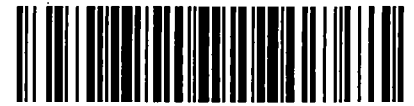




City of Chicago



SO2018-4641

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Meeting Date: 5/23/2018

Sponsor(s): Emanuel (Mayor)

Type: Ordinance

Title: Issuance of Second Lien Wastewater Transmission Revenue Bonds, Project and Refunding Series 2018 and 2018 Subordinate Lien Obligations

Committee(s) Assignment: Committee on Finance

SUBSTITUTE ORDINANCE

AUTHORIZING THE ISSUANCE OF

**SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS,
PROJECT AND REFUNDING SERIES 2018
IN AN AMOUNT NOT TO EXCEED \$400,000,000 FOR PROJECT COSTS
AND/OR REFUNDING PURPOSES, AND AUTHORIZING THE CITY TO
ENTER INTO NOT TO EXCEED \$200,000,000 OF
2018 SUBORDINATE LIEN OBLIGATIONS**

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IN AN AMOUNT NOT TO EXCEED \$400,000,000 FOR PROJECT COSTS
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ENTER INTO NOT TO EXCEED \$200,000,000 OF
2018 SUBORDINATE LIEN OBLIGATIONS

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:

ARTICLE I.

AUTHORITY AND FINDINGS

Section 1.1. Authority. This Ordinance is adopted pursuant to Section 6(a) of Article VII of the 1970 Constitution of the State of Illinois (the "*Constitution*"). This Ordinance authorizes the issuance of 2018 Obligations as follows: (i) Article II of this Ordinance describes the Sewer Revenue Fund and Accounts, (ii) Article III of this Ordinance authorizes the issuance of 2018 Bonds, in such principal amount and with such terms, in accordance with the provisions set forth in Article III and in the 2018 Bonds Indenture approved in Article III, (iii) Article IV of this Ordinance describes the application of proceeds of the 2018 Bonds, (iv) Article V of this Ordinance sets forth general covenants applicable to the 2018 Obligations, (v) Articles VI through IX of this Ordinance authorize the issuance, from time to time, of the 2018 Subordinate Lien Obligations in one or more series, in such amounts and with such terms and provisions as set forth in Articles VI through IX in connection with entering into I.E.P.A. Loans and (vi) Article X of this Ordinance sets forth general provisions applicable to the 2018 Obligations. Capitalized terms used but not defined in this Ordinance have the meanings set forth in Section 1.3 below.

Section 1.2. Findings. It is found and declared as follows:

(a) The City is a duly constituted and existing municipality within the meaning of Section 1 of Article VII of the Constitution, and is a "home rule unit" under Section 6(a) of Article VII of the Constitution.

(b) The City has constructed and is maintaining and operating the Sewer System to meet the needs of the City's inhabitants and other users of the Sewer System. The Sewer System is operated under the supervision and control of the Department of Water Management of the City. The City has undertaken a program to improve, extend and rehabilitate the Sewer System by acquiring, constructing, improving and equipping the Projects.

(c) The City has issued (i) the Outstanding Series 1998A Senior Lien Bonds (the “*Outstanding Senior Lien Bonds*”) with a claim for payment solely from the Net Revenues Available for Bonds of the Sewer System, (ii) the Outstanding Series 2001 Second Lien Bonds, the Outstanding Series 2008 Second Lien Bonds, the Outstanding Series 2010 Second Lien Bonds, the Outstanding Series 2012 Second Lien Bonds, the Outstanding Series 2014 Second Lien Bonds, the Outstanding Series 2015 Second Lien Bonds and the Outstanding Series 2017 Second Lien Bonds (collectively, the “*Outstanding Second Lien Bonds*”) with a claim for payment solely from Second Lien Bond Revenues of the Sewer System. Except for any outstanding Subordinate Lien Obligations or Short Term Obligations, no other outstanding obligations have a claim for payment from Net Revenues Available for Bonds or Second Lien Bond Revenues of the Sewer System.

(d) The City has determined to authorize the issuance of its Second Lien Wastewater Transmission Revenue Bonds, Project and Refunding Series 2018 (the “*2018 Bonds*”), subject to the authorization limits specified in this Ordinance, for one or more of the purposes of (i) paying Project Costs, (ii) refunding in advance of maturity such portion of the Outstanding Bonds as shall be determined by the Authorized Officer (“*Refunding Purposes*”), (iii) funding capitalized interest on the 2018 Bonds, (iv) paying Costs of Issuance of the 2018 Bonds, (v) making a deposit in the Debt Service Reserve Account established by the 2018 Bonds Indenture, and (vi) providing for any discount on the 2018 Bonds.

(e) It is advisable and in the best interests of the City that the City undertake and complete the Projects.

(f) It is advisable and in the best interests of the City to provide for the refunding prior to maturity of such portion of the Outstanding Bonds as shall be determined by the Authorized Officer as authorized by this Ordinance.

(g) The aggregate estimated amount of Project Costs and/or Refunding Purposes exceeds \$400,000,000. The City does not have available funds sufficient to pay such Project Costs or to refund such portion of the Outstanding Bonds.

(h) The City has determined to authorize the issuance of its 2018 Subordinate Lien Obligations, subject to the authorization limits specified in this Ordinance, and has previously authorized the issuance of its other Subordinate Lien Obligations, subject to the applicable authorization limits specified in such ordinances, for one or more of the purposes of (i) paying Project Costs, (ii) paying costs related to issuance of the Subordinate Lien Obligations, (iii) making a deposit in the respective Subordinate Lien Obligations Sub-subaccount of the respective Subordinate Lien Debt Service Reserve Subaccount, if and as required under any I.E.P.A. Loan Agreement relating to such Subordinate Lien Obligations, and (iv) providing for any discount on such Subordinate Lien Obligations.

(i) The aggregate estimated amount of uses for the 2018 Subordinate Lien Obligations exceeds \$200,000,000. The proceeds of the 2018 Subordinate Lien Obligations incurred for the purposes described in Section 6.2 of this Ordinance will not exceed the amount required to pay such costs.

(j) The issuance, sale and delivery of the 2018 Bonds shall fully satisfy and comply with the covenants of the City in the Series 2001 Indenture, the Series 2008A Indenture, the Series 2008C Indenture, the Series 2010 Indenture, the Series 2012 Indenture, the Series 2014 Indenture, the Series 2015 Indenture and the Series 2017 Indenture and the conditions and requirements specified therein, including without limitation, Section 6.5 of the Series 2001 Indenture, Section 6.5 of the Series 2008A Indenture, Section 6.5 of the Series 2008C Indenture, Section 5.5 of the Series 2010 Indenture, Section 5.5 of the Series 2012 Indenture, Section 5.5 of the Series 2014 Indenture, Section 5.5 of the Series 2015 Indenture and Section 5.5 of the Series 2017 Indenture. Based upon such satisfaction and compliance, the 2018 Bonds shall have a claim for payment from Second Lien Bond Revenues on an equal and ratable basis with all Outstanding Second Lien Bonds and any Second Lien Parity Bonds.

(k) The City proposes to issue and sell the 2018 Bonds for Project Costs and/or Refunding Purposes in the manner authorized in this Ordinance in one or more series in an aggregate principal amount not to exceed \$400,000,000 plus an amount equal to the amount of any original issue discount used in marketing such 2018 Bonds (not to exceed 15 percent of the principal amount of any such series of 2018 Bonds).

(l) Pursuant to Section 2.3 of Part D of the Series 2000 Bond Ordinance, Section 2.3 of Part D of the Series 2001A Bond Ordinance, Section 6.3 of the Series 2010 Bond Ordinance, Section 6.3 of the Series 2012 Bond Ordinance, Section 6.3 of the Series 2015 Bond Ordinance and Section 6.3 of the Series 2017 Bond Ordinance, the City has previously entered into certain Loan Agreements with the Illinois Environmental Protection Agency (the "I.E.P.A."), by which the I.E.P.A. has made certain loans (the "I.E.P.A. Loans") to the City secured by Net Revenues Available for Bonds, and the City anticipates that it will enter into additional I.E.P.A. Loans in the future. It is advisable and in the best interests of the City to ratify, with respect to previously incurred I.E.P.A. Loans, and confirm, with respect to future I.E.P.A. Loans, that the I.E.P.A. Loans are and will be subordinate to the Senior Lien Bonds and the Second Lien Bonds. The City proposes to issue for the purpose described in subsection (h) above the 2018 Subordinate Lien Obligations in one or more separate series in an aggregate principal amount not to exceed \$200,000,000, as determined by the Authorized Officer in accordance with the terms of this Ordinance.

(m) The borrowing authorized by this Ordinance, including both the issuance of the 2018 Bonds and the 2018 Subordinate Lien Obligations, are for a proper public purpose and are in the public interest. The City has the power to borrow for the purposes set forth in this Ordinance, and to issue the 2018 Obligations for such purposes.

(n) The City's ability to issue 2018 Obligations without further action by the City Council at such time, in such principal amount and bearing interest at such interest rate or rates and with such maturities, redemption provisions and other terms will enhance the City's opportunities to obtain financing for the Sewer System upon the most favorable terms available at such time of issuance.

(o) Authority is granted to the Authorized Officer to determine to sell the 2018 Obligations from time to time and at such times as the Authorized Officer determines that such sale or sales are desirable and in the best financial interest of the Sewer System

(p) This Ordinance is adopted pursuant to the City's constitutional home rule powers.

Section 1.3. Definitions. As used in this Ordinance, except as otherwise noted, (i) the following terms shall have the following meanings, unless the context clearly indicates a different meaning, and (ii) all capitalized terms used and not otherwise defined in Section 1.1 or Section 1.2 or in this Section 1.3 shall have the meanings given them in the 2018 Bonds Indenture:

“Account” or *“Accounts”* means, as applicable, one or more of the various accounts of the Sewer Revenue Fund described in Section 2.2.

“Authorized Officer” means the Chief Financial Officer or the City Comptroller.

“Bond Debt Service Requirement” means, for any Fiscal Year, the principal of and interest on Senior Lien Bonds required to be paid in that Fiscal Year. With respect to any Senior Lien Bonds for which any interest is payable by appreciation in principal amount, the Bond Debt Service Requirement for a Fiscal Year includes all appreciated principal payable in that Fiscal Year but does not include the increase in principal that occurs in that Fiscal Year but is not payable in that Fiscal Year. Any Senior Lien Bonds required to be redeemed pursuant to a mandatory sinking fund redemption shall be treated for these purposes as being due on the date they are required to be redeemed and not on their stated maturity dates. For purposes of computing the interest payable on any Senior Lien Bonds issued as Variable Rate Bonds in any future Fiscal Year or other specified future 12-month period, the rate of interest shall be assumed to equal the highest monthly average rate of interest paid with respect to such Variable Rate Bonds during the 12 months preceding the date of such calculation, plus 0.5 percent, or if such Variable Rate Bonds were not Outstanding during the entire 12-month period preceding the date of calculation, the highest monthly average rate of interest paid with respect to comparable debt obligations having a comparable interest rate determination method, interest rate period and rating during such 12-month period, plus 0.5 percent. In the event the City has entered into an Interest Rate Hedge Agreement with respect to any Senior Lien Bonds, the interest payable on such Senior Lien Bonds shall be deemed to be the amount payable under the Interest Rate Hedge Agreement for the years in which the Interest Rate Hedge Agreement is in effect. If the City is to pay a variable rate pursuant to the Interest Rate Hedge Agreement, the variable rate calculation shall be made in the same manner as for Variable Rate Bonds.

“Bond Debt Service Reserve Account” means the separate account of that name previously established for the Senior Lien Bonds in the Sewer Revenue Fund and described in Section 2.2 of this Ordinance.

“Bond Debt Service Reserve Account Credit Instrument” means a non-cancelable insurance policy, a non-cancelable surety bond, or an irrevocable letter of credit that may be delivered to the City in lieu of or in partial substitution for cash or securities required to be on deposit in the Bond Debt Service Reserve Account. In the case of an insurance policy or surety bond, the company providing the insurance policy or surety bond shall be an insurer that, at the time of the issuance of the insurance policy or surety bond, has

been assigned a credit rating that is within one of the two highest rating categories, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, accorded insurers by at least two Rating Agencies. Letters of credit shall be issued by a banking institution that has, or the parent of which has, or the holding corporation of which it is the principal bank has, at the time of issuance of the letter of credit, a credit rating on its long-term unsecured debt within one of the two highest rating categories, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, from at least two Rating Agencies. The insurance policy, surety bond, or letter of credit shall grant to the City the right to receive payment for the purposes for which the Bond Debt Service Reserve Account may be used or for deposit in that Account and shall be irrevocable during its term.

“Bond Debt Service Reserve Account Credit Instrument Coverage” means, with respect to any Bond Debt Service Reserve Account Credit Instrument on any date of determination, the amount available to pay principal of and interest on the Senior Lien Bonds under that Bond Debt Service Reserve Account Credit Instrument, including amounts owed pursuant to an Interest Rate Hedge Agreement with respect to such Senior Lien Bonds to the extent such amounts constitute interest.

“Bond Debt Service Reserve Provider” means a company, banking institution or other financial institution that is the provider of a Bond Debt Service Reserve Account Credit Instrument.

“Bond Debt Service Reserve Reimbursement Agreement” means an agreement between the City and the Bond Debt Service Reserve Provider entered into with respect to a Bond Debt Service Reserve Account Credit Instrument and that pertains to the repayment to the Bond Debt Service Reserve Provider, with interest, if any, of amounts advanced pursuant to the Bond Debt Service Reserve Account Credit Instrument.

