



# Office of the City Clerk

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## Legislation Details (With Text)

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**Sponsors:** Emanuel, Rahm  
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Date	Ver.	Action By	Action	Result
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11/8/2017		City Council	Passed as Substitute	Pass
11/6/2017	1	Committee on Finance	Recommended to Pass	
11/6/2017	1	Committee on Finance	Substituted in Committee	
10/11/2017	1	City Council	Referred	

### SUBSTITUTE ORDINANCE

### ORDINANCE AUTHORIZING THE ISSUANCE OF SERIES 2018 WATER REVENUE PROJECT AND REFUNDING BONDS

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

#### PART A INTRODUCTION

#### ARTICLE 1 AUTHORITY AND FINDINGS

Section 1.01. Authority. This Ordinance is adopted pursuant to Section 6(a) of Article VII of the Constitution. This Ordinance authorizes the issuance of Series 2018 Water Revenue Project and Refunding Bonds as follows: (i) Part B of this Ordinance authorizes the issuance, from time to time, of Second Lien Water Revenue Project and Refunding Bonds, Series 2018 (the "Series 2018 Second Lien Bonds") in one or more series, in such principal amounts and with such terms and provisions as are set forth in Part B, in the Second Lien Bonds Master Indenture previously approved by the City and in the Eleventh Supplemental Indenture approved in Part B; (ii) Part C of this Ordinance authorizes the issuance, from time to time, of Subordinate Lien Obligations (the "Series 2018 Subordinate Lien Obligations") in one or more series, in such principal amounts and with such terms and provisions as are set forth in Part C, and (iii) Part D of this Ordinance sets forth provisions generally applicable to the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations.

Section 1.02. 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 Water System to meet the needs of the City's inhabitants and other users of the Water System and for fire protection. The Water System is operated under the supervision and control of the Department of Water Management of the City.

c) The City has determined to improve and expand the Water System, and to issue bonds and other obligations to pay the costs of such improvement and expansion.

d) The estimated useful life of the Projects is no shorter than the final maturity of the Project Bonds. It is advisable and necessary and in the best interests of the City that the City undertake and complete the Projects.

e) The City does not have available funds sufficient to pay 2018 Costs (as defined in clause (i) below).

f) The City has issued and has outstanding its Outstanding Senior Lien Bonds, Outstanding Second Lien Bonds and Outstanding Subordinate Lien Obligations.

g) The City has determined to ascertain whether the refunding of all or a portion of the Outstanding Senior Lien Bonds and/or Outstanding Second Lien Bonds will reduce the aggregate debt service payable by the City with respect to the Outstanding Senior Lien Bonds and Outstanding Second Lien Bonds or restructure such debt service in a manner deemed to be in the best interests of the Water System and the City.

h) The City has determined that it is advisable and in the best interests of the City to authorize the issuance from time to time of Series 2018 Second Lien Bonds and Series 2018 Subordinate Lien Obligations, subject to the authorization limits specified in this Ordinance, in one or more series for any one or more of the purposes of (1) refunding the Refunded Bonds, (2) paying Project Costs, (3) funding capitalized interest on the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations, (4) paying Costs of Issuance of the Series 2018 Second Lien Bonds and costs of issuance of the Series 2018 Subordinate Lien Obligations, (5) paying the costs of acquiring a Qualified Reserve Account Credit Instrument for the Series 2018 Second Lien Bonds or making a deposit to the Series 2018 Second Lien Bonds Dedicated Subaccount in the amount required by the Eleventh Supplemental Indenture or a Supplemental Indenture, and (6) providing for any discount on the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Obligations.

(i) The proceeds of the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations incurred for the costs described in clause (h)(1) - (6) above (the "2018 Costs") will not exceed the amount required to pay such costs.

(j) In accordance with the covenants of the City in the Second Lien Bonds Master Indenture, concurrent with the issuance, sale and delivery of the Series 2018 Second Lien Bonds, all the conditions and requirements in Section 4.06 of the Second Lien Bonds Master Indenture shall have been fully satisfied and complied with and, based upon such satisfaction and compliance, if the City shall issue Series

2018 Second Lien Bonds pursuant to this Ordinance, such Series 2018 Second Lien Bonds will have a claim for payment from Second Lien Bond Revenues on an equal and ratable basis with the Series 2000 Second Lien Bonds, the Series 2001 Second Lien Bonds, the Series 2004 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 2016A Second Lien Bonds, and the Series 2017 Second Lien Bonds.

(k) The City proposes to issue and sell the Series 2018 Second Lien Bonds for one or more of the purposes described in subsection (h) above in the manner authorized in this Ordinance 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 the Series 2018 Second Lien Bonds, as determined by the Chief Financial Officer in accordance with the terms of this Ordinance.

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The limit on the authorized amount of Series 2018 Second Lien Bonds under this Ordinance shall be exclusive of any premium received upon the issuance of the Series 2018 Second Lien Bonds.

(l) The City further proposes to issue the Series 2018 Subordinate Lien Obligations for one or more of the purposes described in subsection (h) above in the manner authorized in this Ordinance in an aggregate principal amount not to exceed \$450,000,000. as determined by the Chief Financial Officer in accordance with the terms of this Ordinance.

(m) The borrowing authorized by this Ordinance and the issuance of the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations are for proper public purposes 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 Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations.

(n) The City's ability to issue Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations, from time to time without further action by the City Council at various times, in various principal amounts and with various interest rates and interest rate determination methods, maturities, redemption provisions and other terms will enhance the City's opportunities to obtain financing upon the most favorable terms available at such time of issuance.

(o) Authority is granted to the Chief Financial Officer to determine to sell from time to time the Series 2018 Second Lien Bonds and to issue the Series 2018 Subordinate Lien Obligations in one or more series, at such time as the Chief Financial Officer determines that such sale or sales is desirable and in the best financial interest of the Water System.

(p) Legislation may hereafter be enacted by the Congress of the United States to provide subsidies, tax credits or other incentives or benefits at various subsidy levels to state and local governments in connection with the issuance of debt obligations by such governments, which incentives or benefits may, but need not, be similar to those direct payments being made 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 the Series 2010C Second Lien Bonds (any such legislation as may hereafter be enacted and in effect from time to time being referred to as "Federal Compliant Obligation Authorization").

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

**PART B**  
**DEFINITIONS; SERIES 2018 SECOND LIEN BONDS; WATER FUND AND**  
**ACCOUNTS**

**ARTICLE I DEFINITIONS**

Section 1.01. Definitions, (a) Except as provided in this Article I, all capitalized terms used and not otherwise defined in this Part B shall have the meanings ascribed to them in the

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preambles set forth in Part A of this Ordinance or in the Second Lien Bonds Master Indenture or the Eleventh Supplemental Indenture.

(b) The following terms shall have the following meanings, unless the context clearly indicates a different meaning:

"Bond Registrar" means such banking institution as may be appointed by the Chief Financial Officer as bond registrar for the Series 2018 Second Lien Bonds, or any successor to it in that capacity appointed by the Chief Financial Officer and any co-bond registrar separately appointed by the Chief Financial Officer.

"Capital Appreciation Series 2018 Second Lien Bonds" means any Series 2018 Second Lien Bonds which are designated by the Chief Financial Officer in the Second Lien Bond Determination Certificate to be capital appreciation bonds, all or a portion of the interest on which shall be payable as appreciation in the principal amount of those Series 2018 Second Lien Bonds, when the principal amount of those Series 2018 Second Lien Bonds is due.

"Chief Financial Officer" means the Chief Financial Officer of the City appointed by the Mayor or, in the event no person is at the time then so appointed and acting, the City Comptroller of the City.

"City" means the City of Chicago.

"City Clerk" means the duly elected and qualified person serving as the City Clerk of the City.

"City Council" means the City Council of the City.

"Compound Accreted Value" means, with respect to any Capital Appreciation Series 2018 Second Lien Bond, as of any date of calculation, its original principal amount plus the appreciation in its principal amount to that date calculated as provided in the related Second Lien Bond Determination Certificate.

"Constitution" means the 1970 Constitution of the State of Illinois.

"Construction Account: 2018 Second Lien Bonds" means the separate account of that name in the Water Fund established pursuant to Section 4.01 of this Part B.

"Consulting Engineer" means any engineer or firm of engineers of national reputation selected by the City and generally recognized to be well qualified in engineering matters relating to municipal water utility

systems.

"Costs of Issuance" means all fees and costs incurred by the City relating to the issuance of the Series 2018 Second Lien Bonds, including, without limitation, printing costs, Authenticating Agent's initial fees and charges, Bond Registrar's fees and charges, Paying Agent's fees and charges, financial advisory fees, costs of credit ratings, engineering fees, legal fees, accounting fees, the cost of any premiums for municipal bond insurance to insure the Series

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2018 Second Lien Bonds, and the cost of any related services with respect to the Series 2018 Second Lien Bonds.

"CP Notes" means obligations commonly described as "commercial paper" issued by the City from time to time, payable from the Commercial Paper Account described in Section 3.03(f) of Part B of this Ordinance including the Series 2004 Commercial Paper Program Notes.

"Defeasance Obligations" means (i) cash, (ii) Governmental Obligations, (iii) securities that are described in clause (c) of the definition of Permitted Investments; (iv) securities that are obligations described in clause (f) of the definition of Permitted Investments (A) that have been refunded in advance of their maturity and are, at the time of purchase, rated by at least two Rating Agencies in their highest respective long-term rating categories for comparable types of debt obligations or (B) that have been refunded in advance of their maturity with cash, direct U.S. or U.S. guaranteed obligations, or rated pre-refunded municipals and are, at the time of purchase, rated by a single Rating Agency in its highest long-term rating category for comparable types of debt obligations, (iv) the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form, or (v) obligations issued by the following agencies which are backed by the full faith and credit of the U.S.: Farmers Home Administration (FmHA) (certificates of beneficial ownership), Federal Financing Bank, General Services Administration (participation certificates), U.S. Maritime Administration (guaranteed Title XI financing), U.S. Department of Housing and Urban Development (HUD) (Project Notes, Local Authority Bonds, New Communities Debentures - U.S. government guaranteed debentures), and U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

"Deputy City Clerk" means the duly appointed and qualified person serving as the Deputy City Clerk of the City.

"Federal Subsidies" means (i) the direct payments by the Treasury Department to the City of a portion of the interest payable by the City on the Series 2010B Second Lien Bonds and the Series 2010C Second Lien Bonds and (ii) to the extent hereafter provided in Federal Compliant Obligation Authorization, 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.

"Governmental Obligations" means securities which are obligations described in clauses (a) and (b) of the definition of Permitted Investments in this Section 1.01.

"Gross Revenues" means all income and receipts from any source which under generally accepted accounting principles are properly recognized as being derived from the operation of the Water System, including without limitation (i) charges imposed for water ( service and usage, (ii) charges imposed for sales of water to municipalities (other than the City) and other users of water service, (iii) charges imposed for inspections and permits for connection to the Water System, (iv) grants (excluding grants received for capital projects) and

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(v) Investment Earnings. Gross Revenues do not include (a) amounts credited to customers on their bills, such as for payment of the price of purchasing from them capital assets of the Water System, or (b) Federal Subsidies.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, or any successor act and the regulations promulgated thereunder.

"Investment Earnings" means interest plus net profits and less net losses derived from investments made with any portion of the Gross Revenues or with any money in the Accounts in the Water Fund (other than the Senior Lien Rebate Accounts) specified in Section 3.03 of this Part B. Investment Earnings do not include interest or earnings on investments of the Construction Account: 2018 Second Lien Bonds, or any Second Lien Rebate Accounts established pursuant to Section 3.01 of the Second Lien Bonds Master Indenture.

"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 Water Rate Stabilization Account as provided in Section 3.03(g) of this Part B (other than amounts deposited to that Account upon the issuance of the Series 1993 Bonds or 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 Water System, which under generally accepted accounting principles are properly chargeable to the Water 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 agreements or other arrangements entered into pursuant to this Part B, 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, CP Notes, Water System Line of Credit Notes or other obligations for borrowed money payable from the Net Revenues, Net Revenues Available for Bonds, Second Lien Bond Revenues or Subordinate Lien Obligation Revenues and, from and after the earlier to occur of (i) the date all Senior Lien Bonds issued prior to the date of issuance of the Series 2000 Senior Lien Bonds are no longer Outstanding or (ii) the effective date of amendments to the ordinances authorizing Outstanding Senior Lien

Bonds issued prior to the date of issuance of the Series 2000 Senior Lien Bonds which permit the following to be included in the definition of Operation and Maintenance Costs, the fees of the trustee and any remarketing agent, paying agent or bond registrar for the Second Lien Bonds, and the paying agent, if any, for Subordinate Lien Obligations, the costs related to any

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agreements or other arrangements entered into pursuant to Section 2.05 of Part B of this Ordinance or the Second Lien Bonds Master Indenture.

