

INTERGOVERNMENTAL COOPERATION AGREEMENT

by and between

THE INTERGOVERNMENTAL
COOPERATION AUTHORITY FOR
CITIES OF THE SECOND CLASS

and

THE CITY OF PITTSBURGH

Dated as of September 7, 2004

TABLE OF CONTENTS

Page

ARTICLE I - DEFINITIONS

Section 1.01	Definitions.....	4
Section 1.02	Rules of Construction.....	10
Section 1.03	Act 47 Cooperation and Revenue Recommendations.....	11

ARTICLE II - THE CITY ACCOUNT

Section 2.01	Establishment of the City Account.....	12
Section 2.02	Deposits into the City Account.....	12
Section 2.03	Investment of the City Account.....	13
Section 2.04	Disbursement of Funds from the City Account.....	14

ARTICLE III - PREPARATION, APPROVAL AND EFFECT OF THE CITY'S
FINANCIAL PLAN

Section 3.01	Submission of the Financial Plan.....	15
Section 3.02	Standards for the Financial Plan.....	17
Section 3.03	Form of the Financial Plan.....	19
Section 3.04	Supporting Information, Opinions, and Statements for the Financial Plan...	20
Section 3.05	Authority Consultation with the City in Preparation of the Financial Plan....	23
Section 3.06	Authority Review and Approval of the Financial Plan.....	23
Section 3.07	Authority Disapproval of the Financial Plan.....	24
Section 3.08	Revisions to the Financial Plan.....	25
Section 3.09	Supplemental Reports.....	26
Section 3.10	Determination of Adherence to or Variance from the Financial Plan.....	27
Section 3.11	Authority Intercept of New Revenue.....	29
Section 3.12	Deposits into the New Revenue Account...	30
Section 3.13	Investment of the New Revenue Account...	30
Section 3.14	Disbursement of Funds from the New Revenue Account.....	31
Section 3.15	Authority Recommendations.....	32
Section 3.16	Withhold of Funds.....	32
Section 3.17	Exemptions to Withholding by the Commonwealth.....	34

Section 3.18	Commonwealth's Failure to Disburse Funds.....	35
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ARTICLE IV - ADDITIONAL AGREEMENTS OF THE CITY AND THE AUTHORITY

Section 4.01	Authority Budgets.....	35
Section 4.02	Additional Reporting Requirements of the City.....	36
Section 4.03	Inspection Rights.....	38
Section 4.04	Independent Audits.....	39
Section 4.05	Contracts of the City.....	40
Section 4.06	Collective Bargaining Agreements of the City.....	43
Section 4.07	Arbitration Awards.....	46
Section 4.08	City Expenditure of Available Funds.....	48
Section 4.09	Additional Remedies of Authority for Failure to File Financial Plans and Reports.....	48

ARTICLE V - MISCELLANEOUS

Section 5.01	Term.....	49
Section 5.02	General Rights and Prohibitions.....	50
Section 5.03	Compliance with the Act; Severability...	50
Section 5.04	Notices.....	51
Section 5.05	Governing Law.....	53
Section 5.06	No Third Party Rights.....	53
Section 5.07	Amendments and Waivers.....	53
Section 5.08	Authorizing Resolution.....	54

EXHIBIT "A" Principal Terms of Proposed Extraordinary Contracts

EXHIBIT "B" Principal Terms of Proposed Bond Purchase Agreements (Estimated)

EXHIBIT "C" Corporate Entities

EXHIBIT "D" Excluded New Revenue

INTERGOVERNMENTAL COOPERATION AGREEMENT

THIS INTERGOVERNMENTAL COOPERATION AGREEMENT made and entered into as of the 7th day of September, 2004, by and between The INTERGOVERNMENTAL COOPERATION AUTHORITY for Cities of the Second Class, a body corporate and politic constituting a public authority and instrumentality of the Commonwealth of Pennsylvania (the "Authority"), and the CITY OF PITTSBURGH, a city of the second class of the Commonwealth of Pennsylvania (as further described in Section 5.02(c) hereof, the "City");

W I T N E S S E T H:

WHEREAS, the General Assembly of the Commonwealth of Pennsylvania has enacted the Intergovernmental Cooperation Authority Act for Cities of the Second Class (Act of 2004, February 12, P.L. 73, No. 11) (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 second 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 second 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 (1) identify opportunities to prudently reduce the operating and capital expenses of the City, (2) reform City planning and budgetary practices to avoid future budget deficits, and (3) support the development and implementation of a more equitable and effective tax structure for the City; 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 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 pursuant to the Act and Section 316 of the City's Home Rule Charter;

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, after July 1, 2005 and upon request of the Authority and pursuant to the limits established in Section 206(B) of the Act shall annually fund any portion of the budget of the Authority which exceeds the Authority's state appropriation ("Authority Entitlement"); and

WHEREAS, pursuant to Section 203(d) of the Act, the City enters into this Agreement and, in furtherance of the Act, covenants to cooperate in the exercise of the functions, powers and responsibilities with, and delegates and transfers the functions, powers and responsibilities as hereinafter set forth in this Agreement to the Authority upon the adoption by the City Council of an ordinance authorizing and approving this Agreement.

