

INTERGOVERNMENTAL COOPERATION AGREEMENT

by and between

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

and

THE CITY OF PHILADELPHIA

Dated as of January 8, 1992

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INTERGOVERNMENTAL COOPERATION AGREEMENT

THIS INTERGOVERNMENTAL COOPERATION AGREEMENT made and entered into as of the eighth day of January, 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 any 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 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 in the 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 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) 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 and the next four (4) fiscal years thereafter.

(b) In addition, at least one hundred (100) 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, 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 projections 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. Nontax 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) 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 noncompliance 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 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 noncompliance 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 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.

(d) 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, neither such collective bargaining agreement nor such arbitration award shall 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 Authority that revenues sufficient to pay the costs of such 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) 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 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.

(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 a 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:

1429 Walnut Street
Fourteenth Floor
Philadelphia, Pennsylvania 19102
Telecopier No.: 215-563-2570

For the City:

Mayor
City Hall, Room 215
Philadelphia, Pennsylvania 19107
Telecopier No.: 215-686-2170

With a copy to:

City Solicitor
1520 Municipal Services Building
Philadelphia, Pennsylvania 19107
Telecopier No.: 215-686-5223

Finance Director
1420 Municipal Services Building
Philadelphia, Pennsylvania 19107
Telecopier No.: 215-568-1947

President, City Council
City Hall, Room 490
Philadelphia, Pennsylvania 19107

Telecopier No.: 215-563-3162

City Controller
1230 Municipal Services Building
Philadelphia, Pennsylvania 19107
Telecopier No.: 215-686-3832

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.

ATTEST:

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY

Carol Gassert Carroll
Secretary

By _____
Bernard E. Anderson
Chairperson

[AUTHORITY SEAL]

CITY OF PHILADELPHIA

By _____
Edward G. Rendell
Mayor

EXHIBIT "A"

PRINCIPAL TERMS OF PROPOSED EXTRAORDINARY CONTRACTS

SERVICE/COMMODITY
TO BE PROVIDED:

AMOUNT
(by fiscal year):

FUND(S) OR
ACCOUNT(S)
FROM WHICH
PAYMENT(S) 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):

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