NEW ISSUE – BOOK-ENTRY ONLY **Ratings: see "RATINGS" herein**

Mayer Brown LLP and Sanchez Daniels & Hoffman LLP, Co-Bond Counsel, are of the opinion that under existing law, interest on the Series 2020B Refunding Bonds is includible in gross income of the owners thereof for federal income tax purposes. Prospective purchasers of the Series 2020B Refunding Bonds should consult their own tax advisors as to the federal, state and local tax consequences of their acquisition, ownership or disposition of, or the accrual or receipt of interest on the Series 2020B Refunding Bonds. See "TAX MATTERS" herein.

CHICAGO TRANSIT AUTHORITY

$534,005,000
SALES TAX RECEIPTS REVENUE REFUNDING BONDS
SERIES 2020B (TAXABLE)

Dated: Date of Issuance **Due: December 1, as shown on the inside front cover**

The Chicago Transit Authority (the "Authority") is issuing $534,005,000 aggregate principal amount of Sales Tax Receipts Revenue Refunding Bonds, Series 2020B (Taxable) (the "Series 2020B Refunding Bonds"). The Series 2020B Refunding Bonds, are being issued pursuant to a Trust Indenture dated as of March 1, 2010 (the "2010 Indenture") by and between the Authority and U.S. Bank National Association, Chicago, Illinois, as trustee (the "Trustee"), as supplemented and amended to the date hereof, and as further supplemented by a Fourth Supplemental Trust Indenture, dated as of September 1, 2020, by and between the Authority and the Trustee (the "Fourth Supplemental Indenture," and the 2010 Indenture as so supplemented and amended, the "Indenture").

The Series 2020B Refunding Bonds are deliverable in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of Series 2020B Refunding Bonds will be made in denominations of $1,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Series 2020B Refunding Bonds will not receive physical bonds representing their beneficial ownership in the Series 2020B Refunding Bonds but will receive a credit balance on the books of their respective DTC Participants or DTC Indirect Participants. The Series 2020B Refunding Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein.

Interest and principal of the Series 2020B Refunding Bonds are payable to Cede & Co. Such interest and principal payments are to be disbursed to the beneficial owners of the Series 2020B Refunding Bonds through their respective DTC Participants or DTC Indirect Participants. Interest on the Series 2020B Refunding Bonds, is payable on June 1 and December 1 of each year, commencing on December 1, 2020.

The Series 2020B Refunding Bonds are subject to optional redemption and mandatory sinking fund redemption. See "DESCRIPTION OF THE BONDS—Redemption."

The Series 2020B Refunding Bonds are limited obligations of the Authority payable solely from Sales Tax Receipts on a parity basis to the claim on such Sales Tax Receipts by First Lien Parity Obligations as described herein and on a senior lien basis to the claim on such Sales Tax Receipts by Second Lien Obligations as described herein. See "SECURITY FOR THE BONDS—Pledge of Security."

The proceeds from the sale of the Series 2020B Refunding Bonds will be used to (i) refund certain of the Authority's outstanding Sales Tax Receipts Revenue Bonds (as defined herein), (ii) refund a portion of its Outstanding Second Lien CIP Notes (as defined herein), (iii) capitalize interest on the Series 2020B Refunding Bonds, and (iv) pay costs in connection with the issuance of the Series 2020B Refunding Bonds. See "PLAN OF FINANCE."

The Series 2020B Refunding Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois (the "State"), the Regional Transportation Authority or any political subdivision of the State (other than the Authority) or of any municipality within the State, nor shall any Series 2020B Refunding Bonds be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision. The Series 2020B Refunding Bonds do not have a lien on and are not secured by any physical properties of the Authority. The Authority has no taxing power.

The maturities, principal amounts, interest rates, prices and CUSIP® numbers of the Series 2020B Refunding Bonds are set forth on the inside front cover page of this Official Statement.

The Series 2020B Refunding Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of validity thereof by Mayer Brown LLP, Chicago, Illinois, and Sanchez Daniels & Hoffman LLP, Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Chapman and Cutler LLP, Chicago, Illinois, Underwriters' Counsel, and for the Authority by its General Counsel and by Thompson Coburn LLP, Chicago, Illinois, Disclosure Counsel. The Series 2020B Refunding Bonds are expected to be delivered through the facilities of DTC in New York, New York on or about September 3, 2020.

Goldman Sachs & Co. LLC

Loop Capital Markets

American Veterans Group, PBC **Fifth Third Securities, Inc.** **Huntington Capital Markets** **Janney Montgomery Scott**
Mesirow Financial, Inc. **Stern Brothers** **Stifel Nicolaus & Company, Incorporated** **Valdes & Moreno, Inc.**

August 27, 2020

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND CUSIP® NUMBERS

$534,005,000
CHICAGO TRANSIT AUTHORITY
SALES TAX RECEIPTS REVENUE REFUNDING BONDS
SERIES 2020B (TAXABLE)

Dated: Date of Issuance and Delivery

Maturity (December 1)	Amount	Interest Rate %	Price	CUSIP*
2022	$21,795,000	1.708	100.000	16772PCH7
2023	22,170,000	1.838	100.000	16772PCJ3
2024	22,590,000	2.064	100.000	16772PCK0
2025	23,060,000	2.214	100.000	16772PCL8
2026	23,565,000	2.481	100.000	16772PCM6
2027	24,160,000	2.731	100.000	16772PCN4
2028	24,825,000	2.952	100.000	16772PCP9
2029	25,560,000	3.052	100.000	16772PCQ7
2030	26,345,000	3.102	100.000	16772PCR5
2031	27,175,000	3.302	100.000	16772PCS3
2032	28,075,000	3.402	100.000	16772PCT1
2033	29,030,000	3.502	100.000	16772PCU8
2034	30,055,000	3.552	100.000	16772PCV6
2035	31,130,000	3.602	100.000	16772PCW4

$174,470,000 3.912% Term Bond due December 1, 2040 , Price 100.000, CUSIP* 16772PCX2

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* Copyright 2020, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services which is managed on behalf of the American Bankers Association by S&P Capital IQ, a part of McGraw-Hill Financial, Inc. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of sale of the Series 2020B Refunding Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to change after the sale of the bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2020B Refunding Bonds.

CHICAGO TRANSIT AUTHORITY

CHICAGO TRANSIT BOARD

Terry Peterson, Chairman
Arabel Alva Rosales, Vice-Chair
Judge Gloria Chevere
Kevin Irvine
Reverend Dr. L. Bernard Jakes
Reverend Johnny L. Miller
Alejandro Silva

OFFICERS

Dorval R. Carter Jr., President
Jeremy V. Fine, Chief Financial Officer and Treasurer
Karen G. Seimetz, General Counsel
Gregory Longhini, Assistant Secretary

CO-BOND COUNSEL

Mayer Brown LLP
Sanchez Daniels & Hoffman LLP
Chicago, Illinois

DISCLOSURE COUNSEL

Thompson Coburn LLP
Chicago, Illinois

FINANCIAL ADVISORS

Sycamore Advisors, LLC
Public Alternative Advisors, LLC
Chicago, Illinois

This Official Statement does not constitute an offer to sell the Series 2020B Refunding Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Official Statement nor the sale of any of the Series 2020B Refunding Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2020B Refunding Bonds. All summaries of statutes and documents are made subject to the provisions of such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The information set forth herein has been obtained from the Authority and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority or the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. No representation, warranty or guarantee is made by the Financial Advisor as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Authority, the Underwriters or the Financial Advisor.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements, and any such statements inherently are subject to a variety of risks and uncertainties, including but not limited to those described under "CERTAIN INVESTMENT CONSIDERATIONS," that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the amount of Sales Tax Receipts received include, among others, changes in political, social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, natural disasters, and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements include, but are not limited to, certain statements contained in the information contained under the captions "FINANCIAL INFORMATION—COVID-19 Outbreak Impact," SALES TAX RECEIPTS," "THE AUTHORITY—Ridership Trends and Amended 2020 Budgeted Ridership" and "—Authority Operations in Response to the COVID-19 Outbreak," FINANCIAL INFORMATION," "CAPITAL IMPROVEMENT PROGRAM" and "CERTAIN INVESTMENT CONSIDERATIONS," and such statements speak only as of the date of this Official Statement. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The Series 2020B Refunding Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

In connection with this offering, the Underwriters may overallot or effect transactions that stabilize or maintain the market prices of the Series 2020B Refunding Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2020B Refunding Bonds to certain dealers and others at prices lower than the public offering prices stated on the inside front cover page of this Official Statement, and such public offering prices may be changed from time to time by the Underwriters.

CHICAGO TRANSIT AUTHORITY SYSTEM MAP

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SUMMARY

This Summary does not purport to be complete and is subject to the more detailed information contained in this Official Statement. Capitalized terms used and not defined in this Summary are defined in APPENDIX A—"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Definitions of Certain Terms."

The Authority .... The Chicago Transit Authority (the "Authority") operates the nation's second largest public transportation system (the "Transportation System"), providing mass transit services within the City of Chicago and 35 surrounding suburbs. The service area of the Authority has a population of approximately 3.2 million. Historically, the Authority has carried over 81 percent of the public transit riders in the six-county northeastern Illinois region ("Northeastern Illinois Transit Region"), which includes the Counties of Cook, DuPage, Kane, Lake, McHenry and Will. Transit services provided by the Authority are part of the regional public mass transportation service system in the Northeastern Illinois Transit Region provided through the independent operations of the Authority, the Commuter Rail Division ("Metra") of the Regional Transportation Authority (the "RTA"), and the Suburban Bus Division ("Pace") of the RTA (the Authority, Metra and Pace are collectively referred to as the "Service Boards"). For additional information regarding the Authority, see "THE AUTHORITY" herein.

Regional Transportation Authority .... The RTA oversees public transportation in the Northeastern Illinois Transit Region pursuant to powers and authority granted under the Regional Transportation Authority Act (the "RTA Act") of the State of Illinois (the "State"). The RTA provides funding, planning and fiscal oversight for the Service Boards in part through the imposition of sales taxes throughout the Northeastern Illinois Transit Region. The RTA Act vests responsibility for operating budget and financial oversight of the Service Boards in the RTA and responsibility for operations and day-to-day management of rail and bus service in the Service Boards. See "THE REGIONAL TRANSPORTATION AUTHORITY— RTA Oversight" herein.

Series 2020B Refunding Bonds .... The Authority is issuing $534,005,000 aggregate principal amount of its Sales Tax Receipts Revenue Refunding Bonds, Series 2020B (Taxable) (the "Series 2020B Refunding Bonds"). The Series 2020B Refunding Bonds are being issued pursuant to a Trust Indenture dated as of March 1, 2010 (the "2010 Indenture"), by and between the Authority and U.S. Bank National Association, Chicago, Illinois, as trustee (the "Trustee"), as supplemented and amended to the date hereof, and as further supplemented by a Fourth Supplemental Trust Indenture, dated as of September 1, 2020, by and between the Authority and the Trustee (the "Fourth Supplemental Indenture," and the 2010 Indenture as so supplemented and amended, the "Indenture").

Use of Proceeds .... The proceeds from the sale of the Series 2020B Refunding Bonds will be used to (i) refund certain of the Authority's outstanding Sales Tax Receipts Revenue Bonds (as defined herein), (ii) refund a portion of its Outstanding Second Lien CIP Notes (as defined herein), (iii) capitalize interest on the Series 2020B Refunding Bonds, and (iv) pay costs in connection with the issuance of the Series 2020B Refunding Bonds. See "PLAN OF FINANCE" herein.

Payment of Interest	Interest on the Series 2020B Refunding Bonds is payable on June 1 and December 1 of each year commencing on December 1, 2020. Interest is computed on the basis of a 360-day year consisting of twelve 30-day months at the rates set forth on the inside front cover of this Official Statement.
Redemption	The Series 2020B Refunding Bonds are subject to optional redemption and mandatory sinking fund redemption. See "DESCRIPTION OF THE BONDS—Redemption" herein.
Source of Payment..................	The principal of and interest on the Series 2020B Refunding Bonds are payable from Sales Tax Receipts deposited into the Sales Tax Receipts Fund maintained by the Authority under the Indenture. See "SOURCES OF PAYMENT OF THE BONDS" and "SECURITY FOR THE BONDS" herein.
Sales Tax Receipts	Sales Tax Receipts consist of all amounts received by the Authority from the RTA under the RTA Act, and include the Authority's share of (i) sales and use taxes imposed by the RTA and collected by the State throughout the Northeastern Illinois Transit Region ("RTA Sales Tax"), (ii) sales and use taxes imposed and collected by the State and allocated to the RTA ("State Sales Tax"), and (iii) State funds dedicated to public transportation received by the RTA ("Public Transportation Funds"). The collection and distribution by the State of the RTA Sales Tax, State Sales Tax, and Public Transportation Funds represent irrevocable and continuing appropriations by the Illinois General Assembly. See "SALES TAX RECEIPTS" herein.
Security for the Bonds............	The Series 2020B Refunding Bonds are secured by the (i) Sales Tax Receipts deposited into the Sales Tax Receipts Fund and all moneys, securities and earnings thereon in all Funds, Sub-Funds, Accounts and Sub-Accounts established under the Indenture, on a parity with all amounts due on the First Lien Parity Obligations, and (ii) any and all other moneys and securities furnished from time to time to the Trustee by the Authority or on behalf of the Authority or by any other persons to be held by the Trustee under the terms of the Indenture. See "SECURITY FOR THE BONDS" herein. The Fourth Supplemental Indenture establishes with the Trustee a separate and segregated Sub-Fund designated the "Series 2020B Dedicated Sub-Fund." Moneys on deposit in the Series 2020B Dedicated Sub-Fund, and in each Account established therein, are to be held in trust by the Trustee for the sole and exclusive benefit of the Owners of the Series 2020B Refunding Bonds and shall not be used or available for the payment of any other First Lien Parity Obligations, except as otherwise provided in the Indenture. The Series 2020B Refunding Bonds will not be secured by a debt service reserve fund.