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 Intergovernmental Cooperation Authority Act for Cities of the Second Class (Act of 2004, February 12, P.L. 73, No. 11), as it may be amended, supplemented or otherwise modified and in effect from time to time.

"Agreement" shall mean this Intergovernmental Cooperation Agreement, as it may be amended, supplemented or otherwise modified and in effect from time to time.

"Authority Entitlement" 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 2.01 of this Agreement.

"City Account Depository" shall have the meaning given to that term in Section 2.01 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 Project Fund, and the Special 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 (i) pursuant to an approved Financial Plan, or (ii) 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 and the Act.

"Governor" shall mean the Governor of the Commonwealth.

"Home Rule Charter" shall mean the Pittsburgh Home Rule Charter as adopted by the electors of the City of Pittsburgh on November 5, 1974, as it may be amended, supplemented or otherwise modified and in effect from time to time.

"Mayor" shall mean the Mayor of the City.

"New Revenue" shall mean in the aggregate, any revenues received by the City with respect to any taxes or fees from any source whatsoever which are not solely derived by virtue of existing taxing or legislative power possessed by the City under its Home Rule Charter or applicable law, it being the intent of this provision that New Revenue shall not include taxes or fees, including any increases thereof, which

the City presently levies or has the power to levy. New Revenue shall not be reduced, diminished or offset by any existing taxes or fees which may be eliminated or reduced in connection with the City's financial recovery.

New Revenues shall not include (1) any moneys received by the City as grants from public or private entities, whether for profit or non profit, as a conduit for third parties, 2) any revenues pledged or held as security for bonded indebtedness or related insurance existing on the date hereof or approved by the Authority as part of the City's Financial Plan, or 3) any revenue derived from the sources set forth on Exhibit "D" hereto.

The City's Director of Finance and the Controller shall certify to the Authority the amount of New Revenue received by the City each quarter not later than forty five (45) days following the close of each quarter.

"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.

"Restricted Fund" shall mean any fund (other than any Covered 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.

"School District" shall mean The School District of Pittsburgh, Pennsylvania.

"Secretary of the Budget" shall mean the Secretary of the Budget of the Commonwealth.

"Variance" shall have the meaning given to that term in Section 3.10 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.

Section 1.03. Act 47 Cooperation and Revenue Recommendations.

In accordance with Sections 102 (b)(3) and 203(c)(5) of the Act, the City and the Authority agree to cooperate with the Act 47 Coordinator, and the Authority agrees to make recommendations to the Governor and the General Assembly regarding legislation or resolutions which relate to the City's fiscal stability. Such recommendations or resolutions shall include, but not be limited to, recommendations as to whether or not the City needs additional revenues, the best sources of such revenues and ways for the City to reduce expenditures. Any recommendations for new revenue, if warranted, shall state whether such revenues should be earmarked for specific expenditures, including but not limited to prepayment of debt, and whether such revenues should be subject to a sunset provision. The Authority shall use its best efforts to cause its recommendations hereunder to be accepted by the Governor and approved by the General Assembly.

ARTICLE II
THE CITY ACCOUNT

Section 2.01. Establishment of the City Account.

As contemplated by the Act, the Authority has heretofore established with _____, 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 _____ 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. _____ 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 2.02. Deposits into the City Account.

(a) There shall be deposited to the credit of the City Account, revenues pledged by the Authority or the City, as the case may be, to secure any payments due from the City to the Authority, but only if and to the extent such 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) 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 funds appropriated from the General Fund to the Authority pursuant to Section 701 of the Act. The Authority shall use its best efforts to obtain from the Commonwealth funds sufficient to cover its operating expenses prior to seeking to obtain such funds from the City

(ii) 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.

Section 2.03. Investment of the City Account.

(a) Subject to Authority written approval, 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 or Pennsylvania law.

(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 2.04. Disbursement of Funds from the City Account.

