



(Bill No. 771)

AN ORDINANCE

Constituting the Second Supplemental Ordinance to the Restated General Water and Wastewater Revenue Bond Ordinance of 1989, as supplemented; authorizing the Bond Committee to sell either at public or private sale in one or more series or subseries Water and Wastewater Revenue Bonds of the City of Philadelphia in an aggregate principal amount not exceeding two hundred sixty million (260,000,000) dollars; authorizing approval of the form or forms of Bonds; providing that the Bonds shall bear interest at a prescribed fixed rate or rates or at variable rates which may be payable in different modes, and authorizing agreements to provide credit enhancement or payment or liquidity sources or swap payments for the Bonds and certain other actions; designating the obligations to be refunded from the proceeds of the Bonds and setting forth the use of proceeds and providing for the application of interest and income earned on such proceeds; determining the sufficiency of the Project Revenues; and covenanting the payment of interest and principal.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. Authorization, Scope and Purpose. This Supplemental Ordinance is enacted pursuant to the provisions of The First Class City Revenue Bond Act approved October 18, 1972 (Act No. 234, 53 P.S. §§15901 to 15924) (the "Act") and constitutes a Supplemental Ordinance enacted for the purpose of authorizing one or

more Series of Bonds within the meaning of the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (Bill No. 544), approved June 24, 1993, as supplemented by a supplemental ordinance enacted thereto (the "1993 General Ordinance"). Unless the context otherwise clearly provides, all references herein to the "General Ordinance" shall mean the 1993 General Ordinance. This Supplemental Ordinance is supplementary to the General Ordinance and all sections of the General Ordinance not inconsistent herewith and the Act are applicable to the Bonds authorized hereunder. Except as specifically supplemented by this Supplemental Ordinance, the General Ordinance is ratified and confirmed in all respects.

SECTION 2. Definitions. All defined terms contained in the Act shall apply to this Supplemental Ordinance. Unless expressly given different meanings hereunder or the context clearly otherwise requires, all terms used herein shall have the meanings assigned to them in the General Ordinance.

SECTION 3. Approval of 1994 Bonds and Terms of 1994 Bonds. The Bond Committee is hereby authorized on behalf of the City to borrow, by the issuance and sale of one or more series or subseries of Water and Wastewater Revenue Bonds of the City (the "1994 Bonds") a sum or sums which in the aggregate shall not exceed the principal amount of the 1994 Bonds authorized to be issued hereunder, to be expended as provided in Section 4 of this Supplemental Ordinance. In accordance with the General Ordinance, the Bond Committee shall approve final terms of the Bonds in its Determination prior to, and as a condition of, the issuance of the 1994 Bonds.

The 1994 Bonds are to be issued under and pursuant to the Act and the General Ordinance and shall be sold either at public competitive sale to the highest bidder or bidders or at private negotiated sale, as the Bond Committee shall determine to be in the best interest of the City.

The aggregate principal amount of the 1994 Bonds which is authorized to be issued hereunder shall not be more than two hundred sixty million (260,000,000) dollars. The 1994 Bonds may be sold in a single Series or, as authorized by the General Ordinance and as specified by the Determination, in one or more subseries, each of which shall be deemed a Series for purposes of the General Ordinance and shall be designated by letter as Series 1994 Bonds and may include serial bonds, term bonds, Capital Appreciation Bonds and derivative financial instruments as specified in the Determination. The 1994 Bonds shall bear interest from the date thereof, or the date of delivery, to maturity or prior redemption, if any, at prescribed fixed rates or variable rates (not exceeding any limitation prescribed by law) as specified in the Determination. The interest on the 1994 Bonds at variable rates, if any, may accrue on a daily, weekly, monthly, quarterly or semi-annual basis or on the basis of commercial paper periods or on such other basis as may be provided in the derivative financial instruments, and may be payable weekly, monthly, quarterly, semi-annually, annually or at the end of each commercial paper period or on such other basis as may be provided in the derivative financial instruments, or may accrue to a specific date (including, but not limited to, the maturity date) and may thereafter accrue and be payable on such basis as shall be specified in the Determination. The interest on fixed rate 1994 Bonds, if any, shall be payable as provided in the Determination. The 1994 Bonds shall contain terms and provisions (including, without limitation, interest payment dates, redemption provisions, provisions for optional or mandatory tender of Variable Rate Bonds, denominations, provisions for payments by wire transfer and provision for issuance of the 1994 Bonds in book-entry only form) as the Bond Committee in its Determination shall deem to be in the best interest of the City and which are not inconsistent with the provisions hereof, of the Act or the General Ordinance.