“Bond Debt Service Reserve Requirement” means, as of any date of computation, an amount equal to the sum of (i) that amount established in each ordinance authorizing each series of Outstanding Senior Lien Bonds; and (ii) with respect to any series of Senior Lien Parity Bonds, such amounts as shall be established by the ordinance authorizing that series of Senior Lien Parity Bonds, not to exceed the least of (A) the highest future Bond Debt Service Requirement of that series of Senior Lien Parity Bonds in any Fiscal Year including the Fiscal Year in which the date of computation falls; (B) 10 percent of the original principal amount of that series of Senior Lien Parity Bonds (less any original issue discount); or (C) 125 percent of the average annual Bond Debt Service Requirement for that series of Senior Lien Parity Bonds. Any Senior Lien Bonds required to be redeemed pursuant to a mandatory sinking fund redemption shall be treated for purposes of this definition as being due on the dates they are required to be redeemed and not on their stated maturity dates.

“Bond Principal and Interest Account” means the separate account of that name previously established for the Senior Lien Bonds in the Sewer Revenue Fund and described in Section 2.2 of this Ordinance.

“*Bond Purchase Agreement*” means each Bond Purchase Agreement between the City and the Initial Purchasers of the 2018 Bonds of a series authorized by Section 3.5(a) of this Ordinance.

“*Bond Registrar*” means the bond registrar for each series of Outstanding Senior Lien Bonds or Outstanding Second Lien Bonds.

“*Budget Director*” means the Budget Director of the City as appointed by the Mayor.

“*Business Day*” means any day of the year on which banks located in the city in which the principal office of the Bond Registrar is located are not required or authorized to remain closed and on which the New York Stock Exchange, Inc. is not closed.

“*Chief Financial Officer*” means the person designated by the Mayor as the City’s Chief Financial Officer, or, if no such designation has been made or if such position is vacant, the City Comptroller of the City.

“*City*” means the City of Chicago.

“*City Council*” means the City Council of the City.

“*Clerk*” means the City Clerk or Deputy City Clerk of the City.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Commercial Paper and Line of Credit Account*” means the separate account of that name established in the Sewer Revenue Fund pursuant to the Series 2012 Bond Ordinance.

“*Commercial Paper Notes*” means obligations commonly described as “commercial paper” issued by the City from time to time payable from the Commercial Paper and Line of Credit Account and pursuant to the Series 2012 Bond Ordinance.

“*Commissioner*” means the Commissioner of the Department of Water Management of the City, including any successor department.

“*Construction Account: 2018 Second Lien Bonds*” means the separate account of that name in the Sewer Revenue Fund established pursuant to Section 4.1 of this Ordinance.

“*Construction Account: 2018 Subordinate Lien Obligations*” means the separate account of that name in the Sewer Revenue Fund established pursuant to Section 7.2 of this Ordinance.

“*Costs of Issuance*” means all fees and costs incurred by the City relating to the issuance of the 2018 Bonds, including, without limitation, printing costs, the 2018 Bonds Trustee’s initial fees and charges, financial advisory fees, engineering fees, legal fees,

accounting fees, costs of acquiring one or more Debt Service Reserve Account Credit Instruments for the 2018 Bonds, and the cost of any related services with respect to the 2018 Bonds.

“*CP Indenture*” means a Trust Indenture between the City and a bank or trust company providing for the issuance of Commercial Paper Notes.

“*CP/Line of Credit Notes Revenues*” means all sums, amounts, funds or monies which are deposited to the Commercial Paper and Line of Credit Account.

“*Debt Service Reserve Account Credit Instrument*” shall have the meaning provided in the 2018 Bonds Indenture.

“*Debt Service Reserve Provider*” means a company, banking institution or other financial institution that is the issuer of a Debt Service Reserve Account Credit Instrument.

“*Debt Service Reserve Reimbursement Agreement*” means an agreement between the City and a Debt Service Reserve Provider entered into with respect to a Debt Service Reserve Account Credit Instrument and that pertains to the repayment to the Debt Service Reserve Provider, with interest, if any, of amounts advanced pursuant to the Debt Service Reserve Account Credit Instrument.

“*Depository*” means any bank, trust company, national banking association, savings bank or other banking association, having capital stock, surplus and retained earnings of \$10,000,000 or more, selected by the Authorized Officer as a depository of moneys and securities held in the Construction Account: 2018 Second Lien Bonds, the Bond Principal and Interest Account, the Bond Debt Service Reserve Account and the Senior Lien Rebate Account under the provisions of this Ordinance.

“*Determination Certificate*” means, with respect to the 2018 Bonds, each certificate of the Authorized Officer with respect to one or more series of the 2018 Bonds filed with the Office of the Clerk addressed to the City Council, as provided in Section 3.5(e) of this Ordinance.

“*Federal Subsidies*” means (a) the direct payments by the United States Treasury Department to the City of a portion of the interest payable by the City on the Series 2010B Second Lien Bonds and (b) to the extent hereafter available to the City, payments by the Treasury Department to the City resulting from subsidies, tax credits or other incentives or benefits to state and local governments in connection with the issuance of debt obligations by such governments.

“*Fiscal Year*” means the period beginning January 1 and ending December 31 of any year.

“*Government Obligations*” means securities that are obligations described in clauses (a) and (b) of the definition of Permitted Investments in this Section 1.3.

“*Gross Revenues*” means all income and receipts from any source that under generally accepted accounting principles are properly recognized as being derived from the operation of the Sewer System, including without limitation (a) charges imposed for sewer service and usage, (b) charges imposed for inspections and permits for connection to the Sewer System, (c) grants (excluding grants received for capital projects) and (d) Investment Earnings. Gross Revenues do not include Federal Subsidies.

“*I.E.P.A.*” means the Illinois Environmental Protection Agency, and its successors and assigns, or in the case of I.E.P.A. Loans made pursuant to the I.E.P.A. Program, the authorized lender under such Program.

“*I.E.P.A. Loan*” means, collectively, the borrowing or borrowings by the City from I.E.P.A. under the I.E.P.A. Program and evidenced by one or more I.E.P.A. Loan Agreements.

“*I.E.P.A. Loan Agreement*” means each loan agreement between the City and I.E.P.A. setting forth the terms of an I.E.P.A. Loan.

“*I.E.P.A. Program*” means the Water Pollution Control Loan Program or any successor program administered by the State of Illinois, and any similar program through which funds are authorized by the federal government, including the United States Environmental Protection Agency, and administered by the State of Illinois or any federally authorized agency.

“*Initial Purchasers*” means the underwriter or purchaser or group of underwriters or purchasers to which the City will sell the 2018 Bonds of a series and with which the City will enter into the related Bond Purchase Agreement, as the Authorized Officer shall designate in the related Determination Certificate.

“*Interest Rate Hedge Agreement*” means an interest rate exchange, hedge or similar agreement entered into in order to hedge or manage the interest payable on all or a portion of any series of Outstanding Senior Lien Bonds or of Outstanding Second Lien Bonds, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof. Obligations of the City under an Interest Rate Hedge Agreement shall not constitute indebtedness of the City for which its full faith and credit are pledged or for any other purpose hereunder.

“*Investment Earnings*” means interest plus net profits and less net losses derived from investments made with any portion of the Gross Revenues or any money in the Accounts in the Sewer Revenue Fund (other than the Senior Lien Rebate Accounts) described in Section 2.2 of this Ordinance. Investment Earnings do not include interest or earnings on investments of the Senior Lien Construction Accounts, the Second Lien Construction Accounts or the Subordinate Lien Construction Accounts.

“*Line of Credit Agreement*” has the meaning assigned to such term in the Series 2012 Bond Ordinance.

“*Line of Credit Notes*” means the Line of Credit Notes defined in and authorized by the Series 2012 Bond Ordinance, payable from the Commercial Paper and Line of Credit Account.

“*Make-Whole Redemption Price*” has the meaning set forth in Section 3.3(h) of this Ordinance.

“*Mayor*” means the Mayor of the City.

“*Municipal Code*” means the Municipal Code of Chicago, as amended.

“*Net Revenues*” means that portion of the Gross Revenues remaining in any period after providing sufficient funds for Operation and Maintenance Costs.

“*Net Revenues Available for Bonds*” means that portion of the Net Revenues remaining in any period, minus any amounts deposited during that period in the Sewer Rate Stabilization Account as provided in Section 2.2 of this Ordinance (other than amounts transferred to that Account from amounts received upon the issuance of any Senior Lien Parity Bonds) and plus the amounts withdrawn during that period from that Account.

“*Operation and Maintenance Costs*” means all expenses reasonably incurred by the City in connection with the operation, maintenance, renewal, replacement and repair of the Sewer System, that under generally accepted accounting principles are properly chargeable to the Sewer System and not capitalized, including, without limitation, salaries, wages, taxes, contracts for services, costs of materials and supplies, purchase of power, fuel, insurance, reasonable repairs and extensions necessary to render efficient service, the costs related to any Interest Rate Hedge Agreements or other similar arrangements entered into pursuant to the ordinances authorizing the issuance of the Outstanding Senior Lien Bonds, trustee’s fees, paying agent’s fees and all incidental expenses, but excluding any provision for depreciation or for interest on Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations, Short Term Obligations or other obligations for borrowed money payable from Net Revenues Available for Bonds or Second Lien Bond Revenues, Subordinate Lien Obligation Revenues or CP/Line of Credit Notes Revenues.

“*Ordinance*” means this Ordinance as it may be modified or amended from time to time.

“*Outstanding*” means:

(a) with reference to any series of Senior Lien Bonds, all of such obligations that are outstanding and unpaid, provided that such term shall not include obligations:

(i) that have been paid or redeemed in full both as to principal, redemption premium, if any, and interest; or

(ii) that have matured or that have been duly called for redemption and for the payment of which moneys are on deposit with designated paying agents or trustees for such Senior Lien Bonds, or are otherwise properly available, sufficient to pay the principal of, redemption premium, if any, and interest on such Senior Lien Bonds; or

(iii) for which the City has provided for payment by depositing in an irrevocable trust or escrow, cash or Government Obligations, in each case the maturing principal of and interest on which will be sufficient to pay at maturity, or if called for redemption on the applicable redemption date, the principal of, redemption premium, if any, and interest on such Senior Lien Bonds; or

(iv) that are owned by the City;

(b) with reference to any series of Second Lien Bonds issued pursuant to this Ordinance, as defined in the 2018 Bonds Indenture;

(c) with reference to any series of Subordinate Lien Obligations, all of such obligations that are outstanding and unpaid, provided that such term shall not include obligations: (i) which have been paid or redeemed in full as to principal, redemption premium, if any, and interest; (ii) which have matured or which have been duly called for redemption and for the payment of which monies are on deposit with the designated paying agents for such Subordinate Lien Obligations, or are otherwise properly available and sufficient to pay when due the principal of, redemption premium, if any, and interest on such Subordinate Lien Obligations, or (iii) for which the City has provided for payment by depositing in an irrevocable trust or escrow, cash or Government Obligations, in each case the maturing principal of and interest on which will be sufficient to pay at maturity, or if called for redemption on the applicable redemption date, the principal of, redemption premium, if any, and interest on such Subordinate Lien Obligations; or (iv) which are owned by the City;

(d) with reference to any Line of Credit Notes, as defined in the Line of Credit Agreements pursuant to which such Line of Credit Notes are issued; and

(e) with reference to any Commercial Paper Notes, as defined in the CP Indenture governing such Commercial Paper Notes.

“Outstanding Bonds” means, collectively, the Outstanding Senior Lien Bonds and the Outstanding Second Lien Bonds.

“Outstanding Second Lien Bonds” means, collectively, the Outstanding Series 2001 Second Lien Bonds, the Outstanding Series 2008 Second Lien Bonds, the Outstanding Series 2010 Second Lien Bonds, the Outstanding Series 2012 Second Lien Bonds, the Outstanding Series 2014 Second Lien Bonds, the Outstanding Series 2015 Second Lien Bonds and the Outstanding Series 2017 Second Lien Bonds.

“Outstanding Senior Lien Bonds” means the Outstanding Series 1998A Senior Lien Bonds.