Subject to any suspension of disbursements from the City Account permitted pursuant to Section 3.16 of this Agreement or by the Commonwealth pursuant to Section 210(E)(3) of the Act, the Authority shall cause the disbursement to the City of all amounts on deposit to the credit of the City as may be requested by the City at any time and agreed to by the Authority in its sole 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 III
PREPARATION, APPROVAL AND EFFECT OF THE CITY'S FINANCIAL PLAN

Section 3.01. Submission of the Financial Plan.

(a) The City shall, not later than May 12, 2004, submit to the Authority an initial Financial Plan prepared in accordance with the requirements of this Article III 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 subsequent fiscal year of the City, the Mayor shall submit to the Authority its proposed five-year plan prepared and submitted in accordance with the requirements of this Article III and the Act. At the same time the five-year plan is submitted, the Mayor shall submit to the Authority his annual operating budget and capital budget which shall be consistent with the first year of the Financial Plan and prepared in accordance with the City's Home Rule Charter and the Act.

(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 Restricted 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) review 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 3.02. 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, including any issuance of tax or revenue anticipation notes of the City subject to Authority approval, 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 3.02 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 majority of the board of the Authority.

(e) It is understood that any financial plan proposed by the City and approved by the Authority will contemplate and be consistent with any financial plan proposed by the Act 47 Coordinator and adopted by the City, it being the intent of this provision that the City and the Authority hereby agree to use their best efforts, in concert with the Act 47 Coordinator, to develop, reconcile and approve a singular unified financial plan for the City which will be properly adopted, supercede any other prior financial plans, and otherwise made effective by such processes and procedures as may be required by law. This provision shall not be construed to require the Authority to approve any financial plan, in whole or in part, by virtue of its best efforts undertaking hereunder, such approval to remain within the Authority's sole discretion.

Section 3.03. 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 Funds 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 Restricted Funds provide such information as is necessary to explain the estimated or projected impact, if any, of the Restricted Funds on the Covered Funds.

Section 3.04. 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. The City hereby agrees that it shall not incur any indebtedness after the date hereof, nor agree to support indebtedness of any other Corporate Entity (by guaranty, lease, service agreement or otherwise), except as approved in an approved Financial Plan or otherwise in advance in writing by the Authority;

(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 3.04(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;

(iii) are based on prudent, reasonable and appropriate assumptions and methods of estimation; and

(iv) comply with any balanced budget requirements contained in the Home Rule Charter and Ordinances of the City or state law.

(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) Upon request of the Authority, 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 3.05. 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 3.06. 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 in its sole discretion the following:

(i) whether the Financial Plan projects balanced budgets for the City, based on prudent, 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 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 3.07. 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. 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 3.06 of this Agreement. If the Authority determines that these criteria are satisfied, the Authority shall approve the revised Financial Plan by vote of a 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 3.12 of this Agreement, certify the City's noncompliance with the Financial Plan to the Secretary of the Budget.

Section 3.08. Revisions to the Financial Plan.

(a) 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 to extend the Financial Plan for an additional fiscal year.

(b) The 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. 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 prudent and 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 majority of the board of the Authority, unless some other method of approval is permitted by Authority rules and regulations approved by a 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 2.08(G)(3) of the Act and Section 3.06 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 3.06 of this Agreement and this Section 3.08(b).

Section 3.09. 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 3.09.

(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 3.10 of this Agreement, the Mayor shall provide to the Authority a report describing actual, or current estimates of, revenues and expenditures compared to budgeted revenues, expenditures for such previous quarterly or monthly period reflected in its cash flow forecast. Each report shall explain any Variance existing as of the last day of such fiscal quarter or month, as the case may be, between actual or current estimates and budgeted revenues, expenditures and cash for the period covered by such report. The City shall also provide periodic reports on debt service requirements in conformity with Section 210(B) of the Act.

(c) 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 Restricted Funds for such fiscal quarter.

Section 3.10. Determination of Adherence to or Variance from the Financial Plan.

(a) Based upon the reports described in Sections 3.09 and 4.02(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's actual revenues and expenditures adhere to or vary 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 3.09 hereof if (i) an adverse change of more than the greater of (1) twenty five thousand dollars (\$25,000) and (2) one percent (1%) of the revenues or expenses budgeted for such fiscal year with respect to any City Department (including any interdepartmental transfers) 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 are reasonably projected to be less than ninety-eight percent (98%) of the net cash flows of the City 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. Notwithstanding the foregoing provisions of this Paragraph, the Authority and the City agree to review annually the definition of Variance hereunder and to make such changes thereto, if any, as may be mutually agreeable; provided, however, this provision shall not be construed to constitute any obligation of the City or the Authority to make any change.