Additional First Lien Obligations...............................	The Authority may also issue additional series of First Lien Parity Obligations pursuant to the 2008 Indenture (as defined herein) or the 2010 Indenture for the purpose of financing any lawful project or purpose of the Authority. Such additional First Lien Parity Obligations may be issued only upon delivery to the 2008 Indenture Trustee (as defined herein) or the Trustee, as applicable, among other things, of a certificate of the Authority stating the aggregate amount of all Sales Tax Receipts received by the Authority for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of such Series was at least equal to 200 percent of the Maximum Annual Coverage Requirement for the First Lien Parity Obligations as of the time immediately following the issuance of such Series. See "SECURITY FOR THE BONDS — Additional Sales Tax Receipts Obligations" herein.
Limited Obligation..................	The Series 2020B Refunding Bonds are limited obligations of the Authority payable solely from the sources pledged for their payment in accordance with the Indenture. The Series 2020B Refunding Bonds are not, and shall not be or become, an indebtedness or obligation of the State, the RTA or any political subdivision of the State (other than the Authority) or of any municipality within the State nor shall any Series 2020B Refunding Bonds be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision. The Series 2020B Refunding Bonds do not have a lien on and are not secured by any physical properties of the Authority. The Authority has no taxing power.
Authority Pension Obligations...............................	The Authority maintains a retirement plan that provides pension benefits to participating employees. The annual amounts the Authority contributes to the retirement plan are determined by the Illinois Pension Code. Under the Pension Code, the Authority is required to achieve and maintain statutorily-determined funding levels. If actual funding levels fall below the levels mandated by the Pension Code, the Authority is required to make additional annual contributions set by the Pension Code in order to achieve the funding targets. The Authority has never failed to make its required contributions to the retirement plan. See "PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS" herein and APPENDIX F—"PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE."
Ratings......................................	Standard & Poor's Global Ratings ("S&P") and Kroll Bond Rating Agency ("KBRA") have assigned the Series 2020B Refunding Bonds ratings of "AA" (negative outlook) and "AA" (negative outlook), respectively. See "RATINGS" in the Official Statement.
COVID-19 Outbreak Impact..	The COVID-19 outbreak and resulting impact on the economy is having significant impacts on the operations and financial condition of the Authority. These impacts are evolving and ongoing and the Authority cannot predict the nature or degree of such impacts with certainty. See "INTRODUCTION—COVID-19 Outbreak Impact" and "FINANCIAL INFORMATION--COVID-19 Outbreak Impact" herein.
Investment Considerations.........................	There are a number of factors associated with owning the Series 2020B Refunding Bonds that prospective purchasers should consider prior to purchasing the Series 2020B Refunding Bonds. For a discussion of certain of these factors, see "CERTAIN INVESTMENT CONSIDERATIONS" herein.
Book-Entry Form and Denominations.........................	The Series 2020B Refunding Bonds will be issued in fully registered book-entry form in denominations of $1,000 or any integral multiple thereof.

Tax Matters.............................	Mayer Brown LLP and Sanchez Daniels & Hoffman LLP, Co-Bond Counsel, are of the opinion that under existing law, interest on the Series 2020B Refunding Bonds is includible in gross income of the owners thereof for federal income tax purposes. Prospective purchasers of the Series 2020B Refunding Bonds should consult their own tax advisors as to the federal, state and local tax consequences of their acquisition, ownership or disposition of, or the accrual or receipt of interest on the Series 2020B Refunding Bonds. See "TAX MATTERS" herein.
Delivery and Clearance of Series 2020B Refunding Bonds	The Series 2020B Refunding Bonds are expected to be available for delivery at DTC in New York, New York, on or about September 3, 2020.
Legal Matters...........................	Certain legal matters will be passed upon for the parties to the financing by their respective counsel as set forth on the cover page to this Official Statement.
Additional Information...........	Additional information may be obtained upon request to Jeremy V. Fine, Chief Financial Officer and Treasurer, Chicago Transit Authority, 567 West Lake Street, Chicago, Illinois 60661; phone: (312) 681-3400; email: JFine@transitchicago.com

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OFFICIAL STATEMENT

$534,005,000
CHICAGO TRANSIT AUTHORITY
SALES TAX RECEIPTS REVENUE REFUNDING BONDS
SERIES 2020B (TAXABLE)

INTRODUCTION

The purpose of this Official Statement, which includes the appendices hereto, is to set forth certain information concerning the issuance by the Chicago Transit Authority (the "Authority") of $534,005,000 aggregate principal amount of its Sales Tax Receipts Revenue Refunding Bonds, Series 2020B (Taxable) (the "Series 2020B Refunding Bonds"). All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in APPENDIX A—"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Definitions of Certain Terms."

The Authority and the RTA

The Authority operates public transit services within the City of Chicago (the "City," "Chicago" or "City of Chicago") and 35 surrounding suburbs. Transit services provided by the Authority are part of the regional public mass transportation service system in northeastern Illinois (the "Northeastern Illinois Transit Region") provided through the independent operations of the Authority, the Commuter Rail Division ("Metra") of the Regional Transportation Authority (the "RTA"), and the Suburban Bus Division ("Pace") of the RTA (the Authority, Metra and Pace are collectively referred to as the "Service Boards"). The RTA, which is governed by the Regional Transportation Authority Act, as amended (70 ILCS 3615/1 *et seq.*) (the "RTA Act") oversees public transportation, including the Authority, in the six-county Northeastern Illinois Transit Region, which includes the County of Cook ("Cook County") and the Counties of DuPage, Kane, Lake, McHenry and Will (the "Collar Counties"), and provides funding for the Service Boards from sales tax revenue and other funds provided by the State of Illinois (the "State") and distributed to the RTA. See "THE AUTHORITY" and "THE REGIONAL TRANSPORTATION AUTHORITY" herein.

Bond Authorization and Indenture

The Series 2020B Refunding Bonds are authorized and are being issued pursuant to the laws of the State, including the Metropolitan Transit Authority Act, as amended (70 ILCS 3605/1 *et seq.*) (the "MTA Act"), the Local Government Debt Reform Act, as amended (30 ILCS 350/1 *et seq.*) (the "Debt Reform Act"), and an ordinance adopted by the Chicago Transit Board, the Authority's governing body (the "Chicago Transit Board"), on April 8, 2020 (the "Bond Ordinance"). The Series 2020B Refunding Bonds are being issued pursuant to a Trust Indenture dated as of March 1, 2010 (the "2010 Indenture"), by and between the Authority and U.S. Bank National Association, Chicago, Illinois, as trustee (the "Trustee"), as supplemented and amended to the date hereof, and as further supplemented by a Fourth Supplemental Trust Indenture, dated as of September 1, 2020, by and between the Authority and the Trustee (the "Fourth Supplemental Indenture," and the 2010 Indenture as so supplemented and amended, the "Indenture").

The Bonds and Use of Proceeds

The proceeds from the sale of the Series 2020B Refunding Bonds will be used to (i) refund certain of the Authority's outstanding Sales Tax Receipts Revenue Bonds (as defined herein), (ii) refund a portion of its Outstanding Second Lien CIP Notes (as defined herein), (iii) capitalize interest on the Series 2020B Refunding Bonds, and (iv) pay costs in connection with the issuance of the Series 2020B Refunding Bonds. See "PLAN OF FINANCE" herein.

Security for the Bonds

The Series 2020B Refunding Bonds are limited obligations of the Authority payable solely from Sales Tax Receipts (as defined herein) on a parity basis to the claim on such Sales Tax Receipts by First Lien Parity Obligations (as defined herein) as described herein and on a senior lien basis to the claim on such Sales Tax Receipts by Second Lien Obligations (as defined herein) as provided in the Indenture. From time to time, the Authority may issue one or more additional series of First Lien Parity Obligations and Second Lien Bonds as authorized by the Indenture.

Sales Tax Receipts consist of all amounts received by the Authority from the RTA under the RTA Act, and include the Authority's share of (i) sales and use taxes imposed by the RTA and collected by the State throughout the Northeastern Illinois Transit Region ("RTA Sales Tax"), (ii) sales and use taxes imposed and collected by the State and allocated to the RTA ("State Sales Tax"), and (iii) State funds dedicated to public transportation received by the RTA ("Public Transportation Funds"). The RTA Sales Tax, the State Sales Tax and the Public Transportation Funds received by the RTA are referred to herein as the "Sales Tax Sources," and the amount received by the Authority from the RTA Sales Tax, the State Sales Tax and the Public Transportation Funds are referred to herein as the "Sales Tax Receipts." See "SALES TAX RECEIPTS" herein.

The Series 2020B Refunding Bonds are not, and shall not be or become, an indebtedness or obligation of the State, the RTA or any political subdivision of the State (other than the Authority) or of any municipality within the State nor shall any Series 2020B Refunding Bonds be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision. The Series 2020B Refunding Bonds do not have a lien on and are not secured by any physical properties of the Authority. The Authority has no taxing power.

See "SOURCES OF PAYMENT OF THE BONDS" and "SECURITY FOR THE BONDS" herein.

COVID-19 Outbreak Impact

COVID-19 and Government Response. The outbreak of "COVID-19," a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic by the World Health Organization and has led to emergency declarations by government authorities of the United States, the State, and the City. On March 6, 2020, Illinois Governor JB Pritzker (the "Governor") declared all counties in the State a disaster area in response to the COVID-19 outbreak and on March 21, 2020, signed executive order 2020-10 that issued a statewide "stay-at-home" order (the "Stay-at-Home Order"). On March 19, 2020, Chicago Mayor Lori Lightfoot (the "Mayor") announced the closure of all public and private schools, and in addition, park facilities, libraries and other public facilities were ordered closed. The Governor and the Mayor subsequently issued numerous executive orders and directives in response to the COVID-19 outbreak, in an effort to reduce community spread of the virus, protect the most vulnerable citizens, provide needed medical resources to respond to the outbreak and provide economic relief for businesses. Under these directives, all non-essential businesses in the City were closed, and residents were directed to stay home, but were permitted to go to the grocery store, pharmacy, and medical facilities and perform other necessary tasks.

On May 5, 2020, the Governor announced a five-phased plan, known as "Restore Illinois," to transition from the Stay-at-Home Order. This plan provides for gradual reopening of businesses, public spaces, educational and recreational activities in the State. The plan provides for implementation in phases and by region. The Mayor established a similar five-phased reopening plan for the City known as "Protecting Chicago," that provides for a more gradual reopening of certain activities than the State plan, with each phase triggered by health and economic data, and a combination of input from industry working groups, health experts and the public.

On June 3, 2020, the City began Phase 3: "Cautiously Reopen" that provides for opening of restaurants for outdoor dining, hotels, office-based jobs, personal services, medical services, places of worship, certain outdoor attractions and pubic parks and facilities, all subject to specific safety guidelines and operational requirements. On June 26, 2020, the City transitioned to Phase 4 of the "Protecting Chicago" framework alongside the rest of the State. Phase 4, known as "Gradually Resume," allowed additional businesses and public amenities to open with limited capacities and appropriate safeguards, including allowing indoor seating in bars and restaurants, and opening of museums and zoos, performance venues, and summer camps and youth activities. On July 2, 2020, the City issued an Emergency Travel Order directing travelers entering or returning to the City from states experiencing a surge in new COVID-19 cases to quarantine for a period of 14 days.

The Governor and Mayor have warned that the City could move backward in its reopening process if COVID-19 cases and positivity percentages rise above certain levels. In August, the Governor imposed certain regulations regarding enforcement of busiess restrictions on operations and the City took steps to reimpose certain restrictions on business operations and individual behavior and gatherings that had previously been lifted and the State and City have taken further steps to enforce restrictions designed to prevent the spread of COVID-19.

Impact on the Authority. This Official Statement includes a discussion of certain impacts of the COVID-19 outbreak and resulting economic conditions on the operations and financial condition of the Authority; as well as certain impacts on the State, the City, and the RTA that provide funding to the Authority. See "FINANCIAL INFORMATION—COVID-19 Outbreak Impact on Revenues and Expenses" and "—Amended 2020 Budget" herein.

The economic downturn from the COVID-19 outbreak is expected to have an adverse impact on economic activity in the Chicago region, including Transportation System ridership, System-Generated Revenues (as defined herein), Sales Tax Receipts and RETT Revenues (as defined herein) of the Authority. The Authority cannot predict the amount or duration of such impact.

The RTA has established revised 2020 Public Funding Marks (as defined herein) for the Authority, including Sales Tax Receipts, and the Chicago Transit Board has approved an Amended 2020 Budget that includes CARES Act (as defined herein) funding to make up shortfalls in System-Generated Revenues and public funding.

The COVID-19 outbreak is expected to have an adverse impact on Sales Tax Receipts realized by the Authority and available for payment of debt service on the Authority's bonds payable from Sales Tax Receipts, including the Series 2020B Refunding Bonds (the "Sales Tax Receipts Revenue Bonds").

The Authority receives a portion of the real estate transfer tax that is collected by the City on real estate transactions and the portion paid to the Authority (the "RETT Revenues") is pledged to pay the Authority's Sales Tax Receipts Revenue Bonds referred to herein as the "Pension Bonds" (as defined herein). The RETT Revenues are used to pay debt service on the Pension Bonds prior to use of the Sales Tax Receipts for such purpose, and, as a result, the amount of RETT Revenues received by the Authority impacts the amount of Sales Tax Receipts available to pay Sales Tax Receipts Revenue Bonds, including the Series 2020B Refunding Bonds. See "DEBT SERVICE COVERAGE" herein.

The economic downturn from the COVID-19 outbreak is expected to have an adverse impact on RETT Revenues distributed to the Authority. The Authority cannot predict the amount or duration of such impact. For a discussion of the City's real estate transfer tax and RETT Revenues see "SALES TAX RECEIPTS—RETT Revenues Pledged to Payment of the Pension Bonds" herein.

Additional Discussion Regarding the Effect of COVID-19. Additional information regarding the effect of the COVID-19 outbreak and the governmental response thereto is contained throughout this

Official Statement. The following sentences provide information regarding the location of specific discussions about the COVID-19 outbreak and its effect on the Authority herein. For information regarding the effect of the COVID-19 outbreak on Sales Tax Receipts and RETT Revenues, see "FINANCIAL INFORMATION--COVID-19 Outbreak Impact on Revenues and Expenses" herein. For information regarding the effect on the operations of the Authority, see "THE AUTHORITY—Authority Operations in Response to the COVID-19 Outbreak" herein. For information regarding the impact of the COVID-19 outbreak on the finances of the Authority, including the CARES Act funding and the Amended 2020 Budget, see "FINANCIAL INFORMATION--COVID-19 Outbreak Impact on Revenues and Expenses" and "—Amended 2020 Budget" herein. For information regarding the effect of the COVID-19 outbreak on the Authority's capital improvement plans, see "CAPITAL IMPROVEMENT PROGRAM—General" herein.

Limitations on Information. The Authority cannot estimate the duration of the COVID-19 outbreak and the resulting economic conditions and their impact on the operations of the Transportation System and financial condition of the Authority. The COVID-19 outbreak is ongoing and the dynamic nature of this crisis leads to uncertainties. Due to the evolving nature of the COVID-19 outbreak and the responses of governments, businesses, and individuals to this crisis, the Authority is unable to predict, among other things: (a) the scope, duration or extent of the COVID-19 outbreak: (i) the impact of existing restrictions and warnings or any additional restrictions and warnings which may be imposed by local, state or federal governments, nor the timing of the relaxation or release of such restrictions; and (ii) any additional short- or long-term effects the restrictions and warnings imposed by local, state or federal governments may have on the Authority's operations, revenues or expenditures; (b) the scope, duration or extent of the COVID-19 outbreak on the City, State, national or global economy or the impact of such disruption on the Authority's operations, revenues and expenditures; or (c) whether any of the foregoing may have a material adverse effect on the finances and operations of the Authority or its bonds, notes or debt obligations.

It is likely that the full financial impact of COVID-19 on the Authority, its operations, and its financial position will change significantly as circumstances and events evolve. It is not possible at present to project with any reasonable degree of certainty the impact on Authority operations, funding, revenues, expenditures, reserves, budget, or financial position. No assurance can be given regarding future events or impacts because many actions and events are unpredictable, unknowable at this time, and outside the control of the Authority.

