94,389,100.20
9/15/2012	37,359.63	0.6592409x	24,629.00	94,413,729.20
12/15/2012	2,328,120.13	0.6518565x	1,517,600.24	95,931,329.44
3/15/2013	37,360.76	0.6445548x	24,081.06	95,955,410.50
6/15/2013	10,748,121.26	0.6373349x	6,850,152.26	102,805,562.75
9/15/2013	34,380.82	0.6301958x	21,666.65	102,827,229.40
12/15/2013	2,142,427.32	0.6231367x	1,335,025.10	104,162,254.50
3/15/2014	34,380.82	0.6161567x	21,183.97	104,183,438.47
6/15/2014	10,977,427.32	0.6092549x	6,688,050.88	110,871,489.35
9/15/2014	31,254.00	0.6024303x	18,828.36	110,890,317.71
12/15/2014	1,947,581.00	0.5956823x	1,160,139.44	112,050,457.15

Pennsylvania Intergovernmental Cooperation Authority

Series 2003

Sizing with Expenses @ 4.34%

PROOF OF BOND YIELD @ 4.5569927%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
3/15/2015	31,254.00	0.5890098x	18,408.91	112,068,866.06
6/15/2015	11,217,581.00	0.5824120x	6,533,254.00	118,602,120.07
9/15/2015	27,973.24	0.5758882x	16,109.46	118,618,229.52
12/15/2015	1,743,141.24	0.5694374x	992,609.83	119,610,839.36
3/15/2016	27,972.39	0.5630589x	15,750.10	119,626,589.46
6/15/2016	11,468,140.39	0.5567518x	6,384,908.25	126,011,497.71
9/15/2016	24,530.70	0.5505154x	13,504.53	126,025,002.24
12/15/2016	1,528,666.20	0.5443489x	832,127.72	126,857,129.95
3/15/2017	24,531.44	0.5382514x	13,204.08	126,870,334.03
6/15/2017	11,733,666.94	0.5322222x	6,244,918.11	133,115,252.14
9/15/2017	20,919.76	0.5262606x	11,009.24	133,126,261.39
12/15/2017	1,303,606.76	0.5203657x	678,352.24	133,804,613.62
3/15/2018	20,919.76	0.5145369x	10,763.99	133,815,377.61
6/15/2018	12,013,606.76	0.5087733x	6,112,202.50	139,927,580.11
9/15/2018	17,129.36	0.5030743x	8,617.34	139,936,197.45
12/15/2018	1,067,409.36	0.4974392x	530,971.23	140,467,168.68
3/15/2019	17,129.36	0.4918672x	8,425.37	140,475,594.05
6/15/2019	12,312,409.36	0.4863575x	5,988,233.12	146,463,827.17
9/15/2019	13,149.62	0.4809096x	6,323.78	146,470,150.95
12/15/2019	819,413.12	0.4755228x	389,649.60	146,859,800.55
3/15/2020	13,149.22	0.4701962x	6,182.71	146,865,983.26
6/15/2020	12,614,412.72	0.4649294x	5,864,810.99	152,730,794.25
9/15/2020	8,974.95	0.4597215x	4,125.98	152,734,920.23
12/15/2020	559,286.95	0.4545720x	254,236.17	152,989,156.40
3/15/2021	8,975.22	0.4494801x	4,034.18	152,993,190.58
6/15/2021	12,934,287.22	0.4444453x	5,748,583.12	158,741,773.70
9/15/2021	4,595.56	0.4394669x	2,019.60	158,743,793.30
12/15/2021	286,370.06	0.4345442x	124,440.46	158,868,233.75
3/15/2022	4,595.56	0.4296767x	1,974.61	158,870,208.36
6/15/2022	13,271,370.06	0.4248637x	5,638,523.63	164,508,731.99
Total	250,307,236.29	-	164,508,731.99	-

DERIVATION OF TARGET AMOUNT

Par Amount of Bonds.....	\$165,550,000.00
Bond Insurance Premium..... (42.0 bp).....	(1,041,268.01)
Original Issue Proceeds.....	\$164,508,731.99

Raymond James and Associates
Public Finance

File = Sizing 6-10-03.sf-Sizing with Expenses @ 4.34%- SINGLE PURPOSE
6/13/2003 4:48 PM