"Ordinance" means this Ordinance as it may be modified or amended from time to time.

"Outstanding" means, (i) with reference to any series of Senior Lien Bonds, all of such obligations that are outstanding and unpaid, provided that such term does not include obligations:

a) which have been paid or redeemed in full both as to principal, redemption premium, if any, and interest, or

b) which have matured or which have been duly called for redemption and for the payment of which money is on deposit with the designated paying agents 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

c) for which the City has provided for payment by depositing in an irrevocable trust or escrow, cash or Defeasance 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

d) which are owned by the City; and

(ii) with reference to any Second Lien Bonds, has the meaning ascribed to such term in the Second Lien Bonds Master Indenture; and with reference to any Subordinate Lien Obligations, has the meaning ascribed to such term in the ordinances authorizing such Subordinate Lien Obligations; with reference to any CP Notes, has the meaning ascribed to such term in the ordinances and related indentures authorizing such CP Notes; and with reference to any Water System Line of Credit Notes, has the meaning ascribed to such term in the ordinances and related Water System Line of Credit Agreements pursuant to which such Water System Line of Credit Notes are issued.

"Paying Agent" means such banking institution as may be appointed by the Chief Financial Officer as paying agent for the Series 2018 Second Lien Bonds, or any successor to it in that capacity appointed by the Chief Financial Officer and any co-paying agent separately appointed by the Chief Financial Officer.

"Permitted Investments" means any of the following, to the extent permitted by law and by the Second Lien Bonds Master Indenture at the time of such investment:

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

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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 etseq. or 31 C.F.R. 350.0 etseq. (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 Water 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 all Series 2018 Second Lien Bonds or other obligations which 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 created after the issuance and delivery of the Series 2018 Second Lien Bonds, including but not limited to the Federal Home Loan Mortgage Corporation, the United States Postal Service, the Government National Mortgage Association and the Federal Financing Bank;

d) negotiable or non-negotiable time deposits evidenced (i) by certificates of deposit issued by any bank, trust company, national banking association or savings and loan association which has capital of not less than \$250,000,000 or (ii) by certificates of deposit which are continuously and fully insured by (A) any federal agency 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 (i) that 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 which 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 categories by numerical modifier or otherwise (if not rated by at least two Rating Agencies then a rating by a single 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 which are, at the time of purchase, rated by at least two Rating Agencies, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise, in their highest rating category (if not rated by at least two Rating Agencies then a rating by a single Rating Agency shall be satisfactory), for comparable types of debt obligations;



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(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 of "Permitted Investments"), with any bank, trust company, national banking association (which may include any Paying Agent or Bond Registrar), insurance company or any other financial institution which 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 their three highest respective long-term rating categories, without regard to any refinement or gradation of rating categories 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, as amended.

"Project Bonds" means Series 2018 Second Lien Bonds, the proceeds of which are used for Project Costs.

"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 improvements and extensions to the Water System designated by the Commissioner of Water Management including, but not limited to constructing and installing water mains; rehabilitating, upgrading, replacing, repairing, renovating, improving and extending facilities at the water purification plants; improving and extending facilities at any or all of the pumping stations; providing any and all necessary facilities, services and equipment to protect and enhance the safety, integrity and security of the Water System; and providing new

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equipment and technology and rehabilitating existing equipment necessary to continue to provide existing customers with the quality and quantity of water required and to meet future customer demand.

"Rating Agency" means any nationally recognized securities rating agency.

"Refunded Bonds" means those Outstanding Senior Lien Bonds and Outstanding Second Lien Bonds identified in the Second Lien Bond Determination Certificate to be refunded with the proceeds of the Refunding Bonds.

"Refunding Bonds" means the Series 2018 Second Lien Bonds, the proceeds of which are used to finance all or a portion of the costs of refunding the Refunded Bonds.

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

"Second Lien Bond Determination Certificate" means the certificate of the Chief Financial Officer with respect to the Series 2018 Second Lien Bonds of a series filed with the Office of the City Clerk or the Deputy City Clerk, addressed to the City Council as provided in Section 2.04(e) of this Part B.

"Second Lien Bond Initial Purchasers" means the underwriters or representatives of an underwriting syndicate or other purchasers to which, or at the direction of which, the City will sell the Series 2018 Second Lien Bonds of a series and with which the City will enter into a Second Lien Bond Purchase Agreement, as the Chief Financial Officer shall designate in the related Second Lien Bond Determination Certificate.

"Second Lien Bond Provider" means a company, banking institution or other financial institution which is the issuer of a Qualified Reserve Account Credit Instrument (as defined in the Second Lien Bonds Master Indenture).

"Second Lien Bond Purchase Agreement" means the Second Lien Bond Purchase Agreement between the City and the Second Lien Bond Initial Purchasers of the Series 2018 Second Lien Bonds of a series authorized by Section 2.04(a) of this Part B.

"Second Lien Bond Revenues" means all sums, amounts, funds or moneys which are deposited to the Second Lien Bonds Account pursuant to Section 3.03(d) of this Part B subject to the priority for the deposit of Net Revenues Available for Bonds established in Section 3.03 of this Part B.

"Second Lien Bonds" means the Series 2018 Second Lien Bonds authorized herein, the Series 2016A

Second Lien Bonds, the Series 2014 Second Lien Bonds, the Series 2012 Second Lien Bonds, the Series 2010 Second Lien Bonds, the Series 2008 Second Lien Bonds, the Series 2004 Second Lien Bonds, the Series 2001 Second Lien Bonds, the Series 2000 Second Lien Bonds and all Second Lien Parity Bonds.

"Second Lien Bonds Account" means the separate account of that name previously established in the Water Fund and described in Section 3.03(d) of this Part B.

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"Second Lien Bonds Construction Accounts" means the various accounts established for construction purposes by the Series 2000 Ordinance, the Series 2004 Ordinance, the Series 2006 Ordinance, the Series 2008 Ordinance, the Series 2010 Ordinance, the Series 2012 Ordinance, the Series 2014 Ordinance, the Series 2016 Ordinance, this Ordinance and any ordinances authorizing Second Lien Parity Bonds, and the Bond Proceeds Account: 2016A Second Lien Bonds established by the Series 2016A Ordinance.

"Second Lien Bonds Master Indenture" means the Second Lien Bonds Master Indenture approved in the Series 2000 Ordinance, as amended by Amendment No. 1 To Master Indenture, dated as of August 1, 2004 and as the same may from time to time be supplemented and amended in accordance with its provisions.

"Second Lien Parity Bonds" means obligations which may be issued on the date or after the issuance of the Series 2018 Second Lien Bonds which are payable from Second Lien Bond Revenues on an equal and ratable basis with the Series 2018 Second Lien Bonds and all other Outstanding Second Lien Bonds.

"Senior Lien Bond Provider" means a company, banking institution or other financial institution which is the issuer of a Senior Lien Debt Service Reserve Account Credit Instrument or a municipal bond insurance policy as described in the ordinance authorizing the applicable series of Senior Lien Bonds.

"Senior Lien Bonds" means the Series 1997 Bonds, the Series 2000 Senior Lien Bonds and all Senior Lien Parity Bonds.

"Senior Lien Bonds Construction Accounts" means the various accounts established for construction purposes by the Series 1997 Ordinance, the Series 2000 Ordinance, and any ordinance authorizing Senior Lien Parity Bonds.

"Senior Lien 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 Senior Lien Debt Service Requirement for a Fiscal Year includes all appreciated principal payable in that Fiscal Year but does not include the increase in principal which 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.

"Senior Lien Debt Service Reserve Account" means the separate account entitled "Bond Debt Service Reserve Account" previously established by the City in the Water Fund and described in Section 3.03(b) of this Part B and each Subaccount of that Account.

"Senior Lien Debt Service Reserve Account Credit Instrument" means a non-cancelable insurance policy, a non-cancelable surety bond or an irrevocable letter of credit which may be delivered to the City in lieu of or in partial substitution for cash or securities required to be on deposit in a Subaccount of the Senior Lien

Debt Service Reserve Account. In the case of an insurance policy or surety bond, the Senior Lien Bond Provider of such insurance policy or surety bond shall be an insurer which, at the time of issuance of the insurance policy or

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surety bond, has been assigned a credit rating which is within one of the two highest ratings, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise, accorded insurers by at least two Rating Agencies. Letters of credit shall be issued by a banking institution which 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 categories 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 of which the Subaccount of the Senior Lien Debt Service Reserve Account may be used or for deposit in that Subaccount and shall be irrevocable during its term.

"Senior Lien Debt Service Reserve Account Credit Instrument Coverage" means, with respect to any Senior Lien 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 Senior Lien Debt Service Reserve Account Credit Instrument.

"Senior Lien Debt Service Reserve Requirement" means with respect to each of the Series 1997 Bonds and the Series 2000 Senior Lien Bonds, the amount, as of any date of computation, specified in the respective ordinance of the City, as amended, authorizing those 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.

"Senior Lien Parity Bonds" means obligations issued which are payable from Net Revenues Available for Bonds on an equal and ratable basis with all other Outstanding Senior Lien Bonds.

"Senior Lien Principal and Interest Account" means the separate account entitled "Bond Principal and Interest Account" previously established by the City in the Water Fund and described in Section 3.03(a) of this Part B.

"Senior Lien Rebate Account" or "Senior Lien Rebate Accounts" means the separate account or accounts with that title in the Water Fund referred to in Section 3.03(c) of this Part B.

"Series 1993 Bonds" means the Water Revenue Bonds, Refunding Series 1993, of the City.

"Series 1997 Ordinance" means the ordinance passed by the City Council on June 4, 1997, authorizing the issuance of the Series 1997 Bonds, and the Senior Lien Bond Determination Certificate of the Chief Financial Officer in connection with the Series 1997 Bonds.

"Series 1997 Bonds" means the Water Revenue Bonds, Series 1997, of the City which are Outstanding from time to time.

"Series 2000 Ordinance" means (i) the ordinance passed by the City Council on November 17, 1999, authorizing the issuance of the Series 2000 Senior Lien Bonds, the Series

2000 Second Lien Bonds and the Series 2000 Subordinate Lien Obligations, and (ii) the Senior Lien Bond Determination Certificate of the Chief Financial Officer in connection with the Series 2000 Senior Lien Bonds.

"Series 2000 Second Lien Bonds" means the Second Lien Water Revenue Bonds, Series 2000, of the City which are Outstanding from time to time.

"Series 2000 Senior Lien Bonds" means the Senior Lien Water Revenue Bonds, Series 2000, of the City which are Outstanding from time to time.

"Series 2000 Subordinate Lien Obligations" means the Loans authorized by and defined in the Series 2000 Ordinance which are Outstanding from time to time.

"Series 2001 Second Lien Bonds" means the Second Lien Water Revenue Refunding Bonds, Series 2001, of the City which are Outstanding from time to time.

"Series 2004 Commercial Paper Program Notes" means the Water System Commercial Paper Notes, 2004 Program, Series A (Tax-Exempt) and Series B (Taxable) of the City outstanding from time to time.

"Series 2004 Ordinance" means the ordinance passed by the City Council on May 26, 2004, as amended by the Series 2012 Ordinance, authorizing the issuance of the Series 2004 Second Lien Bonds and the Second Lien Bond Determination Certificate of the Chief Financial Officer in connection with the Series 2004 Second Lien Bonds and further authorizing the Series 2004 Commercial Paper Program Notes.

"Series 2004 Second Lien Bonds" means the Second Lien Water Revenue Refunding Bonds, Series 2004, of the City, which are Outstanding from time to time.

"Series 2008 Ordinance" means the ordinance passed by the City Council on September 27, 2007, authorizing, among other things, the issuance of the Series 2008 Second Lien Bonds and the Series 2008 Subordinate Lien Obligations.

"Series 2008 Second Lien Bonds" means the Second Lien Water Revenue Project and Refunding Bonds, Series 2008, of the City, which are Outstanding from time to time.