In addition, the COVID-19 outbreak and resulting economic impact, including matters described under this heading, are over-arching factors to be considered in reviewing the investment considerations discussed under the heading "CERTAIN INVESTMENT CONSIDERATIONS" herein.

Forward-Looking Statements

Certain statements included in this Official Statement constitute "forward-looking statements." These forward-looking statements speak only as of the earlier of the referenced date of such statement or the date of this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that any future results discussed in this Official Statement will be achieved, and actual results may differ materially from the expectations and forecasts described in this Official Statement. All projections, forecasts, assumptions, expressions of opinion, estimates and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The Authority does not plan to issue any updates or revisions to those forward-looking statements if or when the expectations, or events, conditions or circumstances on which such statements are based, occur; unless otherwise required by the terms of its continuing disclosure undertakings or applicable federal securities laws. Information contained in this Official Statement which involves estimates, forecasts, or other matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. Further, expressions of opinion contained in this Official Statement are subject to change without notice and the delivery of this Official Statement will not, under any circumstances, create any implication that there has been no change in the affairs of the Authority.

PLAN OF FINANCE

Overview

The Chicago Transit Board has authorized a plan of finance (the "Plan of Finance") that includes the issuance of the Series 2020B Refunding Bonds, the proceeds of which will be used to (i) refund certain of the Authority's outstanding Sales Tax Receipts Revenue Bonds (as defined herein), (ii) refund a portion of its Outstanding Second Lien CIP Notes (as defined herein), (iii) capitalize interest on the Series 2020B Refunding Bonds, and (iv) pay costs incurred in connection with the issuance of the Series 2020B Refunding Bonds.

The Plan of Finance also includes the Authority's issuance, contemporaneously with the issuance of the Series 2020B Refunding Bonds (pursuant to a separate official statement), of $367,895,000 aggregate principal amount of its Second Lien Sales Tax Receipts Revenue Bonds, Series 2020A (the "Series 2020A Project Bonds") to fund its ongoing Capital Improvement Program and refund a portion of its Outstanding Second Lien CIP Notes (as defined herein).

Capitalized Interest

Under the Indenture, proceeds of the Series 2020B Refunding Bonds in the amount of $4,461,081.17 will be deposited in the Series 2020B Capitalized Interest Account (as defined herein) that, when invested as permitted under the Indenture, is expected to be sufficient, together with the interest earnings thereon, to provide for the payment of a portion of the scheduled interest on the Series 2020B Refunding Bonds.

Refunding of the Series 2011 Bonds

A portion of the proceeds of the Series 2020B Refunding Bonds in the amount of $513,610,956.00 will be used to refund the principal of and interest on the Authority's outstanding Sales Tax Receipts Revenue Bonds, Series 2011 (the "Series 2011 Bonds"). The maturities of the Series 2011 Bonds to be refunded (the "Refunded Bonds"), together with the applicable CUSIPs, redemption price (the "Redemption Price") and redemption date (the "Redemption Date") of such Refunded Bonds, are shown on APPENDIX I– "REFUNDED BONDS."

The portion of the proceeds of the Series 2020B Refunding Bonds (the "Refunding Proceeds"), upon receipt, shall be deposited into an escrow account (the "Escrow Fund") for the redemption of the Refunded Bonds. To provide for the payment and defeasance of the Refunded Bonds, the Refunding Proceeds will be used to purchase securities constituting direct obligations of the United States of America (collectively, the "Government Obligations") and to provide an initial cash deposit. The principal of and interest on the Government Obligations, together with the available cash deposit, will be sufficient (i) to pay when due the interest on the Refunded Bonds to the Redemption Date, and (ii) to redeem the Refunded Bonds on the Redemption Date at the Redemption Price.

The Government Obligations purchased with the proceeds of the Series 2020B Refunding Bonds, together with available cash deposits, will be held in trust in the Escrow Fund with the paying agent for the Refunded Bonds. Neither the cash on deposit, the maturing principal of the Government Obligations nor the interest to be earned thereon will serve as security for or be available for the payment of the principal of or the interest on the Series 2020B Refunding Bonds.

Robert Thomas CPA, LLC, Shawnee Mission, Kansas (the "Verification Agent"), upon delivery of the Series 2020B Refunding Bonds, will deliver a report stating that the firm, at the request of the Authority and the Underwriters, has reviewed the mathematical accuracy of certain computations based on certain assumptions relating to the sufficiency of the principal and interest received from the investment in Government Obligations deposited in the Escrow Fund, together with any initial cash deposit, to meet the timely payment of the applicable principal or redemption price of and interest on the Refunded Bonds.

Refunding of Outstanding Second Lien CIP Notes

The Authority has issued its Second Lien Sales Tax Receipts Revenue Capital Improvement Notes pursuant to the Third Supplemental Indenture (the "Third Supplement CIP Notes") that are outstanding in the aggregate principal amount of $150,000,000. The Authority has also issued Second Lien Sales Tax Receipts Revenue Capital Improvement Notes pursuant to the Fourth Supplement (the "Fourth Supplement CIP Notes," and collectively with the Third Supplement CIP Notes, the "Outstanding Second Lien CIP Notes") that are outstanding in the aggregate principal amount of $150,000,000.

Proceeds of the Series 2020B Refunding Bonds will be used to refund Third Supplement CIP Notes in the aggregate principal amount of $12,500,000.

Proceeds of the Series 2020A Project Bonds will used to refund Third Supplement CIP Notes in the aggregate principal amount of $78,000,000 and Fourth Supplement CIP Notes in the aggregate principal amount of $89,300,000.

The remaining Outstanding Second Lien CIP Notes in the aggregate principal amount of $120,200,000 (the "Remaining Outstanding Second Lien CIP Notes") are expected to be refunded with the proceeds of the Authority's GTT Sales Tax Receipts Bonds (as defined herein) as described under the subheading "—Future Financings" below and other available funds of the Authority.

Future Financings

In addition to the issuance of the Series 2020A Project Bonds and the Series 2020B Refunding Bonds, the Chicago Transit Board has authorized the following financings which the Authority expects to implement in the future. The issuance of any of such bonds and the timing thereof is dependent on the financing needs of the Authority and market conditions.

(i) Not to exceed $200,000,000 million aggregate principal amount of its Second Lien Sales Tax Receipts Revenue Bonds (the "GTT Sales Tax Receipts Bonds") to fund its ongoing Capital Improvement Program and refund the Remaining Outstanding Second Lien CIP Notes. Such bonds would be payable from a first lien on GTT IGA Revenues payable by the City to the Authority pursuant to the Intergovernmental Ground Transportation Tax Agreement (the "Intergovernmental Agreement"), dated as of January 25, 2018, between the Authority and the City of Chicago that provides for the City to transfer to the Authority $16 million in annual funding for capital projects from the City's ground transportation tax revenues and, in the event of a shortfall in such revenues, such bonds would be payable from Second Lien Sales Tax Receipts.

(ii) Not to exceed $175,000,000 million aggregate principal amount of its Capital Grant Receipts Revenue Refunding Bonds to refund certain outstanding Capital Grant Receipts Revenue Bonds of the Authority.

In addition, the Authority has established a Short-Term CIP Borrowing Program (as defined herein) providing for the issuance of up to $300 million of Second Lien Sales Tax Receipts Revenue Capital Improvement Notes (the "Second Lien CIP Notes") on a revolving basis. The Authority issued the

Outstanding Second Lien CIP Notes pursuant to its Short-Term CIP Borrowing Program and expects to issue such Second Lien CIP Notes, from time to time, to fund its Capital Improvement Program. See "DEBT OBLIGATIONS—Short-Term Borrowing Programs" herein.

The Chicago Transit Board has authorized the issuance of up to $40 million of Second Lien Sales Tax Receipts Working Cash Notes (the "Second Lien Working Cash Notes"). The Authority may issue such notes, from time to time, to fund its cash flow needs. See "DEBT OBLIGATIONS—Short-Term Borrowing Programs" herein.

SOURCES AND USES OF FUNDS

Sources of Funds	
Par Amount of Series 2020B Refunding Bonds	$534,005,000.00
Total Sources of Funds	$534,005,000.00
Uses of Funds	
Deposit to Escrow Fund to Refund Series 2011 Bonds..........	$513,610,956.00
Payment of a portion of the Outstanding Second Lien CIP Notes	12,537,239.59
Deposit to Series 2020B Capitalized Interest Account	4,461,081.17
Costs of Issuance[1]	3,395,723.24
Total Uses of Funds	$534,005,000.00

[1] Includes Underwriters' discount, legal, administrative and miscellaneous fees, and expenses.

DESCRIPTION OF THE BONDS

General

The Series 2020B Refunding Bonds will be dated the date of their issuance, bear interest at the rates, and mature at the times and in the principal amounts set forth on the inside front cover of this Official Statement. Interest on the Series 2020B Refunding Bonds, is payable on June 1 and December 1 of each year, commencing December 1, 2020. Interest on the Series 2020B Refunding Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2020B Refunding Bonds will be delivered in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2020B Refunding Bonds. Ownership interests in the Series 2020B Refunding Bonds may be purchased by or through a DTC Participant (as described below) in book-entry form only in denominations of $1,000 or any integral multiple thereof. See APPENDIX G—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption

Series 2020B Refunding Bonds Make Whole Optional Redemption. The Series 2020B Refunding Bonds are subject to redemption prior to maturity, at the election or direction of the Authority, on any date, in whole or in part, and if in part from such maturities and interest rates as shall be determined by the Authority on any Business Day (as defined below) at a Redemption Price (the "**Make Whole Optional Redemption Price**") equal to the greater of: (A) the principal amount of such Series 2020B Refunding Bonds to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on such Series 2020B Refunding Bonds to be redeemed (not including any portion of those payments of interest accrued and unpaid as of the date such Series 2020B Refunding Bonds are to be redeemed), discounted to the date of redemption of such Series 2020B Refunding Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus (i) with respect to the Series 2020B Refunding Bonds maturing on December 1 of the years 2022 and 2023, 25 basis points, (ii) with respect to the Series 2020B Refunding Bonds maturing on December 1 of the years 2024, 2025 and 2026, 30 basis points, (iii) with respect to the Series 2020B Refunding Bonds maturing on December 1 of the years 2027, 2028, 2029 and 2030, 35 basis points, (iv) with respect to the Series 2020B Refunding Bonds maturing on December 1 of the years 2031, and 2032, 40 basis points, (v) with respect to the Series 2020B Refunding Bonds maturing on December 1 of the years 2033, 2034, and 2035, 45 basis points, and (vi) with respect to the Series 2020B Refunding Bonds maturing on December 1, 2040, 40 basis points, plus, in each case, accrued interest on such Series 2020B Refunding Bonds being redeemed to the date fixed for redemption.

The Make Whole Optional Redemption Price of any Series 2020B Refunding Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or financial advisor (the "**Calculation Agent**") retained by the Authority at the Authority's expense. The Trustee and the Authority may rely on the Calculation Agent's determination of the Make Whole Optional Redemption Price and will not be liable for such reliance. The Authority shall confirm and transmit the Make Whole Optional Redemption Price as so calculated on such dates and to such parties as shall be necessary to effectuate such redemption.

The "**Treasury Rate**" is, as of any redemption date for a Series 2020B Refunding Bond, the time-weighted interpolated average yield for a term equal to the Make Whole Period of the yields of the two U.S. Treasury nominal securities at "constant maturity" (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that is publicly available not less than two (2) Business Days nor more than 30 calendar days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) maturing immediately preceding and succeeding the Make Whole Period. The Treasury Rate will be determined by the Calculation Agent.

"**Make Whole Period**" means the number of years, including any fractional portion thereof, calculated on the basis of a 360-day year consisting of twelve 30-day months, between the redemption date and the remaining weighted average life of each Series 2020B Refunding Bond to be redeemed.

"**Business Day**" means for purposes of this subheading "— *Make Whole Optional Redemption*" any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Trustee maintains its designated office are required or authorized to close.

Series 2020B Refunding Bonds Mandatory Sinking Fund Redemption. The Series 2020B Refunding Bonds maturing on December 1, 2040 in the original principal amount of $174,470,000 are Term Bonds subject to mandatory redemption at a Redemption Price of par, on December 1 of the following years and in the following principal amounts, each constituting a Sinking Fund Installment for the retirement of the Term Bonds as set forth in the following table, subject to adjustment as described below under "— Adjustment of Sinking Fund Installments":

$174,470,000 2040 Term Bonds (CUSIP® 16772PCX2)

Year	Principal Amount
2036	$32,255,000
2037	33,525,000
2038	34,845,000
2039	36,210,000
2040†	37,635,000

† Final Maturity.

Adjustment of Sinking Fund Installments. In the event of the optional redemption by the Authority of less than all of the Term Bonds of the same Series and maturity, the principal amount so redeemed shall be credited against the unsatisfied balance of future Sinking Fund Installments and the final maturity amount established with respect to such Term Bonds as shall be determined by the Authority in a Certificate of an Authorized Officer filed with the Trustee at the time of such optional redemption or, in the absence of such determination, shall be credited pro-rata against the applicable Sinking Fund Installments and final maturity amount.

Redemption Procedures. In the case of any redemption of Series 2020B Refunding Bonds at the election or direction of the Authority, the Authority shall give written notice to the Trustee of its election or direction so to redeem, of the date fixed for redemption, and of the principal amounts and interest rates of the Series 2020B Refunding Bonds of each maturity to be redeemed. Such notice shall be given at least 25 days prior to the specified redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as described below under "— Notice of Redemption," there shall be paid on or prior to the specified redemption date to the Trustee an amount in cash or Government Obligations maturing on or before the specified redemption date which, together with other moneys, if any, available therefor held by the Trustee, will be sufficient to redeem all of the Series 2020B Refunding Bonds to be redeemed on the specified redemption date at their Redemption Price plus interest accrued and unpaid to the date fixed for redemption. Such amount and moneys shall be held in a separate, segregated account for the benefit of the Owners of the Series 2020B Refunding Bonds so called for redemption.

Selection of Series 2020B Refunding Bonds to Be Redeemed. If less than all the Series 2020B Refunding Bonds of the same maturity are called for redemption, the particular Series 2020B Refunding Bonds or portion of Series 2020B Refunding Bonds of the same maturity to be redeemed shall be selected on a pro-rata pass-through distribution of principal basis in accordance with DTC procedures; provided that, so long as the Series 2020B Refunding Bonds are held in book-entry only form, the selection for redemption of such Series 2020B Refunding Bonds of a maturity shall be made in accordance with the operational arrangements of DTC then in effect. It is the Authority's intent that redemption allocations made by DTC be made on a pro-rata pass-through distribution of principal basis as described above. However, none of the Authority, the Underwriters or the Trustee can provide any assurance that DTC, DTC's Participants or any other intermediary will allocate the redemption of Series 2020B Refunding Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Series 2020B Refunding Bonds on a pro-rata pass-through distribution of principal basis as discussed above, then the Series 2020B Refunding Bonds will be selected for redemption in accordance with DTC procedures, by lot.