The 1994 Bonds shall not pledge the credit or taxing power, create any debt or charge against the tax or general revenues or create any lien against any property of the City other than the revenues and funds and amounts pledged by the General Ordinance.

The Bond Committee is authorized on behalf of the City to enter into agreements specified in the Determination (the "Enhancement Agreements") with any bank, insurance company or other appropriate entity providing credit enhancement or payment or liquidity sources (collectively, a "Provider") for the account of the City for the 1994 Bonds, including, without limitation, letters of credit and insurance. Such Enhancement Agreements may provide for payment of the principal or purchase price of, or interest on, the 1994 Bonds if the City does not pay the 1994 Bonds when due and may provide for repayment with interest to the Provider from the date of such payment.

The Bond Committee is further authorized on behalf of the City to the extent otherwise permitted by law, to enter into a Qualified Swap or Swaps or utilize derivative financial instruments with respect to all or a portion or portions of the 1994 Bonds if, in its Determination, the Bond Committee certifies that such Qualified Swap or Swaps or derivative financial instruments will assist the City in more effectively managing its interest costs and that the implementation of such Qualified Swap or Swaps or derivative financial instruments will not impair the financial viability of the System.

The Bond Committee and the Director of Finance are authorized to take any and all other actions as may be necessary or appropriate in connection with the consummation of the transactions contemplated herein. The Fiscal Agent may enter into agreements with Bondholders with respect to redemption notices in addition to those provided by the Supplemental Ordinance to the extent approved by the Director of Finance.

SECTION 4. Purposes for 1994 Bonds. The 1994 Bonds shall be issued to refund portions of the Water and Sewer Revenue Bonds, Thirteenth Series (the "Thirteenth Series Bonds") and the Water and Sewer Revenue Bonds, Sixteenth Series (the "Sixteenth Series Bonds") of the City. The maturities of the Thirteenth Series and Sixteenth Series Bonds to be refunded shall be listed in the Determination of the Bond Committee, which is further authorized to approve the redemption, as applicable, of such Prior Bonds and to enter into an Escrow Agreement ("Escrow Agreement") providing for the deposit and investment of 1994 Bond proceeds and other available funds of the City in amounts sufficient to provide for the payment of such Prior Bonds and providing for payment of such Prior Bonds at maturity or redemption, as applicable, including all interest payable on such Prior Bonds to such maturity or redemption dates, as applicable.

In addition, the 1994 Bonds shall also be issued for the purposes of (a) making the deposits referred to in Section 5 hereof; and (b) paying the issuance costs of the 1994 Bonds.

SECTION 5. Deposit of 1994 Bond Proceeds. As provided in Section 5.04(f) of the General Ordinance, accrued interest, if any, on the 1994 Bonds shall be deposited in the Sinking Fund and the 1994 Bond proceeds required for the defeasance of obligations to be refunded or otherwise defeased, as specified in Section 4 hereof, shall be deposited in an escrow fund or account to be established by the Escrow Agreement. Remaining 1994 Bonds proceeds shall be deposited first in the Debt Reserve Account in an amount equal to the Debt Reserve Requirement to the extent that such requirement is not satisfied in whole or in part by available funds of the City or by a surety bond, insurance policy or letter of credit in accordance with Section 4.09 of the General Ordinance; all other 1994 Bond proceeds and other monies currently on deposit under the General Ordinance including current

reserves and construction funds, shall be deposited or transferred as provided in a certificate of the Director of Finance.