"Series 2008 Subordinate Lien Obligations" means the Loans authorized by and defined in the Series 2008 Ordinance.

"Series 201 OA Second Lien Bonds" means the Second Lien Water Revenue Bonds, Project and Refunding Series 201 OA (Tax-Exempt), of the City, which are Outstanding from time to time.

"Series 2010B Second Lien Bonds" means the Second Lien Water Revenue Bonds, Taxable Project Series 2010B (Build America Bonds - Direct Payment), of the City, which are Outstanding from time to time.

"Series 2010C Second Lien Bonds" means the Second Lien Water Revenue Bonds, Taxable Project Series 2010C (Qualified Energy Conservation Bonds - Direct Payment), of the City, which are Outstanding from time to time.

"Series 2010 Ordinance" means the ordinance passed by the City Council on September 8, 2010, authorizing, among other things, the issuance of the Series 2010 Second Lien Bonds and the Series 2010 Subordinate Lien Obligations and the Second Lien Bond Determination Certificate of the Chief Financial Officer in connection with the Series 2010 Second Lien Bonds.

"Series 2010 Second Lien Bonds" means, collectively, the Series 201 OA Second Lien Bonds, the Series 2010B Second Lien Bonds and the Series 2010C Second Lien Bonds which are Outstanding from time to time.

"Series 2010 Subordinate Lien Obligations" means the Loans authorized and defined in the Series 2010 Ordinance.

"Series 2012 Ordinance" means the ordinance passed by the City Council on March 14, 2012 as amended by the ordinance passed by the City Council on May 9, 2012, authorizing, among other things, the issuance of the Series 2012 Second Lien Bonds and the Series 2012 Subordinate Lien Obligations and the Second Lien Bond Determination Certificate of the Chief Financial Officer in connection with the Series 2012 Second Lien Bonds.

"Series 2012 Second Lien Bonds" means the Second Lien Water Revenue Bonds, Project Series 2012, of the City, which are Outstanding from time to time.

"Series 2012 Subordinate Lien Obligations" means the Loans authorized and defined in the Series 2012 Ordinance.

"Series 2014 Ordinance" means the ordinance passed by the City Council on April 30, 2014, authorizing the issuance of the Series 2014 Second Lien Bonds and the Second Lien Bond Determination Certificate of the Chief Financial Officer in connection with the Series 2014 Second Lien Bonds.

"Series 2014 Second Lien Bonds" means the Second Lien Water Revenue Project and Refunding Bonds, Series 2014, of the City, which are Outstanding from time to time.

"Series 2016A Ordinance" means the ordinance passed by the City Council on March 16, 2016, authorizing the issuance of the Series 2016A Second Lien Bonds and the Second Lien Bond Determination Certificate of the Chief Financial Officer in connection with the Series 2016A Second Lien Bonds.

"Series 2016A Second Lien Bonds" means the Second Lien Water Revenue Bonds, Series 2016A-1 (Tax-Exempt) and Series 2016A-2 (Taxable), of the City, which are Outstanding from time to time.

"Series 2017 Ordinance" means the ordinance passed by the City Council on January 13, 2016, authorizing the issuance of the Series 2017 Second Lien Bonds and the Second Lien

Bonds.

"Series 2017 Second Lien Bonds" means the Second Lien Water Revenue Refunding Bonds, Series 2017, of the City, which are Outstanding from time to time.

"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 Subaccount" means the separate Subaccount of that name previously established by the City in the Subordinate Lien Obligations Account and described in Section 3.03 (e) of this Part B.

"Subordinate Lien Obligations" means the Series 2000 Subordinate Lien Obligations, the Series 2008 Subordinate Lien Obligations, the Series 2010 Subordinate Lien Obligations, the Series 2012 Subordinate Lien Obligations and all Subordinate Lien Parity Obligations.

"Subordinate Lien Obligation Revenues" means all sums, amounts, funds or moneys which are deposited to the Subordinate Lien Obligations Account.

"Subordinate Lien Obligations Account" means the separate account of that name previously established in the Water Fund and described in Section 3.03(e) of this Part B.

"Subordinate Lien Principal and Interest Subaccount" means the separate Subaccount of that name previously established by the City in the Subordinate Lien Obligations Account and described in Section 3.03 (e) of this Part B.

"Subordinate Lien Parity Obligations" means obligations issued in the future which are payable from Subordinate Lien Obligation Revenues on an equal and ratable basis with all other Outstanding Subordinate Lien Obligations.

"Supplemental Indenture" means each Supplemental Indenture duly entered into in accordance with the terms of the Second Lien Bonds Master Indenture (other than the Eleventh Supplemental Indenture) respecting each series of Series 2018 Second Lien Bonds other than the initial series of such Bonds approved in Section 2.03 of Part B of this Ordinance.

"Taxable Bonds" has the meaning assigned to such term in Section 1.09 of Part D of this Ordinance.

"Eleventh Supplemental Indenture" means the Eleventh Supplemental Indenture respecting the initial series of 2018 Second Lien Bonds approved in Section 2.03 of Part B of this Ordinance, as the same may be amended in accordance with its terms.

"Treasurer" means the Treasurer of the City.

"Treasury Department" means the United States Department of the Treasury.

"Water Fund" means the separate fund designated the "Water Fund of the Municipality of Chicago" previously established by the City and described in Section 3.02 of this Part B.

"Water Rate Stabilization Account" means the separate account of that name previously established by the City in the Water Fund and described in Section 3.03(g) of this PartB.

"Water 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 water supply, distribution or collection purposes, including the Projects, any and all further extensions, improvements and additions to the foregoing.

"Water System Line of Credit Notes" means the Water System Line of Credit Notes defined in and authorized by the Series 2012 Ordinance.

As used in this Ordinance with respect to any Capital Appreciation Series 2018 Second Lien Bond, the term "principal" refers as of any date, to a Bond's Compound Accreted Value.

## **ARTICLE II**

### **DETAILS OF THE SERIES 2018 SECOND LIEN BONDS**

Section 2.01. Principal Amount, Designation, Sources of Payment. The City is authorized to borrow money for the purposes specified in Section 2.02 of this Part B and in evidence of its obligation to repay the borrowing is authorized to issue at one or more times the Series 2018 Second Lien Bonds in one or more separate series (provided that the total principal amount of any Series 2018 Second Lien Bonds shall not exceed \$400,000,000, plus an amount equal to the amount of any original issue discount (not to exceed 15 percent of the aggregate principal amount of such series of Series 2018 Second Lien Bonds) used in the marketing of such Series 2018 Second Lien Bonds). The Series 2018 Second Lien Bonds shall be issued pursuant to the Second Lien Bonds Master Indenture, the Eleventh Supplemental Indenture and one or more additional Supplemental Indentures, if any. The Series 2018 Second Lien Bonds shall be designated "Second Lien Water Revenue Project and Refunding Bonds, Series 2018" or "Second Lien Water Revenue Project and Refunding Bonds, Series 2018 (Taxable)" provided that (a) if such Bonds are issued prior to or after calendar year 2018, their designation shall reflect the year of issuance, and (b) if such Bonds shall be issued to pay Project Costs and not to refund Second Lien Bonds, or to refund Second Lien Bonds and not to pay Project Costs, the designation of such Bonds shall be adjusted accordingly and such designation shall be reflected in the Second Lien Bond Determination Certificate. If the Series 2018 Second Lien Bonds are issued in more than one series, each series shall be appropriately designated to indicate the order of its issuance. The Series 2018 Second Lien Bonds shall be limited obligations of the City having a claim for payment of principal, redemption premium and interest solely from amounts in the Series 2018 Second Lien Bonds Subaccount of the Second Lien Bonds Account, the sources pledged under the Second Lien Bonds Master Indenture and the Eleventh Supplemental Indenture and from amounts on deposit in the Construction Account: 2018 Second Lien Bonds, and, together with any Outstanding and Second Lien Parity Bonds, from Second Lien Bond Revenues. The Series 2018 Second Lien Bonds 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 Second Lien Bond shall contain a statement to that effect. A lien on and security interest in Second Lien Bond Revenues is granted to the Registered Owners of the Second Lien Bonds Outstanding from time to time, and a lien on amounts in the Construction Account: 2018 Second Lien



Bonds is granted to the Owners of the Series 2018 Second Lien Bonds Outstanding from time to time, subject to amounts in those Accounts being deposited, credited and expended as provided in this Ordinance.

Section 2.02. Purposes. The borrowing and issuance of the Series 2018 Second Lien Bonds authorized in Section 2.01 of this Part B shall be for any one or more of the purposes of (1) refunding the Refunded Bonds, (2) paying Project Costs, (3) funding capitalized interest on the Series 2018 Second Lien Bonds, (4) paying Costs of Issuance of the Series 2018 Second Lien Bonds, (5) paying the costs of acquiring a Qualified Reserve Account Credit Instrument for the Series 2018 Second Lien Bonds or making a deposit to the Series 2018 Second Lien Bonds Dedicated Subaccount in the amount required by the Eleventh Supplemental Indenture or a Supplemental Indenture, and (6) providing for any discount on the Series 2018 Second Lien Bonds.

Section 2.03. Approval of Eleventh Supplemental Indenture and Additional Supplemental Indentures for the Series 2018 Second Lien Bonds, Bond Provisions, (a) The form of Eleventh Supplemental Indenture attached to this Ordinance as Exhibit A is approved in all respects. The Chief Financial Officer is authorized, with respect to the initial series of Series 2018 Second Lien Bonds, to execute and deliver the Eleventh Supplemental Indenture for the Series 2018 Second Lien Bonds in substantially the form attached to this Ordinance as Exhibit A for and on behalf of the City, and the City Clerk and the Deputy City Clerk are each 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 Chief Financial Officer is further authorized with respect to any series of Series 2018 Second Lien Bonds issued subsequent to the initial series of Series 2018 Second Lien Bonds, to execute and deliver a Supplemental Indenture containing the information set forth in Section 2.03 of the Second Lien Bonds Master Indenture and in substantially the form of the Eleventh Supplemental Indenture, and the City Clerk and the Deputy City Clerk are each 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 Eleventh Supplemental Indenture and each Supplemental Indenture executed and delivered pursuant to this Section 2.03 may contain such changes and revisions to reflect the terms of such series of Series 2018 Second Lien Bonds (including, without limitation changes and revisions related to the issuance of such Series 2018 Second Lien Bonds as Taxable Bonds) consistent with the purposes and intent of this Part B and with the covenants set forth in the Second Lien Bonds Master Indenture as shall be approved by the Chief Financial Officer, the execution and delivery of such Eleventh Supplemental Indenture and each Supplemental Indenture to constitute conclusive evidence of the City Council's approval of any and all such changes or revisions in such instruments. The Eleventh Supplemental Indenture and each Supplemental Indenture shall set forth such covenants with respect to the imposition of Water System rates, the issuance of Second Lien Parity Bonds, the application of funds in the Water Fund and the Second Lien Bonds Account and other matters relating to the Series 2018 Second Lien Bonds and the security for the Series 2018 Second Lien Bonds as shall be deemed necessary by the Chief Financial Officer in connection with the sale of any series of Series 2018

Second Lien Bonds, provided that such covenants are not inconsistent with the terms of this Ordinance.

b) The Series 2018 Second Lien Bonds may be issued bearing interest at a fixed interest rate or rates, including as Capital Appreciation Series 2018 Second Lien Bonds.

c) The Series 2018 Second Lien Bonds shall mature not later than November 1, 2057, and shall bear interest from their date, or from the most recent date to which interest has been paid or duly provided for,

until the City's obligation with respect to the payment of the principal amount of such Series 2018 Second Lien Bonds shall be discharged, payable as provided in the Eleventh Supplemental Indenture and each other Supplemental Indenture at a rate or rates not in excess of 10 percent per year computed on the basis of a 360-day year consisting of twelve 30-day months. Each series of Series 2018 Second Lien Bonds may be subject to mandatory and optional redemption and demand purchase or mandatory purchase provisions prior to maturity, upon the terms and conditions set forth in the Eleventh Supplemental Indenture and each other Supplemental Indenture. Each series of Series 2018 Second Lien Bonds may have a Debt Service Reserve Requirement which can be fulfilled by a deposit of money into a Debt Service Reserve Account or the purchase of a Qualified Reserve Account Credit Instrument, as authorized by the Eleventh Supplemental Indenture or another Supplemental Indenture.