(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 3.10(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 3.10(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 3.09(b) of this Agreement and Section 2.09(J) of the Act until it regains compliance with the Financial Plan.

(c) Notwithstanding Section 3.10 (b) hereof, in the event the Authority shall determine by majority vote that the City's written explanation of the Variance is unsatisfactory, or that any of the remedial action proposed to be taken by the City to restore the City's compliance with the Financial Plan to be insufficient to cure the Variance, the Authority shall certify the same to the Secretary of the Budget as provided in Section 3.16 hereof, and shall so notify the City.

Section 3.11. Authority Intercept of New Revenue.
Upon receipt of notice from the Authority pursuant to Section 3.10 (c) hereof, the City's Director of Finance and the Controller shall certify to the Authority forthwith the amount of New Revenue , and shall cause such certified amount to be aggregated, transferred and deposited as directed by the Authority in trust for the exclusive benefit of the City in an account designated as the "New Revenue Account" hereby established. The Authority shall maintain the New Revenue Account with _____, 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. _____ and any other such depository of the New Revenue Account are herein referred to as the "New Revenue Account Depository." The New Revenue 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 3.12. Deposits into the New Revenue Account.

(a) There shall be deposited to the credit of the New Revenue Account, New Revenue certified as provided in Section 3.11 and New Revenue received thereafter from time to time reported as received by the Director of Finance and the Controller.

Section 3.13. Investment of the New Revenue Account.

(a) Subject to Authority written approval, amounts on deposit to the credit of the New Revenue Account shall be invested at the direction of the City only in investments permitted by the Act and Pennsylvania law.

(b) The directions of the City as to the investment of the New Revenue Account shall be provided in writing to the New Revenue 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 New Revenue 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 New Revenue 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 3.14. Disbursement of Funds from the New Revenue Account.

Notwithstanding any suspension of disbursements from the New Revenue Account permitted under Section 3.16 (b) hereof, the Authority may consent to the disbursement to the City of all or any part of the amounts on deposit to the credit of the City as may be reasonably requested by the City, such Authority consent not to be unreasonably withheld. 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 consistent with the City's Financial Plan.

Section 3.15. 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 Council and the officials named in Section 203(B)(4) of the Act.

Section 3.16. 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 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 Sections 209(I), (J), (K) or (L) of the Act or Sections 3.08, 4.06(b), 4.07(b) and 4.08(e) of this Agreement.

(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 3.16, 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, shall be suspended pending compliance with such Financial Plan. Similarly, the Authority may suspend disbursements from the City Account or the New Revenue Account pending compliance with an Approved Financial Plan. Funds withheld by the Commonwealth shall be held in escrow until compliance with the Financial Plan is restored as set forth below. The Act provides that funds held in escrow by the Commonwealth pursuant to this Section 3.16(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 majority vote, 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 vote. 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 and the New Revenue Account shall resume as provided in Sections 2.04 and 3.14 hereof, respectively, (with all amounts then on deposit to the credit of the City Account and the New Revenue Account which, but for the suspension of disbursements referred to in this Section 3.16, would have been previously distributed to the City.

Section 3.17. Exemptions to Withholding by the Commonwealth.

Notwithstanding the provisions of Section 3.16 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 that the City has pledged to repay bonds or notes.

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 3.18. Commonwealth's Failure to Disburse Funds.

The withholding provisions set forth in Section 3.16 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 IV
ADDITIONAL AGREEMENTS OF THE CITY AND THE AUTHORITY

Section 4.01. 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 (i) it has received a copy of the initial operating budget of the Authority for the period ending June 30, 2004 and, (ii) after July 1, 2005 and upon request of the Authority, the City shall fund the Authority Entitlement. The Authority shall adhere to the City's procedures for payment of expenses and use the City's forms and processes in connection with payment of the Authority Entitlement.

Section 4.02. 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 significant or requested 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 4.03(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 4.02(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(G)(3) of the Act and as described in Section 3.16 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 3.16 hereof.

(d) The City hereby agrees to deliver to the Authority, promptly upon receipt thereof by the City, copies of all significant or requested 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 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 4.03. 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 or Pennsylvania law. The Authority agrees to comply with applicable laws and regulations with respect to personnel, patient care, and other records maintained by the City.

Section 4.04. 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, including the engagement of a recognized certified public accountant or firm of accountants to serve as the an internal auditor whose work shall be solely directed by the Authority and who shall report and be solely accountable to 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 personnel, patient care, and other records maintained by the City.