SECTION 6. Requirements of the Act. Based on a report of the Director of Finance of the City filed with the City Council pursuant to Section 8 of the Act, the form of the report is attached hereto as Exhibit A, it is hereby determined that the pledged Project Revenues will be sufficient (a) to comply with the Rate Covenant contained in Section 5.01 of the General Ordinance; and (b) to pay all costs, expenses and payments required to be paid from pledged Project Revenues in order and priority stated in Section 4.06 of the General Ordinance.

Attached hereto as Exhibit B is the form of opinion of the City Solicitor to be filed with the City Council prior to enactment of this Supplemental Ordinance pursuant to Section 8 of the Act.

SECTION 7. Payments from Sinking Fund. The City covenants that, so long as any 1994 Bonds shall remain outstanding, it will make payments or cause payments to be made out of the Sinking Fund established pursuant to the General Ordinance, at such times and in such amounts as shall be sufficient for the payment of the interest on the 1994 Bonds and the principal thereof when due.

SECTION 8. Additional Tax Covenants. The Director of Finance and any other applicable City officer are authorized to make such additional covenants and to take such other action on behalf of the City with respect to the use and investment of the proceeds of the 1994 Bonds as may be necessary or advisable in order that the 1994 Bonds shall not be "arbitrage bonds" as defined in the Code, and in order to otherwise effect or maintain the exclusion of interest on the 1994 Bonds from gross income for federal income tax purposes.

SECTION 9. Effective Date. This Ordinance shall take effect immediately.

EXHIBIT "A"
PROPOSED FORM OF REPORT
OF DIRECTOR OF FINANCE

_____ 1994.

To the President and Members of the
Council of the City of Philadelphia.

FINANCIAL REPORT OF THE DIRECTOR OF
FINANCE

Re: WATER AND WASTEWATER REVENUE
BONDS, SERIES 1994

The Mayor has transmitted to the Council the Second Supplemental Water and Wastewater Revenue Bond Ordinance (the "Second Supplemental Ordinance") to the Restated General Water and Wastewater Revenue Bond Ordinance of 1989, a supplemented (the "General Ordinance") specifically authorizing the issuance and sale of a maximum principal amount of two hundred sixty million (260,000,000) dollars of Water and Wastewater Revenue Bonds, Series 1994 (the "Bonds") of the City of Philadelphia (the "City").

In preparation for the issuance of the Bonds, the City's Water Department has engaged the firm of Black and Veatch, consulting engineers, of Kansas City, Missouri (the "Consulting Engineer") to (i) examine the water and wastewater systems of the City (the "Water and Wastewater Systems") and the accounts and records of the City's Water Department (the "Water Department") which administers the Water and Wastewater Systems; (ii) review the capital programs of the Water Department; and (iii) compile relevant data upon which to make projections to determine whether the revenues of the Water and Wastewater Systems are and will be sufficient to satisfy the tests of adequacy required by Act No. 234 of October 18, 1972, known as The First Class City Revenue Bond Act (the "Act") and the General Ordinance.

The firm of Black & Veatch is an independent firm of registered consulting engineers having broad experience in water and wastewater systems of a similar magnitude and scope as the City's Water and Wastewater Systems and has a favorable reputation for competence in this field of work. The Consulting Engineer has examined the Water and Wastewater Systems in depth and has collaborated with the officers and employees of the Water Department in the preparation of its report. The above-mentioned report is herein referred to as the Engineering Report.

The Engineering Report is attached to this report and forms the basis for the statements and opinions contained herein. The Engineering Report has been reviewed and approved by the Water Department.