Each Series 2018 Second Lien Bond shall be issued in fully registered form and in the denominations set forth in the Eleventh Supplemental Indenture and each other Supplemental Indenture; and shall be dated and numbered and further designated and identified as provided in the Eleventh Supplemental Indenture and each other Supplemental Indenture.

d) Principal of and premium, if any, on the Series 2018 Second Lien Bonds shall be payable as provided in the Eleventh Supplemental Indenture and each other Supplemental Indenture.

e) Subject to the limitations set forth in this Section and Section 2.01 of this Part B, authority is delegated to either the Mayor or the Chief Financial Officer to determine the aggregate principal amount of Series 2018 Second Lien Bonds to be issued, the date of such Series 2018 Second Lien Bonds, the maturities of such Series 2018 Second Lien Bonds, any provisions for optional redemption of such Series 2018 Second Lien Bonds (which optional redemption shall be at redemption prices not exceeding 120 percent of the principal amount of the Series 2018 Second Lien Bonds to be so redeemed), the schedule of sinking fund payments (if any) to be applied to the mandatory redemption of such Series 2018 Second Lien Bonds (which mandatory redemption shall be at a redemption price equal to the principal amount of each Series 2018 Second Lien Bond to be redeemed, without premium, plus accrued interest), the rate or rates of interest payable on such Series 2018 Second Lien Bonds and the first interest payment of such Series 2018 Second Lien Bonds.

The 120 percent limitations set forth in the preceding paragraph on the redemption price of Series 2018 Second Lien Bonds shall not apply where the redemption price is to be based upon a formula designed to compensate the owner of such 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 Series 2018 Second Lien Bonds, the Chief Financial Officer shall determine the provisions of the formula to be used to establish any Make-Whole Redemption Price, which may vary depending on whether such Bonds are issued as Taxable Bonds or on a tax-exempt basis. The Chief Financial 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.

Notwithstanding the foregoing, in the event the Series 2018 Second Lien Bonds are issued as Taxable Bonds, at the time of sale of such Bonds, the Chief Financial Officer is authorized to determine the manner of redeeming such Bonds, either pro rata or by lot, in the event less than all of the Series 2018 Second Lien Bonds of a single maturity and the same interest rate are to be redeemed. If the Series 2018 Second Lien Bonds are

held in book-entry form at the time of redemption, at the time of sale of such Bonds, the Chief Financial Officer is authorized to direct the Bond Registrar to instruct the book-entry depository to select the specific Series 2018 Second Lien Bonds within such maturity and interest rate for redemption pro-rata among such Bonds. If so determined by the applicable book-entry depository, the particular Series 2018 Second Lien Bonds or portions thereof to be redeemed may be selected on a pro-rata pass-through distribution of principal basis in accordance with the applicable procedures and operational arrangements of such depository. The City shall have no responsibility or obligation to insure that the book-entry depository properly selects such Bonds for redemption.

#### **Section 2.04. Sale of Series 2018 Second Lien Bonds.**

(a) The Chief Financial 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, a Second Lien Bond Purchase Agreement for the sale by the City to the Second Lien Bond Initial Purchasers of the Series 2018 Second Lien Bonds of a series pursuant to a negotiated sale on such terms as the Chief Financial Officer may deem to be in the best interests of the City as provided in this Ordinance. Such terms include, without limitation, (i) the aggregate principal amount of the Series 2018 Second Lien Bonds of such series, (ii) the amount of any original issue discount, (iii) the principal amount of the Series 2018 Second Lien Bonds of such series maturing in each year, (iv) whether any of the Series 2018 Second Lien Bonds are being issued and sold as Taxable Bonds, (v) the issuance of the Series 2018 Second Lien Bonds of such series as serial bonds, non-callable term bonds, term bonds subject to mandatory sinking fund redemption or any combination of serial bonds, non-callable term bonds, or term bonds subject to mandatory sinking fund redemption, (vi) whether any Series 2018 Second Lien Bonds will be issued as Capital Appreciation Series 2018 Second Lien Bonds, (vii) whether any Capital Appreciation Series 2018 Second Lien Bonds will also bear current interest, (viii) the numbering of the Series 2018 Second Lien Bonds, (ix) the interest rate or rates or interest rate determination methods for the Series 2018 Second Lien Bonds of such series, (x) the method by which and rate at which the Compound Accreted Value of Capital Appreciation Series 2018 Second Lien Bonds shall be established, (xi) whether the Debt Service Reserve Requirement for the Series 2018 Second Lien Bonds of such series (if such requirement is required to be met upon initial issuance of such Series 2018 Second Lien Bonds) will be met by a Qualified Reserve Account Credit Instrument or by cash from proceeds of the Series 2018 Second Lien Bonds and (xii) the

first interest payment and compounding dates, the purposes for which the Series 2018 Second Lien Bonds of such series are being issued pursuant to the authorization granted in Section 2.02 of this Part B, and the prices and other terms upon which the Series 2018 Second Lien Bonds are subject to redemption, all as provided in and subject to the authorizations and limitations expressed in this Article II, including the limitations set forth in Section 2.03(c) of this Part B. The purchase price shall not be less than 85 percent of the principal amount of the Series 2018 Second Lien Bonds of a series plus accrued interest on the Series 2018 Second Lien Bonds of such series from their date to the date of their delivery, plus accrued interest on such Series 2018 Second Lien Bonds from their date to the date of their delivery, less any original issue discount (subject to the limitations in Section 2.01 of this Part B) and the compensation paid to the Second Lien Bond Initial Purchasers in connection with any sale of such series of Series 2018 Second Lien Bonds shall not exceed five percent of the principal amount of such series of Series 2018 Second Lien Bonds being sold. Nothing contained in this Ordinance shall limit the sale of the Series 2018 Second Lien Bonds or any maturity or maturities thereof at a price or prices in excess of the principal amount thereof. The Second Lien 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 Series 2018 Second Lien Bonds of each series and such other revisions in text as the Chief Financial Officer shall determine are desirable or necessary in connection with the sale of the Series 2018 Second Lien Bonds of such series. The Chief Financial Officer shall determine the principal amount of the Series 2018 Second Lien Bonds of such series necessary to be issued for the purposes for which they are to be issued within the maximum amount specified in this Ordinance. The Chief Financial Officer may in the related Second Lien Bond Determination Certificate provide for such changes to the terms of the Series 2018 Second Lien Bonds of such series, the form of the Series 2018 Second Lien Bonds of such series and the various bond covenants from those provided in this Ordinance and the Second Lien Bonds Master Indenture as he or she shall determine but which shall result in the Series 2018 Second Lien Bonds of such series having substantially the terms and being in substantially the form provided in the Second Lien Bonds Master Indenture and the Eleventh Supplemental Indenture. Nothing in this Section 2.04 shall limit or restrict the ability of the City to sell the Series 2018 Second Lien Bonds by one or more private placements.

b) The Chief Financial Officer is further authorized to take the actions and execute and deliver the documents and instruments specified in this Part B. The Series 2018 Second Lien Bonds of such series shall be then duly prepared and executed in the form and manner provided in the Second Lien Bonds Master Indenture and the Eleventh Supplemental Indenture or Supplemental Indenture, as appropriate, and delivered to the Second Lien Bond Initial Purchasers or otherwise in accordance with the terms of sale.

c) The Chief Financial Officer is authorized to cause to be prepared and delivered to prospective purchasers of the Series 2018 Second Lien Bonds of a series a Preliminary Official Statement or other disclosure document, as shall be approved by the Chief Financial Officer that 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 Series 2018 Second Lien Bonds of such series and to describe accurately the current condition of the Water System and the parties to the financing. Upon sale of the Series 2018 Second Lien Bonds of a series, the Chief Financial Officer is authorized to cause a final Official Statement or other disclosure document

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to be prepared, executed and (i) delivered to the Second Lien Bond Initial Purchasers and (ii) filed with the Office of the City Clerk or the Deputy City Clerk directed to the City Council.

d) Upon a finding by the Chief Financial Officer that the purchase of municipal bond insurance for the Series 2018 Second Lien Bonds of a series is likely to facilitate the marketing and sale of such Series 2018 Second Lien Bonds and permit completion of such sale in a timely fashion, and that such insurance is available at an acceptable premium, the Chief Financial Officer is authorized to cause the City to purchase a Section 2.08 Obligation consisting of a policy of municipal bond insurance for the Series 2018 Second Lien Bonds of such series, payable from amounts received upon the sale of such 2018 Second Lien Bonds or from available funds in the Water Fund. Such policy shall be provided by a bond insurance company or association approved by the Chief Financial Officer. In addition, upon a finding by the Chief Financial Officer that the purchase of a Qualified Reserve Account Credit Instrument is appropriate, and that such Qualified Reserve Account Credit Instrument is available at an acceptable cost, the Chief Financial Officer is authorized to cause the City to obtain a Qualified Reserve Account Credit Instrument to satisfy the Debt Service Reserve Requirement for the Series 2018 Second Lien Bonds of a series, the cost of which shall be payable from amounts received upon the sale of such Series 2018 Second Lien Bonds or from available funds in the Water Fund, and to execute an agreement relating to such Qualified Reserve Account Credit Instrument and any related agreements with the

Second Lien Bond Provider of such Qualified Reserve Account Credit Instrument. The Chief Financial Officer may on behalf of the City make necessary covenants with respect to any policy of municipal bond insurance or Qualified Reserve Account Credit Instrument consistent with this Ordinance, including, without limitation, granting the provider of a policy of municipal bond insurance or the Second Lien Bond Provider the right to consent to amendments to this Ordinance on behalf of the Registered Owners of the Series 2018 Second Lien Bonds of a series so long as such provider is not in default and is observing its obligations under such policy or Qualified Reserve Account Credit Instrument.

e) Subsequent to each such sale, the Chief Financial Officer shall file in the Office of the City Clerk or the Deputy City Clerk directed to the City Council (i) a Second Lien Bond Determination Certificate setting forth the terms of sale of the Series 2018 Second Lien Bonds of such series consistent with Section 2.04 (a) and (f) of this Part B and, if appropriate, the designations described in Section 2.04(b) of this Part B, (ii) an executed copy of the Second Lien Bond Purchase Agreement, reflecting concurrence of the Chairman of the Committee on Finance of the City Council in the determinations made by the Chief Financial Officer as to the terms of sale of such Series 2018 Second Lien Bonds, (iii) the Preliminary Official Statement, the final Official Statement and/or other disclosure document of the City as provided in Section 2.04(c) of this Part B, (iv) the Eleventh Supplemental Indenture or Supplemental Indenture, as appropriate, (v) an executed copy of the remarketing agreement, if any and (vi) if applicable, an executed copy of the agreement relating to such Section 2.08 Obligation and promissory note.

If so determined and directed by the Chief Financial Officer in the Second Lien Bond Determination Certificate in connection with the sale of any of the Series 2018 Second Lien Bonds, the Series 2018 Second Lien Bonds shall be issued in book-entry only form. In connection with the issuance of Series 2018 Second Lien Bonds in book-entry only form, the

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Chief Financial Officer is authorized to execute and deliver to the book-entry depository selected by the Chief Financial Officer such depository's standard form of representation letter.

### **ARTICLE III WATER FUND AND ACCOUNTS**

Section 3.0L Revenue Obligation. Any Outstanding Senior Lien Bonds shall have a claim, solely from the Net Revenues Available for Bonds, and the Accounts of the Water Fund established as provided in Section 3.03 of this Part B (except as provided in the immediately succeeding sentence), but with a claim with respect to each series of Outstanding Senior Lien Bonds the Subaccount of the Senior Lien Debt Service Reserve Account to which such series relates. The Senior Lien Bonds shall have no claim for payment from amounts on deposit in the Second Lien Bonds Account or from Second Lien Bond Revenues, or from amounts on deposit in the Subordinate Lien Obligations Account or from Subordinate Lien Obligation Revenues. The claim for payment of the Senior Lien Bonds from accounts of the Water Fund and from Net Revenues Available for Bonds shall be senior to the claim of bonds issued on a subordinate basis to the Senior Lien Bonds, including Second Lien Bonds and Subordinate Lien Obligations.