Section 4.05. 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 4.05(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 4.05(c) before entering into an Extraordinary Contract in respect of such an emergency, the City shall be deemed to have complied with this Section 4.05(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 4.05(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 4.05(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 4.06. Collective Bargaining Agreements of the City.

(a) A contract or collective bargaining agreement in existence in the City prior to the approval by the Authority of a Financial Plan submitted pursuant to the Act 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, the City shall execute contracts or collective bargaining agreements in compliance with such Financial Plan. If the City executes a contract or collective bargaining agreement, which is not in compliance with such Financial Plan, neither such contract nor collective bargaining agreement 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 contract or collective bargaining agreement) 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 contract or collective bargaining agreement, 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 4.06(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 4.06(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 3.04(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 4.07. 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) relevant market factors, such as the financial situation of the City, inflation, productivity, size of workforce and pay and benefit levels in economically and demographically comparable political subdivisions.

(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 the factors provided in Section 406(a).

(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 any alleged 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 factors provided in Section 407(a).

(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 factors set forth in Section 407(a);

(ii) that the board of arbitration failed to issue a written determination under Section 407(c) hereof.

(e) The Act further provides 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 of the Act and of this Section 4.08; 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 4.06, including without limitation all scheduled hearing dates and other similar dates relating to such proceeding or appeal.

Section 4.08. City Expenditure of Available Funds.

Except as otherwise provided in this Agreement, 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 4.09. 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 4.09, and the Authority shall not initiate such an action earlier than ten (10) Days after the giving of such notice.

ARTICLE V
MISCELLANEOUS

Section 5.01. 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 the Authority shall have approved the City's Financial Plan, and shall extend for a period of seven (7) years or until the Secretary of Community and Economic Development of the Commonwealth certifies that the Authority is no longer needed.

(b) The City represents and warrants that this Agreement constitutes a contract or professional services between the City and the Authority pursuant to Section 511(b) of the Home Rule Charter.

Section 5.02. General Rights and Prohibitions.

(a) 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 (February 12, 2004), or shall in any way impair the rights of the obligees of the City with respect to any such contract.

(b) Neither the Authority nor any of its members, employees or agents shall have the authority to represent the City, or in any way negotiate on the City's behalf with respect to contracts, financial matters, or any other matter having to do with the structure and operation of the City government.

(c) In the context of the exercise of any right, power, privilege or obligation of the City contemplated by this Agreement, any such action so taken by the City shall mean an action taken by the Mayor and City Council in accordance with the City's Home Rule Charter and other applicable law.

Section 5.03. 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 5.04. 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:

William K. Lieberman
Chair

Intergovernmental Authority for
Cities of the Second Class
U.S. Steel Tower, Suite 5500
600 Grant Street
Pittsburgh, PA 15219
Telecopier No.: 412-261-3639

With a copy to:

Glenn R. Mahone, Esquire
Reed Smith LLP
435 Sixth Avenue
Pittsburgh, PA 15219

For the City:

Thomas J. Murphy
Mayor
City of Pittsburgh
City County Building
414 Grant Street
Pittsburgh, PA 15219

With a copy to:

Jacqueline R. Morrow, Esquire
City Solicitor
City of Pittsburgh
City County Building
414 Grant Street
Pittsburgh, PA 15219
Telecopier No.: 412-255-2285

Ellen M. McLean
Finance Director
City of Pittsburgh
City County Building
414 Grant Street
Pittsburgh, PA 15219
Telecopier No.: 412-255-2582

Thomas E. Flaherty
City Controller
City of Pittsburgh
City County Building
414 Grant Street
Pittsburgh, PA 15219
Telecopier No.: 412-255-2582

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 5.05. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

Section 5.06. No Third Party Rights.

Except as expressly provided herein, 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 5.07. 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.

Section 5.08. Authorizing Resolution.

This Agreement is entered into by the City pursuant to Resolution No. _____ approved _____, 2004 and effective _____.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, as of the date first above written.

ATTEST:

INTERGOVERNMENTAL
COOPERATION AUTHORITY
FOR CITIES OF THE SECOND CLASS

By _____
William K. Lieberman
Chair

[AUTHORITY SEAL]

ATTEST:

CITY OF PITTSBURGH

Witness

By _____
Thomas J. Murphy
Mayor

Director, Department of Finance

Witness

By _____
Ellen M. McLean

Approved by:

Jacqueline R. Morrow
Solicitor

Countersigned:

Thomas E. Flaherty
Controller

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

EXHIBIT "D"

EXCLUDED NEW REVENUE