Notice of Redemption. When the Trustee shall receive notice from the Authority of its election or direction to redeem Series 2020B Refunding Bonds pursuant to the Indenture, the Trustee shall give notice, in the name of the Authority, of the redemption of such Series 2020B Refunding Bonds, which notice shall specify the Series, maturities and interest rates of the Series 2020B Refunding Bonds to be redeemed, the date fixed for redemption and the place or places where amounts due upon such date fixed for redemption will be payable and, if less than all of the Series 2020B Refunding Bonds of any like Series and maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2020B Refunding Bonds so to be redeemed, and, in the case of Series 2020B Refunding Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable the Redemption Price of each Refunding Bond to be redeemed, or the Redemption Price of the specified portions of the principal thereof in the case of Series 2020B Refunding Bonds to be redeemed in part only, together with interest accrued to the date fixed for redemption, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail copies of such notice by first-class mail, postage prepaid, not more than 60 days nor less than 20 days before the date fixed for redemption, to the Owners of the Series 2020B Refunding Bonds to be redeemed at their addresses as shown on the registration books of the Authority maintained by the Registrar. If the Trustee mails notices of redemption as provided in the Indenture, notice shall be conclusively presumed to have been given to all Owners.

With respect to an optional redemption of any Series 2020B Refunding Bonds, unless moneys sufficient to pay the Redemption Price of, and interest on, the Series 2020B Refunding Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice may, at the option of the Authority, state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the Authority shall not redeem such Series 2020B Refunding Bonds and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Series 2020B Refunding Bonds will not be redeemed.

Payment of Redeemed Series 2020B Refunding Bonds. Notice having been given in the manner provided above, the Series 2020B Refunding Bonds or portions thereof so called for redemption shall become due and payable on the date fixed for redemption at the Redemption Price, plus interest accrued and unpaid to such date, and, upon presentation and surrender thereof at any place specified in such notice, such Series 2020B Refunding Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to such date. If there shall be called for redemption less than all of a Refunding Bond, the Authority shall execute and the Trustee shall authenticate and the appropriate Fiduciary shall deliver, upon the surrender of such Refunding Bond, without charge to the Owner thereof, for the unredeemed balance of the principal amount of the Refunding Bond so surrendered, fully registered Series 2020B Refunding Bonds of like Series and maturity and interest rate in any Authorized Denominations. If, on the date fixed for redemption, moneys for the redemption of all the Series 2020B Refunding Bonds or portions thereof of like Series and maturity and interest rate to be redeemed, together with interest to such date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the date fixed for redemption, interest on the Series 2020B Refunding Bonds or portions thereof of such maturity and interest rate so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the date fixed for redemption, such Series 2020B Refunding Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

SOURCES OF PAYMENT OF THE BONDS

The Series 2020B Refunding Bonds are limited obligations of the Authority payable from Sales Tax Receipts. The Sales Tax Receipts consist of the amount received by the Authority from the Sales Tax Sources. The Sales Tax Sources are collected by the State and are distributed to the RTA which, in turn, distributes the portion of the Sales Tax Sources constituting the Sales Tax Receipts to the Authority. Additional information regarding the Sales Tax Sources and the Sales Tax Receipts is set forth in "SALES TAX RECEIPTS" herein and APPENDIX B—"SALES TAX RECEIPTS."

The Series 2020B Refunding Bonds are payable solely from Sales Tax Receipts on a parity basis to the claim on such Sales Tax Receipts by First Lien Parity Obligations and on a senior lien basis to the claim on such Sales Tax Receipts by Second Lien Obligations. The principal of and interest on the Series 2020B Refunding Bonds are payable from Sales Tax Receipts deposited into the Sales Tax Receipts Fund maintained by the Authority under the Trust Indenture dated July 1, 2008, by and between the Authority and U.S. Bank National Association, as trustee (the "2008 Indenture Trustee"), as supplemented and amended to the date hereof (the "2008 Indenture"), on a parity with the outstanding First Lien Parity Obligations. See "SECURITY FOR THE BONDS" herein.

SALES TAX RECEIPTS

Overview

The following sections describe the Sales Tax Sources and the flow of the Sales Tax Sources from the State, to the RTA to the Authority. The RTA provides funding for the Authority and the other Service Boards from the Sales Tax Sources that consist of the following:

RTA Sales Tax. The RTA Sales Tax consists of the RTA sales and use taxes imposed by the RTA under the RTA Act and collected by the State throughout the Northeastern Illinois Transit Region.

State Sales Tax. The State Sales Tax consists of a portion of the amounts collected by the State pursuant to the Retailers' Occupation Tax Act and Use Tax Act that govern taxes that apply to sales and purchases at retail and the Service Occupation Tax Act and Service Use Tax Act that apply to sales and purchases of service (the "State Sales Tax Acts"). State law prescribes the percentages of the taxes levied under the State Sales Tax Acts which must be set aside for this purpose and distributed to the RTA

Public Transportation Funds. Public Transportation Funds represent State moneys dedicated to public transportation in addition to amounts paid for public transportation out of the State Sales Tax. Public Transportation Funds are "matching funds" and amounts are calculated based on statutory formulas tied to RTA Sales Tax collections and revenues realized by the Authority as financial assistance from the City through the Real Estate Transfer Tax. See "—RETT Revenues Pledged to Payment of the Pension Bonds" below.

The RTA Act requires that certain of the Sales Tax Sources be allocated among the Service Boards according to specific funding formulas established therein ("RTA Formula Funds"). The RTA Formula Funds made up of RTA Sales Tax are determined based on the area in which such taxes are collected. The RTA allocates the remainder of the Sales Tax Sources among the Service Boards on a discretionary basis ("RTA Discretionary Funds"), as further described below.

For a more detailed discussion of the Sales Tax Sources, see APPENDIX B— "SALES TAX RECEIPTS."

State Collection and Disbursements to the RTA

State Collection and Deposit. The Illinois Department of Revenue (the "State DOR") collects the RTA Sales Tax and the State Sales Tax and transfers the collections to the Illinois State Treasurer (the "State Treasurer"). Public Transportation Funds are paid out of the State's general fund to the State Treasurer. All monies transferred to the State Treasurer are held in segregated funds outside the State Treasury. The transfer of State revenues from the State's General Revenue Fund to the various funds maintained by the State Treasurer for the collection and distribution of Sales Taxes and Public Transportation Funds to the RTA represent irrevocable and continuing appropriations by the Illinois General Assembly (the "General Assembly"). No further action of the General Assembly is required to effect the transfers of State Sales Taxes and Public Transportation Funds to the RTA.

The State budget for the fiscal year ended June 30, 2018 reduced the State's Public Transportation Fund "matching funds" by 10 percent for one year. The budget also included a 2 percent permanent surcharge on RTA Sales Taxes and State Sales Taxes collected by the State prior to transfer to the RTA. The State's fiscal year 2019 budget reduced this surcharge to 1.5 percent and extended the reduction to Public Transportation Fund matching funds, but reduced the rate of such reduction to 5 percent. The State's fiscal year 2020 and 2021 budgets maintained the surcharge at 1.5 percent and the Public Transportation Fund matching fund reduction at 5 percent.

State Disbursement to RTA. The State Treasurer deposits the net Sales Tax Sources into the RTA Sales Tax Fund maintained by the State Treasurer. The State Treasurer transfers the net Sales Tax Sources to the trustee under the indentures securing the RTA's bonds and notes issued under the provisions of the RTA Act, and after providing for the payment of outstanding RTA bonds and notes, the trustee transfers the remaining amounts to the RTA (the "State Distribution"). For the years 2015 to 2019, the use of Sales Tax Sources for RTA debt service has averaged approximately 5.9% of the total Sales Tax Sources per year ranging from 5.46% to 6.35% per year. No Public Transportation Funds can be distributed to the RTA for any fiscal year until the RTA has certified to the Governor, the Comptroller, and the Mayor that the RTA has adopted for that fiscal year an annual budget and two-year financial plan meeting the requirements of the RTA Act. The RTA has never failed to make such certification.

Timing of State Transfers to RTA. The lag time between collection of State Sales Tax and RTA Sales Tax, the State's transfer of such revenues to the RTA, and the ultimate distribution to the Authority is typically a period of three months. Between 2008 and 2019, the Authority typically received payments of Public Transportation Funds from RTA approximately five to six months behind schedule due to State payment delays of Public Transportation Funds to the RTA; however, by mid-2019, the State had made substantial progress paying down the payment backlog. As of August 2020, the amount of payments of Public Transportation Funds to the RTA in arrears was $211.5 million and the amount of delayed payments by RTA to the Authority totaled approximately $67.5 million, representing approximately three months of Public Transportation Fund payments. For a discussion of the monthly transfers of Retail Sales Tax Receipts to the Authority for the first six month of 2020 see "FINANCIAL INFORMATION--COVID-19 Outbreak Impact on Revenues and Expenses" herein. The Authority has historically managed the delay in State payments with its available resources and through its budgeting process. In addition, the RTA has assisted the Service Boards in easing the impact of such delays in State payments by issuing short-term working cash notes to allow for RTA advances of Public Transportation Funds prior to receipt of payments from the State. See "CERTAIN INVESTMENT CONSIDERATIONS―Factors Affecting Sales Tax Receipts–*State Delay in Payments to RTA*" herein.

RTA Funding and Breakdown of RTA Formula Funds and RTA Discretionary Funds

Of the amount of the State Distribution received by the RTA in the form of RTA Sales Tax and State Sales Tax, the RTA is entitled to withhold 15.0 percent for its general corporate purposes. For the years 2015 to 2019, the use of the State Distribution for RTA's general corporate purposes has averaged approximately 5.2% of the total Sales Tax Sources per year ranging from 4.54% to 6.25% per year. In addition the RTA uses the State Distribution to make special fund deposits for ADA paratransit, community mobility and RTA innovation, coordination and enhancement ("ICE") programs. Collectively, these withholdings from the State Distribution are referred to herein as the "RTA Withholdings."

The remainder of the State Distribution following the RTA Withholdings is divided into RTA Formula Funds and RTA Discretionary Funds. RTA Formula Funds are allocated and distributed to the Service Boards, including the Authority, in accordance with the statutory formulas set forth in the RTA Act. The RTA Discretionary Funds are allocated and distributed to the Service Boards, including the Authority, at the discretion of the RTA. The following table generally describes the breakdown of the sources of the RTA Formula Funds and the RTA Discretionary Funds.

RTA Formula and Discretionary Funds

	Description
RTA Formula Funds	
RTA Sales Tax and State Sales Tax	Approximately 85 to 88% of RTA Sales Tax and 85% of State Sales Tax
Public Transportation Funds	State matching funds approximately equal to: • 10 to 13% of RTA Sales Tax, • 5% of State Sales Tax, and • 30% of the Real Estate Transfer Tax[1]
RTA Discretionary Funds	
RTA Sales Tax and State Sales Tax	Approximately 12 to 15% of RTA Sales Tax and 15% of State Sales Tax
Public Transportation Funds	Approximately 8 to 20% of RTA Sales Tax and 25% of the State Sales Tax

(1) Public Transportation Funds are calculated, in part, by reference to the amount of RETT Revenues received by the Authority directly from the City. The Real Estate Transfer Tax is the tax imposed by the City on transfers of real property in the City. See "—RETT Revenues Pledged to Payment of the Pension Bonds" below. The RETT Revenues are not included as part of Sales Tax Receipts and are not pledged as security for the Series 2020B Refunding Bonds.

Allocations of RTA Formula Funds and RTA Discretionary Funds Among the Service Boards

Although the RTA Act does not specify how RTA Discretionary Funds are to be allocated, the RTA has historically allocated to the Authority (i) nearly half of the portion of the Sales Taxes that constitute RTA Discretionary Funds, and (ii) between 90 and 99 percent of the portion of the Public Transportation Funds that constitute RTA Discretionary Funds. All allocations of RTA Formula Funds and RTA Discretionary Funds to the Authority constitute Sales Tax Receipts.

The following tables show, respectively, the percentage allocations and the dollar allocations of RTA Formula Funds and RTA Discretionary Funds among the Service Boards during fiscal year 2019. For a more detailed discussion of the Sales Tax Sources and the allocation of the Sales Tax Sources to the Authority and the other Service Boards, see APPENDIX B—"SALES TAX RECEIPTS."

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RTA Percentage Funding Allocations Among the Service Boards in 2019

	Authority	Metra	Pace
RTA Formula Funds			
RTA Sales Taxes[1]			
City of Chicago	100%	0%	0%
Cook County	30%	55%	15%
Collar Counties	0%	70%	30%
Combined	48%	39%	13%
State Sales Taxes[1]			
City of Chicago	100%	0%	0%
Cook County	30%	55%	15%
Public Transportation Funds[2]			
Sales Taxes	48%	39%	13%
Real Estate Transfer Tax	100%	0%	0%
RTA Discretionary Funds			
Sales Taxes	48%	39%	13%
Public Transportation Funds	98%	0%	2%

(1) Allocations depend on the origin of the RTA Sales Taxes and State Sales Taxes as reflected in the table. APPENDIX B—"SALES TAX RECEIPTS–Allocations of RTA Tax Funds."

(2) Public Transportation Funds are "matching funds" calculated by reference to certain revenues generated by certain collections. The subheadings indicate the source of revenues that are matched in calculating the amount of Public Transportation Funds. One component of Public Transportation Funds is calculated by reference to the amount of RETT Revenues received by the Authority directly from the City. See "—RETT Revenues Pledged to Payment of the Pension Bonds" below. The RETT Revenues are not included as part of Sales Tax Receipts and are not pledged as security for the Series 2020B Refunding Bonds.

RTA Funding Allocations Among the Service Boards in 2019
($ in thousands)

	Authority	Metra	Pace	Total
RTA Formula Funds				
RTA Sales Tax and State Sales Tax	$445,807	$352,945	$112,604	$ 911,356
Public Transportation Funds[1]				
Sales Tax	67,915	55,181	18,394	141,490
Real Estate Transfer Tax[1]	15,030	0	0	15,030
Subtotal	$528,752	$408,126	$130,998	$1,067,876
RTA Discretionary Funds	$220,959	$ 0	$ 4,509	225,468
Total	$749,711	$408,126	$135,069	$1,293,344

(1) Public Transportation Funds are "matching funds" calculated by reference to certain revenues generated by certain collections. The subheadings indicate the source of revenues that are matched in calculating the amount of Public Transportation Funds. One component of Public Transportation Funds is calculated by reference to the amount of RETT Revenues received by the Authority directly from the City. See "—RETT Revenues Pledged to Payment of the Pension Bonds" below. The RETT Revenues are not included as part of Sales Tax Receipts and are not pledged as security for the Series 2020B Refunding Bonds.

Sales Tax Receipts Distributed to the Authority

The amount of Sales Tax Receipts distributed to the Authority on an actual basis for the years 2015 through 2019 is set forth in the following table. The table also includes: (i) the budgeted Sales Tax Receipts to be distributed to the Authority in 2020, both as included in the Original 2020 Budget and as estimated by the RTA as Public Funding Marks and included in the Amended 2020 Budget, and (ii) the percentage change from the Original 2020 Budget to the Amended 2020 Budget. For a discussion of the impact of the COVID-19 Outbreak on Sales Tax Receipts and the Amended 2020 Budget, including the budgeted Sales Tax Receipts, see "FINANCIAL INFORMATION—COVID 19 Outbreak Impact on Revenues and Expenses" and "—Amended 2020 Budget" herein.