“*Permitted Investments*” means any of the following:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(b) trust receipts or other certificates of ownership evidencing an ownership interest in the principal of or interest on, or both principal of and interest on, obligations described in clause (a) of this definition, which obligations are held in trust by a bank described in clause (d) of this definition, provided that such bank holds such obligations separate and segregated from all other funds and accounts of the City and of such bank and that a perfected first security interest under the Illinois Uniform Commercial Code, or under book entry procedures prescribed at 31 C.F.R. 306.0 *et seq.* or 31 C.F.R. 350.0 *et seq.* (or other similar book entry procedures similarly prescribed by federal law or regulations adopted after the date of adoption of this Ordinance), has been created in such obligations for the benefit of the applicable account in the Sewer Revenue Fund or, to the extent permitted, in any irrevocable trust or escrow established to make provision for the payment and discharge of the indebtedness on any obligations that are payable from Net Revenues Available for Bonds;

(c) obligations of Fannie Mae or of any agency or instrumentality of the United States of America now existing or hereafter created, including but not limited to the United States Postal Service, the Government National Mortgage Association and the Federal Financing Bank;

(d) negotiable or non-negotiable time deposits evidenced by (i) certificates of deposit issued by any bank, trust company, national banking association or savings and loan association that has capital of not less than \$100,000,000 or (ii) certificates of deposit that are continuously and fully insured by (A) any agency of the United States of America or (B) an insurer that at the time of issuance of the policy securing such deposits has been assigned a credit rating on its long-term unsecured debt within one of the two highest rating categories, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, from at least two Rating Agencies;

(e) repurchase agreements with banks described in clause (d) of this definition or with government bond dealers reporting to, trading with, and recognized as primary dealers by a Federal Reserve Bank, provided that (i) the underlying securities are obligations described in clauses (a) or (c) of this definition and are required to be continuously maintained at a market value not less than the amount so invested, (ii) the City has received an opinion of counsel to the effect that a custodian for the City has possession of the underlying securities as collateral and has a perfected first security interest in the collateral, and (iii) the collateral is in the opinion of such counsel free and clear of claims by third parties;

(f) obligations of any state of the United States of America or any political subdivision of a state or any agency or instrumentality of a state or political subdivision that are, at the time of purchase, rated by at least two Rating Agencies in one of their two highest respective long-term rating categories, without regard to any refinement or

gradation of rating category by numerical modifier or otherwise (if not rated by at least two Rating Agencies then a rating by one Rating Agency shall be satisfactory) for comparable types of debt obligations;

(g) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation that are, at the time of purchase, rated by at least two Rating Agencies in their highest long-term rating category, without regard to any refinement or gradation of rating category by numerical modifier or otherwise (if not rated by at least two Rating Agencies then a rating by one Rating Agency shall be satisfactory), for comparable types of debt obligations;

(h) repurchase agreements and investment agreements (including forward purchase agreements pursuant to which the City agrees to purchase securities of the type described in clauses (a), (b), (c), (f), (g) and (i) of this definition), with any bank, trust company, national banking association (which may include the Bond Registrar, any trustee or a Depository), insurance company or any other financial institution that at the date of the agreement has an outstanding, unsecured, uninsured and unguaranteed debt issue rated by at least two Rating Agencies in one of the three highest long-term rating agency categories, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, or if such institution is not so rated, that the agreement is secured by such securities as are described in clauses (a) through (d) above, inclusive, having a market value at all times (exclusive of accrued interest, other than accrued interest paid in connection with the purchase of such securities) at least equal to the principal amount invested pursuant to the agreement, provided that (i) a custodian for the City (which custodian is not the entity with which the City has the repurchase or investment agreement) has a perfected first security interest in the collateral and the City has received an opinion of counsel to that effect, (ii) the custodian or an agent of the custodian (which agent is not the entity with which the City has the repurchase or investment agreement) has possession of the collateral, and (iii) such obligations are in the opinion of such counsel free and clear of claims by third parties;

(i) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, rated by at least one Rating Agency in its highest short-term rating category, without regard to any refinement or gradation of rating category by numerical modifier or otherwise;

(j) certificates of deposit of national banks that are either fully collateralized at least 110 percent by marketable U.S. government securities marked to market at least monthly or secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, as rated by at least one Rating Agency and maintaining such rating during the term of such investment; and

(k) shares of a money market fund registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.

“*Project Costs*” means the costs of acquiring, constructing and equipping the Projects, including without limitation, acquisition of necessary interests in property, engineering fees or costs of the City, restoration costs, legal fees or costs of the City.

“*Projects*” means the program of improvement, extension and rehabilitation of the Sewer System consisting of the construction and acquisition of flood relief sewers, the rehabilitation and replacement of existing sewers, the expansion of operational facilities, services and equipment to protect and enhance the safety, integrity and security of the Sewer System, and any project eligible for funding by the I.E.P.A. through the I.E.P.A. Program.

“*Rating Agency*” means any nationally recognized securities rating agency.

“*Refunded Bonds*” means those Outstanding Bonds to be refunded with proceeds of the 2018 Bonds, if any, which Refunded Bonds shall be identified in the applicable Determination Certificate.

“*Refunding Purposes*” shall have the meaning provided in Section 1.2(d).

“*Registered Owner*” means any person in whose name a 2018 Bond is registered in the registration books of the City maintained by the Bond Registrar.

“*Second Lien Bond Revenues*” means any Net Revenues Available for Bonds deposited into the Second Lien Bonds Account pursuant to (i) the ordinances authorizing the Outstanding Second Lien Bonds, (ii) this Ordinance, and (iii) the ordinances authorizing any Second Lien Parity Bonds.

“*Second Lien Bonds*” means the Series 2001 Second Lien Bonds, the Series 2008 Second Lien Bonds, the Series 2010 Second Lien Bonds, the Series 2012 Second Lien Bonds, the Series 2014 Second Lien Bonds, the Series 2015 Second Lien Bonds, the Series 2017 Second Lien Bonds, the 2018 Bonds and all Second Lien Parity Bonds.

“*Second Lien Bonds Account*” means the separate account of that name established in the Sewer Revenue Fund as described in Section 2.2 of this Ordinance.

“*Second Lien Construction Accounts*” means (i) the Construction Account: 2018 Second Lien Bonds and the various accounts established for construction purposes by the Series 2001 Bond Ordinance, the Series 2004 Bond Ordinance, the Series 2006 Bond Ordinance, the Series 2008 Bond Ordinance, the Series 2010 Bond Ordinance, the Series 2012 Bond Ordinance, the Series 2014 Bond Ordinance, the Series 2017 Bond Ordinance or the ordinances authorizing any Second Lien Parity Bonds and (ii) any account established to pay costs of issuance of Second Lien Bonds.

“*Second Lien Indentures*” means the Series 2001 Indenture, the Series 2008A Indenture, the Series 2008C Indenture, the Series 2010 Indenture, the Series 2012 Indenture, the Series 2014 Indenture, the Series 2015 Bonds Indenture, the Series 2017 Bonds Indenture and the 2018 Bonds Indenture.

“*Second Lien Parity Bonds*” means obligations, other than the Series 2001 Second Lien Bonds, the Series 2008 Second Lien Bonds, the Series 2010 Second Lien Bonds, the Series 2012 Second Lien Bonds, the Series 2014 Second Lien Bonds, the Series 2015 Second Lien Bonds, the Series 2017 Second Lien Bonds and the 2018 Bonds, which are payable from Second Lien Bond Revenues on an equal and ratable basis with all other Outstanding Second Lien Bonds.

“*Senior Lien Bonds*” means the Series 1998A Senior Lien Bonds and all Senior Lien Parity Bonds.

“*Senior Lien Construction Accounts*” means the various accounts established for construction purposes by the ordinances authorizing any Senior Lien Parity Bonds and any account established to pay costs of issuance of Senior Lien Bonds.

“*Senior Lien Parity Bonds*” means obligations, other than the Series 1998A Senior Lien Bonds, that are payable from Net Revenues Available for Bonds on an equal and ratable basis with all other Outstanding Senior Lien Bonds.

“*Senior Lien Rebate Account*” or “*Senior Lien Rebate Accounts*” means the separate account or accounts with that name in the Sewer Revenue Fund referred to in Section 2.2 of this Ordinance.

“*Series 1998 Bond Ordinance*” means the ordinance passed by the City Council on December 10, 1997, as amended by the City Council on February 5, 1998, authorizing the issuance of the Series 1998A Senior Lien Bonds.

“*Series 1998A Senior Lien Bonds*” means the Wastewater Transmission Revenue Bonds, Refunding Series 1998A, of the City authorized by and issued pursuant to the Series 1998 Bond Ordinance.

“*Series 2001 Bond Ordinance*” means the ordinance passed by the City Council on March 7, 2001, authorizing the issuance of the Series 2001 Second Lien Bonds.

“*Series 2001 Indenture*” means the Trust Indenture dated as of December 1, 2001 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2001 Second Lien Bonds.

“*Series 2001 Second Lien Bonds*” means the Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2001, of the City authorized pursuant to the Series 2001 Bond Ordinance and issued pursuant to the Series 2001 Indenture.

“*Series 2004 Bond Ordinance*” means the ordinance passed by the City Council on May 26, 2004, authorizing the issuance of the Series 2004B Second Lien Bonds (as defined in the Series 2017 Bond Ordinance).

“*Series 2006 Bond Ordinance*” means the ordinance passed by the City Council on October 4, 2006, authorizing the issuance of the Series 2006 Second Lien Bonds (as defined in the Series 2017 Bond Ordinance).

“*Series 2008 Bond Ordinance*” means the ordinance passed by the City Council on May 14, 2008, authorizing the issuance of the Series 2008 Second Lien Bonds.

“*Series 2008 Second Lien Bonds*” means the Series 2008A Second Lien Bonds and the Series 2008C Second Lien Bonds.

“*Series 2008A Indenture*” means the Trust Indenture dated as of November 1, 2008 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2008A Second Lien Bonds.

“*Series 2008C Indenture*” means the Amended and Restated Trust Indenture dated as of December 1, 2011, as amended from time to time, from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2008C Second Lien Bonds, amending and restating the original Trust Indenture, dated as of October 1, 2008, from the City to Amalgamated Bank of Chicago, as trustee.

“*Series 2008A Second Lien Bonds*” means the Second Lien Wastewater Transmission Revenue Bonds, Series 2008A, of the City authorized pursuant to the Series 2008 Bond Ordinance and issued pursuant to the Series 2008A Indenture, consisting of the \$167,635,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Series 2008A.

“*Series 2008C Second Lien Bonds*” means the Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2008C, of the City authorized pursuant to the Series 2008 Bond Ordinance and issued pursuant to the Series 2008C Indenture, consisting of the \$332,230,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2008C.

“*Series 2010 Bond Ordinance*” means the ordinance passed by the City Council on July 28, 2010, authorizing the issuance of the Series 2010 Second Lien Bonds.

“*Series 2010 Indenture*” means the Trust Indenture dated as of November 1, 2010 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2010 Second Lien Bonds.

“*Series 2010 Second Lien Bonds*” means the Series 2010A Second Lien Bonds and the Series 2010B Second Lien Bonds.

“*Series 2010A Second Lien Bonds*” means the Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2010A (Tax-Exempt), of the City authorized pursuant to the Series 2010 Bond Ordinance and issued pursuant to the Series 2010 Indenture, consisting of the \$25,865,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2010A (Tax-Exempt).

“*Series 2010B Second Lien Bonds*” means the Second Lien Wastewater Transmission Revenue Project Bonds, Taxable Series 2010B (Build America Bonds—Direct Payment), of the City authorized pursuant to the Series 2010 Bond Ordinance and

issued pursuant to the Series 2010 Indenture, consisting of the \$250,000,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Project Bonds, Taxable Series 2010B (Build America Bonds—Direct Payment).

“*Series 2012 Bond Ordinance*” means the ordinance passed by the City Council on May 9, 2012, authorizing the issuance of the Series 2012 Second Lien Bonds.

“*Series 2012 Indenture*” means the Trust Indenture dated as of September 1, 2012 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2012 Second Lien Bonds.

“*Series 2012 Second Lien Bonds*” means the Second Lien Wastewater Transmission Revenue Project Bonds, Series 2012, of the City authorized pursuant to the Series 2012 Bond Ordinance and issued pursuant to the Series 2012 Indenture, consisting of the \$276,470,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Project Bonds, Series 2012.

“*Series 2014 Bond Ordinance*” means the ordinance passed by the City Council on July 24, 2013, authorizing the issuance of the Series 2014 Second Lien Bonds.

“*Series 2014 Indenture*” means the Trust Indenture dated as of September 1, 2014 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2014 Second Lien Bonds.

“*Series 2014 Second Lien Bonds*” means the Wastewater Transmission Revenue Project Bonds, Series 2014 of the City authorized pursuant to the Series 2014 Bond Ordinance and issued pursuant to the Series 2014 Indenture, consisting of the \$292,405,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Project Bonds, Series 2014.

“*Series 2015 Bond Ordinance*” means the ordinance passed by the City Council on September 24, 2015, authorizing the issuance of the Series 2015 Second Lien Bonds.

“*Series 2015 Indenture*” means the Trust Indenture dated as of October 1, 2015 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2015 Second Lien Bonds.

“*Series 2015 Second Lien Bonds*” means the Wastewater Transmission Revenue Bonds, Series 2015 (Taxable) of the City authorized pursuant to the Series 2015 Bond Ordinance and issued pursuant to the Series 2015 Indenture, consisting of the \$87,080,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Series 2015 (Taxable).

“*Series 2017 Bond Ordinance*” means the ordinance passed by the City Council on January 13, 2016 and amended on October 11, 2017, authorizing the issuance of the Series 2017 Second Lien Bonds.

“*Series 2017 Indenture*” means the Trust Indenture dated as of June 1, 2017 from the City to Amalgamated Bank of Chicago, as trustee, providing for issuance of the Series 2017 Second Lien Bonds.

“*Series 2017 Second Lien Bonds*” means the Second Lien Wastewater Transmission Revenue Bonds, Series 2017 authorized pursuant to the Series 2017 Bond Ordinance and issued pursuant to the Series 2017 Indenture, consisting of the \$180,590,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Project Series 2017, and the \$215,485,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2017B.

“*Sewer Rate Stabilization Account*” means the separate account of that name established in the Sewer Revenue Fund as described in Section 2.2 of this Ordinance.

“*Sewer Revenue Fund*” means the separate fund designated the “*Sewer Revenue Fund of the City of Chicago*” previously established by the City pursuant to the Municipal Code and described in Section 2.1 of this Ordinance.

“*Sewer System*” means all property, real, personal or otherwise, owned or to be owned by the City or under the control of the City and used for sewer and wastewater transmissions and any and all further extensions, improvements and additions to the Sewer System.

“*Short Term Obligations*” means the Line of Credit Notes and the Commercial Paper Notes.

“*Subaccount*” or “*Subaccounts*” means, as applicable, one or more of the various subaccounts of the Sewer Revenue Fund as provided in Section 2.2 of this Ordinance or in any ordinance authorizing any Outstanding Bonds or Subordinate Lien Obligations.

“*Subordinate Lien Construction Accounts*” means the Construction Account: 2018 Subordinate Lien Obligations and the various accounts established for construction purposes by the ordinances authorizing any Subordinate Lien Obligations.

