

ORDINANCE NO. 018-35

AN ORDINANCE AUTHORIZING THE ESTABLISHMENT OF A SHORT-TERM BORROWING PROGRAM FOR CAPITAL PURPOSES SECURED BY SALES TAX RECEIPTS AND/OR CERTAIN IGA REVENUES; AUTHORIZING THE ISSUANCE, FROM TIME TO TIME, OF OBLIGATIONS SECURED BY SUCH REVENUES IN AN AGGREGATE PRINCIPAL AMOUNT OUTSTANDING AT ANY ONE TIME NOT IN EXCESS OF \$150,000,000 PURSUANT TO SUCH SHORT-TERM BORROWING PROGRAM; AND AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE SUPPLEMENTAL INDENTURES UNDER WHICH SUCH OBLIGATIONS ARE ISSUED

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WHEREAS, The Chicago Transit Authority is a political subdivision, body politic and municipal corporation of the State of Illinois (the "Authority") organized and existing under the Metropolitan Transit Authority Act, 70 ILCS 3605 et seq. (the "MTA Act"); and

WHEREAS, Pursuant to Section 12 of the MTA Act, the Authority has the continuing power to borrow money for the purpose of acquiring, constructing, reconstructing, extending or improving its transportation system and to evidence its obligation to repay any money borrowed by issuing its revenue bonds payable solely from the revenues or income or other funds which the Authority may receive and to issue its revenue bonds for the purpose of refunding its bonds at maturity, or prior to maturity pursuant to the redemption provisions pertaining to said bonds; and

WHEREAS, Pursuant to Section 13 of the Local Government Debt Reform Act, 30 ILCS 350 et seq. (the "Local Government Debt Reform Act"), the Authority may pledge as security for the payment of its bonds moneys deposited or to be deposited in any special fund of the Authority; and

WHEREAS, The Authority anticipates the receipt from time to time from the Regional Transportation Authority (the "RTA") of amounts representing the Authority's share (in accordance with the Regional Transportation Authority Act, 70 ILCS 3615 et seq. (the "RTA Act"), including Section 4.03.3 thereof) of (i) the tax receipts derived from taxes imposed by the RTA pursuant to the RTA Act; (ii) amounts paid to the RTA by the State of Illinois (the "State") from transfers to (a) the Regional Transportation Authority

Occupation and Use Tax Replacement Fund, (b) the Public Transportation Fund, and (c) the RTA tax fund created by Section 4.03(n) of the RTA Act from the County and Mass Transit District Fund; and (iii) funds derived by RTA from any other source designated by law as a replacement source of funds for all or a portion of the RTA tax receipts described in clause (i), or the State payments described in clause (ii) (collectively, the "Sales Tax Receipts"); and

WHEREAS, The Authority anticipates, in accordance with that certain Intergovernmental Ground Transportation Tax Agreement dated January 25, 2018 (the "Ground Transportation Tax IGA"), the receipt from time to time from the City of Chicago (the "City") revenues (the "IGA Revenues") from amounts collected by the City pursuant to a tax imposed by the City on all persons engaged in the occupation of providing ground transportation vehicles for use in the City, all in accordance with the Ground Transportation Tax IGA; and

WHEREAS, The Authority has determined that it is necessary and desirable to provide interim financing for certain of the Authority's capital projects, including projects included in the five year capital improvement program that the Authority prepares and submits to the RTA in accordance with the RTA Act and other such capital projects designated by the Authority (collectively, the "Capital Projects"); and

WHEREAS, The Authority proposes to establish a short-term borrowing program for the purposes described herein (the "Short-Term Borrowing Program") pursuant to which the Authority may borrow money for purposes set forth in this Ordinance and establish one or more short-term borrowing facilities by entering into one or more credit agreements, note purchase agreements or other borrowing agreements (each an "Agreement") with financial institutions and to authorize the issuance of debt obligations evidencing such borrowings secured by (i) a pledge of Sales Tax Receipts, (ii) a pledge of the IGA Revenues and/or (iii) a pledge of the Sales Tax Receipts and the IGA Revenues, all as set forth herein (each a "Note"); and

WHEREAS, Pursuant to a Trust Indenture dated July 1, 2008 by and between the Authority and U.S. Bank National Association, as trustee, securing Chicago Transit Authority Sales and Transfer Tax Receipts Revenue Bonds, as supplemented (the "2008 Indenture"), the Authority has established and maintains the Sales Tax Receipts Fund held by the Authority and established in Section 504 of the 2008 Indenture; and