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Sales Tax Receipts Distributed to the Authority
2015-2019 Actual and Original 2020 Budget, Amended 2020 Budget and Percentage Change
($ in thousands)

	Actual							
	2015	2016	2017	2018	2019	Original 2020 Budget	Amended 2020 Budget	Percentage Change in 2020 Budget
RTA Formula Funds								
RTA Sales Tax	$360,575	$365,622	$364,280	$379,617	$388,833	$409,156	$279,822	-31.6%
State Sales Tax	56,760	57,611	57,166	59,125	56,974	59,879	39,598	-33.9%
Public Transportation Funds	86,478	87,530	79,845	81,649	82,945	89,548	65,296	-27.1%
Subtotal	$503,813	$510,763	$501,291	$520,391	$528,752	$558,583	$384,716	
RTA Discretionary Funds								
RTA Sales Tax	$ 900	$ 1,733	$630	$ 0	$ 0	$ 5,463	$ 910	-83.3%
Public Transportation Funds	213,571	217,189	208,391	211,425	220,959	235,735	$176,710	-25.0%
Subtotal	$214,471	$218,922	$209,021	$211,425	$220,959	$241,198	$177,620	
Total	$718,284	$729,685	$710,312	$731,816	$749,711	$799,781	$562,336	-29.7%

Source: The Authority.

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RETT Revenues Pledged to Payment of the Pension Bonds

The "Real Estate Transfer Tax" is a supplemental tax on real property title transfers in the City of Chicago, imposed by the City at a rate of $1.50 per $500 of the purchase price of real property for the purpose of providing financial assistance to the Authority. The City and the Authority have entered into the Intergovernmental Tax Collection Agreement, dated as of March 26, 2008 (the "RETT IGA"), that provides for the payment of the RETT Revenues (collections net of collection costs) to the Authority. Pursuant to the provisions of the RETT IGA the Authority has assigned the RETT Revenues as a source of payment for the Pension Bonds and the RETT IGA provides that the RETT IGA cannot be terminated so long as the Pension Bonds are outstanding. The Authority applies all RETT Revenues to the payment of debt service on the Pension Bonds. See "DEBT SERVICE COVERAGE" herein.

THE RETT REVENUES ARE NOT INCLUDED IN SALES TAX RECEIPTS AND ARE NOT PLEDGED AS SECURITY FOR THE SERIES 2020B REFUNDING BONDS. However, Public Transportation Funds are calculated, in part, by reference to the amount of RETT Revenues received by the Authority from the City of Chicago. In addition, the RETT Revenues are used to pay the Pension Bonds prior to use of the Sales Tax Receipts for such purpose, and as a result the amount of RETT Revenues received by the Authority impacts the amount of Sales Tax Receipts available to pay debt service on Sales Tax Receipts Revenue Bonds, including the Series 2020B Refunding Bonds. See "DEBT SERVICE COVERAGE" herein.

The amount of RETT Revenues distributed to the Authority on an actual basis for the years 2015 through 2019 is set forth in the following table. The table also includes the RTA's estimate of RETT Revenues to be distributed to the Authority in 2020, both as included in the Original 2020 Budget and as estimated by the RTA and included in the Amended 2020 Budget and percentage change from the Original 2020 Budget to the Amended 2020 Budget.

RETT Revenues Distributed to the Authority
2015-2019 Actual and Original 2020 Budget, Amended 2020 Budget and Percentage Change
($ in thousands)

Actual							
2015	**2016**	**2017**	**2018**	**2019**	**Original 2020 Budget**	**Amended 2020 Budget**	**Percentage Change in 2020 Budget**
$74,723	$79,063	$62,021	$71,518	$62,373	$68,630	$43,453	-36.7%

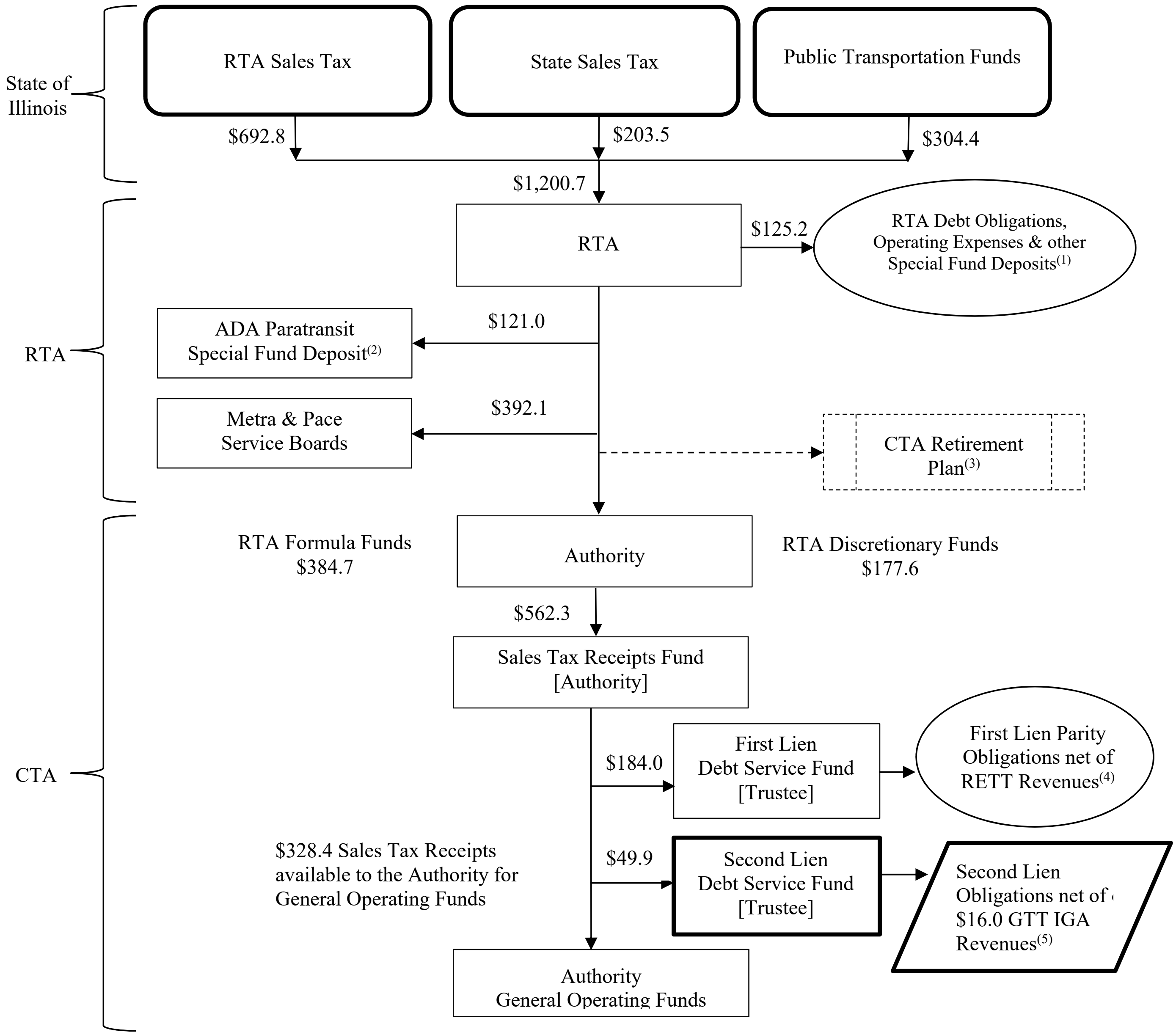
Source: The Authority.

Flow of Funds

The chart below reflects the State Distribution by Sales Tax Source to the RTA and the transfer of such funds by the RTA to the Service Boards, including transfer of the Sales Tax Receipts to the Authority based on the Amended 2020 Budget, and deposit of such funds into the Sales Tax Receipts Fund held by the Authority. The chart also depicts the required monthly deposits into the various Indenture debt service funds prior to implementation of the Plan of Finance, including refunding of the Refunded Bonds. The chart also depicts the Authority's withdrawal of all remaining moneys (after funding of debt service) in the Sales Tax Receipts Fund free from the lien of the Indenture to be used for the Authority's general operations.

The chart below does not include CARES Act funding available for general operations to make up shortfalls in public funding, including Sales Tax Receipts and RETT Revenues, and operating revenues. The CARES Act funds are not included in Sales Tax Receipts and are not pledged to payment of the Sales Tax Receipts Revenue Bonds, including the Series 2020B Refunding Bonds. See "SECURITY FOR THE BONDS" herein.

Flow of Funds—State Distribution by Sales Tax Source—Amended 2020 Budget
($ in millions)



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(1) Includes $125.2 million for RTA debt service and operating expenses and $27.3 million of other special fund deposits for community mobility services for Pace and ICE funds for the Service Boards.

(2) $121.0 million for special fund deposits for ADA paratransit.

(3) The Authority currently makes contributions to the Retirement Plan (as defined herein) from the Authority's general operating funds. The RTA is required to withhold from the Authority any overdue pension contributions payable by the Authority to the Retirement Plan. The Authority has never failed to meet its contribution requirements to the Retirement Plan. *See* APPENDIX F—"PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE–Background Information Regarding the Retirement Plan–*Determinations of Authority's Contributions*."

(4) The RETT Revenues received by the Authority from the City are applied to the payment of debt service on Pension Bonds before any funds are withdrawn from the Sales Tax Receipts Fund to pay remaining sums due on the Pension Bonds.

(5) Includes debt service on Outstanding Second Lien Sales Tax Receipts Revenue Bonds and debt service on the Remaining Outstanding Second Lien CIP Notes due in 2020 to the extent not funded by GTT IGA Revenues received by the Authority in 2020.

PLEDGE OF SALES TAX RECEIPTS TO OUTSTANDING INDEBTEDNESS

First Lien Sales Tax Receipts Obligations

Pension Bonds and 2008 Indenture. The Authority has entered into the 2008 Indenture with the 2008 Indenture Trustee pursuant to which the Authority has issued "Pension and Retirement Debt Obligations." Pension and Retirement Debt Obligations currently outstanding under the 2008 Indenture consist of $1.711 billion aggregate principal amount of Sales and Transfer Tax Receipts Revenue Bonds, Taxable Series 2008A (Pension Funding) and Sales and Transfer Tax Receipts Revenue Bonds, Taxable Series 2008B (Retiree Health Care Funding) (collectively, the "Pension Bonds"). The Authority has established and maintains the Sales Tax Receipts Fund under the 2008 Indenture. The Sales Tax Receipts Fund is pledged for the payment of Pension and Retirement Debt Obligations issued under the 2008 Indenture. The Pension Bonds are secured by the Sales Tax Receipts on a first lien basis, but are payable from the Sales Tax Receipts only to the extent that the RETT Revenues are insufficient to make such payment. See "SALES TAX RECEIPTS—RETT Revenues Pledged to Payment of the Pension Bonds" herein.

Corporate Purpose Debt Obligations and 2010 Indenture. The 2008 Indenture provides that the Authority may issue certain "Corporate Purpose Debt Obligations" payable from and secured by a lien on the Sales Tax Receipts Fund on a parity with the lien granted by the 2008 Indenture for the payment of Pension and Retirement Debt Obligations. The 2010 Indenture provides for the issuance of such Corporate Purpose Debt Obligations and other parity obligations secured by a lien on the Sales Tax Receipts Fund on a parity with the lien on and pledge of the Sales Tax Receipts Fund granted by the 2008 Indenture.

Pursuant to the 2010 Indenture, the Authority has previously issued and has outstanding Corporate Purpose Debt Obligations which are secured by a first lien on the Sales Tax Receipts Fund consisting of its (i) Sales Tax Receipts Revenue Bonds, Taxable Series 2010B (Build America Bonds) (the "Series 2010 Bonds") in the aggregate principal amount of $505,355,000, (ii) the Series 2011 Bonds in the aggregate principal amount of $476,905,000; and (iii) the Sales Tax Receipts Revenue Bonds, Series 2014, in the aggregate principal amount of $555,000,000 (the "Series 2014 Bonds," and collectively with the Series 2010 Bonds and the Series 2011 Bonds, the "Outstanding First Lien Bonds"). The Series 2020B Refunding Bonds will be issued as Corporate Purpose Debt Obligations which are secured by a first lien on the Sales Tax Receipts Fund under the 2010 Indenture and will refund the Series 2011 Bonds and a portion of the Outstanding Second Lien CIP Notes.

PBC Senior Pledge Rights. The Authority has entered into a Lease Agreement dated March 31, 2003 (the "PBC Lease") with the Public Building Commission of Chicago ("PBC"), pursuant to which the Authority agreed that it will not pledge the sales taxes revenues it receives from RTA pursuant to Section 4.01 (now Section 4.03.3) of the RTA Act (the "PBC Lease Revenues") to secure its debt on a priority basis with respect to its rent and other payment obligations under the PBC Lease (including $67.1 million of lease payments attributable to principal) and other payment obligations of the Authority thereunder if the maximum annual debt service on all such debt so secured exceeds 75% of the PBC Lease Revenues during the preceding Fiscal Year, without equally and ratably securing its obligations under the PBC Lease. This pledge of the PBC Lease Revenues under the PBC Lease is referred to herein as the "PBC Senior Pledge Rights" and is a First Lien Parity Obligation.

Additional First Lien Bonds. The 2010 Indenture permits the Authority to issue "Additional First Lien Bonds" and provides for the ability of the Authority to enter into agreements to provide credit support and/or liquidity support for such additional bonds, and to enter into swap agreements and similar hedge agreements; the payments of the debt service of such Additional First Lien Bonds and certain payments under such support agreements and hedge agreements to be payable from the Sales Tax Receipts on a parity with the Outstanding First Lien Bonds and the Pension and Retirement Debt Obligations to the extent provided in the 2010 Indenture (the Outstanding First Lien Bonds, Additional First Lien Bonds, any such agreements and the Pension and Retirement Debt Obligations, collectively the "First Lien Parity Obligations"). For a discussion of the additional bonds test for First Lien Parity Obligations, see "SECURITY FOR THE BONDS—Additional Sales Tax Receipts Obligations" herein.

Second Lien Sales Tax Receipts Obligations

Subordinate Indebtedness. The 2010 Indenture also provides for the Authority's issuance of "Subordinate Indebtedness" secured by and payable from moneys and securities held in the Sales Tax Receipts Fund that is junior and subordinate in all respects to all First Lien Parity Obligations.

Series 2017 Bonds and 2017 Indenture. The Authority has entered into a Trust Indenture, dated as of January 1, 2017 (the "2017 Indenture"), with Zions Bancorporation, National Association (the "2017 Indenture Trustee"), to provide for the issuance from time to time of Subordinate Indebtedness, and to permit the issuance from time to time of other obligations secured by a pledge of or lien on the Sales Tax Receipts Fund subordinate to the 2008 Indenture and the 2010 Indenture (the "Second Lien Obligations"). The Authority previously issued and has outstanding its Second Lien Sales Tax Receipts Revenue Bonds, Series 2017, of the Authority (the "Series 2017 Bonds") in the aggregate principal amount of $296,220,000, as Second Lien Obligations. The Series 2020A Project Bonds are being issued as Second Lien Obligations. See "PLAN OF FINANCE" herein.