“*Subordinate Lien Debt Service Requirement*” means, for any Fiscal Year, the principal of and interest on Subordinate Lien Obligations required to be paid in that Fiscal Year.

“*Subordinate Lien Debt Service Reserve Requirement*” means such amount as provided in the applicable I.E.P.A. Loan Agreement. If so provided in an I.E.P.A. Loan Agreement, the Subordinate Lien Debt Service Reserve Requirement for the Subordinate Lien Obligations of a series may be funded over a period not to exceed five years.

“*Subordinate Lien Debt Service Reserve Subaccount*” means the separate subaccount of that name established by the City in the Subordinate Lien Obligations Account pursuant to Section 2.2(e) of this Ordinance and other ordinances authorizing the issuance of Subordinate Lien Obligations.

“Subordinate Lien Obligations Principal and Interest Subaccount” means the separate subaccount of that name established by the City in the Subordinate Lien Obligations Account pursuant to Section 2.2(e) of this Ordinance and other ordinances authorizing the issuance of Subordinate Lien Obligations.

“Subordinate Lien Obligation Revenues” means all sums, amounts, funds or monies which are deposited to the Subordinate Lien Obligations Account pursuant to Section 2.2(e) of this Ordinance.

“Subordinate Lien Obligations” means the 2018 Subordinate Lien Obligations and all other obligations that are payable from Subordinate Lien Obligation Revenues.

“Subordinate Lien Obligations Account” means the separate account of that name established in the Sewer Revenue Fund as provided in Section 2.2(e) of this Ordinance and other ordinances authorizing the issuance of Subordinate Lien Obligations.

“Taxable Bonds” has the meaning set forth in Section 3.3(c) of this Ordinance.

“2018 Bonds” means the Second Lien Wastewater Transmission Revenue Bonds, Series 2018, authorized by Section 3.1 of this Ordinance.

“2018 Bonds Indenture” means each Trust Indenture from the City to the 2018 Bonds Trustee substantially in the form authorized by Section 3.3(a) of this Ordinance, as it may be amended or supplemented from time to time in accordance with its provisions.

“2018 Bonds Trustee” means such banking institution as may be appointed by the Authorized Officer as trustee for the 2018 Bonds under the 2018 Bonds Indenture, or any successor to it in that capacity appointed by the Authorized Officer and any co-trustee separately appointed by the Authorized Officer pursuant to this Ordinance and the 2018 Bonds Indenture.

“2018 Obligations” means any combination of the 2018 Bonds and the 2018 Subordinate Lien Obligations.

“2018 Second Lien Bonds Subaccount” means the separate subaccount of that name established in the Second Lien Bonds Account as provided in Section 2.2 of this Ordinance.

“2018 Subordinate Lien Debt Service Reserve Sub-subaccount” means the separate sub-subaccount of that name established in the Subordinate Lien Debt Service Reserve Subaccount pursuant to Section 2.2(e) of this Ordinance and described in Section 8.2 of this Ordinance.

“2018 Subordinate Lien Obligations” means the Subordinate Lien Wastewater Transmission Revenue Bonds, Series 2018, issued in connection with I.E.P.A. Loan Agreements, as authorized by Section 6.1 of this Ordinance.

“2018 Subordinate Lien Principal and Interest Sub-subaccount” means the separate sub-subaccount of that name established in the Subordinate Lien Obligations Principal and Interest Subaccount pursuant to Section 2.2(e) of this Ordinance and described in Section 8.1 of this Ordinance.

“Variable Rate Bonds” means any Senior Lien Bonds or Second Lien Bonds, the interest rate on which is not established at the time of issuance thereof at a single numerical rate for the entire term thereof.

ARTICLE II.

SEWER REVENUE FUND AND ACCOUNTS.

Section 2.1. Sewer Revenue Fund. There has been created and there exists a separate fund of the City designated the Sewer Revenue Fund into which the Gross Revenues of the Sewer System are and shall be deposited as collected. The Sewer Revenue Fund shall continue as a separate fund of the City. The Sewer Revenue Fund shall constitute a trust fund and has been and is irrevocably pledged to the owners of the Senior Lien Bonds, the Second Lien Bonds (but solely with respect to amounts on deposit in the Second Lien Bonds Account), the Subordinate Lien Obligations (but solely with respect to amounts on deposit in the Subordinate Lien Obligations Account), and the Short Term Obligations (but solely with respect to amounts on deposit in the Commercial Paper and Line of Credit Account), from time to time Outstanding for the sole purpose of carrying out the covenants, terms and conditions of this Ordinance and the ordinances authorizing the issuance of Senior Lien Bonds, the Second Lien Bonds (but solely with respect to amounts on deposit in the Second Lien Bonds Account), the Subordinate Lien Obligations (but solely with respect to amounts on deposit in the Subordinate Lien Obligations Account), and the Short Term Obligations (but solely with respect to amounts on deposit in the Commercial Paper and Line of Credit Account).

The Sewer Revenue Fund shall be used only as provided in this Ordinance and the ordinances authorizing Outstanding Bonds, Subordinate Lien Obligations or Short Term Obligations for (a) paying Operation and Maintenance Costs, (b) paying the principal of, redemption premium, if any, and interest on Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations and Short Term Obligations or purchasing Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations or Short Term Obligations, in each case as provided herein, and (c) establishing and maintaining (for the purposes specified in those ordinances) the Senior Lien Construction Accounts and the Accounts in the Sewer Revenue Fund described in Section 2.2 of this Ordinance and all other reserve funds or accounts that are required to be established and maintained in the ordinances authorizing the issuance of Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations and Short Term Obligations, provided that any funds available after these requirements have been satisfied or that are not necessary to satisfy these requirements may be used for any lawful purpose of the Sewer System.

A lien on and security interest in the Net Revenues Available for Bonds and the various Accounts of the Sewer Revenue Fund established as provided in Section 2.2 of this Ordinance (other than the Second Lien Bonds Account, the Subordinate Lien Obligations Account and the Commercial Paper and Line of Credit Account) and in the Senior Lien Construction Accounts

are granted to the owners of the Senior Lien Bonds Outstanding from time to time, subject to amounts in the various Accounts being deposited, credited and expended as provided in this Ordinance. No lien or security interest in the Senior Lien Construction Accounts is granted to any owner of any Second Lien Bond, Subordinate Lien Obligation or Short Term Obligation. Nothing in this Ordinance shall prevent the City from commingling money in the Sewer Revenue Fund (except the Accounts to which reference is made in paragraphs (a) through (f) of Section 2.2 of this Ordinance and the Senior Lien Construction Accounts) with other money, funds and accounts of the City. Any advance by the City to the Sewer Revenue Fund from other funds of the City shall have a claim for reimbursement only from amounts in the Sewer Revenue Fund not required for deposit in the various Accounts specified in paragraphs (a) through (f) of Section 2.2 of this Ordinance.

Section 2.2. Application of Net Revenues Available For Bonds. There have been created and there exist in the Sewer Revenue Fund the following separate accounts: the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, the Sewer Rate Stabilization Account and the Senior Lien Rebate Accounts. There also have been created and shall be maintained in the Sewer Revenue Fund (i) the Second Lien Bonds Account and its various Subaccounts for each series of Second Lien Bonds; (ii) the Subordinate Lien Obligations Account and its various Subaccounts for each series of Subordinate Lien Obligations; and (iii) the Commercial Paper and Line of Credit Account and its various Subaccounts. The Net Revenues Available for Bonds shall be transferred, without any further official action or direction, to the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, the Senior Lien Rebate Accounts, the Second Lien Bonds Account, the Subordinate Lien Obligations Account, the Commercial Paper and Line of Credit Account and the Sewer Rate Stabilization Account in the order in which those accounts are listed below, for use in accordance with the provisions of this Section 2.2.

(a) **Bond Principal and Interest Account.** Not later than 10 days prior to each principal or interest payment date for the Senior Lien Bonds, there shall be transferred to the Bond Principal and Interest Account sufficient funds to pay the amount of the principal, redemption premium, if any, and interest becoming due, whether upon maturity, redemption or otherwise, and amounts owed on Interest Rate Hedge Agreements for any Outstanding Senior Lien Bonds on such payment date on all Outstanding Senior Lien Bonds.

Funds in the Bond Principal and Interest Account shall be used only for the purpose of paying principal of, redemption premium, if any, and interest on Outstanding Senior Lien Bonds and amounts owed on Interest Rate Hedge Agreements for any Outstanding Senior Lien Bonds as the same become due.

(b) **Bond Debt Service Reserve Account.**

(i) Amounts in the Bond Debt Service Reserve Account shall be deposited in a separate account with a Depository designated by the Authorized Officer. Whenever the balance in the Bond Debt Service Reserve Account is less than the Bond Debt Service Reserve Requirement for the Senior Lien Bonds, except as permitted pursuant to the provisions of any ordinance authorizing the issuance of any Senior Lien Bonds, there shall be transferred to the Bond Debt Service Reserve Account within the next 12 months

sufficient funds to maintain balances in the Bond Debt Service Reserve Account at least equal to the Bond Debt Service Reserve Requirement for the Senior Lien Bonds.

Except as may be required to be credited to the Senior Lien Rebate Accounts and except for amounts in excess of the Bond Debt Service Reserve Requirement (which excess amounts may be transferred to any account of the Sewer Revenue Fund), funds in the Bond Debt Service Reserve Account and any Bond Debt Service Reserve Account Credit Instruments in that Account shall be used to pay principal of, redemption premium, if any, and interest on the Senior Lien Bonds as the same become due at any time when there are insufficient funds available for such purpose in the Bond Principal and Interest Account (after any available amounts in the Sewer Rate Stabilization Account have first been applied to that purpose).

(ii) All or any part of the Bond Debt Service Reserve Requirement may be met by deposit in the Bond Debt Service Reserve Account of one or more Bond Debt Service Reserve Account Credit Instruments. A Bond Debt Service Reserve Account Credit Instrument shall, for purposes of determining the value of the amounts on deposit in the Bond Debt Service Reserve Account, be valued at the Bond Debt Service Reserve Account Credit Instrument Coverage for the Bond Debt Service Reserve Account Credit Instrument except as provided in the next sentence. If a Bond Debt Service Reserve Account Credit Instrument is to terminate (or is subject to termination) prior to the last principal payment date on any Outstanding Senior Lien Bond, then the Bond Debt Service Reserve Account Credit Instrument Coverage of that Bond Debt Service Reserve Account Credit Instrument shall be reduced each year, beginning on the date that is four years prior to the first date on which the Bond Debt Service Reserve Account Credit Instrument is to terminate (or is subject to termination), by 25 percent of the coverage in each of the years remaining prior to such date, provided that if by the terms of the Bond Debt Service Reserve Account Credit Instrument and the terms of the related ordinance, the City has the right and duty to draw upon the Bond Debt Service Reserve Account Credit Instrument prior to its termination for deposit in the Bond Debt Service Reserve Account (if and to the extent a substitute Bond Debt Service Reserve Account Credit Instrument is not deposited in the Bond Debt Service Reserve Account) all or part of its Bond Debt Service Reserve Account Credit Instrument Coverage, then the reduction shall be in an amount equal to the difference between (A) the Bond Debt Service Reserve Requirement and (B) the sum of the amounts on deposit in the Bond Debt Service Reserve Account and the amount that the City may draw under the Bond Debt Service Reserve Account Credit Instrument prior to its termination for deposit in the Bond Debt Service Reserve Account. Any amounts in the Bond Debt Service Reserve Account that are not required to be transferred to the Bond Principal and Interest Account may, from time to time, be used to pay costs of acquiring a Bond Debt Service Reserve Account Credit Instrument or to make payments due under a Bond Debt Service Reserve Reimbursement Agreement, but only if after such payment, the value of the Bond Debt Service Reserve Account shall not be less than the Bond Debt Service Reserve Requirement. The City pledges and grants a lien on and security interest in the amounts on deposit in the Bond Debt Service Reserve Account to any Bond Debt Service Reserve Provider with respect to such Bond Debt Service Reserve Provider's Bond Debt Service Reserve Account Credit Instrument, provided that the pledge, lien and security interest

shall be junior to any claim for the benefit of the owners of the Outstanding Senior Lien Bonds or any party to an Interest Rate Hedge Agreement related thereto.

After the deposit of a Bond Debt Service Reserve Account Credit Instrument into the Bond Debt Service Reserve Account and after the City has received notice of the value of the Bond Debt Service Reserve Account after such deposit, the Authorized Officer may then direct the transfer from the Bond Debt Service Reserve Account to any account of the Sewer Revenue Fund of any amounts in the Bond Debt Service Reserve Account in excess of the Bond Debt Service Reserve Requirement.

(c) **Senior Lien Rebate Accounts.** There shall be transferred from the Sewer Revenue Fund from Net Revenues Available for Bonds and deposited to the credit of the Senior Lien Rebate Accounts the amounts as shall be required to be held available for rebate to the United States of America with respect to each series of Senior Lien Bonds as required by the provisions of any ordinance authorizing the issuance of Senior Lien Bonds. Any such Senior Lien Rebate Account shall be deposited in a separate bank account in a bank or banks designated by the Authorized Officer as a Depository pursuant to a depository agreement. The amount so to be held available shall be determined from time to time by the City pursuant to the ordinances authorizing the various series of Senior Lien Bonds.

Amounts in such Senior Lien Rebate Accounts shall be used at the direction of the Authorized Officer to make rebate payments to the United States of America.