WHEREAS, Upon satisfaction of the requirements of Section 401 of the 2008 Indenture, the Authority may issue Corporate Purpose Debt Obligations (as defined in the 2008 Indenture) and may provide that a Corporate Purpose Debt Obligation shall be payable from and secured by a pledge of or lien on the Sales Tax Receipts Fund on a parity with the lien on and pledge of the Sales Tax Receipts Fund granted by the 2008 Indenture for the payment of Pension and Retirement Debt Obligations (as defined in the 2008 Indenture) issued under the 2008 Indenture; and

WHEREAS, Pursuant to and in accordance with the provisions of the MTA Act and the Local Government Debt Reform Act, the Authority previously authorized the execution and delivery of a Trust Indenture dated as of March 1, 2010 (the "2010 Indenture") between the Authority and U.S. Bank National Association, as trustee (the "Senior Trustee"), that (i) provides for the issuance from time to time of the Corporate Purpose Debt Obligations, and to permit the issuance from time to time, after obtaining all necessary Board approvals, of other parity obligations secured by a pledge of or lien on the Sales Tax Receipts Fund on a parity with the lien on and pledge of the Sales Tax Receipts Fund granted by the 2008 Indenture as provided in the Senior Indenture; and bonds from time to time after obtaining all necessary approvals of the Chicago Transit Board, (ii) provides for the ability of the Authority to enter into agreements to provide credit support and/or liquidity support for such additional bonds, and (iii) provides for the ability of the Authority to enter into swap agreements and similar hedge agreements pursuant to Section 7 of the Bond Authorization Act, 30 ILCS 305 et seq., the payments of the principal of, premium, if any, and interest on such additional bonds and certain payments under such support agreements and hedge agreements to be payable from and secured by the Sales Tax Receipts on a parity with the Outstanding Bonds (the Outstanding Bonds and any such additional bonds (including additional refunding bonds) and any such agreements, collectively the "Parity Obligations") and the Pension and Retirement Debt Obligations to the extent provided in the 2010 Indenture; and

WHEREAS, In accordance with Section 402 of the 2010 Indenture, the Authority may issue Subordinate Indebtedness (as defined in the 2010 Indenture) secured by and payable from moneys and securities held in the Sales Tax Receipts Fund, provided that such Subordinate Indebtedness must be junior and subordinate in all respect to any and all Parity Obligations; and

WHEREAS, In accordance with the provisions of the 2010 Indenture, the Authority has authorized the issuance from time to time pursuant to the provisions of an indenture of Subordinate Indebtedness in the form of second lien bonds and second lien parity obligations; and

WHEREAS, Pursuant to and in accordance with the provisions of the MTA Act and the Local Government Debt Reform Act, the Authority previously authorized the execution and delivery of a Trust Indenture, dated as of January 1, 2017 (the "2017 Indenture"), between the Authority and Zions Bank, a division of ZB National Association (the "Second Lien Trustee"), to provide for the issuance from time to time of Subordinate Indebtedness, and to permit the issuance from time to time, after all necessary Board approvals, of other obligations secured by a pledge of or lien on the Sales Tax Receipts Fund subordinate to the 2008 Indenture and the 2010 Indenture (the "Second Lien Obligations"); and

WHEREAS, Pursuant to Sections 501, 502 and 1101 of the 2017 Indenture, the Authority may pledge funds and revenues to specific series of Second Lien Obligations

in addition to the pledge of the Available Sales Tax Receipts to such Second Lien Obligations; and

WHEREAS, Pursuant to and in accordance with the provisions of the Act, the Local Government Debt Reform Act, the 2010 Indenture and the 2017 Indenture, the Authority now desires to authorize the execution and delivery of one or more supplemental indentures (collectively, a "Supplemental Indenture" and together with the 2017 Indenture as previously supplemented, the "Second Lien Indenture") between the Authority and the Second Lien Trustee, to provide for the issuance of one or more series of its second lien obligations for the Short-Term Borrowing Program (the "Sales Tax Short-Term Obligations"), as additional bonds under the 2017 Indenture, which Sales Tax Short-Term Obligations may be issued at one time or from time to time and in one or more series, and shall be secured by (i)(A) the Sales Tax Receipts and/or (B) the Sales Tax Receipts and the IGA Revenues and (ii) income from the temporary investment thereof, as provided in the Second Lien Indenture, and shall be used as set forth in this Ordinance; and

WHEREAS, Pursuant to and in accordance with the provisions of the Act and the Local Government Debt Reform Act, the Authority now desires to authorize the issuance of one or more series of Notes secured by the IGA Revenues pursuant to an Agreement or otherwise for the Short-Term Borrowing Program (the "IGA Short-Term Obligations" and together with the Sales Tax Short-Term Obligations, the "Short-Term Obligations");