Short-Term CIP Borrowing Program. The Authority has established a short-term borrowing program to fund its capital improvement program (the "Short-Term CIP Borrowing Program"), pursuant to which the Authority may borrow up to $300 million and establish one or more short-term borrowing facilities by entering into one or more credit agreements, note purchase agreements or other borrowing agreements with financial institutions and to authorize the issuance of one or more series of short-term notes. Pursuant to the 2017 Indenture the Authority previously issued and has outstanding (i) Second Lien Sales Tax Receipts Revenue Capital Improvement Notes outstanding in the aggregate principal amount of $150,000,000 that mature on December 31, 2020, and (ii) Second Lien Sales Tax Receipts Revenue Capital Improvement Notes outstanding in the aggregate principal amount of $150,000,000 that mature on July 11, 2022 (the Outstanding Second Lien CIP Notes, together with the Series 2017 Bonds, are referred to herein as the "Outstanding Second Lien Obligations"). The Outstanding Second Lien CIP Notes are secured by the GTT IGA Revenues provided to the Authority pursuant to the GTT IGA, in addition to the second lien pledge of the Sales Tax Receipts. Pursuant to the GTT IGA, the City has covenanted to not amend the Chicago Municipal Code in a way which would reduce or eliminate the payment of GTT IGA Revenues each year to the Authority in the amount of $16,000,000 while any financings issued by the Authority and secured by the City ground transportation tax revenues remain outstanding.

The Authority is refunding a portion of the Outstanding Second Lien CIP Notes with the proceeds of the Series 2020A Project Bonds and the Series 2020B Refunding Bonds. The Remaining Outstanding Second Lien CIP Notes are expected to be refunded with the proceeds of the Authority's GTT Sales Tax Receipts Bonds and other available funds of the Authority. See "PLAN OF FINANCE—Future Financings" herein. The Authority expects to maintain the availability of short-term funding for its capital projects through the issuance of Second Lien CIP Notes on a revolving basis under its Short-Term CIP Borrowing Program. See "DEBT OBLIGATIONS—Short-Term Borrowing Programs" herein.

Additional Second Lien Bonds. The 2010 Indenture permits the Authority to issue "Additional Second Lien Bonds" and provides for the ability of the Authority to enter into agreements to provide credit support and/or liquidity support for such additional bonds, and to enter into swap agreements and similar hedge agreements on a subordinate and junior basis to the claim on such Sales Tax Receipts by First Lien Parity Obligations and on a parity basis to the claim on such Sales Tax Receipts by Second Lien Obligations. For a discussion of the additional bonds test for Second Lien Parity Obligations, see "SECURITY FOR

THE BONDS—Additional Sales Tax Receipts Obligations" and see "PLAN OF FINANCE—Future Financings" herein.

SECURITY FOR THE BONDS

Pledge of Security

The Series 2020B Refunding Bonds are secured by a pledge of and lien on the Trust Estate. The Series 2020B Refunding Bonds are being issued pursuant to, under authority of and in full compliance with the Constitution and laws of the State of Illinois, particularly the MTA Act and the Debt Reform Act, and the Indenture. The Series 2020B Refunding Bonds are secured under the Indenture by a pledge of and lien on the following Trust Estate as provided in the Indenture (the "Trust Estate"):

(a) The Sales Tax Receipts Fund, subject however to (i) the PBC Senior Pledge Rights, (ii) the parity pledge and lien created by the 2008 Indenture with respect to Pension and Retirement Debt Obligations, and (iii) the parity pledge and lien created by the 2010 Indenture with respect to the Corporate Purpose Debt Obligations.

(b) All moneys and securities and earnings thereon in all Funds, Sub-Funds, Accounts and Sub-Accounts established and maintained pursuant to the Indenture for the payment and security of the Series 2020B Refunding Bonds.

(c) Any and all other moneys and securities furnished from time to time to the Trustee by the Authority or on behalf of the Authority or by any other persons to be held by the Trustee under the terms of the Indenture.

Pursuant to Section 13 of the Debt Reform Act, the Sales Tax Receipts Fund and the other moneys and securities pledged in the Indenture shall immediately be subject to the lien and pledge under the Indenture without any physical delivery or further act and be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice hereof.

See APPENDIX A—"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Limited Obligations of the Authority

The Series 2020B Refunding Bonds are limited obligations of the Authority payable solely from and secured solely by the Trust Estate under the Indenture. The Series 2020B Refunding Bonds are not, and shall not be or become, an indebtedness or obligation of the State, the RTA or any political subdivision of the State (other than the Authority) or of any municipality within the State nor shall any Series 2020B Refunding Bonds be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision. The Series 2020B Refunding Bonds do not have a lien on and are not secured by any physical properties of the Authority. The Authority has no taxing power.

Additional Sales Tax Receipts Obligations

Additional First Lien Parity Obligations. The Authority may issue additional First Lien Parity Obligations pursuant to the 2008 Indenture or the 2010 Indenture for the purpose of financing any lawful project or purpose of the Authority. Such additional First Lien Parity Obligations may be issued only upon delivery to the applicable trustee of, among other things, a certificate of the Authority stating the aggregate amount of all Sales Tax Receipts received by the Authority for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of such Series was at least equal to 200 percent of the Maximum Annual Coverage Requirement for the First Lien Parity Obligations as of the time immediately following the issuance of such Series.

Additional Second Lien Obligations. The issuance of one or more Series of Second Lien Bonds entitled to the benefit, protection and security of the Indenture and constituting a Series of Additional Second Lien Bonds may be authorized and delivered upon original issuance for the purpose of financing any lawful project or purpose of the Authority, refund any First Lien Obligation, to pay costs and expenses incident to the issuance of such Additional Second Lien Bonds and to make deposits into any Fund, Sub-Fund, Account or Sub-Account under the Indenture or any Supplemental Indenture. Any such Series shall be authenticated and delivered by the Trustee only upon the receipt by it of, among other things, a Certificate of an Authorized Officer stating that the aggregate amount of all Sales Tax Receipts deposited into the Sales Tax Receipts Fund maintained by the Authority under the Indenture after payment of amounts due on outstanding First Lien Parity Obligations (the "Available Sales Tax Receipts") received by the Authority for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of such Series was at least equal to 150 percent of the Maximum Annual Coverage Requirement as of the time immediately following the issuance of such Series.

In applying the foregoing test, if any of the Second Lien Bonds Outstanding immediately prior to or after the issuance of the Additional Second Lien Bonds to be issued constitute Optional Tender Bonds or Variable Rate Bonds, certain provisions in the Indenture shall be applied in determining the Annual Second Lien Debt Service Requirements of such Second Lien Bonds.

Junior Indebtedness

Nothing in the Indenture shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Authority (to the extent now or hereafter permitted by law) from (i) issuing bonds, certificates or other evidences of indebtedness or contractual obligations payable as to principal and interest from Sales Tax Receipts, or (ii) incurring contractual obligations that are payable from Sales Tax Receipts, but only if such indebtedness or contractual obligation is junior and subordinate in all respects to any and all obligations issued and Outstanding under the Indenture secured by such revenues on a first lien or second lien basis (the "Junior Indebtedness").

Indebtedness and Liens

The Authority shall not issue any bonds or other evidences of indebtedness or incur any indebtedness, or other payment obligations, which are secured by a pledge of or lien on the Trust Estate securing the Series 2020B Refunding Bonds, or create or cause to be created any lien or charge on the Sales Tax Receipts, or such moneys, securities or funds pledged under the Indenture, except as expressly authorized in the Indenture; *provided* that nothing contained in the Indenture shall prevent the Authority from issuing or incurring evidences of indebtedness (a) payable from or secured by amounts that may be withdrawn from the Sales Tax Receipts Fund free from the lien of the Indenture, or from any other fund or account as provided in the Indenture or (b) payable from, or secured by the pledge of, the Sales Tax Receipts to be derived on and after such date as the pledge of the Trust Estate provided in the Indenture shall be discharged and satisfied as provided in the Indenture.

Funds and Accounts

Pursuant to the 2008 Indenture, the Authority established the Sales Tax Receipts Fund as a special fund of the Authority held by the Authority as part of the Trust Estate, subject to the PBC Senior Pledge Rights and the senior pledges to the First Lien Parity Obligations described under "PLEDGE OF SALES TAX RECEIPTS TO OUTSTANDING INDEBTEDNESS" herein. In the 2010 Indenture, the Authority established the Debt Service Fund, which is a special fund of the Authority held by the Trustee as part of the Trust Estate. The Authority also established the Consolidated Debt Service Reserve Fund, which is a special fund of the Authority held in trust by the Trustee as part of the Trust Estate for the benefit and security of the Owners of Consolidated Reserve Fund Bonds. The Series 2020B Refunding Bonds are not Consolidated Reserve Fund Bonds.

In the Indenture, the Trustee shall, at the written request of the Authority, establish such additional Funds, Sub-Funds within the Funds, and Accounts and Sub-Accounts within any such Sub-Funds, as shall be specified in such written request, for the purpose of identifying more precisely the sources of payments into and disbursements from the Debt Service Fund or such Sub-Funds, Accounts and Sub-Accounts and in addition, the Authority shall, at the written request of the Trustee, establish additional Funds or Accounts for the purpose of segregating amounts available to pay the principal of, premium, if any, and interest on separate Series of First Lien Parity Obligations.

Additional Funds, Sub-Funds within the Funds, and Accounts and Sub-Accounts within such Sub-Funds may also be created by any Supplemental Indenture; and any such Supplemental Indenture may provide that amounts on deposit in such Sub-Funds, Accounts and Sub-Accounts shall be held by the Trustee for the sole and exclusive benefit of such First Lien Parity Obligations as may be specifically designated in such Supplemental Indenture.

Any moneys and securities held in any Fund or any Sub-Fund, Account or Sub-Account created pursuant to the Indenture shall be held in trust by the Trustee, as provided in the Indenture or such Supplemental Indenture and shall be applied, used and withdrawn only for the purposes authorized in the Indenture or such Supplemental Indenture. All moneys and securities held by the Authority in any Fund, Sub-Fund, Account or Sub-Account established for or with respect to Sales Tax Receipts shall be accounted for and held separate and apart from all other moneys and securities of the Authority and, until so applied, used and withdrawn, shall be held in trust by the Authority for the purposes for which such Fund, Sub-Fund, Account or Sub-Account was established.

Deposit and Application of Sales Tax Receipts

All Sales Tax Receipts received by the Authority shall be deposited promptly into the Sales Tax Receipts Fund.

Subject to the following two paragraphs, the Authority covenants and agrees in the Indenture to withdraw moneys from the Sales Tax Receipts Fund and pay into the Debt Service Fund, not later than the 20th day of each calendar month, the sum required to make all of the Sub-Fund Deposits and Other Required Deposits to be disbursed from the Debt Service Fund in that calendar month as described below under "—Funds and Accounts for Payment of Series 2020B Refunding Bonds" below.

Each withdrawal from the Sales Tax Receipts Fund is subject to the contractual obligations of the Authority to make monthly withdrawals from the Sales Tax Receipts Fund for the payment of Pension and Retirement Debt Payments and the Corporate Purpose Debt Payments on a parity lien basis with the payments to the Debt Service Fund, *provided* that each such monthly withdrawal shall be made in equal monthly installments that may commence no earlier than (i) in the case of interest, six months prior to the interest payment date and (ii) in the case of principal, 12 months prior to the principal payment date.

Whenever the PBC Senior Pledge Rights are in effect, the Authority may make monthly allocations from the Sales Tax Receipts Fund, on a parity lien basis to the payments to the Debt Service Fund, sufficient to provide for the payment, in equal monthly installments, of the next payment of PBC Annual Rent. The Authority has never drawn on the Sales Tax Receipts Fund to meet its payment obligations under the PBC Lease.

In determining the monthly deposits to the Debt Service Fund, such deposits may be reduced by excess amounts in the Debt Service Fund or any Sub-Fund, Account or sub-account therein available to make the deposits required as described below under "— Funds and Accounts for Payment of Series 2020B Refunding Bonds" below.

Each month, after making all of the payments required above, and if no Event of Default then exists, the Authority may withdraw all remaining moneys in the Sales Tax Receipts Fund free from the lien of the Indenture and available as operating revenues of the Authority.

Funds and Accounts for Payment of Series 2020B Refunding Bonds

Creation of Series 2020B Dedicated Sub-Fund. The Fourth Supplemental Indenture establishes with the Trustee a separate and segregated Sub-Fund within the Debt Service Fund related to the Series 2020B Refunding Bonds (the "Series 2020B Dedicated Sub-Fund"). Moneys on deposit in the Series 2020B Dedicated Sub-Fund, and in each Account established therein as provided in the Indenture, shall be held in trust by the Trustee for the sole and exclusive benefit of the Owners of the Series 2020B Refunding Bonds and shall not be used or available for the payment of the other First Lien Parity Obligations, except as expressly provided in the Indenture.

Creation of Accounts. The Fourth Supplemental Indenture establishes with the Trustee separate Accounts within the Series 2020B Dedicated Sub-Fund, designated as follows:

(i) Series 2020B Capitalized Interest Account: an Account to be designated the "Series 2020B Capitalized Interest Account" (the "Series 2020B Capitalized Interest Account");

(ii) Series 2020B Principal Account: an Account to be designated the "Series 2020B Principal Account" (the "Series 2020B Principal Account"); and

(iii) Series 2020B Interest Account: an Account to be designated the "Series 2020B Interest Account" (the "Series 2020B Interest Account").

Capitalized Interest Account. The Trustee shall withdraw from the Series 2020B Capitalized Interest Account, prior to each of the following Interest Payment Dates, the amounts set forth in the following table, and apply the same to the payment of the interest on the Series 2020B Refunding Bonds due on such Interest Payment Date:

Interest Payment Date	Amount
December 1, 2020	$4,207,948.98
June 1, 2021	253,132.19

Any amount remaining in the Series 2020B Capitalized Interest Account on June 1, 2021, after all deposits referenced above, shall be withdrawn from the Series 2020B Capitalized Interest Account and deposited into the Series 2020B Interest Account.

Deposits into Series 2020B Dedicated Sub-Fund and Accounts. On the 25th day of each month, or if such day is not a Business Day, the immediately preceding Business Day, commencing September 25, 2020 (each such date a "Deposit Date"), there shall be deposited into the Series 2020B Dedicated Sub-Fund from amounts on deposit in the Debt Service Fund, an amount necessary to raise the amount on deposit in the Series 2020B Dedicated Sub-Fund, when combined with amounts already on deposit therein, equal to the aggregate of the amounts described in the following paragraphs, which amounts shall have been calculated by the Trustee on the fifth day of each month (such aggregate amount with respect to any Deposit Date being referred to herein as the "Series 2020B Deposit Requirement").