(d) **Second Lien Bonds Account.** There is established in the Second Lien Bonds Account with respect to the 2018 Bonds a separate and segregated subaccount designated the "2018 Second Lien Bonds Subaccount"; provided, however, that such designation may be modified by the Authorized Officer to reflect the year in which the 2018 Bonds are first issued. There may be established by any ordinances authorizing the issuance of any series of Second Lien Parity Bonds one or more other Subaccounts in the Second Lien Bonds Account with respect to one or more series of such Second Lien Parity Bonds. On the Business Day immediately preceding each January 1 and July 1, there shall be transferred to the Second Lien Bonds Account, the amount required by the 2018 Bonds Indenture and the amount required by any ordinance authorizing the issuance of Second Lien Parity Bonds to be deposited in the Second Lien Bonds Account on such date without priority, one over the other, as to any Subaccounts within the Second Lien Bonds Account. The amount to be so deposited shall be specified in a certificate of the Authorized Officer. The moneys in the various Subaccounts of the Second Lien Bonds Account shall be transferred by the Authorized Officer on the date so deposited in such various Subaccounts to the appropriate paying agents or trustees for the related series of Second Lien Bonds for the purpose of paying such amounts as may be required to be paid by the ordinances and related indentures authorizing such Second Lien Bonds, including amounts owed with respect to any Interest Rate Hedge Agreements for such Second Lien Bonds.

(e) **Subordinate Lien Obligations Account.** There are established in the Subordinate Lien Obligations Account with respect to the 2018 Subordinate Lien Obligations a separate and segregated Subordinate Lien Obligations Principal and Interest Subaccount and a separate and segregated Subordinate Lien Debt Service Reserve Subaccount for the purposes set forth in Section 2.1 of this Ordinance and this Section 2.2. There are established (i) in the

Subordinate Lien Obligations Principal and Interest Subaccount with respect to the 2018 Subordinate Lien Obligations a separate and segregated 2018 Subordinate Lien Principal and Interest Sub-subaccount and (ii) in the Subordinate Lien Debt Service Reserve Subaccount a separate and segregated 2018 Subordinate Lien Debt Service Reserve Sub-subaccount. On the Business Day immediately preceding each January 1 and July 1, there shall be transferred to the Subordinate Lien Obligations Account, the amount required by any ordinance authorizing Subordinate Lien Obligations to be deposited in the Subordinate Lien Obligations Account on such date without priority, one over the other, to any Subaccounts within the Subordinate Lien Obligations Account, the amount to be so deposited specified in a certificate of the Authorized Officer. The monies in the various Subaccounts of the Subordinate Lien Obligations Account shall be used to pay such amounts as may be required to be paid by the ordinances authorizing such Subordinate Lien Obligations.

(f) **Commercial Paper and Line of Credit Account.** There shall be transferred to the Commercial Paper and Line of Credit Account and to the Subaccounts in the Commercial Paper and Line of Credit Account such amounts on such dates as are required to be so transferred by the applicable CP Indenture governing the terms of such Commercial Paper Notes and the applicable Line of Credit Agreement governing the terms of such Line of Credit Notes. The moneys in the various Subaccounts of the Commercial Paper and Line of Credit Account shall be transferred by the Authorized Officer on the date so deposited in such various Subaccounts to the appropriate paying agents or trustees for the related Commercial Paper Notes for the purpose of paying such amounts as may be required to be paid by the ordinances and related CP Indenture governing such Commercial Paper Notes and for the related Line of Credit Notes for the purpose of paying such amounts as may be required to be paid by the ordinances and related Line of Credit Agreement governing such Line of Credit Notes.

(g) **Sewer Rate Stabilization Account.** In any year the City may withdraw any amounts from the Sewer Rate Stabilization Account and use those amounts for paying any expenses or obligations of the Sewer System, including, without limitation, any Operation and Maintenance Costs, deposits in the Bond Principal and Interest Account, deposits in the Bond Debt Service Reserve Account, deposits when due in the Second Lien Bonds Account (but only if and to the extent no amounts are required to be deposited in the Bond Principal and Interest Account and the Bond Debt Service Reserve Account), deposits when due in the Subordinate Lien Obligations Account (but only if and to the extent no amounts are required to be deposited in the Bond Principal and Interest Account, the various Subaccounts of the Bond Debt Service Reserve Account as provided in the immediately succeeding sentence or in the Second Lien Bonds Account), deposits when due in the Commercial Paper and Line of Credit Account (but only if and to the extent no amounts are required to be deposited in the Bond Principal and Interest Account, the various Subaccounts of the Bond Debt Service Reserve Account as provided in the immediately succeeding sentence, in the Second Lien Bonds Account or in the Subordinate Lien Obligations Account), the costs related to any Interest Rate Hedge Agreements or other similar arrangements entered into pursuant to ordinances authorizing the issuance of Outstanding Senior Lien Bonds, Outstanding Second Lien Bonds, the Subordinate Lien Obligations and the Short Term Obligations in that order of priority, or any cost of repairs, replacements, renewals, improvements, equipment or extensions to the Sewer System. The Sewer Rate Stabilization Account shall be used to make all required deposits in the Bond Principal and Interest Account and the Bond Debt Service Reserve Account when no other funds

are available for that purpose. Any Net Revenues remaining in any period and not required for transfer to the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, any Senior Lien Rebate Account, the Second Lien Bonds Account, the Subordinate Lien Obligations Account or the Commercial Paper and Line of Credit Account may be transferred to the Sewer Rate Stabilization Account at any time upon the direction of the Authorized Officer.

Section 2.3. Deficiencies; Excess. In the event of a deficiency in any Fiscal Year in the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, any Senior Lien Rebate Account, the Second Lien Bonds Account, the Subordinate Lien Obligations Account or the Commercial Paper and Line of Credit Account, the amount of such deficiency shall be included in the amount to be transferred from the Sewer Revenue Fund and deposited into such account during the next 12-month period or succeeding Fiscal Year, as required by this Ordinance.

Whenever the balance in the Bond Debt Service Reserve Account or any Senior Lien Rebate Account exceeds the amount required to be on deposit in that Account, such excess may be transferred to the Sewer Revenue Fund, provided that no such transfers shall be made when any debt service payments on outstanding obligations of the City that are payable by their terms from the revenues of the Sewer System are past due. Any funds that remain in the Sewer Revenue Fund at the end of any Fiscal Year shall be retained in the Sewer Revenue Fund and shall be available for appropriation for any proper purpose of the Sewer System.

Section 2.4. Investments. Funds in the Accounts established as provided in Section 2.2 of this Ordinance shall be invested in Permitted Investments. All amounts in the Bond Debt Service Reserve Account and each Senior Lien Rebate Account shall be invested in Permitted Investments that are held separate and distinct from those of any other Fund or Account. Investments shall be scheduled to mature before needed for the respective purposes of each of such accounts. All Investment Earnings on any such Accounts so invested as provided in this Section 2.4 shall be credited to the Sewer Revenue Fund and shall be considered Gross Revenues provided that earnings on the investment of amounts on deposit in the Senior Lien Rebate Accounts shall not be Investment Earnings, shall not be considered Gross Revenues, and shall be retained in the respective Senior Lien Rebate Accounts except to the extent no longer required for rebate purposes.

For purposes of determining whether sufficient cash and investments are on deposit in such Accounts under the terms and requirements of this Ordinance, investments shall be valued at cost or market price, whichever is lower, on or about December 31 in each year.

ARTICLE III.

DETAILS OF THE 2018 BONDS.

Section 3.1. Principal Amount, Designation, Sources of Payment. The City is authorized to borrow money for one or more of the purposes specified in Section 3.2 of this Ordinance and in evidence of its obligation to repay the borrowing is authorized (i) to issue the 2018 Bonds in one or more separate series for Project Costs and/or Refunding Purposes, in an aggregate principal amount not to exceed \$400,000,000 plus an additional amount equal to the

amount of original issue discount (not to exceed 15 percent of the aggregate principal amount of any such series of 2018 Bonds) used in the marketing of the 2018 Bonds of a series and (ii) to enter into the 2018 Subordinate Lien Obligations in the form of I.E.P.A. Loans in accordance with Article VI of this Ordinance in an amount not to exceed \$200,000,000. The 2018 Bonds shall be issued pursuant to one or more 2018 Bonds Indentures. The 2018 Bonds shall be designated "Second Lien Wastewater Transmission Revenue Bonds, Project Series 2018" or "Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2018" or such other designation as shall be set forth in the applicable Determination Certificate, which shall recognize, among other things, the year in which the series is issued and the second lien status of the 2018 Bonds. If the 2018 Bonds are issued (i) in more than one series, each series shall be appropriately designated to indicate the order of its issuance and lien status or (ii) for fewer than all of the purposes authorized in Section 3.2 of this Ordinance, they may be appropriately designated to indicate the purpose or purposes for which such series of 2018 Bonds are issued. The 2018 Obligations shall be limited obligations of the City having a claim for payment of principal, redemption premium and interest solely from, to the extent issued as 2018 Bonds, amounts in the 2018 Second Lien Bonds Subaccount of the Second Lien Bonds Account, the sources pledged under the 2018 Bonds Indenture and, together with the Outstanding Second Lien Bonds and any Second Lien Parity Bonds, from Second Lien Bond Revenues and from amounts on deposit in the Second Lien Construction Accounts, if any, and to the extent issued as Subordinate Lien Obligations, as set forth in Article VI hereof. The 2018 Bonds shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations as to indebtedness and shall have no claim to be paid from taxes of the City. Each 2018 Bond shall contain a statement to that effect. A lien on and security interest in Second Lien Bond Revenues and amounts in the applicable 2018 Second Lien Bonds Subaccount and the applicable Second Lien Construction Accounts is granted to the Registered Owners of the 2018 Bonds Outstanding from time to time, subject to amounts in those Accounts being deposited, credited and expended as provided in this Ordinance.

Section 3.2. Purposes. Subject to the limitations set forth in this Ordinance, the borrowing and issuance of the 2018 Bonds authorized in Section 3.1 of this Ordinance shall be for one or more of the purposes described in subsection 1.2(d) of this Ordinance.

Section 3.3. Approval of 2018 Bonds Indenture, Bond Provisions.

(a) The Authorized Officer is authorized with respect to each series of 2018 Bonds to execute and deliver one or more 2018 Bonds Indentures on behalf of the City in substantially the form previously used for similar financings of the City with appropriate revisions to reflect the terms and provisions of the 2018 Bonds of such series, and the Clerk is authorized to attest the same and to affix to the same the corporate seal of the City or a facsimile of such corporate seal. The 2018 Bonds Indenture may contain such changes and revisions consistent with the purposes and intent of this Ordinance, including such changes and revisions as shall be necessary in connection with the refunding of any Outstanding Bonds and such changes and revisions to the defined terms contained in Section 1.1, Section 1.2 and Section 1.3 of this Ordinance, as shall be approved by the Authorized Officer, the execution and delivery of such 2018 Bonds Indenture to constitute conclusive evidence of the City Council's approval of any and all of such changes or revisions in such instruments. The 2018 Bonds Indenture shall set forth such covenants with respect to the imposition of Sewer System rates, the issuance of Senior Lien Parity Bonds or

Second Lien Parity Bonds (as applicable), the application of funds in the Sewer Revenue Fund and the applicable Accounts and other matters relating to the 2018 Bonds, and the security therefor as shall be deemed necessary by the Authorized Officer in connection with the sale of any series of 2018 Bonds, provided that such covenants are not inconsistent with the terms of this Ordinance.

(b) The 2018 Bonds may be issued bearing interest at a fixed interest rate or rates.

(c) Any portion of the 2018 Bonds may be issued as bonds the interest on which is includible in the gross income of their owners for federal income tax purposes (“*Taxable Bonds*”) if doing so is determined by the Authorized Officer to be beneficial to the City.

(d) The 2018 Bonds shall mature not later than January 1, 2059, and shall bear interest until the City’s obligation with respect to the payment of the principal amount thereof shall be discharged, payable as provided in the 2018 Bonds Indenture at a rate or rates not in excess of 10 percent per annum. Each series of 2018 Bonds may be subject to mandatory and optional redemption prior to maturity and may be subject to demand purchase or mandatory purchase provisions, upon the terms and conditions set forth in the 2018 Bonds Indenture. At the time of sale of a series of the 2018 Bonds, the Authorized Officer is authorized to determine the manner of redeeming such 2018 Bonds, either pro rata and/or by lot, if less than all of such 2018 Bonds of a single maturity and the same interest rate are to be redeemed.

(e) Each 2018 Bond shall be issued in fully registered form and in the denominations set forth in the 2018 Bonds Indenture; and shall be dated and numbered and further designated and identified as provided in the 2018 Bonds Indenture.

(f) Principal of, redemption premium, if any, and interest on the 2018 Bonds shall be payable as provided in the 2018 Bonds Indenture.

(g) Subject to the limitations set forth in Section 3.1 of this Ordinance and in this Section 3.3, authority is delegated to the Authorized Officer to determine the purpose or purposes (specified in Section 3.2 of this Ordinance) for which the 2018 Bonds are to be issued, the aggregate principal amount of 2018 Bonds to be issued, the date thereof, the maturities thereof, any provisions for optional redemption thereof (which optional redemption shall (except as provided in subsection (h) below) be at redemption prices not exceeding 120 percent of the principal amount of the 2018 Bonds to be so redeemed), the schedule of sinking fund payments to be applied to the mandatory redemption thereof (which mandatory redemption shall be at a redemption price equal to the principal amount of each 2018 Bond to be redeemed, without premium, plus accrued interest), the rate or rates of interest payable thereon, and the first interest payment date thereof.

(h) Notwithstanding the foregoing, the 120 percent limitation on the redemption price of 2018 Bonds shall not apply where the redemption price is based upon a formula designed to compensate the Registered Owners of 2018 Bonds to be redeemed based upon prevailing market conditions on the date fixed for redemption, commonly known as a “make-whole” redemption price (the “*Make-Whole Redemption Price*”). At the time of sale of the 2018 Bonds, the Authorized Officer shall determine the provisions of the formula to be used to establish any

Make-Whole Redemption Price, which may vary depending on whether 2018 Bonds are issued on a taxable or tax-exempt basis. The Authorized Officer shall confirm and transmit the applicable Make-Whole Redemption Price on such dates and to such parties as shall be necessary to effectuate such redemption.