Section 3.02. Water Fund. There has been created and there exists a separate fund of the City designated

the Water Fund into which the Gross Revenues of the Water System are and shall be deposited as collected. The Water Fund shall continue as a separate fund of the City. The Water Fund shall constitute a trust fund and has been and is irrevocably pledged to the owners of the Senior Lien Bonds, Second Lien Bonds (but solely with respect to amounts on deposit in the Second Lien Bonds Account), Subordinate Lien Obligations (but solely with respect to amounts on deposit in the Subordinate Lien Obligations Account), CP Notes (but solely with respect to amounts on deposit in the Commercial Paper Account) and Water System Line of Credit Notes (but solely with respect to amounts on deposit in the Line of Credit Notes Account) from time to time Outstanding for the sole purpose of carrying out the covenants, terms and conditions of the ordinances authorizing the Senior Lien Bonds, Second Lien Bonds (but solely with respect to amounts on deposit in the Second Lien Bonds Account), Subordinate Lien Obligations (but solely with respect to amounts on deposit in the Subordinate Lien Obligations Account), CP Notes (but solely with respect to amounts on deposit in the Commercial Paper Account) and Water System Line of Credit Notes (but solely with respect to amounts on deposit in the Line of Credit Notes Account).

The Water Fund shall be used only as provided in this Part B and in the ordinances authorizing Bonds for (a) paying Operation and Maintenance Costs, (b) paying the principal of, redemption premium, if any, and interest on Senior Lien Bonds (or purchasing Senior Lien Bonds), and (c) establishing and maintaining (for the purposes specified in those ordinances) the Senior Lien Bonds Construction Accounts and the Accounts in the Water Fund described in Section 3.03 of this Part B and all other reserve funds or accounts which are required to be established and maintained in the ordinances authorizing the issuance of Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations, CP Notes and Water System Line of Credit Notes; provided that any funds available after these requirements have been satisfied or which are not necessary to satisfy these requirements may be used for any lawful purpose of the Water System.

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A lien on and security interest in the Net Revenues Available for Bonds and the various Accounts of the Water Fund established as provided in Section 3.03 of this Part B (other than the Second Lien Bonds Account, the Subordinate Lien Obligations Account, the Commercial Paper Account and the Line of Credit Notes Account) are granted to the Registered 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, and with amounts in various Subaccounts of the Senior Lien Debt Service Reserve Account securing only the series or set of series of Senior Lien Bonds to which such Subaccounts relate. Nothing in this Ordinance shall prevent the City from commingling money in the Water Fund (except the Accounts to which reference is made in paragraphs (a) through (g) of Section 3.03 of this Part B) with other money, funds and accounts of the City. Any advance by the City to the Water Fund from other funds of the City shall have a claim for reimbursement only from amounts in the Water Fund not required for deposit in the various Accounts specified in paragraphs (a) through g) of Section 3.03 of this Part B.

Section 3.03. Application of Net Revenues Available for Bonds. There have been created and there exist and shall be maintained in the Water Fund, the following separate accounts: the Senior Lien Principal and Interest Account, the Senior Lien Debt Service Reserve Account and its various Subaccounts, the Water Rate Stabilization Account and the Senior Lien Rebate Accounts. There have also been created and shall be maintained in the Water 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, (iii) the Commercial Paper Account and its various Subaccounts, and (iv) the Line of Credit Notes Account and its various Subaccounts. The Net Revenues Available for Bonds shall

be transferred, without any further official action or direction, to the Senior Lien Principal and Interest Account, the Senior Lien Debt Service Reserve Account, the Senior Lien Rebate Accounts, the Second Lien Bonds Account, the Subordinate Lien Obligations Account, the Commercial Paper Account, the Line of Credit Notes Account and the Water Rate Stabilization Account in the order in which those accounts are listed below, for use in accordance with the provisions of paragraphs (a), (b), (c), (d), (e), (f), (g) and h) of this Section 3.03.

a) Senior Lien 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 Senior Lien 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, on such payment date on all Outstanding Senior Lien Bonds.

Funds in the Senior Lien 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 as the same become due.

b) Senior Lien Debt Service Reserve Account.

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i) There may be established by any ordinances authorizing the issuance of any series of Senior Lien Parity Bonds one or more other Subaccounts in the Senior Lien Debt Service Reserve Account with respect to one or more series of Senior Lien Parity Bonds.

ii) Whenever the balance in the various Subaccounts of the Senior Lien Debt Service Reserve Account is less than the Senior Lien Debt Service Reserve Requirement for the various series of Senior Lien Bonds, except as permitted pursuant to the applicable ordinances authorizing such Senior Lien Bonds, there shall be transferred to the Senior Lien Debt Service Reserve Account within the next 12 months sufficient funds to maintain balances in the various Subaccounts of the Senior Lien Debt Service Reserve Account at least equal to the Senior Lien Debt Service Reserve Requirement for the various series of Senior Lien Bonds.

Funds in any Subaccount of the Senior Lien Debt Service Reserve Account and any Senior Lien Debt Service Reserve Account Credit Instruments in that Subaccount shall be used to pay principal of, redemption premium, if any, and interest on the Senior Lien Bonds of the series to which the Subaccount relates (or when series of Senior Lien Bonds are secured on a parity basis by Subaccounts relating to those various series, then funds in each such Subaccount shall be so used on a parity basis to pay principal of, redemption premium, if any, and interest on the Senior Lien Bonds to which those various Subaccounts relate) as the same become due at any time when there are insufficient funds available for such purpose in the Senior Lien Principal and Interest Account (after any available amounts in the Water Rate Stabilization Account have first been applied to that purpose).

iii) All or any part of the Senior Lien Debt Service Reserve Requirement for any series of Senior Lien Bonds may be met by deposit with the City of one or more Senior Lien Debt Service Reserve Account Credit Instruments. A Senior Lien Debt Service Reserve Account Credit Instrument shall, for purposes of determining the value of the amounts on deposit in the Senior Lien Debt Service Reserve Account and the Subaccount or Subaccounts to which it relates, be valued at the Senior Lien Debt Service Reserve Account

Credit Instrument Coverage for such Senior Lien Debt Service Reserve Account Credit Instrument except as provided in the next sentence. If a Senior Lien 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 of the series of Senior Lien Bonds to which it relates, then the Senior Lien Debt Service Reserve Account Credit Instrument Coverage of that Senior Lien Debt Service Reserve Account Credit Instrument shall be reduced each year, beginning on the date which is four years prior to the first date on which the Senior Lien 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 Senior Lien Debt Service Reserve Account Credit Instrument and the terms of the related Senior Lien Bond ordinance, the City has the right and duty to draw upon such Senior Lien Debt Service Reserve Account Credit Instrument prior to its termination for deposit in the related Subaccount of the Senior Lien Debt Service Reserve Account (if and to the extent a substitute Senior Lien Debt Service Reserve Account Credit

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Instrument is not deposited in that related Subaccount) all or part of its Senior Lien Debt Service Reserve Account Credit Instrument Coverage, then the reduction shall be in an amount equal to the difference between (A) the Senior Lien Debt Service Reserve Requirement for that series of Senior Lien Bonds and (B) the sum of the amounts on deposit in the related Subaccount of the Senior Lien Debt Service Reserve Account and the amount which the City may draw under the Senior Lien Debt Service Reserve Account Credit Instrument prior to its termination for deposit in the related Subaccount of the Senior Lien Debt Service Reserve Account. Any amounts in any Subaccount of the Senior Lien Debt Service Reserve Account which are not required to be transferred to the Senior Lien Principal and Interest Account may, from time to time, be used to pay costs of acquiring a Senior Lien Debt Service Reserve Account Credit Instrument for that Subaccount or to make payments due under a Senior Lien Bond reimbursement agreement with respect to such Senior Lien Debt Service Reserve Account Credit Instrument, but only if after such payment, the value of the amounts on deposit in such Subaccount of the Senior Lien Debt Service Reserve Account shall not be less than the Senior Lien Debt Service Reserve Requirement for that series of Senior Lien Bonds. The City pledges and grants a lien on and security interest in the amounts on deposit in the Subaccounts of the Senior Lien Debt Service Reserve Account to any Senior Lien Bond Provider with respect to the particular Subaccount corresponding to such Senior Lien Bond Provider's Senior Lien 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 Registered Owners of Senior Lien Bonds of that series.

After the deposit of a Senior Lien Debt Service Reserve Account Credit Instrument into any Subaccount of the Senior Lien Debt Service Reserve Account and after the City has received notice of the value of the amounts on deposit in such Subaccount of the Senior Lien Debt Service Reserve Account after such deposit, the Chief Financial Officer may then direct the transfer from such Subaccount of the Senior Lien Debt Service Reserve Account to any account of the Water Fund of any amounts in such Subaccount of the Senior Lien Debt Service Reserve Account in excess of the Senior Lien Debt Service Reserve Requirement for that series of Senior Lien Bonds for use in accordance with the applicable provisions of the authorizing ordinances for such series of Senior Lien Bonds.

(c) Senior Lien Rebate Accounts. There shall be transferred from the Water Fund from Net Revenues Available for Bonds and deposited to the credit of the various 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 applicable provisions of the authorizing ordinances for such series of



Senior Lien Bonds. Each such Senior Lien Rebate Account shall be deposited in a separate bank account in a bank or banks designated by the Chief Financial Officer 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 City to make rebate payments to the United States of America and to the extent not needed for such purpose shall be transferred to the Water Fund.

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d) Second Lien Bonds Account. There is established in the Second Lien Bonds Account with respect to the Series 2018 Second Lien Bonds a separate and segregated 2018 Second Lien Bonds Subaccount; provided that if Series 2018 Second Lien Bonds are issued prior to or after calendar year 2018, the name of such subaccount may reflect the first year of issuance of such Series 2018 Second Lien Bonds. There may be established by any ordinances or related indentures 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 such Second Lien Parity Bonds including a Debt Service Reserve Account for such series of Second Lien Parity Bonds, and such ordinance or indenture may also authorize the establishment of a Series Reserve Account Requirement (as defined in the Second Lien Bonds Master Indenture) for such series of Second Lien Parity Bonds and the purchase of a Qualified Reserve Account Credit Instrument (as defined in the Second Lien Bonds Master Indenture) for purposes of fulfilling such requirement. There shall be transferred to the Second Lien Bonds Account and to the Subaccounts in the Second Lien Bonds Account such amounts on such dates as are required to be so transferred by the Eleventh Supplemental Indenture and each other Supplemental Indenture without priority of one Subaccount over any other Subaccount. The moneys in the various Subaccounts of the Second Lien Bonds Account shall be transferred by the Chief Financial 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.

e) Subordinate Lien Obligations Account. There have been established and there shall exist and be maintained in the Subordinate Lien Obligations Account the following separate and segregated Subaccounts: the Subordinate Lien Principal and Interest Subaccount and the Subordinate Lien Debt Service Reserve Subaccount. There are established (i) in the Subordinate Lien Principal and Interest Subaccount with respect to the Series 2018 Subordinate Lien Obligations a separate and segregated 2018 Subordinate Lien Sub-subaccount and (ii) in the Subordinate Lien Debt Service Reserve Subaccount a separate and segregated 2018 Subordinate Lien Sub-subaccount; provided that if Series 2018 Subordinate Lien Obligations are issued prior to or after calendar year 2018, the names of such sub-subaccounts may reflect the first year of issuance of such Series 2018 Subordinate Lien Obligations. There may be established by any ordinances authorizing the issuance of any series of Subordinate Lien Parity Obligations one or more Sub-subaccounts in the Subordinate Lien Principal and Interest Subaccount and Subordinate Lien Debt Service Reserve Subaccount with respect to such Subordinate Lien Parity Obligations. On the business day immediately preceding each May 1 and November 1, there shall be transferred to the Subordinate Lien Obligations Account, the amount required by any ordinance authorizing the issuance of 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 Chief Financial Officer. The moneys in the various Subaccounts of the Subordinate Lien Obligations Account and Sub-subaccounts described in this paragraph (e) shall be used to pay such amounts as may be required to be paid by this

Ordinance and any ordinance authorizing Subordinate Lien Parity Obligations.