On each Deposit Date the Trustee shall make the following deposits in the following order of priority and if the moneys deposited into the Series 2020B Dedicated Sub-Fund are insufficient to make any required deposit, the deposit shall be made up on the next Deposit Date after required deposits into other Accounts having a higher priority shall have been made in full:

First: for deposit into the Series 2020B Interest Account, an amount equal to the lesser of (i)(a) prior to the December 25, 2020 Deposit Date, an amount equal to the total amount due on the Series 2020B Refunding Bonds on the first Interest Payment Date (other than interest payable on such Interest Payment Date from the Series 2020B Capitalized Interest Account or available in the Series 2020B Capitalized Interest Account), divided by the number of months between the date of the Fourth Supplemental Indenture and the first Interest Payment Date; and (b) commencing on the December 25, 2020 Deposit Date, one-sixth of the interest due on the Series 2020B Refunding Bonds on the next Interest Payment Date; or (ii) the amount required so that the sum held in the Series 2020B Interest Account will equal the interest due on the Series 2020B Refunding Bonds on such Interest Payment Date; and

Second: commencing on December 25, 2020, for deposit into the Series 2020B Principal Account, an amount equal to the lesser of (i) one-twelfth of the Principal due on the Series 2020B Refunding Bonds on the first day of December next ensuing, or (ii) the amount required so that the sum then held in the Series 2020B Principal Account will equal the Principal due on the Series 2020B Refunding Bonds on the first day of December next ensuing.

In addition to the Series 2020B Deposit Requirement, there shall be deposited into the Series 2020B Dedicated Sub-Fund any other moneys received by the Trustee under and pursuant to the Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Series 2020B Dedicated Sub-Fund and to one or more accounts in the Series 2020B Dedicated Sub-Fund.

Upon calculation by the Trustee of each Series 2020B Deposit Requirement, the Trustee shall notify the Authority of the Series 2020B Deposit Requirement and the Deposit Date to which it relates together with such supporting documentation and calculations as the Authority may reasonably request.

DEBT SERVICE REQUIREMENTS

The table below sets forth the debt service requirements for the Outstanding First Lien Parity Obligations (including the Series 2020B Refunding Bonds) and the Outstanding Second Lien Obligations (including the Series 2020A Project Bonds), following the issuance of the Series 2020A Project Bonds, issuance of the Series 2020B Refunding Bonds, the refunding of the Refunded Bonds and a portion of the Outstanding Second Lien CIP Notes, and implementation of the Plan of Finance. The debt service requirements in the table below do not include debt service related to the PBC Senior Pledge Rights or debt service on the Remaining Outstanding Second Lien CIP Notes. See "PLAN OF FINANCE" herein.

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DEBT SERVICE REQUIREMENTS[1]

Period Ending Dec 31	Outstanding Pension Bonds Debt Service[2]	Outstanding Corporate Purpose Debt Obligations Debt Service[2]	Series 2020B Refunding Bonds Principal	Series 2020B Refunding Bonds Interest	Series 2020B Refunding Bonds Total Debt Service	Total First Lien Obligations Debt Service	Outstanding Second Lien Obligations Debt Service	Series 2020A Project Bonds Total Debt Service	Total Second Lien Obligations Debt Service	Total Aggregate Net Debt Service
2020	$ 97,793,199	$41,207,394	$ -	$ -	$ -	$139,000,593	$7,355,500	$ -	$ 7,355,500	$146,356,093
2021	156,573,769	70,906,231	-	16,961,205	16,961,205	244,441,204	14,711,000	-	14,711,000	259,152,204
2022	156,576,474	70,899,872	21,795,000	17,214,337	39,009,337	266,485,683	14,711,000	-	14,711,000	281,196,683
2023	156,575,395	70,901,808	22,170,000	16,842,078	39,012,078	266,489,281	14,711,000	4,069,713	18,780,713	285,269,993
2024	156,574,586	70,898,555	22,590,000	16,434,594	39,024,594	266,497,734	14,711,000	16,278,850	30,989,850	297,487,584
2025	156,574,560	70,899,168	23,060,000	15,968,336	39,028,336	266,502,063	14,711,000	16,278,850	30,989,850	297,491,913
2026	156,574,793	70,898,508	23,565,000	15,457,788	39,022,788	266,496,088	14,711,000	16,278,850	30,989,850	297,485,938
2027	156,573,729	70,895,498	24,160,000	14,873,140	39,033,140	266,502,366	14,711,000	16,278,850	30,989,850	297,492,216
2028	156,573,774	70,896,728	24,825,000	14,213,330	39,038,330	266,508,832	14,711,000	16,278,850	30,989,850	297,498,682
2029	156,570,957	70,893,168	25,560,000	13,480,496	39,040,496	266,504,620	14,711,000	16,278,850	30,989,850	297,494,470
2030	156,575,270	70,886,098	26,345,000	12,700,405	39,045,405	266,506,772	14,711,000	16,278,850	30,989,850	297,496,622
2031	156,574,636	70,881,488	27,175,000	11,883,183	39,058,183	266,514,307	14,711,000	16,278,850	30,989,850	297,504,157
2032	156,576,290	70,879,688	28,075,000	10,985,865	39,060,865	266,516,842	14,711,000	16,278,850	30,989,850	297,506,692
2033	156,575,394	70,880,738	29,030,000	10,030,753	39,060,753	266,516,885	14,711,000	16,278,850	30,989,850	297,506,735
2034	156,570,732	77,069,368	30,055,000	9,014,123	39,069,123	272,709,222	14,711,000	16,278,850	30,989,850	303,699,072
2035	156,574,364	77,061,528	31,130,000	7,946,569	39,076,569	272,712,460	14,711,000	16,278,850	30,989,850	303,702,310
2036	156,575,588	77,056,858	32,255,000	6,825,266	39,080,266	272,712,712	14,711,000	16,278,850	30,989,850	303,702,562
2037	156,577,324	77,047,608	33,525,000	5,563,451	39,088,451	272,713,383	14,711,000	16,278,850	30,989,850	303,703,233
2038	156,570,078	77,051,028	34,845,000	4,251,953	39,096,953	272,718,059	14,711,000	16,278,850	30,989,850	303,707,909
2039	156,572,630	77,042,818	36,210,000	2,888,816	39,098,816	272,714,264	14,711,000	16,278,850	30,989,850	303,704,114
2040	156,574,965	77,034,608	37,635,000	1,472,281	39,107,281	272,716,854	14,711,000	16,278,850	30,989,850	303,706,704
2041	-	78,776,788	-	-	-	78,776,788	35,621,000	33,868,850	69,489,850	148,266,638
2042	-	78,777,788	-	-	-	78,777,788	35,625,600	33,869,350	69,494,950	148,272,738
2043	-	78,778,288	-	-	-	78,778,288	35,624,000	33,870,850	69,494,850	148,273,138
2044	-	78,777,038	-	-	-	78,777,038	35,624,050	33,866,100	69,490,150	148,267,188
2045	-	78,777,538	-	-	-	78,777,538	35,623,000	33,868,100	69,491,100	148,268,638
2046	-	78,775,300	-	-	-	78,775,300	35,623,150	33,869,100	69,492,250	148,267,550
2047	-	78,775,063	-	-	-	78,775,063	35,621,500	33,866,100	69,487,600	148,262,663
2048	-	78,777,900	-	-	-	78,777,900	35,626,000	33,867,300	69,493,300	148,271,200
2049	-	78,774,363	-	-	-	78,774,363	35,625,500	33,866,100	69,491,600	148,265,963
2050	-	-	-	-	-	-	35,621,750	33,871,100	69,492,850	69,492,850
2051	-	-	-	-	-	-	35,621,250	33,870,500	69,491,750	69,491,750
2052	-	-	-	-	-	-	-	33,870,900	33,870,900	33,870,900
2053	-	-	-	-	-	-	-	33,867,950	33,867,950	33,867,950
2054	-	-	-	-	-	-	-	33,869,450	33,869,450	33,869,450
2055	-	-	-	-	-	-	-	33,867,600	33,867,600	33,867,600
Total	**$3,229,278,507**	**$2,211,178,824**	**$534,005,000**	**$225,007,969**	**$759,012,969**	**$6,199,470,290**	**$693,432,300**	**$788,839,513**	**$1,482,271,813**	**$7,681,742,102**

Note: Columns may not add due to rounding.
Source: The Authority.

(1) Debt service shown is net of capitalized interest.
(2) See “PLEDGE OF SALES TAX RECEIPTS TO OUTSTANDING INDEBTEDNESS” herein.

DEBT SERVICE COVERAGE

The table below sets forth the Sales Tax Receipts and RETT Revenues and the debt service and debt service coverage for the Outstanding First Lien Parity Obligations (including the Series 2020B Refunding Bonds) and the Outstanding Second Lien Obligations (including the Series 2020A Project Bonds), following the issuance of the Series 2020A Project Bonds, issuance of the Series 2020B Refunding Bonds, the refunding of the Refunded Bonds and a portion of the Outstanding Second Lien CIP Notes, and implementation of the Plan of Finance. The debt service requirements in the table below do not include debt service related to the PBC Senior Pledge Rights or the portion of debt service on the Remaining Outstanding Second Lien CIP Notes which is expected to be paid from GTT IGA Revenues.

Debt service coverage is presented as annual debt service for the year and the maximum annual debt service for any year ("MADS"). The table below includes: (1) certain historical financial information from the Authority's financial statements and other records; (2) the Amended 2020 Budget amounts for Sales Tax Receipts and RETT Revenues for the year 2020; and (3) Sales Tax Receipts and RETT Revenues held constant at the Amended 2020 Budget amounts for the years 2021 and 2022. The following table presents combined MADS coverage assuming that the Remaining Outstanding Second Lien CIP Notes are paid at their respective maturities in 2021 and 2022 and does not reflect the Authority's expected refunding of the Remaining Outstanding Second Lien CIP Notes as described under the heading "PLAN OF FINANCE—Future Financings" herein.

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Debt Service Coverage

		Actual 2017	Actual 2018	Actual 2019	Amended 2020 Budget	Pro Forma 2021[9]	Pro Forma 2022[9]
	First Lien Revenue						
A	Sales Tax Receipts [1]	$ 710,312,000	$ 731,816,000	$ 749,711,000	$ 562,336,000	$ 562,336,000	$ 562,336,000
	RETT Revenues [1] [2]	62,021,000	71,518,000	62,373,000	43,453,000	43,453,000	43,453,000
	First Lien Debt Service[3]						
	Total Pension Bonds	156,574,000	156,573,000	156,573,000	156,576,000	156,574,000	156,576,000
	Net Pension Bonds (net of RETT Revenues) [2] [4]	94,553,000	85,055,000	94,200,000	113,123,000	113,121,000	113,123,000
	Other First Lien Parity Obligations[5]	95,806,000	95,809,000	95,811,000	70,905,000	87,867,000	109,909,000
B	Net Total First Lien Parity Obligations	190,359,000	180,864,000	190,011,000	184,028,000	200,988,000	223,032,000
	Second Lien Revenue						
C	Available Sales Tax Receipts[6]	519,953,000	550,952,000	559,700,000	378,308,000	361,348,000	339,304,000
	Second Lien Debt Service[3]						
	Second Lien Obligations	-	-	14,711,000	14,711,000	14,711,000	14,711,000
	Second Lien CIP Notes (net of GTT IGA Revenues)	-	-	11,359,000	49,883,000	45,683,000	-
D	Total Second Lien Obligations	-	-	26,070,000	64,594,000	60,394,000	14,711,000
E	Total Net Debt Service	$ 190,359,000	$ 180,864,000	$ 216,081,000	$ 248,622,000	$ 261,382,000	$ 237,743,000
	MAXIMUM ANNUAL DEBT SERVICE[3] [7]						
F	First Lien Parity Obligations (net of RETT Revenues)	210,707,000	201,210,000	210,355,000	229,265,000	229,265,000	229,265,000
G	Second Lien Obligations + Outstanding Second Lien CIP Notes	35,626,000	139,649,000	151,211,000	69,495,000	69,495,000	69,495,000
H	Combined First and Second Lien = F+G	225,418,000	326,764,000	361,563,000	267,601,000	267,601,000	260,255,000
	COVERAGE CALCULATIONS						
	First Lien Annual Coverage = A/B	3.73x	4.05x	3.95x	3.06x	2.80x	2.52x
	First Lien MADS Coverage = A/F	3.37x	3.64x	3.56x	2.45x	2.45x	2.45x
	Second Lien Annual Coverage = C/D	-	-	21.47x	5.86x	5.98x	23.06x[8]
	Second Lien MADS Coverage = C/G	14.59x	3.95x	3.70x	5.44x	5.20x	4.88x[8]
	Combined Lien Annual Coverage = A/E	3.73x	4.05x	3.47x	2.26x	2.15x	2.37x
	Combined Lien MADS Coverage = A/H	3.15x	2.24x	2.07x	2.10x	2.10x	2.16x

Source: The Authority.

(1) See "SALES TAX RECEIPTS" herein.

(2) The RETT Revenues are pledged only to payment of debt service on the Pension Bonds.

(3) Amounts shown for debt service are net of any applicable capitalized interest.

(4) Represents debt service on the Pension Bonds paid from Sales Tax Receipts, net of RETT Revenues applied to pay debt service on the Pension Bonds.

(5) Other First Lien Parity Obligations include the Corporate Purpose Debt Obligations. Amounts shown for debt service on the First Lien Parity Obligations do not include Build America Bond subsidies for the Series 2010B Bonds, which are not pledged to pay debt service on the Series 2010B Bonds.

(6) Available Sales Tax Receipts are equal to the amount of Sales Tax Receipts less the amount of Sales Tax Receipts necessary for the First Lien Parity Obligations. See APPENDIX A—"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

(7) MADS on the First Lien Parity Obligations is calculated by deducting the RETT Revenues from the aggregate maximum annual debt service for the First Lien Parity Obligations. MADS is based on the aggregate maximum debt service for the First Lien Parity Obligations for 2035.

(8) The increase in coverage is due in part to the scheduled payment of the Board's Remaining Outstanding Second Lien CIP Notes at their respective maturities in 2021 and 2022.

(9) For purposes of this table, the Authority is calculating coverage in 2021 and 2022 based on the Sales Tax Receipts and RETT Revenues included in the Amended 2020 Budget due to uncertainty regarding the amount of Sales Tax Receipts and RETT Revenues in such years due to the effect of the COVID-19 outbreak. See "FINANCIAL INFORMATION—COVID-19 Outbreak Impact on Revenues and Expenses" herein.

THE AUTHORITY

General

The Authority was created in 1945 by the MTA Act as a political subdivision, body politic, and municipal corporation of the State. The Authority began operating on October 1, 1947, after it acquired the properties of the Chicago Rapid Transit Company and the Chicago Surface Lines. On October 1, 1952, the Authority became the sole operator of Chicago public transit when it purchased the Chicago Motor Coach system. The Authority was formed primarily for the purpose of operating and maintaining a public transportation system in the metropolitan area of Cook County.

Operations

The Authority operates the nation's second largest public transit system (the "Transportation System"), providing bus and rail service in the City of Chicago and 35 surrounding suburbs. The service area of the Authority has a population of approximately 3.2 million. Historically, the Authority has carried 81% percent of the public transit riders in the Northeastern Illinois Transit Region with direct or connecting service to Metra and Pace. Authority buses and trains combined provide approximately 1.5 million rides on an average weekday and approximately a half billion rides each year. For a discussion of ridership on the Authority's Transportation System, see "—Ridership Trends and Amended 2020 Budgeted Ridership" below. The Authority is one of two public transit systems in the United States that provides 24 hour service seven days a week. For economic and demographic statistics concerning the service area of the Authority, See APPENDIX C— "SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION."