WHEREAS, The Sales Tax Short-Term Obligations are limited obligations of the Authority payable from the Sales Tax Receipts remaining after satisfaction of all monthly amounts then due on Parity Obligations, Pension and Retirement Debt Obligations, Corporate Purpose Debt Obligations and pursuant to the PBC Lease (as defined in the 2010 Indenture), and moneys, securities and funds pledged to the payment of the Sales Tax Short-Term Obligations under the Second Lien Indenture (including, to the extent applicable, the IGA Revenues); and the IGA Short-Term Obligations are limited obligations of the Authority payable from the IGA Revenues and such other moneys, securities and funds pledged to such IGA Short-Term Obligations; and the Short-Term Obligations are not, and shall not be or become, an indebtedness or obligation of the State or any political subdivision of the State (other than the Authority) or of any municipality within the State, nor shall any Short-Term Obligation be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision; and

WHEREAS, The Short-Term Obligations may be issued in one or more series, provided the aggregate principal amount of the sum of the Short-Term Obligations issued and outstanding shall not exceed \$150,000,000; and

WHEREAS, The Authority desires to authorize the procurement of one or more Agreements and the issuance of one or more Notes; and

WHEREAS, The Authority has satisfied or will satisfy all conditions stated in the MTA Act, the Local Government Debt Reform Act, the Senior Indenture, the Second Lien Indenture and, to the extent applicable, the Ground Transportation Tax IGA, as prerequisites to the issuance of the Short-Term Obligations; and

WHEREAS, The Authority desires to finance a portion of the costs of the Capital Projects with proceeds of the Short-Term Obligations or other obligations issued subsequent to the issuance of the Short-Term Obligations (collectively "Debt Obligations"); and

WHEREAS, The Internal Revenue Code of 1986, as amended (the "Code") authorizes the Authority to reimburse itself for capital expenditures that it made for capital improvements from the proceeds of such Debt Obligations, provided that certain requirements set forth in the Code are satisfied and the Authority recognizes that it may incur such expenditures with respect to the Capital Projects (the "Induced Expenditures") prior to its receipt of the proceeds of any Debt Obligations; and

WHEREAS, The Authority reasonably expects to reimburse all or a portion of any Induced Expenditures with the proceeds of the Debt Obligations; now, therefore:

BE IT ORDAINED BY THE CHICAGO TRANSIT BOARD  
OF THE CHICAGO TRANSIT AUTHORITY:

SECTION 1. Definitions. In this Ordinance, each of the terms defined in the above recitals shall have the meanings ascribed to such terms and the following terms shall have the meanings ascribed to such terms, unless the context otherwise requires:

(a) "Authorized Officers" means the Chairman of the Board, the President, the Treasurer/Chief Financial Officer, and the Assistant Treasurer of the Authority, or any other officer or employee of the Authority or member of the Chicago Transit Board authorized to perform specific acts or duties hereunder by ordinance duly adopted by the Authority.

(b) "Sales Tax Receipts Fund" means the Sales Tax Receipts Fund held by the Authority and established in Section 504 of the 2008 Indenture.

(c) Terms not defined herein shall have the meaning given thereto in the Senior Indenture, the Second Lien Indenture or the Ground Transportation Tax IGA, as applicable.

SECTION 2. Findings and Determinations. The Authority hereby finds and determines as follows:

(a) All of the recitals contained in the preamble to this Ordinance are incorporated in full as part of this Ordinance.

(b) That from time to time, interim financing of the Capital Projects for the Authority is needed prior to the issuance of long-term obligations.

(c) That the Authority's ability to borrow pursuant to the Short-Term Borrowing Program as herein provided and without further action by the Board for such purposes, will enhance the Authority's opportunities to obtain financing for the Authority upon the most favorable terms available and afford the greatest flexibility with respect to timing of such short-term borrowing.

(d) That the delegations of authority that are contained herein are necessary and desirable because this Board cannot itself as advantageously, expeditiously or conveniently exercise such authority.

(e) Pursuant to Section 13 of the Local Government Debt Reform Act, amounts on deposit in the Sales Tax Receipts Fund held by the Authority and established in the 2008 Indenture (subject however to the PBC Parity Pledge Rights, as defined in the 2010 Indenture, and any parity pledge or lien created with respect to the Pension and Retirement Debt Obligations, as defined in the 2010 Indenture) and, to the extent applicable, the IGA Revenues, to the extent and in the manner provided herein and in the Senior Indenture and the Second Lien Indenture, as applicable, shall be and are pledged as security for the payment of the Short-Term Obligations.