Section 3.4. Determination by Authorized Officer as to Borrowing for the Projects and the Refunding of Outstanding Bonds. Upon the sale of a series of the 2018 Bonds, the Authorized Officer shall determine the amount to be borrowed for each of the purposes identified in Section 3.2 of this Ordinance, which may not exceed the amounts authorized by this Ordinance for each such purpose and such determinations shall be set forth in the applicable Determination Certificate.

Section 3.5. Sale of 2018 Bonds.

(a) The Authorized Officer is authorized to execute on behalf of the City, with the concurrence of the Chairman of the Committee on Finance of the City Council (or, in the event of the absence or unavailability of the Chairman for any reason, with the concurrence of the Vice Chairman of the Committee on Finance), one or more Bond Purchase Agreements for the sale by the City of the 2018 Bonds to the Initial Purchasers selected by the Authorized Officer pursuant to a negotiated sale on such terms as the Authorized Officer may deem to be in the best interests of the City, as provided in this Ordinance. Such terms include, without limitation, the aggregate principal amount of the 2018 Bonds of such series, the amount of any original issue discount, the maturity or maturities of the 2018 Bonds of such series, the issuance of such 2018 Bonds as serial bonds or as term bonds subject to mandatory sinking fund redemption or as any combination of serial bonds and term bonds, the numbering of such 2018 Bonds, the interest rate or rates or interest rate determination method or methods for such 2018 Bonds and the redemption terms applicable to such 2018 Bonds, all as provided in and subject to the limitations expressed in this Article III. The purchase price of the 2018 Bonds of a series shall not be less than 85 percent of the original principal amount of such 2018 Bonds plus any accrued interest on such 2018 Bonds from their date to the date of their delivery and less any original issue discount on the 2018 Bonds. Each Bond Purchase Agreement shall be in substantially the form previously used for similar financings of the City with appropriate revisions to reflect the terms and provisions of the 2018 Bonds and such other revisions in text as the Authorized Officer shall determine are desirable or necessary in connection with the sale of the 2018 Bonds. The Authorized Officer may in the applicable Determination Certificate make such changes to the terms of the 2018 Bonds of each series from those provided in this Ordinance as he or she shall determine but that shall result in the 2018 Bonds having substantially the terms and being in substantially the form provided by this Ordinance. The compensation paid to the Initial Purchasers in connection with any sale of 2018 Bonds shall not exceed five percent of the principal amount of the 2018 Bonds being sold. Nothing contained in this Ordinance shall limit the sale of the 2018 Bonds or any maturity or maturities thereof at a price or prices in excess of the principal amount thereof.

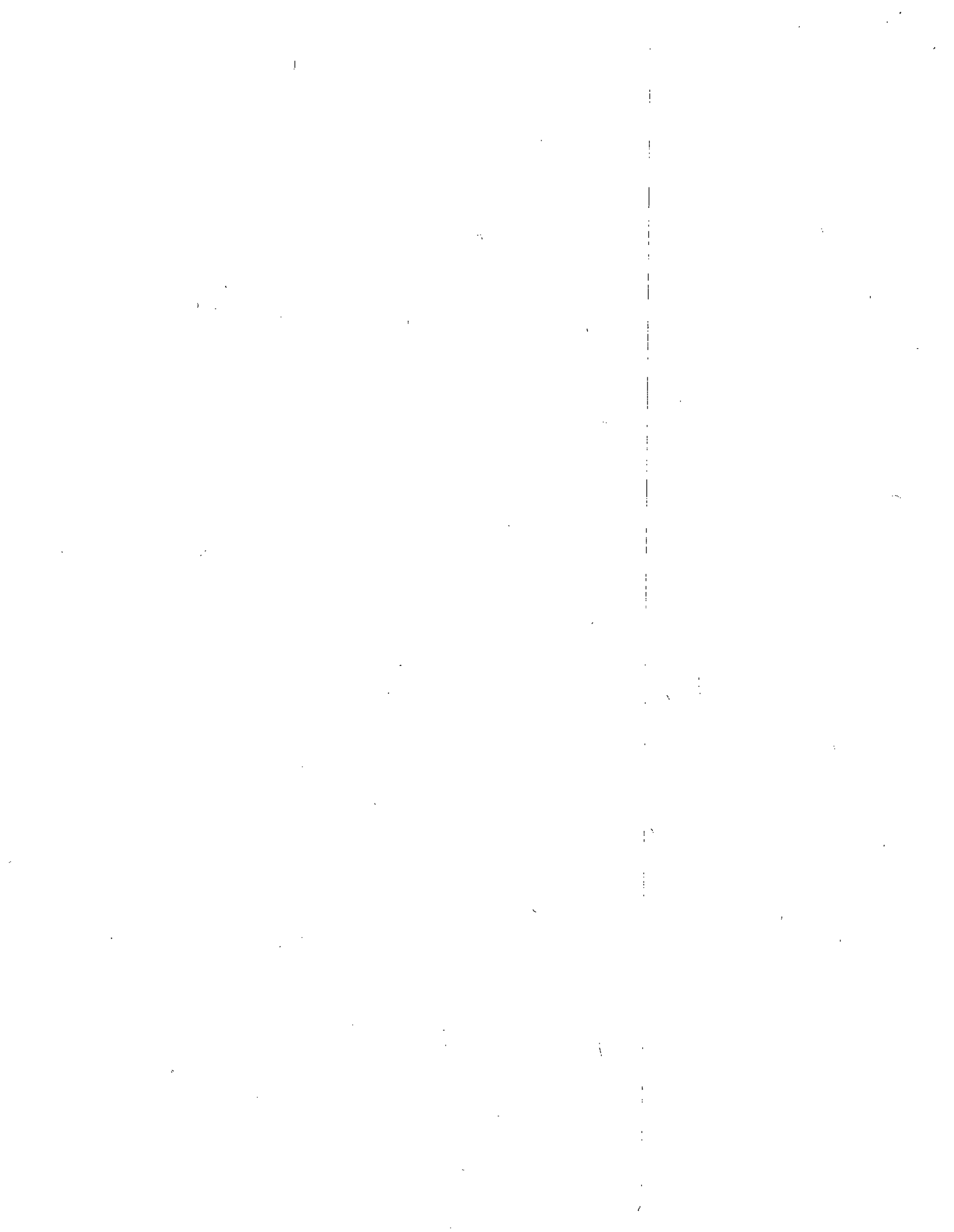
(b) The Authorized Officer also is authorized to select the 2018 Bonds Trustee. The Authorized Officer is further authorized to take the actions and execute and deliver the documents and instruments specified in this Ordinance. The 2018 Bonds shall be then duly

prepared and executed in the form and manner provided in this Ordinance and delivered to the Initial Purchasers upon payment for them in accordance with the terms of sale.

(c) The Authorized Officer is authorized to cause to be prepared and delivered to prospective purchasers of the 2018 Bonds of a series one or more Preliminary Official Statements or other disclosure documents as shall be approved by the Authorized Officer, that shall be in substantially the forms previously used for similar financings of the City with appropriate revisions to reflect the terms and provisions of the 2018 Bonds of such series and to describe accurately the current condition of the Sewer System and the parties to the financing. Upon the sale of the 2018 Bonds of a series, the Authorized Officer is authorized to cause a final Official Statement or other disclosure document to be prepared, executed and (i) delivered to the Initial Purchasers and (ii) filed with the Office of the Clerk directed to the City Council.

(d) Upon a finding by the Authorized Officer that the purchase of municipal bond insurance for all or any part of the 2018 Bonds is likely to facilitate the marketing and sale of the 2018 Bonds and permit completion of such sale in a timely fashion, and that such insurance is available at an acceptable premium, the Authorized Officer is authorized to cause the City to purchase a policy of municipal bond insurance for such 2018 Bonds, payable from amounts received upon the sale of such 2018 Bonds or from available funds in the Sewer Revenue Fund, and to execute any related agreements with the provider of such municipal bond insurance. Such policy shall be provided by a bond insurance company or association approved by the Authorized Officer. In addition, upon a finding by the Authorized Officer that the purchase of a Debt Service Reserve Account Credit Instrument is appropriate, and that such Debt Service Reserve Account Credit Instrument is available at an acceptable cost, the Authorized Officer is authorized to cause the City to obtain a Debt Service Reserve Account Credit Instrument to satisfy the Debt Service Reserve Requirement for the 2018 Bonds of a series, the cost of which shall be payable from amounts received upon the sale of such 2018 Bonds or from available funds in the Sewer Revenue Fund, and to execute a Debt Service Reserve Reimbursement Agreement and any related agreements with the Debt Service Reserve Provider of such Debt Service Reserve Account Credit Instrument. The Authorized Officer may on behalf of the City make necessary covenants with respect to any municipal bond insurance or Debt Service Reserve Account Credit Instrument consistent with this Ordinance.

(e) Subsequent to each such sale, the Authorized Officer shall file in the Office of the Clerk, directed to the City Council (i) a Determination Certificate setting forth, or referring to the 2018 Bonds Indenture filed pursuant to clause (iv), below, to evidence (A) the designation and the terms of sale of the 2018 Bonds of a series, (B) the interest rate or rates or interest rate determination method or methods for such 2018 Bonds, (C) the identities of the 2018 Bonds Trustee and the Initial Purchasers, (D) the specific amounts and maturities of the Outstanding Bonds to be refunded with proceeds of the 2018 Bonds of such series (the "*Refunded Bonds*"), (E) the date or dates on and price or prices at which the Refunded Bonds are to be redeemed, (F) the amount of any original issue discount, (G) any arrangements made for municipal bond insurance or Debt Service Reserve Account Credit Instrument, including any covenants made by the City with respect thereto, and (H) the determinations made pursuant to Section 3.4 of this Ordinance with respect to the purpose or purposes specified in Section 3.2 of this Ordinance for which the 2018 Bonds are being issued, the amount or amounts being borrowed for each such purpose, (ii) an executed copy of the Bond Purchase Agreement reflecting concurrence of the



Chairman of the Committee on Finance of the City Council (or, in the event of the absence or unavailability of the Chairman for any reason, the concurrence of the Vice Chairman of the Committee on Finance) in the determinations made by the Authorized Officer as to the terms of sale of the 2018 Bonds of such series; (iii) the final Official Statement of the City or other disclosure document as provided in Section 3.5(c) above with respect to such 2018 Bonds; and (iv) the 2018 Bonds Indenture authorizing such series in the form to be executed and delivered by the City.

(f) The 2018 Bonds may be issued in either certificated or book-entry form as determined by the Authorized Officer. In connection with the issuance of any 2018 Bonds issued in book-entry form, the Authorized Officer is authorized to select the book-entry depository and to execute and deliver a representation letter to the book-entry depository.

(g) The Mayor or the Authorized Officer is authorized to execute and deliver a Continuing Disclosure Undertaking with respect to each series of the 2018 Bonds (the "*Continuing Disclosure Undertaking*") evidencing the City's agreement to enable the Initial Purchasers to comply with the requirements of Section (b)(5) of Rule 15c2-12 (the "*Rule*") adopted by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 in a form approved by the Corporation Counsel if required by the Rule. Upon its execution and delivery on behalf of the City as herein provided, each Continuing Disclosure Undertaking shall be binding upon the City. The officers, employees and agents of the City including, without limitation, the Authorized Officer, are authorized to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of each Continuing Disclosure Undertaking as executed. The Authorized Officer is further authorized to amend the Continuing Disclosure Undertaking in accordance with its terms from time to time following its execution and delivery as said officer shall deem necessary. Notwithstanding any other provision of this Ordinance, the sole remedies for failure to comply with any Continuing Disclosure Undertaking shall be the ability of the beneficial owner of any 2018 Bond to seek mandamus or specific performance by court order to cause the City to comply with its obligations under any Continuing Disclosure Undertaking. No failure by the City to comply with the Continuing Disclosure Undertaking shall constitute a default under this Ordinance, the 2018 Bonds Indenture, or the 2018 Bonds.

ARTICLE IV.

CONSTRUCTION ACCOUNT; ESCROW ACCOUNT FOR REFUNDED BONDS; OPERATION OF SEWER REVENUE FUND WHEN NO SENIOR LIEN BONDS ARE OUTSTANDING

Section 4.1. Construction Account; Establishment; Deposit of Funds; Uses.

(a) The City shall establish a separate account in the Sewer Revenue Fund designated the "*Construction Account: 2018 Second Lien Bonds.*"

(b) The proceeds of sale of the 2018 Bonds of a series described in the applicable Determination Certificate as being issued for the purposes set forth in paragraph (c). below, and as required by the 2018 Bonds Indenture, shall be deposited to the credit of the Construction

Account: 2018 Second Lien Bonds. This account shall be held in a separate account by a Depository. Funds in the Construction Account: 2018 Second Lien Bonds shall be invested by the Depository at the direction of the Authorized Officer in Permitted Investments, provided that such investments shall be scheduled to mature before the moneys invested are needed to pay Project Costs, including Costs of Issuance and any capitalized interest. All interest received on or profits derived from such investments shall remain in the Construction Account: 2018 Second Lien Bonds until disbursed as provided in paragraph (c) below.

(c) Disbursements shall be made from the Construction Account: 2018 Second Lien Bonds from time to time for the purpose of paying Project Costs, including Costs of Issuance and paying capitalized interest on the 2018 Bonds. The money received from the 2018 Bonds and deposited in the Construction Account: 2018 Second Lien Bonds shall be used to provide funds for all or any part of the Projects. The Projects for which disbursements may be made from the Construction Account: 2018 Second Lien Bonds may be amended from time to time by the Budget Director or an Authorized Officer to provide for the efficient operation of the Sewer System.