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(i) Commercial Paper Account. There has been established and there shall exist and be maintained in the Water Fund a separate and segregated Commercial Paper Account. There may be established by any ordinances or related indentures authorizing the issuance of any CP Notes one or more other Subaccounts in the Commercial Paper Account with respect to such CP Notes. There shall be transferred to the Commercial Paper Account and to the Subaccounts in the Commercial Paper Account such amounts on such dates as are required to be so transferred by the indenture pursuant to which the CP Notes are issued. The moneys in the various Subaccounts of the Commercial Paper Account shall be transferred by the Chief Financial Officer on the date so deposited in such various Subaccounts to the appropriate paying agents or trustees for the related CP Notes for the purpose of paying such amounts as may be required to be paid by the ordinances and related indentures authorizing such CP Notes.

g) Line of Credit Notes Account. There has been established and there shall exist and be maintained in the Water Fund a separate and segregated Line of Credit Notes Account. There may be established by any ordinances or related Water System Line of Credit Agreements authorizing the issuance of any Water System Line of Credit Notes one or more other Subaccounts in the Line of Credit Notes Account with respect to such Water System Line of Credit Notes. There shall be transferred to the Line of Credit Notes Account and to the Subaccounts in the Line of Credit Notes Account such amounts on such dates as are required to be so transferred by the Water System Line of Credit Agreements pursuant to which the Water System Line of Credit Notes are issued. The moneys in the various Subaccounts of the Line of Credit Notes Account shall be transferred by the Chief Financial Officer on the date so deposited in such various Subaccounts to the appropriate owners of or paying agents or trustees for the related Water System Line of Credit Notes for the purpose of paying such amounts as may be required to be paid by the ordinances and related Water System Line of Credit Agreements authorizing such Water System Line of Credit Notes.

h) Water Rate Stabilization Account. The City has caused amounts to be credited to the Water Rate Stabilization Account. In any year the City may withdraw any amounts from the Water Rate Stabilization Account and use those amounts for (i) paying any expenses or obligations of the Water System, including, without, limitation, any Operation and Maintenance Costs, (ii) making deposits in the Senior Lien Principal and Interest Account, (iii) making deposits in the various Subaccounts of the Senior Lien Debt Service Reserve Account, (iv) making 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 Senior Lien Principal and Interest Account and in the various Subaccounts of the Senior Lien Debt Service Reserve Account as provided in the immediately succeeding sentence), (v) making 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 Senior Lien Principal and Interest Account, the various Subaccounts of the Senior Lien Debt Service Reserve Account as provided in the immediately succeeding sentence or in the Second Lien Bonds Account), (vi) making deposits when due in the Commercial Paper Account (but only if and to the extent no amounts are required to be deposited in the Senior Lien Principal and Interest Account, the various Subaccounts of the Senior Lien Debt Service Reserve Account, in the Second Lien Bond Accounts or the Subordinate Lien Obligations Account), (vii) making deposits when due in the Line of Credit Notes Account (but only if and to the extent no amounts are required to be deposited in the Senior Lien Principal and Interest Account, the various

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Subaccounts of the Senior Lien Debt Service Reserve Account, in the Second Lien Bond Accounts, in the Subordinate Lien Obligations Account or in the Commercial Paper Account), (viii) any cost of repairs, replacements, renewals, improvements, equipment or extensions to the Water System or (ix) any other cost or expense relating to the Water System or the financing or refinancing of the Water System. The Water Rate Stabilization Account shall be used to make all required deposits in the Senior Lien Principal and Interest Account and the various Subaccounts of the Senior Lien Debt Service Reserve Account when no other funds are available for that purpose. Any Net Revenues remaining in any period not required for transfer to the Senior Lien Principal and Interest Account, the various Subaccounts of the Senior Lien Debt Service Reserve Account, any Senior Lien Rebate Account, the Second Lien Bonds Account, the Subordinate Lien Obligations Account, the Commercial Paper Account or the Line of Credit Notes Account may be transferred to the Water Rate Stabilization Account at any time upon the direction of the Chief Financial Officer.

Section 3.04. Deficiencies, Excess. In the event of a deficiency in any Fiscal Year in the Senior Lien Principal and Interest Account, any Subaccount of the Senior Lien Debt Service Reserve Account, any Senior Lien Rebate Account, the Second Lien Bonds Account, or the Subordinate Lien Obligations Account, the Commercial Paper Account or the Line of Credit Notes Account, the amount of such deficiency shall be included in the amount to be transferred from the Water Fund and deposited into such Account or Subaccount during the next 12-month period or succeeding Fiscal Year, as required by this Part B.

Whenever the balance in any Subaccount of the Senior Lien Debt Service Reserve Account exceeds the amount required to be on deposit in that Account or Subaccount, such excess may be transferred to the Senior Lien Principal and Interest Account, and whenever the balance in any Subaccount of any Senior Lien Rebate Account exceeds the amount required to be on deposit in that Account or Subaccount, such excess may be transferred to the Water Fund, provided in each case 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 Water System are past due. Any funds which remain in the Water Fund at the end of any Fiscal Year shall be retained in the Water Fund and shall be available for appropriation for any proper purpose of the Water System.

Section 3.05. Investments. Funds in the Accounts established as provided in Section 3.03 of this Part B shall be invested in Permitted Investments. All amounts in the various Subaccounts of the Senior Lien Debt Service Reserve Account and each Senior Lien Rebate Account shall be invested in Permitted Investments which are held separate and distinct from those of any other Funds 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 3.05 shall be credited to the Water Fund and shall be considered Gross Revenues; provided, however, 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.

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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 IV**  
**CONSTRUCTION ACCOUNT: 2018 SECOND LIEN BONDS;**  
**OPERATION OF WATER FUND ACCOUNTS WHEN NO SENIOR LIEN**  
**BONDS ARE OUTSTANDING**

Section 4.01. Construction Account: 2018 Second Lien Bonds - Establishment, Deposit of Funds, Uses.

a) If Project Bonds are issued by the City, the City shall establish a separate account in the Water Fund designated the "Construction Account: 2018 Second Lien Bonds;" provided, that if the Project Bonds are issued prior to or after calendar year 2018, the name of such account may reflect the first year of issuance of such Project Bonds. The City may establish one or more subaccounts within that account if more than one series of Series 2018 Second Lien Bonds is issued, in which event references in this Ordinance to such account shall be deemed, when appropriate, to be references to the appropriate subaccount of such account. No lien on or interest in the Construction Account: 2018 Second Lien Bonds is granted to the Registered Owners of Senior Lien Bonds, Subordinate Lien Obligations, CP Notes, or Water System Line of Credit Notes.

b) The proceeds of sale of the Series 2018 Second Lien Bonds of a series remaining after the deposits required by the Eleventh Supplemental Indenture and any Supplemental Indenture have been made shall be deposited to the credit of the Construction Account: 2018 Second Lien Bonds. This account shall be deposited in a separate account in a bank or banks designated by the Chief Financial Officer pursuant to a depository agreement. Funds in the Construction Account: 2018 Second Lien Bonds shall be invested by the depository at the direction of the Chief Financial Officer in Permitted Investments, provided that such investments shall be scheduled to mature before needed to pay Project Costs, including Costs of Issuance. 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. The money received from the sale of the Series 2018 Second Lien Bonds and set aside 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 by the Chief Financial Officer or the Budget Director of the City to provide for the efficient operation of the Water 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 said depository to the City for transfer to any Debt Service Reserve Account, or, if such accounts are fully funded, to the Series 2018 Second Lien Bonds Subaccount, provided that no such

transfers shall be made to such Debt Service Reserve Account if (a) the sum of (i) the proceeds of the Series 2018 Second Lien 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 (b) 10 percent of the proceeds of the Series 2018 Second Lien Bonds.

Section 4.02. Operation of Water 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 Water Fund shall cease to exist: the Senior Lien Principal and Interest Account, the Senior Lien Debt Service Reserve Account, the Senior Lien Bonds Construction Accounts and any Accounts established in respect of Senior Lien Parity Bonds in the Water Fund; amounts in such Accounts shall remain part of the Water Fund. The Water Fund, the Water Rate Stabilization Account, the Second Lien Bonds Account, the Subordinate Lien Obligations Account, the Commercial Paper Account, the Line of Credit Notes Account, the Second Lien Bonds Construction Accounts, the Subordinate Lien Obligations Construction Accounts, the Commercial Paper Construction Accounts, the Line of Credit Notes Construction Accounts and any Account or Subaccounts established in the Water Fund in respect of Second Lien Parity Bonds, Subordinate Lien Parity Obligations, CP Notes or Water System Line of Credit Notes by this Ordinance and ordinances authorizing the issuance of Second Lien Parity Bonds, Subordinate Lien Parity Obligations, CP Notes or Water System Line of Credit Notes shall continue to exist notwithstanding the discharge of the Senior Lien Bonds; and deposits shall be made to and withdrawals made from the Water Fund and the Accounts and Subaccounts described in this sentence as if the Accounts and Subaccounts in the Water Fund described in the immediately preceding sentence had never existed.

## **ARTICLE V AMENDMENT OF PART B OF THIS ORDINANCE**

The City may amend or modify this Part B from time to time and may modify the rights and obligations of the City and the Registered Owners of the Second Lien Bonds in accordance with the Second Lien Bonds Master Indenture.

## **PART C SERIES 2018 SUBORDINATE LIEN OBLIGATIONS**

### **ARTICLE I DEFINITIONS**

#### **Section 1.01. Definitions.**

The following terms shall have the following meanings, unless the context clearly indicates a different meaning:

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"Construction Account: 2018 Subordinate Lien Obligations" means the separate account of that name in the Water Fund established pursuant to Section 3.03 of this Part C.

"IEPA" means the Illinois Environmental Protection Agency, and its successors and assigns, or in the case of Loans made pursuant to the IEPA Program, the authorized lender under such Program.

"IEPA Program" means the Illinois Public Water Supply Program or any successor program administered by the State of Illinois, and any similar program through which funds are authorized by the United States Government, including the United States Environmental Protection Agency, and administered by the

State of Illinois or any federally authorized agency.

"Loan" means, collectively, the borrowing or borrowings by the City from IEPA under the IEPA Program and evidenced by one or more Loan Agreements.

"Loan Agreement" means each Loan Agreement to be entered into between the City and IEPA setting forth the terms of the Loan.

"Outstanding" means, 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:

a) which have been paid or redeemed in full both as to principal, redemption premium, if any, and interest, or

b) which have matured or which have been duly called for redemption and for the payment of which money is on deposit with the designated paying agents for such Subordinate Lien Obligations, or are otherwise properly available, sufficient to pay the principal of, redemption premium, if any, and interest on such Subordinate Lien Obligations, or

c) which the City has provided for payment by depositing in an irrevocable trust or escrow, cash or Defeasance 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

d) which are owned by the City.

"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 Subaccount Credit Instrument" means a non-cancelable insurance policy, a non-cancelable surety bond or an irrevocable letter of credit which may be delivered to the City in lieu of or in partial substitution for cash or securities required to be on deposit in a Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount. In the case of an insurance policy or surety bond, the company providing the insurance policy or surety bond shall be an insurer which, at the time of issuance of the insurance policy or surety bond, has been assigned a credit rating which is within one of the two highest

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ratings, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise, accorded insurers by at least two Rating Agencies. Letters of credit shall be issued by a banking institution which 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 categories 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 of which the Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount may be used or for deposit in that Sub-subaccount and shall be irrevocable during its term.

### **"Subordinate Lien Debt Service Reserve Subaccount Credit Instrument Coverage"**

means, with respect to any Subordinate Lien Debt Service Reserve Subaccount Credit Instrument on any date of determination, the amount available to pay principal of and interest on the Subordinate Lien Obligations under that Subordinate Lien Debt Service Reserve Subaccount Credit Instrument.