(f) Thus, authority is granted to any one of the Authorized Officers to implement the Short-Term Borrowing Program for the purposes set forth herein, and from time to time to cause to be issued Short-Term Obligations as Notes pursuant to any applicable Agreement as and to the extent determined to be desirable and in the best financial interest of the Authority.

(g) The authority delegated to the Authorized Officers pursuant to this Ordinance with respect to the issuance of Short-Term Obligations pursuant to the Short-Term Borrowing Program shall terminate on December 31, 2020.

SECTION 3. Purposes. The Short-Term Borrowing Program shall authorize the issuance of Short-Term Obligations for any of the following purposes (or combination thereof):

(a) the payment, or the reimbursement of the Authority for the payment, of the cost of all or a portion of any the Capital Projects;

(b) the refunding of Short-Term Obligations issued pursuant to the Short-Term Borrowing Program authorized by this Ordinance; and

(c) the payment of costs of issuance (including the cost of refunding prior bonds or obligations) incurred in connection with each issuance of Short-Term Obligations.

The proceeds of each issuance of each series of Short-Term Obligations shall be applied for the purposes set forth above in the manner and in the amounts specified in a certificate of the Authorized Officer delivered in connection with such issuance of Short-Term Obligations.

SECTION 4. Maximum Amount and Term. Without further authorization of the Board, the maximum aggregate principal amount of all Short-Term Obligations issued and outstanding under this Ordinance at any time shall not exceed One Hundred Fifty Million Dollars (\$150,000,000) (exclusive of unpaid interest and fees). There shall be no increase in the principal amount borrowed hereunder on or after December 31, 2020 beyond the aggregate principal amount outstanding as of such date; provided that any borrowings as of that date may be extended or renewed beyond that date but not to a date beyond December 31, 2021.

SECTION 5. Pledge of Available Sales Tax Receipts to Secure Sales Tax Short-Term Obligations. The Board hereby confirms the pledge by the Authority, as part of the trust estate established by the Second Lien Indenture, of (i) amounts on deposit in the Sales Tax Receipts Fund held by the Authority (subject however to the PBC Parity Pledge Rights, the pledge and lien created with respect to the Pension and Retirement Obligations, and the Corporate Purpose Debt Obligations); (ii) all moneys, securities and earnings thereon in all Funds, Sub-Funds, Accounts and Sub-Accounts established under the Second Lien Supplemental Indenture; and (iii) any and all other moneys and securities furnished from time to time to the Second Lien Trustee by the Authority or on behalf of the Authority or by any other persons to be held by the Second Lien Trustee under the terms of the Second Lien Indenture; all as security for the payment of the principal of, redemption premium, if any, and interest on, the Sales Tax Short-Term Obligations and any additional Second Lien Bonds as the Authority may issue or enter into in the future.

SECTION 6. Pledge of IGA Revenues to Secure Sales Tax Short-Term Obligations. The Board authorizes any Authorized Officer, in accordance with the Ground Transportation Tax IGA and the Second Lien Indenture, to pledge the IGA Revenues as additional security (whether primary or secondary) for the payment of the principal of, redemption premium, if any, and interest on, one or more specific Series of the Sales Tax Short-Term Obligations. To the extent that an Authorized Officer elects to implement this authority, the Supplemental Indenture for such Series of Short-Term Obligations shall include direction regarding the relative priority of the pledge of the IGA Revenues and the Sales Tax Receipts to such Series of Sales Tax Short-Term Obligations.

SECTION 7. Pledge of IGA Revenues to Secure IGA Short-Term Obligations. The Board authorizes any Authorized Officer, in accordance with the Ground Transportation Tax IGA, to pledge the IGA Revenues as security for the payment of the

principal of, redemption premium, if any, and interest on, one or more specific series of the IGA Short-Term Obligations.

SECTION 8. Agreements for Short-Term Borrowing Program. In order to undertake the Short-Term Borrowing Program, any Authorized Officer is hereby authorized to enter into, execute and deliver on behalf of the Authority one or more Agreements with one or more banks selected by the Authorized Officer and the Assistant Secretary is hereby authorized to attest the same and affix thereto the corporate seal of the Authority or a facsimile thereof. Each such Agreement may include such covenants and undertakings of the Authority as the Authorized Officer shall determine to be necessary and desirable in connection with the Short-Term Borrowing Program and that are consistent with the terms and conditions of this Ordinance, including covenants and undertakings with respect to the tax-exempt status of interest on Notes, the terms of the Second Lien Indenture and (as applicable) the Ground Transportation Tax IGA. In consideration for the availability of moneys under a bank line of credit, the Authority may pay such fees and charges, including initial fees and annual fees as may be agreed to by the Authorized Officer in consideration of the best interests of the Authority.