Within 60 days after completion of the Projects and the payment of all Project Costs, any funds remaining in the Construction Account: 2018 Second Lien Bonds shall be transmitted by the Depository to the City for transfer to any Debt Service Reserve Account established under any 2018 Bonds Indenture for a series of 2018 Bonds of the same lien status, or, if such account is not required to be funded, to the Sewer Revenue Fund, provided that no such transfer shall be made to any Debt Service Reserve Account if the sum of (i) the proceeds of the 2018 Bonds of such series previously deposited in such Debt Service Reserve Account, other than from the Construction Account: 2018 Second Lien Bonds and (ii) the total amount of funds previously transferred and to be transferred from the Construction Account: 2018 Second Lien Bonds to such Debt Service Reserve Account exceeds 10 percent of the proceeds of such series of 2018 Bonds.

Section 4.2. Escrow for Refunded Bonds. If the Authorized Officer determines to proceed with the refunding of a portion of the Outstanding Bonds as authorized by this Ordinance, the City shall establish one or more escrow accounts (each, an "*Escrow Account*") for the defeasance of the respective series of the Refunded Bonds with an escrow agent selected by the Authorized Officer or, if deemed necessary by the Authorized Officer, the paying agents for the Refunded Bonds of each such series, as escrow agent (each, an "*Escrow Agent*"). From the amounts received upon the sale of the 2018 Bonds, as set forth in the applicable Determination Certificate, the City shall make an irrevocable deposit into each Escrow Account of an amount sufficient to purchase investment obligations and to deposit cash that shall be sufficient to defease the Refunded Bonds to be so refunded, as provided in the ordinances or trust indentures authorizing each series of Refunded Bonds to be so refunded. The City shall enter into an escrow agreement with each such Escrow Agent (each, an "*Escrow Agreement*") in a form as shall be determined by the Authorized Officer. The Authorized Officer is authorized to execute and deliver each Escrow Agreement on behalf of the City. The City, by entering into the Escrow Agreement, shall irrevocably determine to call for redemption each such Refunded Bond to be refunded at its earliest optional redemption date, to the extent deemed by the Authorized Officer to be in the best financial interests of the City. In connection with the execution of each Escrow Agreement, the Authorized Officer is authorized to execute and deliver, or to direct the Escrow

Agent to execute and deliver, agreements providing for the investment or reinvestment of funds held in the Escrow Account.

Section 4.3. Operation of Sewer Revenue Fund When No Senior Lien Bonds are Outstanding. From and after such time as no Senior Lien Bonds are Outstanding, the following Accounts of the Sewer Revenue Fund shall cease to exist: the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, the Senior Lien Bonds Construction Accounts and any Accounts established in respect of Senior Lien Parity Bonds in the Sewer Revenue Fund; amounts in such Accounts shall remain part of the Sewer Revenue Fund. The Sewer Revenue Fund, the Sewer Rate Stabilization Account, the Second Lien Bonds Account, the Subordinate Lien Obligations Account, the Subordinate Lien Obligations Construction Accounts, the Commercial Paper and Line of Credit Account and any Account or Subaccounts established in the Sewer Revenue Fund in respect of Subordinate Lien Obligations by this Ordinance and ordinances authorizing the issuance of Second Lien Parity Bonds, Subordinate Lien Obligations or Short Term Obligations shall continue to exist notwithstanding the discharge of the Senior Lien Bonds; and deposits shall be made to and withdrawals made from the Sewer Revenue Fund and the Accounts and Subaccounts described in this sentence as if the Accounts and Subaccounts in the Sewer Revenue Fund described in the immediately preceding sentence had never existed.

ARTICLE V.

GENERAL COVENANTS.

Section 5.1. Sewer Rates. The City will establish, maintain and collect at all times fees, charges and rates for the use and service of the Sewer System sufficient at all times to (a) pay Operation and Maintenance Costs, (b) produce Net Revenues Available for Bonds sufficient to pay the principal (at maturity or pursuant to mandatory sinking fund redemption) of and interest on all Senior Lien Bonds then Outstanding from time to time and to establish and maintain the Bond Principal and Interest Account and the Bond Debt Service Reserve Account as may be covenanted in ordinances authorizing the issuance of Senior Lien Bonds, which Net Revenues Available for Bonds shall each Fiscal Year at least equal one hundred fifteen percent of the sum required to pay promptly when due the Bond Debt Service Requirement for the Fiscal Year on all Senior Lien Bonds then Outstanding, (c) produce Second Lien Bond Revenues sufficient to pay the principal (at maturity or pursuant to mandatory sinking fund redemption) of and interest on all Second Lien Bonds then Outstanding from time to time and to establish and maintain the Second Lien Bonds Account as may be covenanted in the ordinances authorizing the issuance of Second Lien Bonds, (d) produce Subordinate Lien Obligation Revenues sufficient to pay the principal (at maturity or pursuant to mandatory sinking fund redemption) of and interest on all Subordinate Lien Obligations then Outstanding from time to time and to establish and maintain the Subordinate Lien Obligations Account as may be covenanted in the ordinances authorizing the issuance of Subordinate Lien Obligations, which Subordinate Lien Obligation Revenues shall each Fiscal Year at least equal one hundred fifteen percent of the sum required to pay promptly when due the Subordinate Lien Debt Service Requirement for the Fiscal Year on all Subordinate Lien Obligations Outstanding, and (e) produce CP/Line of Credit Notes Revenues sufficient to pay the principal (at maturity or pursuant to mandatory sinking fund redemption) of and interest on all Line of Credit Notes and all Commercial Paper Notes then Outstanding from time to time and to establish and maintain the Commercial Paper and

Line of Credit Account as may be covenanted in the contracts governing the issuance of Line of Credit Notes and/or Commercial Paper Notes. The amount of Net Revenues Available for Bonds that exceeds one hundred percent of the sum required to pay promptly when due the Bond Debt Service Requirement for any Fiscal Year on all Senior Lien Bonds Outstanding may be included in determining compliance with the requirements of clauses (c), (d) and (e) of the preceding sentence for such Fiscal Year. These fees, charges and rates shall not be reduced, while any Subordinate Lien Obligations are Outstanding, below the level necessary to ensure compliance with the covenants of this Article V. The City will, prior to the end of each Fiscal Year, conduct a review to determine if it has been and will be in compliance with the rate covenant set forth above. Whenever the annual review indicates that projected Gross Revenues will not be sufficient to comply with such rate covenant, the City shall have prepared a rate study for the Sewer System identifying the rate changes necessary to comply with the rate covenant and the Budget Director and the Authorized Officer shall recommend appropriate action to the City Council to comply with this rate covenant.

Section 5.2. Investment of Proceeds. The City covenants that it will take no action in the investment of the proceeds of the 2018 Bonds (other than 2018 Bonds issued as Taxable Bonds), which would result in making the interest payable on any of the 2018 Bonds subject to federal income taxes by reason of such 2018 Bonds being classified as "*arbitrage bonds*" within the meaning of Section 148 of the Code. The City further covenants that it will act with respect to the proceeds of the 2018 Bonds (other than 2018 Bonds issued as Taxable Bonds), the earnings on the proceeds of such 2018 Bonds and any other moneys on deposit in any fund or account maintained in respect of such 2018 Bonds, including, if necessary, a rebate of such earnings to the United States of America, in a manner which would cause the interest on such 2018 Bonds to continue to be exempt from federal income taxation under Section 103(a) of the Code, or any successor Code of the United States of America.

ARTICLE VI.

DETAILS OF 2018 SUBORDINATE LIEN OBLIGATIONS

Section 6.1. Principal Amount, Designation, Sources of Payment. The City is authorized to borrow money for the purposes specified in Section 6.2 of this Ordinance and in evidence of its obligation to repay the borrowing is authorized to issue the 2018 Subordinate Lien Obligations in one or more separate series, in an aggregate principal amount limited as provided in Section 3.1 of this Ordinance. The 2018 Subordinate Lien Obligations shall be in the form of the I.E.P.A. Loan Agreements authorized by Section 6.3 of this Ordinance. If the 2018 Subordinate Lien Obligations are issued in more than one series, each series shall be appropriately designated to indicate the order of their issuance. The 2018 Subordinate Lien Obligations shall be limited obligations of the City having a claim for payment of principal, redemption premium and interest solely from amounts in the 2018 Subordinate Lien Principal and Interest Sub-subaccount and the 2018 Subordinate Lien Debt Service Reserve Sub-subaccount, and, together with any Subordinate Lien Parity Obligations, from Subordinate Lien Obligation Revenues and from amounts on deposit in the Construction Account: 2018 Subordinate Lien Obligations. The 2018 Subordinate Lien Obligations shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions or limitation as to indebtedness and shall have no claim to be paid from taxes of the City. Each

2018 Subordinate Lien Obligation shall contain a statement to that effect. A lien on and security interest in Subordinate Lien Obligation Revenues and amounts in the Subordinate Lien Obligations Account and the Construction Account: 2018 Subordinate Lien Obligations is granted to the owners of the 2018 Subordinate Lien Obligations Outstanding from time to time, subject to amounts in those Accounts being deposited, credited and expended as provided in this Ordinance.

Section 6.2. Purposes. The borrowing and issuance of the 2018 Subordinate Lien Obligations authorized in Section 6.1 of this Ordinance shall be for any one or more of the purposes of (a) paying Project Costs, and (b) making a deposit in the 2018 Subordinate Lien Debt Service Reserve Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount.

Section 6.3. I.E.P.A. Loan Provisions. The Mayor and the Authorized Officer are each authorized to enter into one more I.E.P.A. Loan Agreements with the I.E.P.A. in the form(s) customarily used for the I.E.P.A. Program.

(a) Each I.E.P.A. Loan shall mature within 30 years from the later of (i) date of initiation of repayment as provided in each I.E.P.A. Loan Agreement or (ii) the date the Projects financed with the proceeds of such I.E.P.A. Loan is placed in service, and shall bear interest at the rate authorized for the I.E.P.A. Program at the time the related I.E.P.A. Loan Agreement is entered into, provided that no I.E.P.A. Loan may mature later than January 1, 2059 or bear interest at a rate in excess of 10 percent per annum.

(b) Principal of and interest on each I.E.P.A. Loan shall be payable as provided in the related I.E.P.A. Loan Agreement.

(c) Subject to the limitations set forth in this Section 6.3 and Section 6.1 of this Ordinance, authority is delegated to the Authorized Officer to determine the aggregate principal amount of I.E.P.A. Loans, the maturities of such I.E.P.A. Loans, the rate or rates of interest payable on such I.E.P.A. Loans or method or methods for determining such rate or rates and the first interest payment date of such I.E.P.A. Loans.

(d) The Mayor and the Authorized Officer are each authorized to take the actions and execute and deliver the documents and instruments specified in this Ordinance and such other documents, instruments or certificates as may be required in connection with the I.E.P.A. Loans, including, but not limited to, agreements that the City will indemnify I.E.P.A. and the State of Illinois to the extent required to obtain the I.E.P.A. Loans. The Commissioner is authorized to take such actions and execute and deliver such documents, instruments or certificates (but not including any I.E.P.A. Loan Agreements, promissory notes or other instruments evidencing indebtedness by the City or any applications in connection with any of the foregoing) as may be required in connection with the I.E.P.A. Loans.

Section 6.4. I.E.P.A. Loans. Pursuant to Section 2.3 of Part D of the 2000 Bond Ordinance, Section 2.3 of Part D of the Series 2001A Bond Ordinance, Section 6.3 of the Series 2010 Bond Ordinance, Section 6.3 of the Series 2012 Bond Ordinance, Section 6.3 of the Series 2015 Bond Ordinance and Section 6.3 of the Series 2017 Bond Ordinance, the City has

previously entered into certain I.E.P.A. Loan Agreements with the I.E.P.A., by which the I.E.P.A. has made I.E.P.A. Loans to the City secured by Net Revenues Available for Bonds, and the City anticipates that it will enter into additional I.E.P.A. Loans in the future. The City hereby ratifies, with respect to previously incurred I.E.P.A. Loans, and confirms, with respect to future I.E.P.A. Loans, that the I.E.P.A. Loans are and will be subordinate to the Senior Lien Bonds and the Second Lien Bonds.

ARTICLE VII.

DISPOSITION OF 2018 SUBORDINATE LIEN OBLIGATION PROCEEDS; CONSTRUCTION ACCOUNT: 2018 SUBORDINATE LIEN OBLIGATIONS

Section 7.1. Deposit into the 2018 Subordinate Lien Debt Service Reserve Sub-account. Subject to Section 2.2 of this Ordinance, there shall be deposited in the 2018 Subordinate Lien Debt Service Reserve Sub-account from the proceeds of the 2018 Subordinate Lien Obligations and such other sources as necessary any amount required upon the issuance of such 2018 Subordinate Lien Obligations to cause the balance in the Subordinate Lien Debt Service Reserve Subaccount to equal the Subordinate Lien Debt Service Reserve Requirement.

Section 7.2. Construction Account: 2018 Subordinate Lien Obligations – Establishment, Deposit of Funds, Uses.

(a) The City shall establish a separate account in the Sewer Revenue Fund designated as the “Construction Account: 2018 Subordinate Lien Obligations”; provided, however, that such designation may be modified by the Authorized Officer to reflect the year in which the 2018 Subordinate Lien Obligations are first issued.

