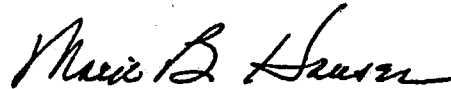


City of Philadelphia

Bill No. 970515

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CERTIFICATION: This is a true and correct copy of the original Bill, Passed by the City Council on October 16, 1997 The Bill was Signed by the Mayor on October 27, 1997



Marie B. Hauser
Chief Clerk of the City Council

City of Philadelphia



(Bill No. 970515)

AN ORDINANCE

Constituting the Third Supplemental Ordinance to the General Water and Wastewater Revenue Bond Ordinance of 1989, as supplemented; authorizing the Bond Committee, or a majority of them, to issue and sell either at public or private sale in one or more series or subseries, Water and Wastewater Revenue Bonds of the City of Philadelphia; 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; authorizing the Director of Finance of the City to take certain actions with regard to the sale of such Water and Wastewater Revenue Bonds, the investment of proceeds thereof and the City's continuing disclosure obligation; designating the projects to be financed 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; covenanting the payment of interest and principal; and amending and supplementing the General Water and Wastewater Revenue Bond Ordinance of 1989.

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

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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), as amended (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 amended and restated General Water and Wastewater Revenue Bond Ordinance of 1989 (Bill No. 544) approved June 24, 1993, (the "General Ordinance") as supplemented by a Supplemental Ordinance (Bill No. 558) approved June 24, 1993, and a Second Supplemental Ordinance (Bill No. 771) approved May 9, 1994.

The Bond Committee, or a majority of them, 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 "Bonds") a sum or sums which in the aggregate shall not exceed the principal amount of the Bonds authorized to be issued hereunder, to be expended as provided in Section 4 of this Supplemental Ordinance. In accordance with the General Ordinance, the Bond Committee, or a majority of them, shall approve final terms of the Bonds in its Determination prior to, and as a condition of, the issuance of the Bonds. Such Determination shall be deemed a supplement to this Supplement Ordinance.

The aggregate principal amount of the Bonds shall not exceed three hundred ninety million dollars (\$390,000,000) exclusive of original issue discount, and in the event the Bonds are issued with original issue discount, the Bond Committee, or a majority of them, is hereby authorized to increase the aggregate principal amount of the Bonds so issued, by the amount of such original issue discount.

The Bond Committee, or a majority of them, is authorized

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covenants and to take such other action on behalf of the City with respect to the use and investment of the proceeds of the Bonds as may be necessary or advisable in order that the Bonds shall not be "arbitrage bonds" as defined in Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), that the City will comply with the requirements of Section 148 of the Code throughout the term of the Bonds as more fully described in the Determination of the Bond Committee and in order to otherwise effect or maintain the exclusion of interest on the Bonds from gross income of the holders thereof for federal income tax purposes, and further to establish such sub-accounts within the Sinking Fund and terms or restrictions relating thereto as may be necessary or advisable to permit issuance of the Bonds. For purposes of Section 4.14 of the General Ordinance, the Rebate Bond Year with respect to the Bonds shall be the twelve-month period ending on each _____, commencing with the period ending _____, 1998.

SECTION 9. *Continuing Disclosure.* The Director of Finance is authorized on behalf of the City to execute and deliver a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") meeting the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934. The City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement.

SECTION 10. *Effect of Ordinance.* This Ordinance is supplementary to the General Ordinance and all sections of the General Ordinance and the Act not inconsistent herewith are applicable to the Bonds authorized hereunder.

SECTION 11. *Effective Date.* This Ordinance shall take effect immediately.

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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 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, it is hereby determined that the pledged Project Revenues, as defined in the General Ordinance, will be sufficient to (a) comply with the Rate Covenant contained in Section 5.01 of the General Ordinance; and (b) pay all costs, expenses and payments required to be paid from pledged Project Revenues in the order and priority stated in Section 4.06 of the General Ordinance.

An opinion of the City Solicitor shall 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 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 or any of the Water and Wastewater funds available therefor, at such times and in such amounts as shall be sufficient for the payment of the interest on the Bonds and the principal thereof when due.

SECTION 8. *Tax Covenants; Bonds Not to Become Arbitrage Bonds.* The Director of Finance and any other applicable City officer are authorized to make such additional

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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 Bonds, including, without limitation, letters of credit and bond insurance. Such Enhancement Agreements may provide for payment of the principal or purchase price of, or interest on, the Bonds if the City does not pay the Bonds when due and may provide for repayment with interest to the Provider from the date of such payment.

The Fiscal Agent (as defined in the General Ordinance) is hereby designated to act as Bond Registrar pursuant to Section 3.05 of the General Ordinance. The Fiscal Agent is authorized to enter into agreements with Bondholders with respect to redemption notices in addition to those provided by this Supplemental Ordinance to the extent approved by the Director of Finance.

The Bond Committee, or a majority of them, or the Director of Finance, as appropriate, is authorized to make all such covenants and to take any and all such other actions on behalf of the City as may be necessary or appropriate in connection with the consummation of the transactions contemplated herein.

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 same meanings assigned to them in the General Ordinance.

SECTION 3. *Terms of Bonds.* The Bonds shall be sold either at public competitive sale to the highest bidder or bidders or at a private negotiated sale, as the Bond Committee, or a

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majority of them, shall determine to be in the best interest of the City.

The 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 1997 Bonds and may include serial bonds, term bonds, Capital Appreciation Bonds and derivative financial instruments as specified in the Determination. The Bonds shall bear interest from the dated 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). The interest on the Bonds at variable rates, if any, may accrue on a daily, weekly, monthly, quarterly, semi-annual or 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 daily, weekly, monthly, quarterly, semi-annually, annually or at the end of each commercial paper period or on such 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 Bonds, if any, shall be payable as provided in the Determination. The Bonds shall contain series or subseries, designations, terms and provisions (including without limitation, interest payment dates, record dates, redemption provisions, denominations, provisions for payments by wire transfer and provisions for issuance of the Bonds in book-entry form) as the Bond Committee, or a majority of them, shall determine to be in the best interest of the City and which are not inconsistent with the provisions hereof, or with the Act or the General Ordinance.

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The Bond Committee, or a majority of them, is further authorized on behalf of the City, to the extent otherwise permitted by law, to enter into a Qualified Swap or Swaps or to utilize derivative financial instruments with respect to all or a portion or portions of the Bonds if, in its determination, the Bond Committee, or a majority of them, 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 Bonds shall not pledge the credit or taxing power of the City, or create any debt, charge or lien against the tax, general revenues or property of the City other than the revenues pledged by the General Ordinance.

SECTION 4. *Purposes for the Bonds.* Proceeds from the Bonds shall be used to pay capital costs of the water and wastewater system incurred or to be incurred for the purposes of (a) purchasing equipment and apparatus (the "Equipment") of a capital nature for the water and wastewater systems, all as included in the capital budgets of the City; (b) paying for the installation of the Equipment; (c) if applicable, paying the costs of Enhancement Agreements and/or costs related to any Qualified Swap or derivative financial instruments; (d) paying any other "project costs" as such term is defined in the Act; (e) making the deposits referred to in Section 5 hereof; and (f) paying the issuance costs of the Bonds.

SECTION 5. *Deposit of Bond Proceeds.* As provided in Section 5.04(f) of the General Ordinance, accrued interest, if any, on the Bonds shall be deposited in the Sinking Fund. Remaining Bond proceeds shall be deposited first in the Debt Reserve Account in an amount equal to the Debt Reserve