SECTION 9. Authorization and Terms of Notes; Approval of Supplemental Indenture for Notes.

(a) Each Note may bear interest (fixed or variable) at such rate per annum not to exceed the maximum rate per annum allowable by law, as determined by the Authorized Officer. All Notes shall be paid no later than eighteen (18) months after such Note's date of issuance, and no Note shall mature later than eighteen (18) months after execution and delivery of the same. The maximum annual fee payable to any financial institution under an Agreement shall not exceed two percent (2%) of the stated amount available under the Agreement (and any unused capacity thereunder). Subject to the limitation as to principal amount, interest rate and maturity contained in this Section, authority is hereby delegated to the Authorized Officer to establish the terms and conditions of each borrowing under each Agreement and each Note, including interest payment dates and terms for redemption of Notes.

(b) The Notes may be issued as notes, the interest on which is not includable in gross income for federal income tax purposes or, if so determined by the Authorized Officer at the time of the sale thereof, as notes the interest on which is includable in gross income for federal income tax purposes.

(c) The Notes shall be executed by the Chairman of the Board, the President or such other Authorized Officer designated by the Chairman, and the Assistant Secretary of the Board shall attest thereto, in case by manual or facsimile signature, and the seal (or a facsimile thereof) of the Authority shall be impressed, imprinted, engraved or otherwise reproduced thereon.



(d) Any of the Authorized Officers is hereby authorized to execute and deliver one or more Supplemental Indentures for purposes of issuance of the Notes in a form (i) customary for notes for issuers of comparable obligations issued by issuers located in the Chicago metropolitan region and (ii) consistent with the requirements of the 2010 Indenture and the 2017 Indenture, as applicable, with such appropriate revisions in text as the Authorized Officer shall determine are necessary or desirable, and the Assistant Secretary of the Board is authorized to attest the same and affix thereto the corporate seal of the Authority or a facsimile thereof. The Authorized Officer is hereby authorized to designate a bank or trust company to serve as trustee or paying agent under such Supplemental Indenture.

(e) To evidence the exercise of the authority delegated to the Authorized Officer by this Ordinance, such Authorized Officer is hereby directed to execute and file with the Board in connection with the initial sale of the Notes a certificate setting forth the determinations made pursuant to the authority granted herein, which certificate shall constitute conclusive evidence of the proper exercise by them such authority. Upon the filing of such certificate, such Authorized Officer also shall file with the Board one copy of the Supplemental Indenture executed in connection with such Notes.

SECTION 10. Prior Actions Ratified and Confirmed. The prior actions of the Authorized Officers and all other authorized officers and agents of the Authority in doing any and all acts necessary in connection with the offer, issuance and sale of the Short-Term Obligations are hereby approved, ratified and confirmed.

SECTION 11. Ratification and Continued Effectiveness of Actions of Any Authorized Officer Who, For Any Reason, Ceases to be an Authorized Officer. In the event that any Authorized Officer executes or delivers any document or other instrument approved hereunder and later ceases to be such Authorized Officer before the delivery or performance of the document or instrument so executed, whether by reason of resignation, death or otherwise, any such document or instrument so executed or delivered and any such other action taken in connection therewith shall be and continue to be authorized by this Ordinance and valid, binding and enforceable against the Authority and the Board.

SECTION 12. Authorization and Ratification of Subsequent Acts. The Authorized Officers are each hereby authorized to do all such acts and to execute or accept all such documents as may be necessary to carry out and comply with the provisions of this Ordinance, and all of the acts of the Authorized Officers of the Authority which are in conformity with the intent and purposes of this Ordinance, whether heretofore or hereafter taken or done, shall be and are hereby ratified, confirmed and approved. Without limiting the generality of the foregoing, the Authorized Officers of the Authority are hereby each also authorized to execute, acknowledge and deliver such certificates, agreements and documents which, in the opinion of the Authority's bond counsel are

necessary to effectuate the provisions of this Ordinance, including the issuance of the Short-Term Obligations.

SECTION 13. Conflicting Ordinances Amended. All ordinances in conflict herewith are, to the extent of such conflict, hereby amended to conform to this Ordinance.

SECTION 14. Severability. If any section, paragraph or provisions of this Ordinance shall be held invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any remaining provisions.

SECTION 15. Effective Date. This Ordinance shall be in full force and effect from and after its passage.

APPROVED:

PASSED:

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Chairman

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Assistant Secretary

May 9, 2018

May 9, 2018