(b) To the extent permitted by each I.E.P.A. Loan Agreement, the proceeds of the borrowing evidenced by the 2018 Subordinate Lien Obligations of a series shall be deposited to the credit of the Construction Account: 2018 Subordinate Lien Obligations. This account shall be deposited in a separate account in a Depository designated by the Authorized Officer pursuant to a depository agreement. Funds in the Construction Account: 2018 Subordinate Lien Obligations shall be invested by the Depository at the direction of the Authorized Officer in Permitted Investments, provided that such investments shall be scheduled to mature before needed to pay Project Costs. All interest received on or profits derived from such investments shall remain in the Construction Account: 2018 Subordinate Lien Obligations.

(c) Disbursements shall be made from the Construction Account: 2018 Subordinate Lien Obligations from time to time for the purpose of paying Project Costs, excluding Costs of Issuance. The proceeds of the borrowing evidenced by the 2018 Subordinate Lien Obligations and set aside in the Construction Account: 2018 Subordinate Lien Obligations shall be used to provide funds for all or any part of the Projects. The projects for which disbursements may be made from the Construction Account: Series 2018 Subordinate Lien Obligations may be amended by the Budget Director, in consultation with I.E.P.A., to provide for the efficient operation of the Sewer System. Within 60 days after completion of the Projects and the payment of all Project Costs, any funds remaining in the Construction Account: 2018 Subordinate Lien

Obligations shall be transmitted by the Depository to the City for transfer as provided in the I.E.P.A. Loan Agreement.

ARTICLE VIII.

SUBORDINATE LIEN OBLIGATIONS SUBACCOUNTS

Section 8.1. Subordinate Lien Obligations Principal and Interest Subaccount. Funds in the Subordinate Lien Obligations Principal and Interest Subaccount shall be used only for the purpose of paying the principal of and interest on Outstanding Subordinate Lien Obligations as the same shall become due; provided, however, that funds in the 2018 Subordinate Lien Principal and Interest Sub-subaccount shall be used only for the purpose of paying the principal of and interest on 2018 Subordinate Lien Obligations as the same shall become due.

Section 8.2. Subordinate Lien Debt Service Reserve Subaccount. Unless otherwise provided in the related I.E.P.A. Loan Agreement, at the time of the delivery of the 2018 Subordinate Lien Obligations of a series, amounts received upon the sale of such 2018 Subordinate Lien Obligations or cash on hand in the Sewer Revenue Fund shall be deposited to the credit of the 2018 Subordinate Lien Debt Service Reserve Sub-subaccount, to establish a balance in that Sub-subaccount at least equal to the Subordinate Lien Debt Service Reserve Requirement with respect to such 2018 Subordinate Lien Obligations. Amounts in the 2018 Subordinate Lien Debt Service Reserve Sub-subaccount shall be deposited in a separate account in a Depository. Whenever the balance in the various Sub-subaccounts of the Subordinate Lien Debt Service Reserve Subaccount is less than the Subordinate Lien Debt Service Reserve Requirement for the various series of Subordinate Lien Obligations, except as permitted pursuant to Section 9.1(c) of this Ordinance, there shall be transferred to the Subordinate Lien Debt Service Reserve Subaccount within the next 12 months (or such longer period permitted by the related I.E.P.A. Loan Agreement but not exceeding 60 months) sufficient funds to maintain balances in the various Sub-subaccounts of the Subordinate Lien Debt Service Reserve Subaccount at least equal to the Subordinate Lien Debt Service Reserve Requirement for the various series of Subordinate Lien Obligations.

(a) Funds in any Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount shall be used to pay principal of, redemption premium, if any, and interest on the Subordinate Lien Obligations of the series to which the Sub-subaccount relates as the same become due at any time when there are insufficient funds available for such purpose in the Subordinate Lien Principal and Interest Subaccount.

(b) In the event of a deficiency in any Fiscal Year in the Subordinate Lien Principal and Interest Subaccount, the Subordinate Lien Debt Service Reserve Subaccount or any Sub-subaccount of either such Subaccount, the amount of such deficiency shall be included in the amount to be transferred from the Sewer Revenue Fund and deposited into such account during the next twelve month period or succeeding Fiscal Year, as required by this Ordinance.

(c) Whenever the balance in any Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount exceeds the amount required to be on deposit in that Sub-

subaccount, such excess may be transferred to the Sewer Revenue Fund, provided that no such transfers shall be made when any debt service payments on outstanding obligations of the City that are payable by their terms from the revenues of the Sewer Revenue System are past due. Any funds that remain in the Sewer Revenue Fund at the end of any Fiscal Year shall be retained in the Sewer Revenue Fund and shall be available for appropriation for any proper purpose of the Sewer System.

ARTICLE IX.

ISSUANCE OF ADDITIONAL SUBORDINATE LIEN OBLIGATIONS

Section 9.1. Subordinate Lien Parity Obligations. As long as there are any Outstanding 2018 Subordinate Lien Obligations, the City may issue Subordinate Lien Parity Obligations for any lawful purpose of the Sewer System, provided such purpose is also a lawful purpose of the I.E.P.A. Program, and then only upon compliance with the following conditions:

(a) the funds required to be transferred to the Bond Principal and Interest Account, the Bond Debt Service Reserve Account and the various Subaccounts of the Second Lien Bonds Account and the Subordinate Lien Obligations Account shall have been transferred in full up to the date of delivery of such Subordinate Lien Parity Obligations;

(b) the ordinance authorizing the issuance of Subordinate Lien Parity Bonds shall require either (i) the transfer at the time of the delivery of such Subordinate Lien Parity Obligations of sufficient proceeds of such Subordinate Lien Parity Obligations or Net Revenues Available for Bonds, or any combination of Subordinate Lien Obligation proceeds or Net Revenues Available for Bonds to the various Sub-subaccounts of the Subordinate Lien Debt Service Reserve Subaccount so that the balance in such Sub-subaccounts is at least equal to the Subordinate Lien Debt Service Reserve Requirement for each series of Subordinate Lien Obligations, or (ii) equal monthly transfers to the Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount for such Subordinate Lien Parity Obligations during a period not exceeding 60 months following the delivery of such Subordinate Lien Parity Obligations sufficient to cause the balance in such Sub-subaccount to be an amount at least equal to the Subordinate Lien Debt Service Reserve Requirement for that series of Subordinate Lien Parity Obligations; and

(c) Net Revenues Available for Bonds for the last completed Fiscal Year prior to the issuance of the Subordinate Lien Parity Obligations (as shown by the audit of an independent certified public accountant), or Net Revenues Available for Bonds for such last completed Fiscal Year, adjusted as described below, shall equal at least one hundred percent of the maximum annual Subordinate Lien Debt Service Requirement for Subordinate Lien Obligations which will be Outstanding following the issuance of the proposed Subordinate Lien Parity Obligations, computed on a pro forma basis assuming the issuance of the proposed Subordinate Lien Parity Obligations, and the application of the proceeds of any Subordinate Lien Parity Obligations as provided in the ordinance authorizing their issuance, sale and delivery. Net Revenues Available for Bonds may be adjusted as follows for purposes of this paragraph (c):

(i) If there shall have been an increase in the rate of the Sewer System from the rates in effect for such last completed Fiscal Year, which increase is in effect at the time of the issuance of any such Subordinate Lien Parity Obligations, Net Revenues Available for Bonds may be adjusted to reflect the Net Revenues Available for Bonds for such last completed Fiscal Year as they would have been had the existing rates been in effect during all of that last completed Fiscal Year; and

(ii) any such adjustment, shall be evidenced by a certificate of the Authorized Officer.

For purposes of calculating the adjustment described in this paragraph (c), any rate increase enacted by the City and scheduled to take effect in a future Fiscal Year may be reflected in Net Revenues Available for Bonds for purposes of calculating debt service coverage for that and each succeeding Fiscal Year. If during the first six months of a Fiscal Year, an audit of the Sewer System for the preceding Fiscal Year by an independent certified public accountant is not available, the conditions of this paragraph (c) shall be deemed to have been satisfied if both (1) Net Revenues Available for Bonds for the second preceding Fiscal Year (as shown by the audit of an independent certified public accountant), adjusted as described in this paragraph (c), and (2) Net Revenues Available for Bonds for the preceding Fiscal Year (as estimated by the Authorized Officer), adjusted as described in this paragraph (c), shall equal at least one hundred percent of the maximum Subordinate Lien Debt Service Requirement for any Fiscal Year for Subordinate Lien Obligations which will be Outstanding following the issuance of the proposed Subordinate Lien Parity Obligations, computed on a pro forma basis assuming the issuance of the proposed Subordinate Lien Parity Obligations and the application of the proceeds of any Subordinate Lien Parity Obligations as provided in the ordinance authorizing their issuance, sale and delivery.

ARTICLE X.

GENERAL PROVISIONS

Section 10.1. Authority. This Ordinance is adopted pursuant to the powers of the City as a home rule unit under Article VII, Section 6(a) of the Constitution. The appropriate officers of the City are authorized to take such actions and do such things as shall be necessary to perform, carry out, give effect to and consummate the transactions contemplated by this Ordinance and the 2018 Obligations, including, but not limited to, the exercise following the delivery date of any of the 2018 Obligations of any power or authority delegated to such official of the City under this Ordinance with respect to the 2018 Obligations upon the initial issuance thereof, but subject to any limitations on or restrictions of such power or authority as herein set forth.

Section 10.2. Authorized Signatures. The Mayor, the Clerk and the Authorized Officer may each designate another to act as their respective proxies and to affix their respective signatures to the 2018 Bonds, whether in temporary or definitive form, and any other instrument, certificate or document required to be signed by the Mayor, the Clerk or the Authorized Officer pursuant to this Ordinance and any instrument, certificate or document required by this Ordinance. In such case, each shall send to the City Council written notice of the person so

designated by each, such notice stating the name of the person so selected and identifying the instruments, certificates and documents which such person shall be authorized to sign as proxy for the Mayor, the Clerk and the Authorized Officer, respectively. A written signature of the Mayor, the Clerk or the Authorized Officer, respectively, executed by the person so designated underneath, shall be attached to each notice. Each notice, with the signatures attached, shall be recorded in the Journal of Proceedings of the City Council and filed with the Clerk. When the signature of the Mayor, the Clerk or the Authorized Officer is placed on an instrument, certificate or document at the direction of the Mayor, the Clerk or the Authorized Officer, as the case may be, in the specified manner, the same, in all respects, shall be as binding on the City as if signed by the Mayor, the Clerk or the Authorized Officer in person, as the case may be.

Section 10.3. Conflict. To the extent that any ordinance, resolution, provision of the Municipal Code, rule or order, or part thereof, is in conflict with or is inconsistent with the provisions of this Ordinance, the provisions of this Ordinance shall be controlling. No provision of the Municipal Code or violation of any provision of the Municipal Code shall be deemed to impair the validity of this Ordinance or the documents, agreements or instruments authorized by this Ordinance, or to make any such documents, agreements or instruments voidable at the option of the City, or to impair the rights of the owners of the 2018 Obligations to receive payment of the principal of, premium, if any, or interest on those 2018 Obligations or to impair the security for any of the 2018 Obligations; provided further that the foregoing shall not be deemed to affect the availability of any other remedy or penalty for any violation of any provision of the Municipal Code.

Section 10.4. Severability. If any provision of this Ordinance shall be held invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the other remaining provisions of this Ordinance.

Section 10.5. Registered Owner Remedy. Any Registered Owner of a 2018 Bond may proceed by civil action to compel performance of all duties required by this Ordinance, including the establishment and collection of sufficient fees, charges and rates for services supplied by the Sewer System, and the application of the Gross Revenues as provided by this Ordinance.

Section 10.6. Contract. The provisions of this Ordinance shall constitute a contract between the City and the Registered Owners of the 2018 Bonds and the owners of the 2018 Subordinate Lien Obligations, and no changes, additions or alterations of any kind shall be made to that contract except as provided in this Ordinance and, with respect to the Registered Owners of the 2018 Bonds, in the applicable 2018 Bonds Indentures (so long as any 2018 Bonds are Outstanding).

Section 10.7. Appropriation. The provisions of this Ordinance constitute an appropriation of (i) the amounts received upon the sale of the 2018 Obligations for the purposes specified in Sections 3.2 and 6.2 of this Ordinance, as applicable, and (ii) the Net Revenues Available for Bonds, including the Investment Earnings on accounts and subaccounts as provided herein, for deposit in the various accounts established as provided by Section 2.2 of this Ordinance and for payment of principal of, redemption premium, if any, and interest on the 2018 Obligations and for other payments required to be made by the City pursuant to the documents, agreements and instruments authorized herein.

Section 10.8. Headings. Any headings preceding the texts of the several Articles and Sections of this Ordinance shall be solely for convenience of reference and shall not constitute a part of this Ordinance nor shall they affect its meaning, construction or effect.

Section 10.9. Effectiveness. This Ordinance shall be in full force and effect on the later of (i) September 1, 2018 or (ii) the date of its passage, approval by the Mayor and publication.

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CHICAGO June 27, 2018

To the President and Members of the City Council:

Your Committee on Finance having had under consideration a substitute ordinance authorizing the issuance of City of Chicago Second Lien Wastewater Transmission Revenue Bonds, Project and Refunding Series 2018.

O2018-4641

Amount of Bonds
not to exceed: \$400,000,000

Having had the same under advisement, begs leave to report and recommend that your Honorable Body pass the proposed Substitute Ordinance Transmitted Herewith.

This recommendation was concurred in by _____ (a viva voce vote of members of the committee with _____ dissenting vote(s).

Alderman Burke abstained from voting under the provisions of Rule 14.

Respectfully submitted

(signed) *J. Dan and M. B...*

Chairman

APPROVED


CORPORATION COUNSEL

DATED: 7/6/18

APPROVED


MAYOR

DATED: 7/6/18