Therefore, this Financial Report is transmitted in compliance with Section 8 of the Act and Section 5.04(b) of the General Ordinance:

(i) The Bonds shall be issued in respect of (a) the refunding of portions of the Water and Sewer Revenue Bonds, Thirteenth Series (the "Thirteenth Series Bonds") and the Water and Sewer Revenue Bonds, Sixteenth Series (the "Sixteenth Series Bonds") of the City, (b) making the deposits referred to in Section 5 of the Second Supplemental Ordinance, and (c) paying the issuance costs of the Bonds.

(ii) The revenues pledged for the payment of the Bonds will be derived from the water rates and charges and the wastewater rates and charges imposed or charged by the Water Department upon the owners or occupants of properties connected to, and upon the users of, the Water and Wastewater Systems and all other revenues derived from such systems, being all revenues defined as "Project Revenues" in the Act and in the General Ordinance.

(iii) The Series 1994 Bonds are being sold to realize debt service savings through a refunding of existing debt.

Exhibit C

6

7

8

Exhibit D

Exhibit E

Ex

It is assumed that no more than two hundred sixty million (260,000,000) dollars of Series 1994 Bonds are issued at par, amortizing to a final maturity of June 15, 2019, at an average rate not exceeding six and five-tenths percent (6.5%), I find that with the rates currently in effect and on the basis of estimated future annual financial operations of the Water and Wastewater Systems, as detailed in the Engineering Report, the Water and Wastewater Systems will, in my opinion, yield pledged Project Revenues over the amortization period of the Bonds sufficient to meet the payment and/or deposit requirements of (A) all expenses of operation, maintenance, repair and replacement of the Water and Wastewater Systems; (B) all reserve and special funds required to be established and maintained with respect to such Project Revenues; (C) the principal of and interest on all Water and Wastewater Revenue Bonds, as the same shall become due and payable; and (D) any state taxes assumed by the City and to be paid on such Bonds and also to provide such coverage on the Bonds as prescribed by Section 5.01 of the General Ordinance.

(iv) The Project Revenues forming the basis for the statements set forth in clause (iii) above comply with the requirements of the definition of "Project Revenues" contained in Section 2 of the Act.

(v) Based on their investigations, the Consulting Engineer has found that the Water and Wastewater Systems are in good operating condition or that adequate steps are being taken to return them to good operating condition.

For the purpose of the opinion expressed in clause (iii) above, you are advised that no state taxes on the Bonds are assumed by the City.

Respectfully submitted,

BEN HAYLLAR,

Director of Finance.

EXHIBIT "B"
PROPOSED FORM OF OPINION
OF THE CITY SOLICITOR

_____, 1994.

Honorable John F. Street
President of City Council of Philadelphia.

Dear Council President Street:

The Office of the City Solicitor has reviewed the First Class Revenue Bond Act, the Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "General Ordinance") and the proposed Section Supplemental Ordinance authorizing the issuance of a maximum principal amount of \$260,000,000 of Water and Wastewater Revenue Bonds, Series 1994 (the "Second Supplemental Ordinance").

Based on that review, it is my opinion that the registered owners of bonds to be issued under the Second Supplemental Ordinance will have no claim upon the taxing power or general revenue of the City of Philadelphia, nor will they have any lien upon any property of the City of Philadelphia other than the Project Revenues (as defined in the General Ordinance) and the funds properly pledged to such bondholders pursuant to the terms and conditions of the General Ordinance and the Second Supplemental Ordinance.

Very truly yours,

JOSEPH A. DWORETZKY,

Acting City Solicitor.

ATTEST

Chief Clerk of the Council

JOHN F. STREET
PRESIDENT OF THE COUNCIL

Mark B. Hausner

Approved the

9th

day of May

A.D. 1994

Edward G. Rendell

MAYOR OF PHILADELPHIA

Presented

April 28, 1994

Sergeant-at-Arms

William J. Provence

Approved as to form and validity

J. A. Dworetsky
Acting City Solicitor

May 5, 1994

