ORDINANCE NO. 020-26

AN ORDINANCE AUTHORIZING THE
ESTABLISHMENT OF A SHORT-TERM OPERATING BORROWING PROGRAM FOR OPERATING PURPOSES SECURED BY SALES TAX RECEIPTS; AUTHORIZING THE ISSUANCE, FROM TIME TO TIME, OF OBLIGATIONS SECURED BY SALES TAX RECEIPTS IN A PRINCIPAL AMOUNT OUTSTANDING AT ANY ONE TIME NOT IN EXCESS OF $40,000,000.00 PURSUANT TO SUCH SHORT-TERM OPERATING BORROWING PROGRAM; AND AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE SUPPLEMENTAL INDENTURES UNDER WHICH SUCH OBLIGATIONS ARE ISSUED

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 12a of the MTA Act, the Authority has the continuing power to borrow money for the purpose of proving money for the Authority to cover any cash flow deficit that the Authority anticipates incurring by issuing its revenue bonds or notes payable solely from the revenues or income or other funds which the Authority may receive; 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 proposes to establish a short-term operating borrowing program for the purposes described herein (the “Short-Term Operating 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 a pledge of Sales Tax Receipts (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, Pursuant to 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 (the “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 respects 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 Bancorporation, National Association (f/k/a 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 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 Operating Borrowing Program (the “Short-Term Obligations”), as additional bonds under the 2017 Indenture, which 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 the Sales Tax Receipts and 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, The Short-Term Obligations will be as and when issued 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 Short-Term Obligations under the Second Lien Indenture, 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 $40,000,000.00; and

WHEREAS, The Authority desires to authorize the execution 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 (including the condition that no Short-Term Obligations authorized under this Ordinance may be issued unless the annual cost of such Short-Term Obligation is incorporated in a budget or revised budget of the Authority that has been approved by the RTA, the Local Government Debt Reform Act, the Senior Indenture and the Second Lien Indenture as prerequisites to the issuance of the Short-Term Obligations; and 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 or the Assistant Treasurer of the Authority, or any other officer or employee of the Authority or member of the 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) "System" shall mean the "Transportation System" as defined in the MTA Act.

(d) Terms not defined herein shall have the meaning given thereto in the Senior Indenture or the Second Lien Indenture, 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 without the issuance of Short-Term Obligations described herein, the Authority anticipates experiencing cash flow deficits in connection with the operation of the System.

(c) That the Authority’s ability to borrow pursuant to the Short-Term Operating 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’s operational purposes 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), 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 Operating 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 the Short-Term Operating Borrowing Program and any associated 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 Operating Borrowing Program shall terminate on December 31, 2021.

SECTION 3. Purposes. The Short-Term Operating Borrowing Program shall authorize the issuance of Short-Term Obligations for any of the following purposes (or combination thereof):
(a) the payment, or reimbursement of the Authority for the payment, of the day-to-day operating expenses of the Authority and the System, including wages, salaries and fringe benefits, professional and technical services (including legal, audit, engineering and other consulting services), office rental, furniture, fixtures and equipment, insurance premiums, claims for self-insured amounts under insurance policies, public utility obligations for telephone, light, heat and similar items, travel expenses, office supplies, postage, dues, subscriptions, public hearings and information expenses, fuel purchases, and payments of grants and payments under purchase of service agreements for operations of transportation agencies; and

(b) the payment of costs of issuance incurred in connection with each issuance of Short-Term Obligations.

The proceeds of each issuance of each series of Short-Term Obligations may not be used (i) to increase or provide a debt service reserve fund for any bonds or notes other than Short-Term Obligations of the same series, or (ii) to pay principal of or interest or redemption premium on any capital bonds or notes, whether as such amounts become due or by earlier redemption, issued by the Authority or a transportation agency to construct or acquire public transportation facilities, or to provide funds to purchase such capital bonds or notes.

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 an 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 Forty Million Dollars ($40,000,000.00) (exclusive of unpaid interest and fees). There shall be no increase in the principal amount borrowed hereunder on or after December 31, 2021 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, 2022.

SECTION 5. Pledge of Available Sales Tax Receipts to Secure Second Lien 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 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 Short-Term Obligations and any
additional Second Lien Bonds as the Authority may issue or enter into in the future.

SECTION 6. Agreements for Short-Term Operating Borrowing Program.
In order to undertake the Short-Term Operating 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 an Authorized Officer, and
the Secretary or 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 an Authorized Officer
shall determine to be necessary and desirable in connection with the Short-Term
Operating 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 Senior Lien Indenture or the Second Lien
Indenture, as applicable. In consideration for the availability of moneys under an
Agreement, the Authority may pay such fees and charges, including initial fees and
annual fees as may be agreed to by an Authorized Officer in consideration of the best
interests of the Authority.

SECTION 7. 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. All Notes shall be paid no
later than eighteen (18) months after execution and delivery of the same, 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 three percent (3%) 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 an
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 an 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 any two Authorized Officers, and the
Secretary or 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 an Authorized Officer shall determine are necessary or desirable, and the Secretary or 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. An 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 an Authorized Officer by this Ordinance, any 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, any such Authorized Officer also shall file with the Board one copy of the Supplemental Indenture executed in connection with such Notes.

SECTION 8. 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 9. 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 10. 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 11. Conflicting Ordinances Amended. All ordinances in conflict herewith are, to the extent of such conflict, hereby amended to conform to this Ordinance.

SECTION 12. 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 13. Effective Date. This Ordinance shall be in full force and effect from and after its passage.

APPROVED:  

_______________________  
Chairman  
April 8, 2020  

PASSED:  

_______________________  
Assistant Secretary  
April 8, 2020