"Subordinate Lien Debt Service Reserve Requirement" means: (i) with respect to the Series 2000 Subordinate Lien Obligations, the amount, as of any date of computation, specified in the Series 2000 Ordinance; (ii) with respect to the Series 2008 Subordinate Lien Obligations, the amount, as of any date of computation, specified in the Series 2008 Ordinance; (iii) with respect to the Series 2010 Subordinate Lien Obligations, the amount, as of any date of computation, specified in the Series 2010 Ordinance; (iv) with respect to the Series 2012 Subordinate Lien Obligations, the amount as of any date of computation, specified in the Series 2012 Ordinance; (v) with respect to the Series 2018 Subordinate Lien Obligations, as of any date of computation, an amount equal to the least of (A) the highest future Subordinate Lien Debt Service Requirement of all Series 2018 Subordinate Lien Obligations in any Fiscal Year including the Fiscal Year in which the date of computation falls; (B) 10 percent of the original principal amount of the Series 2018 Subordinate Lien Obligations; or (C) 125 percent of the average annual Subordinate Lien Debt Service Requirement on the Series 2018 Subordinate Lien Obligations; and (vi) with respect to any series of Subordinate Lien Parity Obligations, as of any date of computation, such amounts as shall be established by the ordinance authorizing that series of Subordinate Lien Parity Obligations, not to exceed the least of (A) the highest future Subordinate Lien Debt Service Requirement of that series of Subordinate Lien Parity Obligations 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 Subordinate Lien Parity Obligations; or (C) 125 percent of the average annual Subordinate Lien Debt Service Requirement for that series of Subordinate Lien Parity Obligations; provided that if the definition of Senior Lien Debt Service Reserve Requirement shall be amended in accordance with Article VIII of Part B of the Series 2012 Ordinance, the Subordinate Lien Debt Service Reserve Requirement shall, with respect to all Subordinate Lien Obligations issued after such amendment becomes effective, be deemed to have been amended to reflect comparable changes. If so provided in 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 60 months, in which event, as of any date of computation, the amount so funded in accordance with such Loan Agreement, shall be the Subordinate Lien Debt Service Reserve Requirement.

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"Subordinate Lien Obligations Construction Accounts" means the various accounts established for construction purposes by the Series 2000 Ordinance, the Series 2008 Ordinance, the Series 2010 Ordinance, the Series 2012 Ordinance, this Ordinance and any ordinance authorizing Subordinate Lien Parity Obligations.

## ARTICLE II

### DETAILS OF THE SERIES 2018 SUBORDINATE LIEN OBLIGATIONS

Section 2.01. Principal Amount, Source of Payment. The City is authorized to borrow money for the purposes specified in Section 2.02 of this Part C and in evidence of its obligation to repay the borrowing is authorized to issue the Series 2018 Subordinate Lien Obligations in one or more separate series in an aggregate principal amount of up to \$450,000,000. The Series 2018 Subordinate Lien Obligations shall be in the form of the Loan Agreements authorized by Section 2.03 of this Part C. The Series 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 Sub-subaccount of the Subordinate Lien Principal and Interest Subaccount and the 2018 Subordinate Lien Sub-subaccount of the Subordinate Lien Debt Service

Reserve Subaccount, in each case established pursuant to Section 3.03(e) of Part B of this Ordinance, 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 Series 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 Series 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 Registered Owners of the Subordinate Lien Obligations Outstanding from time to time, subject to amounts in such Account being deposited, credited and expended as provided in this Ordinance.

Section 2.02. Purposes. The borrowing and issuance of the Series 2018 Subordinate Lien Obligations authorized in Section 2.01 of this Part C shall be for any one or more of the purposes of (a) paying Project Costs and costs of acquiring a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument for the Series 2018 Subordinate Lien Obligations or (b) making a deposit in the 2018 Subordinate Lien Sub-account of the Subordinate Lien Debt Service Reserve Subaccount. The term "paying Project Costs" shall include the making of loans or grants for such purpose to such parties and upon such terms as shall be determined by the Chief Financial Officer to be in the best interests of the City.

Section 2.03. Obligations Provisions, (a) The Chief Financial Officer is authorized to enter into one or more Loan Agreements with the IEPA in the form customarily used for the IEPA Program. The use of such form is approved in all respects.

(a) Each Loan shall mature within 30 years from the later of (i) the date of Initiation of Repayment (as defined in each Loan Agreement) or (ii) the date the Project financed with the proceeds of such Loan is placed in service and shall bear interest at the rate authorized for the

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IEPA Program at the time the related Loan Agreement is entered into, provided that no Loan may mature later than November 1, 2057, or bear interest at a rate in excess of 10 percent per year.

b) Principal of and interest on each Loan shall be payable as provided in the related Loan Agreement, provided that debt service on each Loan shall not be payable on dates other than May 1 and November 1.

c) Subject to the limitations set forth in this Section and Section 2.01 of this Part C, authority is delegated to the Chief Financial Officer to determine the aggregate principal amount of Loans, the maturities of such Loans, the rate or rates of interest payable on such Loans or method or methods for determining such rate or rates and the first interest payment date of such Loans.

d) The Mayor and the Chief Financial Officer are each authorized to take the actions and execute and deliver the documents and instruments specified in this Part C and such other documents, instruments or certificates as may be required in connection with the Loans, including, without limitation, agreements that the City will indemnify the IEPA and the State of Illinois to the extent required to obtain the Loans.

## ARTICLE III

### DISPOSITION OF SERIES 2018 SUBORDINATE LIEN OBLIGATION PROCEEDS;



**CONSTRUCTION ACCOUNT: 2018 SUBORDINATE LIEN OBLIGATIONS;  
OPERATION OF WATER FUND ACCOUNTS WHEN NO SENIOR LIEN BONDS OR  
SECOND LIEN BONDS ARE OUTSTANDING**

Section 3.01. Deposit into the 2018 Subordinate Lien Debt Service Reserve Sub-subaccount. Subject to Section 3.02 and Section 4.02 of this Part C, there shall be deposited in the 2018 Subordinate Lien Sub-subaccount of the Subordinate Debt Service Reserve Subaccount from the proceeds of the Series 2018 Subordinate Lien Obligations of a series and such other sources as necessary any amount required upon the issuance of such Series 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 or alternatively, if so permitted by the IEPA and applicable law, to pay the costs of any Subordinate Lien Debt Service Reserve Subaccount Credit Instrument.

Section 3.02. Subordinate Lien Debt Service Reserve Subaccount Credit Instrument. The City shall, to the extent that a deposit is not made from a cash deposit either from proceeds of the Series 2018 Subordinate Lien Obligations of a series or as otherwise provided in Section 3.01 of this Part C, and subject to the limitations in such Section 3.01, upon the issuance of the Series 2018 Subordinate Lien Obligations of a series, acquire a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument with a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument Coverage sufficient to meet the Subordinate Lien Debt Service Reserve Requirement in respect of such Series 2018 Subordinate Lien Obligations. The Chief Financial Officer is authorized to purchase such an instrument on behalf of the City and may execute a reimbursement agreement on behalf of the City with the provider of such

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Subordinate Lien Debt Service Reserve Subaccount Credit Instrument. The Chief Financial Officer may on behalf of the City make necessary covenants with respect to such Subordinate Lien Debt Service Reserve Subaccount Credit Instrument consistent with this Ordinance. The City shall apply amounts received upon the sale of the Series 2018 Subordinate Lien Obligations of a series, or other amounts in the Water Fund, to pay costs to the City of acquiring any credit instrument authorized by this Section.

Section 3.03. Construction Account: 2018 Subordinate Lien Obligations - Establishment, Deposit of Funds, Uses.

a) The City shall establish a separate account in the Water Fund designated the "Construction Account: 2018 Subordinate Lien Obligations;" provided that if such Series 2018 Subordinate Lien Obligations are issued prior to or after calendar year 2018, the name of such account may reflect the first year of issuance of such Series 2018 Subordinate Lien Obligations. The City may establish one or more subaccounts within that account if more than one series of Series 2018 Subordinate Lien Obligations is issued, in which event references in this Ordinance to such account shall be deemed, when appropriate, to be references to the appropriate subaccount of such account. No lien on or security interest in the Construction Account: 2018 Subordinate Lien Obligations is granted to the Registered Owners of Senior Lien Bonds or Second Lien Bonds.

b) The proceeds of the borrowing evidenced by the Series 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 bank or banks designated by the Chief Financial 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 Chief Financial 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. The proceeds of the borrowing evidenced by the Series 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: 2018 Subordinate Lien Obligations may be amended by the Chief Financial Officer or the Budget Director of the City, in consultation with IEPA, to provide for the efficient operation of the Water 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 said depository to the City for transfer to the Subordinate Lien Debt Service Reserve Subaccount, or, if such account is fully funded, to the Subordinate Lien Principal and Interest Subaccount.

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Section 3.04. Operation of Water Fund When No Senior Lien Bonds or Second Lien Bonds are Outstanding. From and after such time as no Senior Lien Bonds or Second Lien Bonds are Outstanding, the following Accounts of the Water Fund shall cease to exist: the Senior Lien Principal and Interest Account, the Senior Lien Debt Service Reserve Account, the Senior Lien Bonds Construction Accounts, the Second Lien Bonds Construction Accounts and any Accounts established in respect of Senior Lien Parity Bonds and Second Lien Parity Bonds in the Water Fund; amounts in such Accounts shall remain part of the Water Fund. The Water Fund, the Water Rate Stabilization Account, the Subordinate Lien Obligations Account, the Commercial Paper Account, the Subordinate Lien Obligations Construction Accounts and any Account or Subaccounts established in the Water Fund in respect of Subordinate Lien Parity Obligations by this Ordinance and ordinances authorizing the issuance of Subordinate Lien Parity Obligations or CP Notes shall continue to exist notwithstanding the discharge of the Senior Lien Bonds and the Second Lien Bonds; and deposits shall be made to and withdrawals made from the Water Fund and the Accounts and Subaccounts described in this sentence as if the Accounts and Subaccounts in the Water Fund described in the immediately preceding sentence had never existed.

## ARTICLE IV

### SUBORDINATE LIEN OBLIGATION SUBACCOUNTS

Section 4.01. Subordinate Lien Principal and Interest Subaccount. Funds in the Subordinate Lien 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.

Section 4.02. Subordinate Lien Debt Service Reserve Subaccount, (a) Unless otherwise provided in the related Loan Agreement, at the time of the delivery of the Series 2018 Subordinate Lien Obligations of a series, either amounts received upon the sale of such Series 2018 Subordinate Lien Obligations or cash on hand in the Water Fund or a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument purchased as provided

in this Part C shall be deposited to the credit of the 2018 Subordinate Lien Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount, to establish a balance in that Sub-subaccount at least equal to the Subordinate Lien Debt Service Reserve Requirement with respect to such Series 2018 Subordinate Lien Obligations. Amounts in the 2018 Subordinate Lien Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount shall be deposited in a separate account in a bank or banks designated by the Chief Financial Officer pursuant to a depository agreement. 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 6.01(c) of this Part C, 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 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.

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Funds in any Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount and any Subordinate Lien Debt Service Reserve Subaccount Credit Instruments in that Sub-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 (after any available amounts in the Water Rate Stabilization Account have first been applied to that purpose). Any Subordinate Lien Debt Service Reserve Subaccount Credit Instrument for the Series 2018 Subordinate Lien Obligations shall not terminate prior to the date of the last maturity of any of the Series 2018 Subordinate Lien Obligations.

(b) All or any part of the Subordinate Lien Debt Service Reserve Requirement for any series of Subordinate Lien Obligations may, subject to the limitations in Section 3.01, be met by deposit with the City of one or more Subordinate Lien Debt Service Reserve Subaccount Credit Instruments. A Subordinate Lien Debt Service Reserve Subaccount Credit Instrument shall, for purposes of determining the value of the amounts on deposit in the Subordinate Lien Debt Service Reserve Subaccount and the Sub-subaccount to which it relates, be valued at the Subordinate Lien Debt Service Reserve Subaccount Credit Instrument Coverage for the Subordinate Lien Debt Service Reserve Subaccount Credit Instrument except as provided in the next sentence. If a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument is to terminate (or is subject to termination) prior to the last principal payment date for any Outstanding Subordinate Lien Obligation of the series of Subordinate Lien Obligations to which it relates, then the Subordinate Lien Debt Service Reserve Subaccount Credit Instrument Coverage of that Subordinate Lien Debt Service Reserve Subaccount Credit Instrument shall be reduced each year, beginning on the date which is four years prior to the first date on which the Subordinate Lien Debt Service Reserve Subaccount 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 Subordinate Lien Debt Service Reserve Subaccount Credit Instrument and the terms of the related Subordinate Lien Obligation ordinance, the City has the right and duty to draw upon such Subordinate Lien Debt Service Reserve Subaccount Credit Instrument prior to its termination for deposit in the related Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount (if and to the extent a substitute Subordinate Lien Debt Service Reserve Subaccount Credit Instrument is not deposited in that related Sub-subaccount) all or part of its Subordinate Lien Debt Service Reserve Subaccount Credit Instrument Coverage, then the reduction shall be in an amount equal to the difference between (A) the Subordinate Lien Debt Service Reserve Requirement for that series of Subordinate Lien Obligations and (B) the sum of the amounts on deposit

in the related Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount and the amount which the City may draw under the Subordinate Lien Debt Service Reserve Credit Instrument prior to its termination for deposit in the related Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount. Any amounts in any Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount which are not required to be transferred to the Subordinate Lien Principal and Interest Subaccount may, from time to time, be used to pay costs of acquiring a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument for that Sub-subaccount or to make payments due under a reimbursement agreement with respect to that Sub-subaccount, but only if after such payment, the value of the Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount shall not be less than the Subordinate Lien Debt Service Reserve

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Requirement for that series of Subordinate Lien Obligations. The City pledges and grants a lien on and security interest in the amounts on deposit in the Sub-subaccounts of the Subordinate Lien Debt Service Reserve Subaccount to any provider of a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument with respect to the particular Subaccount corresponding to such provider's Subordinate Lien Debt Service Reserve Subaccount Credit Instrument, provided that the pledge, lien and security interest shall be junior to any claim for the benefit of the Registered Owners of Subordinate Lien Obligations of that series.