EXHIBIT B

Pennsylvania Intergovernmental Cooperation Authority
Series 2003

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Liquidity	Total P+I
9/15/2003	-	-	-	57,939.19	57,939.19
12/15/2003	-	-	3,572,804.21	58,590.19	3,631,394.40
3/15/2004	-	-	-	58,588.42	58,588.42
6/15/2004	5,460,000.00	4.340%	3,592,435.00	58,588.42	9,111,023.42
9/15/2004	-	-	-	56,656.12	56,656.12
12/15/2004	-	-	3,473,953.00	56,656.12	3,530,609.12
3/15/2005	-	-	-	56,657.83	56,657.83
6/15/2005	5,720,000.00	4.340%	3,473,953.00	56,657.83	9,250,610.83
9/15/2005	-	-	-	54,633.45	54,633.45
12/15/2005	-	-	3,349,829.00	54,633.45	3,404,462.45
3/15/2006	-	-	-	54,633.45	54,633.45
6/15/2006	5,995,000.00	4.340%	3,349,829.00	54,633.45	9,399,462.45
9/15/2006	-	-	-	52,511.75	52,511.75
12/15/2006	-	-	3,219,737.50	52,511.75	3,272,249.25
3/15/2007	-	-	-	52,511.75	52,511.75
6/15/2007	6,290,000.00	4.340%	3,219,737.50	52,511.75	9,562,249.25
9/15/2007	-	-	-	50,285.64	50,285.64
12/15/2007	-	-	3,083,244.50	50,285.64	3,133,530.14
3/15/2008	-	-	-	50,284.12	50,284.12
6/15/2008	6,605,000.00	4.340%	3,083,244.50	50,284.12	9,738,528.62
9/15/2008	-	-	-	47,946.60	47,946.60
12/15/2008	-	-	2,939,916.00	47,946.60	2,987,862.60
3/15/2009	-	-	-	47,948.05	47,948.05
6/15/2009	6,950,000.00	4.340%	2,939,916.00	47,948.05	9,937,864.05
9/15/2009	-	-	-	45,488.36	45,488.36
12/15/2009	-	-	2,789,101.00	45,488.36	2,834,589.36
3/15/2010	-	-	-	45,488.36	45,488.36
6/15/2010	7,290,000.00	4.340%	2,789,101.00	45,488.36	10,124,589.36
9/15/2010	-	-	-	42,908.34	42,908.34
12/15/2010	-	-	2,630,908.00	42,908.34	2,673,816.34
3/15/2011	-	-	-	42,908.34	42,908.34
6/15/2011	7,650,000.00	4.340%	2,630,908.00	42,908.34	10,323,816.34
9/15/2011	-	-	-	40,200.91	40,200.91
12/15/2011	-	-	2,464,903.00	40,200.91	2,505,103.91
3/15/2012	-	-	-	40,199.69	40,199.69
6/15/2012	8,025,000.00	4.340%	2,464,903.00	40,199.69	10,530,102.69
9/15/2012	-	-	-	37,359.63	37,359.63
12/15/2012	-	-	2,290,760.50	37,359.63	2,328,120.13
3/15/2013	-	-	-	37,360.76	37,360.76
6/15/2013	8,420,000.00	4.340%	2,290,760.50	37,360.76	10,748,121.26
9/15/2013	-	-	-	34,380.82	34,380.82
12/15/2013	-	-	2,108,046.50	34,380.82	2,142,427.32
3/15/2014	-	-	-	34,380.82	34,380.82
6/15/2014	8,835,000.00	4.340%	2,108,046.50	34,380.82	10,977,427.32
9/15/2014	-	-	-	31,254.00	31,254.00
12/15/2014	-	-	1,916,327.00	31,254.00	1,947,581.00
3/15/2015	-	-	-	31,254.00	31,254.00

Pennsylvania Intergovernmental Cooperation Authority

Series 2003

Sizing with Expenses @ 4.34%

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Liquidity	Total P+I
6/15/2015	9,270,000.00	4.340%	1,916,327.00	31,254.00	11,217,581.00
9/15/2015	-	-	-	27,973.24	27,973.24
12/15/2015	-	-	1,715,168.00	27,973.24	1,743,141.24
3/15/2016	-	-	-	27,972.39	27,972.39
6/15/2016	9,725,000.00	4.340%	1,715,168.00	27,972.39	11,468,140.39
9/15/2016	-	-	-	24,530.70	24,530.70
12/15/2016	-	-	1,504,135.50	24,530.70	1,528,666.20
3/15/2017	-	-	-	24,531.44	24,531.44
6/15/2017	10,205,000.00	4.340%	1,504,135.50	24,531.44	11,733,666.94
9/15/2017	-	-	-	20,919.76	20,919.76
12/15/2017	-	-	1,282,687.00	20,919.76	1,303,606.76
3/15/2018	-	-	-	20,919.76	20,919.76
6/15/2018	10,710,000.00	4.340%	1,282,687.00	20,919.76	12,013,606.76
9/15/2018	-	-	-	17,129.36	17,129.36
12/15/2018	-	-	1,050,280.00	17,129.36	1,067,409.36
3/15/2019	-	-	-	17,129.36	17,129.36
6/15/2019	11,245,000.00	4.340%	1,050,280.00	17,129.36	12,312,409.36
9/15/2019	-	-	-	13,149.62	13,149.62
12/15/2019	-	-	806,263.50	13,149.62	819,413.12
3/15/2020	-	-	-	13,149.22	13,149.22
6/15/2020	11,795,000.00	4.340%	806,263.50	13,149.22	12,614,412.72
9/15/2020	-	-	-	8,974.95	8,974.95
12/15/2020	-	-	550,312.00	8,974.95	559,286.95
3/15/2021	-	-	-	8,975.22	8,975.22
6/15/2021	12,375,000.00	4.340%	550,312.00	8,975.22	12,934,287.22
9/15/2021	-	-	-	4,595.56	4,595.56
12/15/2021	-	-	281,774.50	4,595.56	286,370.06
3/15/2022	-	-	-	4,595.56	4,595.56
6/15/2022	12,985,000.00	4.340%	281,774.50	4,595.56	13,271,370.06
Total	165,550,000.00	-	82,079,932.21	2,677,304.08	250,307,236.29

YIELD STATISTICS

Bond Year Dollars.....	\$1,891,235.14
Average Life.....	11.424 Years
Average Coupon.....	4.3400173%
Net Interest Cost (NIC).....	4.4257123%
True Interest Cost (TIC).....	4.4554093%
Bond Yield for Arbitrage Purposes.....	4.5569927%
All Inclusive Cost (AIC).....	8.9706556%

IRS FORM 8038

Net Interest Cost.....	4.3400173%
Weighted Average Maturity.....	11.424 Years