After the deposit of a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument into any Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount and after the City has received notice of the value of the Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount after such deposit, the Chief Financial Officer may then direct the transfer from such Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount to any account of the Water Fund of any amounts in the Sub-subaccount of the Subordinate Lien Debt Service Reserve Subaccount in excess of the Subordinate Lien Debt Service Reserve Requirement for that series of Subordinate Lien Obligations.

c) 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 Water Fund and deposited into such account during the next 12-month period or succeeding Fiscal Year, as required by this Part C.

d) 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 Water 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 Water System are past due. Any funds which remain in the Water Fund at the end of any Fiscal Year shall be retained in the Water Fund and shall be available for appropriation for any proper purpose of the Water System.

## ARTICLE V

### GENERAL COVENANTS

Section 5.01. General Covenants. The City covenants and agree with the Registered Owners of the Series 2018 Subordinate Lien Obligation terms as follows:

(a) The City will establish, maintain and collect at all times fees, charges and rates for the use and service of the Water System sufficient at all times to (a) pay Operation and Maintenance Costs, and (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 Bonds Outstanding from time to time and to establish and maintain the Senior Lien Principal and Interest Account and various Subaccounts of the Senior Lien 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 the greater of (i) 120 percent of the sum required to pay promptly when due the Senior Lien Debt Service Requirement for the

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Fiscal Year on all Senior Lien Bonds then Outstanding or (ii) the sum of (A) the Senior Lien Bond Debt Service Requirement for the Fiscal Year on all Senior Lien Bonds Outstanding, plus (B) the Annual Second Lien Bonds Requirement (as defined in the Second Lien Bonds Master Indenture) for the Fiscal Year on all Second Lien Bonds Outstanding, plus (C) the Subordinate Lien Debt Service Requirement for the Fiscal Year on all Subordinate Lien Obligations Outstanding, plus (D) the annual debt service requirement for the Fiscal Year on all CP Notes Outstanding, plus (E) the annual debt service requirement for the Fiscal Year on all Water System Line of Credit Notes Outstanding. 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.

(b) 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 Water System identifying the rate changes necessary to comply with the rate covenant and the Office of Budget and Management of the City and the Chief Financial Officer shall recommend appropriate action to the City Council to comply with this rate covenant.

## ARTICLE VI

### ISSUANCE OF ADDITIONAL SUBORDINATE LIEN OBLIGATIONS

Section 6.01. Subordinate Lien Parity Obligations. As long as there are any Outstanding Series 2018 Subordinate Lien Obligations, the City may issue Subordinate Lien Parity Obligations for any lawful purpose of the Water System, provided such purpose is also a lawful purpose of the IEPA Program, and then only upon compliance with the following conditions:

a) the funds required to be transferred to the Senior Lien Principal and Interest Account, the various Subaccounts of the Senior Lien Debt Service Reserve Account and the various Subaccounts of the Second Lien Bonds Account, the Subordinate Lien Obligations Account, the Commercial Paper Account and the Line of Credit Notes 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 the deposit of a Subordinate Lien Debt Service Reserve Subaccount Credit Instrument, or any combination of Subordinate Lien Obligation proceeds or Net Revenues Available for Bonds and Subordinate Lien Debt Service Reserve Subaccount Credit Instruments, 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

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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 100 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 rates of the Water 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, provided, that in the ease of an enactment by the City of a rate schedule under which rates increase from time to time, the rate to be used in applying the test set forth in this clause (i) shall be the lowest rate effective for any period described in such rate schedule; and

ii) any such adjustment shall be evidenced by a certificate of the Chief Financial Officer.

The addition of the proviso at the end of clause (i) above is solely intended to clarify the application of the adjustment described in said clause (i) and not to make any substantive revisions to the current application thereof.

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 Fiscal Year.

If during the first six months of a Fiscal Year, an audit of the Water System for the preceding Fiscal Year by an independent certified public accountant is not available, the conditions of 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 Chief Financial Officer), adjusted as described in this paragraph (c), shall equal at least 100 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.

Section 6.02. Subordinate Obligations. Other obligations, including bonds, may be issued payable from Net Revenues Available for Bonds on a basis subordinate to the Subordinate Lien Obligations.

## **ARTICLE VII AMENDMENT OF PART C OF THIS**

### **ORDINANCE**

The City may amend or modify this Part C from time to time and may modify the rights and obligations of the City and of the Registered Owners of the Series 2018 Subordinate Lien Obligations by adopting a supplemental ordinance to this Ordinance, provided that no such modification or amendment shall be adopted without the consent of IEPA.

## **PART D GENERAL**

### **ARTICLE I GENERAL PROVISIONS**

Section 1.01. 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 1970 Constitution of the State of Illinois. The appropriate officers of the City are authorized to take such actions and do such things as shall be necessary or desirable, in the judgment of any such officers, to perform, carry out, give effect to and consummate the transactions contemplated by this Ordinance, including, but not limited to, the exercise following the delivery date(s) of any of the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations of any power or authority delegated to such official of the City under this Ordinance with respect to the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations upon their initial issuance, but subject to any limitations on or restrictions of such power or authority as set forth in this Ordinance.

The Mayor, the Chief Financial Officer, the City Comptroller, the Treasurer, the City Clerk and the Deputy City Clerk are each authorized to execute and deliver such other documents and perform such other acts as may be necessary or desirable in connection with the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations and the transactions authorized pursuant to this Ordinance, including, but not limited to, the exercise following the delivery date(s) of the Series 2018 Second Lien Bonds and/or the Series 2018 Subordinate Lien Obligations of any power or authority delegated to such official under this Ordinance with respect to the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations upon original issuance, but subject to any limitations on or restrictions of such power or authority as set forth in this Ordinance.

Section 1.02. Authorized Signatures. The Mayor, the City Clerk, the Deputy City Clerk and the Chief Financial Officer may each designate another to act as their respective proxies and, as applicable, to affix their respective signatures to the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations whether in temporary or definitive form, and any other instrument, certificate or document required to be signed by the Mayor, the City Clerk, the Deputy City Clerk or the Chief Financial Officer pursuant to this Ordinance. In each 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 City Clerk, the Deputy City Clerk or the Chief Financial Officer, respectively. A written signature of the Mayor, the City Clerk, the Deputy City Clerk or of the Chief Financial 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 the Proceedings of the City Council and filed with the City Clerk or the Deputy City Clerk. When the signature of the Mayor, the City Clerk, the Deputy City Clerk or the Chief Financial Officer, as the case may be, is placed on an instrument, certificate or document at the direction of the Mayor, the City Clerk, the Deputy City Clerk or the Chief Financial 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 City Clerk, the Deputy City Clerk or the Chief Financial Officer, as the case may be, in person.

Section 1.03. Conflict. To the extent that any ordinance, resolution, provision of the Municipal Code, rule or order is in conflict with or is inconsistent with the provisions of this Ordinance, including, without limitation, Section 2-32-520 of the Municipal Code, 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 instruments authorized by this Ordinance, including the Series 2018 Second Lien Bonds, the Second Lien Bonds Master Indenture, the Eleventh Supplemental Indenture or any Supplemental Indenture or the Series 2018 Subordinate Lien Obligations, or to make any such document or instrument voidable at the option of the City, or to impair the rights of the owners of the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations to receive payment of the principal of, premium, if any, or interest on the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations, respectively, or to impair the security for the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien 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 1.04. Severability. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance.

Section 1.05. Registered Owner Remedy. Any Registered Owner of a Series 2018 Second Lien Bond or a Series 2018 Subordinate Lien Obligation 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 Water System and the application of Gross Revenues and the various Accounts of the Water Fund as provided by this Ordinance.

Section 1.06. Contract. The provisions of this Ordinance shall constitute a contract between the City and the Registered Owners of the Series 2018 Second Lien Bonds and the Series 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 as provided in the Second Lien Bonds Master Indenture, the Eleventh Supplemental Indenture and each Supplemental Indenture, so long as the Series 2018 Second Lien Bonds are Outstanding, and with respect to the Series 2018 Subordinate Lien Obligations, as provided in the applicable Loan Agreements.

Section 1.07. Appropriation. The provisions of this Ordinance constitute an appropriation of the amounts received upon the sale of the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations for the purposes specified in Section 2.02 of each of Part B and Part C of this Ordinance, respectively, and an appropriation of the Net Revenues Available for Bonds for deposit in the various Accounts established as provided by Section 3.03 of Part B and Part C of this Ordinance and for payment of principal of, redemption premium, if any, and interest on the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations and for other payments required to be made by the City pursuant to the documents, agreements and instruments authorized herein, all as provided in this Ordinance.

Section 1.08. Continuing Disclosure Undertaking. The Mayor and the Chief Financial Officer are each authorized to execute and deliver, as to each series of the Series 2018 Second Lien Bonds and the Series 2018 Subordinate Lien Obligations, an undertaking (a "Continuing Disclosure Undertaking") evidencing the City's agreement to comply with the requirements of Section (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as from time to time in effect, in a form approved by the Corporation Counsel of the City. Upon its execution and delivery on behalf of the City, the Continuing Disclosure Undertaking shall be binding upon the City, and the officers, employees and agents of the City 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 the Continuing Disclosure Undertaking as executed. The Chief Financial Officer is further authorized to make such amendments to 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 by the City to comply with the Continuing Disclosure Undertaking shall be the ability of the beneficial owner of any Series 2018 Second Lien Bonds or Series 2018 Subordinate Lien Obligations, as appropriate, to seek mandamus or specific performance by court order to cause the City to comply with its obligations under the Continuing Disclosure Undertaking. No failure by the City to comply with the Continuing Disclosure Undertaking shall constitute a default under this Ordinance or under any Series 2018 Second Lien Bonds.

Section 1.09. Taxable Bonds. If determined by the Chief Financial Officer to be in the City's financial interest, any portion of the Series 2018 Second Lien Bonds may be issued hereunder such that the interest thereon is subject to Federal income taxation ("Taxable Bonds").

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Section 1.10. Escrow Restructuring. Nothing in this Ordinance shall restrict or limit the ability of the City to restructure securities held for the payment of Senior Lien Bonds, Second Lien Bonds or Subordinate Lien Obligations.

Section 1.11. Headings. Any headings preceding the texts of the several Articles and Sections of this Ordinance shall be solely for convenience or reference and shall not constitute a part of this Ordinance nor shall they affect its meaning, construction or effect.

Section 1.12. Effectiveness. This Ordinance shall be published by the City Clerk, by causing to be printed in special pamphlet form at least five copies hereof, which copies are to be made available in her office for public inspection and distribution to members of the public who may wish to avail themselves of a copy of this Ordinance. This Ordinance shall be in full force and effect from and after its adoption, approval and publication as provided herein.

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CHICAGO November 8, 2017

**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 Water Revenue Project and Refunding Bonds, Series 2018.

02017-7617

Amount of Bonds

not to exceed: \$400,000,000

This recommendation was concurred in by \_\_\_\_\_ (arwva voce voteT)  
nbers of the committee with \_\_\_\_\_ dissenting vote(s)T-

Having had the same under advisement, begs leave to report and recommend that your Honorable Body place on file the 3(jJb>4«^\*A»

of members of the committee with

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

(signed

Respectfully submitted

Chairman

Document No.

**REPORT OF THE COMMITTEE ON FINANCE TO THE CITY COUNCDL CITY OF CHICAGO**