The Authority has 1,862 buses that operate 127 routes and 1,519 route miles and serve 10,715 bus stops. On the rapid transit system, the Authority's 1,458 rail cars operate eight routes and 224 miles of track. The Authority's trains serve 145 stations, with one of the rail lines terminating at the City of Chicago's O'Hare International Airport. The Authority also provides regular service to Midway International Airport. Set forth below are the name designations and round-trip route descriptions for the Authority's rapid transit rail lines.

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Authority Rail Lines

Name	Route
Blue Line	Chicago-O'Hare International Airport to the Forest Park terminal, via downtown Chicago.
Brown Line	Kimball to downtown Chicago (with certain late night trips between Kimball and Belmont only).
Green Line	Harlem in Forest Park, IL and Oak Park, IL to 63rd Street on Chicago's South Side, via Loop 'L'.
Orange Line	Midway Airport to downtown Chicago, providing service to Chicago's Southwest Side.
Pink Line	54th/Cermak (serves Cicero, IL and Berwyn, IL) to downtown Chicago.
Purple Line	Linden (in Wilmette, IL) to Howard (in Chicago) via Evanston, IL. During weekday rush-periods, express service continues to downtown Chicago.
Red Line	Howard on the North Side to 95th/Dan Ryan on the South Side via downtown Chicago.
Yellow Line	Dempster (in Skokie, IL) to Howard (in Chicago), with connecting service to downtown Chicago via Purple Line Express or Red Line.

See "CHICAGO TRANSIT AUTHORITY SYSTEM MAP" included in the forepart of this Official Statement.

Authority Operations in Response to the COVID-19 Outbreak

During the Stay-at-Home Order, the Authority continued its operations (including its regular service schedule) to assure access to reliable transportation for first-responders, healthcare workers, other "essential" workers and others to get to and from work and for residents to get essential goods and services. As the City has moved to Phase 4 of the "Protecting Chicago" framework, there is more opportunity for riders to use the Transportation System. The Authority is working to provide a healthy and comfortable environment for its customers and has encouraged customers to consider other transportation options for non-essential travel, especially shorter distances, and for travel that is easily accessible by other mobility options. The Authority has implemented measures to protect its employees and customers throughout the COVID-19 outbreak and to provide a level of comfort to Authority customers to use the Transportation System. The Authority has implemented a rigorous cleaning regimen of its vehicles and stations, including routine and deep cleaning before and during service. In conjunction with the Chicago Department of Public Health, the Authority has established a passenger capacity limit on buses and train cars that will allow social distancing to continue in a reasonable manner across the Transportation System and has taken numerous steps to support social distancing. The Authority has launched a new "Ridership Information Dashboard" on its website that provides customers an overview of available ridership capacity on each of its bus routes. The Authority continues to review its operations to enhance the safety and comfort of its riders and employees.

Administration

The governing and administrative body of the Authority is the seven-member Chicago Transit Board. Three Chicago Transit Board members are appointed by the Governor, with the advice and consent of the Illinois Senate, subject to approval by the Mayor. One of the members appointed by the Governor must be a resident of the metropolitan area outside the City. Four members are appointed by the Mayor with the advice and consent of the City Council, subject to approval by the Governor. The Chicago Transit Board elects one of its members as chairman for a maximum term of three years. Each member serves for a seven-year term and until his or her successor has been appointed and qualified; provided that, in the case of an appointment to fill a vacancy, the appointed member serves during the remainder of the vacated term and until his or her successor has been appointed and qualified. However, for any member appointed by the Governor after August 26, 2011, whose appointment required the advice and consent of the Illinois Senate, that member shall not continue in office longer than 60 calendar days after the expiration of that term of office. After that 60th day, each such office is considered vacant and shall be filled only pursuant to the law applicable to making appointments to that office.

The current members of the Chicago Transit Board are as follows:

Terry Peterson, Chairman of the Chicago Transit Board, was reappointed to the Chicago Transit Board by Mayor Rahm Emanuel in September 2013. His current term as a member expires September 1, 2020 and at the August 12, 2020 Chicago Transit Board meeting he announced that he is not seeking reappointment. The expiration of Chairman Peterson's term on the Chicago Transit Board will create a vacancy on the Board until his successor has been appointed and qualified as described above and his duties as chairman will be automatically assumed by the Vice-Chair Arabel Alva Rosales in accordance with the by-laws.

Mr. Peterson has been a member of the Chicago Transit Board since October 2009. He is currently Vice President of Governmental Affairs at Rush University Medical Center in which he leads and implements federal, state and local government relations initiatives. Formerly, he was CEO of the Chicago Housing Authority and prior to that he was Alderman of the City of Chicago's 17th Ward.

Arabel Alva Rosales was appointed to the Chicago Transit Board by Governor Bruce Rauner, in March, 2015. Later that year she was elected as, and still serves, as the Chicago Transit Board's Vice-Chair. Her term expires September 1, 2021. She is President of AAR & Associates, Ltd in Chicago and is very active in numerous business and civic organizations, including the IHCC Board and Foundation Chair, Women's Business Development Center, City Club of Chicago, and the Little Village Community Foundation Board.

Kevin Irvine was appointed to the Chicago Transit Board in December 2011 by Mayor Rahm Emanuel. His current term expires September 1, 2021. He is currently the Senior Talent Acquisition Consultant, Individuals with Disabilities, Rush University Medical Center. He was formerly Chair of the Authority's ADA Advisory Committee.

Alejandro Silva, Chairman of the Committee on Finance, Audit and Budget, was appointed to the Chicago Transit Board by Mayor Richard M. Daley in March 2004 and reappointed by Mayor Rahm Emanuel in November 2015 for a term expiring on September 1, 2022. Mr. Silva is the retired Chairman of the Evans Food Group, Ltd., an international food production company with facilities in North America and Europe. A native of Mexico, Mr. Silva is active in numerous business and civic organizations, such as the Mexican American Chamber of Commerce and the Chicago Council on Foreign Relations.

Reverend Johnny L. Miller, was appointed by Mayor Rahm Emanuel as a member of the Chicago Transit Board in April 2016. His term expires September 1, 2021. Mr. Miller is a minister and has dedicated much of his life to community service. He oversaw construction of the Mt. Vernon Manor, a 65-unit senior facility, and the JLM Abundant Life Community Center, an evangelistic center for the community. He has experience serving as Chairman of the Board of the International Affairs Ministry for the National Baptist Convention USA, Inc., Moderator of the Sunlight District Association, Commissioner of the Westside Baptist Ministers Fellowship of Chicago and Vicinity, and is a member of various public outreach organizations. In the past, Reverend Miller has served as Chairman of the Board of the United Baptists State Convention of Illinois Inc.

Judge Gloria Chevere was appointed to the Chicago Transit Board by Governor J.B. Pritzker, in September 2019, to a term ending August 31, 2023. Judge Chevere is a retired Cook County Circuit Judge, serving from 2006 through 2016. She was the Senior Deputy Executive Director of the Chicago Transit Authority and a Deputy Commissioner of the Chicago Department of Planning. She is a member of numerous bar associations and has served on various boards and commissions.

Reverend Dr. L. Bernard Jakes was appointed to the Chicago Transit Board by Governor J.B. Pritzker, in August 2019, to a term ending August 31, 2025. He is the Senior Pastor of West Point Baptist Church in Chicago, having served the ministerial needs of Chicagoans for over 25 years. He is on the Board of Trustees of Elmhurst College and the Board of Directors of Vision House, besides participating in numerous social and religious organizations.

The current officers of the Authority are as follows:

Dorval R. Carter Jr. became President of the Authority in May 2015. Before that he was the US Department of Transportation Acting Chief of Staff. In addition he previously held positions at the Federal Transit Administration ("FTA") including Assistant Chief Counsel and Regional Counsel; he was sworn in as the FTA's 14th Chief Counsel in 2009 and later served as the Acting Deputy Administrator for the FTA. He began his legal career with the Authority, where he held various positions including staff attorney, legal assistant to the General Attorney, Acting General Attorney, and Deputy General Attorney for Corporate Law and later served as the Executive Vice President and Chief Administrative Officer of the Authority, including serving as its Acting President. Mr. Carter is a member of the Transportation Research Board's ("TRB") National Research Council and Chair of the TRB's Committee on Transit and Intermodal Transportation Law. He is a Senior Fellow from the Council for Excellence in Government Fellows Program and Vice Chairman of the Board of Directors for Saint Anthony Hospital. A graduate of Carroll University in Waukesha, Wisconsin, where he is a member of the Board of Trustees, he also holds a Juris Doctor degree from Howard University School of Law and is a member of the Illinois and Federal Bars.

Jeremy V. Fine was named the Chief Financial Officer and Treasurer of the Authority in February 2016. Prior to joining the Authority, Mr. Fine served as the Deputy Comptroller for the City of Chicago, overseeing the debt and credit portfolios. He previously worked as a Public Finance Officer at ABN AMRO / LaSalle Bank Capital Markets, where he was involved in underwriting bonds for various municipal issuers throughout the Midwest. Mr. Fine received a B.S. in International Relations/Systems Engineering from the United States Military Academy at West Point and a MBA from the University of Notre Dame.

Karen G. Seimetz has been the General Counsel of the Authority since December 2010 and oversees and manages the day-to-day operations of its Law Department involving litigation, transactions, procurement, real estate, ethics and labor and employment-related disputes. Prior to joining the Authority, she spent 14 years in the Law Department at the City of Chicago and, before coming to the Authority, was the Department's First Assistant Corporation Counsel. She began her legal career at the law firm of Phelan, Pope and John, a firm specializing in complex litigation, where she became a partner.

Gregory Longhini is the Assistant Board Secretary of the Chicago Transit Board. Mr. Longhini joined the Authority in 1998. Previously, Mr. Longhini had been a Deputy Commissioner of the Chicago Department of Planning and Development and a Senior Research Associate with the American Planning Association.

Employees and Labor Relations

The Authority has approximately 11,000 employees and has entered into labor agreements with seventeen different unions representing approximately 10,000 employees.

The Amalgamated Transit Union Locals 241 and 308 (the "ATU Locals") represent approximately 8,500 of the Authority's unionized employees. The Authority and the ATU Locals are currently negotiating the successor contract to the collective bargaining agreement for the term January 1, 2016 through December 31, 2019. The terms of the collective bargaining agreement remain in effect until a successor collective bargaining agreement is in place.

The Craft Coalition of Trades Unions (the "Craft Unions") consists of eleven trade unions that represent approximately 1,200 of the Authority's craft employees. The Authority and Craft Unions are parties to a collective bargaining agreement for the term January 1, 2017 through December 31, 2021.

I.A.M.-Dist. No. 8 ("I.A.M.-8") represents approximately 70 of the Authority's civil, structural and track engineers, architects and quality improvement technicians. The Authority and I.A.M.-8 are currently negotiating a successor contract to the collective bargaining agreement that expired December 31, 2016. I.A.M.-8 submitted initial proposals in November 2019. The parties continue negotiations. The terms of the collective bargaining agreement remain in effect until a successor collective bargaining agreement is in place.

IBEW Local 134 represents the Authority's 70 controllers, 35 yardmasters and 20 road masters. The Authority and Local 134 are parties to collective bargaining agreements covering these bargaining units, each with a term of January 1, 2016 through December 31, 2021.

IBEW-Local 134 also represents the Authority's 17 rail janitor coordinators. The Authority and Local 134 are parties to a collective bargaining agreement covering this bargaining unit for the term of August 5, 2016 through December 31, 2021.

Ironworkers Local 1 represents approximately 80 employees. The Authority and Local 1 are parties to a collective bargaining agreement for the term of June 1, 2019 through May 31, 2024.

Teamsters Local 700 represents approximately 80 drivers. The Authority and the Teamsters Local 700 are parties to a collective bargaining agreement covering this bargaining unit for the term of January 1, 2017 through December 31, 2021.

In August 2019, the Illinois Labor Relations Board affirmed an administrative law judge's decision to certify Teamsters Local 700 as the exclusive bargaining agent for the Authority's 8 capital construction projects. The parties are currently negotiating the terms of their first collective bargaining agreement for this bargaining unit.

United Steelworkers Local 9777 represents the Authority's 2 upholsterers. The Authority and United Steelworkers Local 9777 are currently negotiating the successor contract to the collective bargaining agreement for the term of January 1, 2017 through December 31, 2019. The terms of the collective bargaining agreement remain in effect until a successor collective bargaining agreement is in place.

Operating Engineers Local 399 represents the Authority's 11 building engineers. The Authority and Operating Engineers Local 399 are parties to a collective bargaining agreement for the term of January 1, 2017 through December 31, 2021.

Ridership Trends and Amended 2020 Budgeted Ridership

The Authority's operating revenues from the Transportation System mostly come from the Transportation System's ridership, which is influenced by, among other factors, demographic and economic conditions, gas prices and competitive alternatives. See "CERTAIN INVESTMENT CONSIDERATIONS" herein and APPENDIX C— "SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION."

Total ridership has steadily declined since 2015. Similar to national trends, the Authority budgeted that ridership would decline by 1.8 percent overall in 2020 to 448.7 million rides. Bus ridership was budgeted to fall 1.3 percent to 234.5 million in 2020, while rail ridership was budgeted to fall 2.3 percent to 214.2 million rides due to increased construction work on the rail system and competition from the ride-hailing industry. Transportation System ridership was at a 20-year high in 2012, and rail ridership had reached its highest point in at least 50 years in 2015. However, bus and rail ridership have decreased since then and the Transportation System ridership was down again in 2019, falling 2.6 percent compared to 2018. This is consistent with ridership levels in cities across the country. Overall, mass transit in the United States was down 0.62 percent in 2019 from 2018 levels. The national ridership total is at its lowest level since 2006, according to the American Public Transportation Association. In addition, Transportation System ridership in the City, and likely other cities, has been negatively impacted by increasing competition from the ride-hailing industry, including Uber, Lyft and Via. Unfavorable winter weather in early 2019 also contributed to the local losses as did planned, weekend construction work on the rail system.

The COVID-19 outbreak and Stay-at-Home Order and business closures have had an adverse impact on Transportation System ridership. For a discussion of current declines in ridership and the ridership in the Authority's Amended 2020 Budget see "FINANCIAL INFORMATION—COVID-19 Outbreak Impact on Revenues and Expenses" and "—Amended 2020 Budget" herein. The Authority cannot predict the amount or duration of such impact.

Set forth below are the unlinked passenger trips per year for the Transportation System on a historical basis for the years 2015 through 2019 and as included in the Original 2020 Budget and the Amended 2020 Budget and percentage change from the Original 2020 Budget to the Amended 2020 Budget. For a discussion of the Amended 2020 Budget see "FINANCIAL INFORMATION—Amended 2020 Budget" herein.

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Yearly Ridership–Unlinked Passenger Trips[1]
2015-2019 Actual and Original 2020 Budget, Amended 2020 Budget and Percentage Change
(in millions)

	2015	**2016**	**2017**	**2018**	**2019**	**Original 2020 Budget**	**Amended 2020 Budget**	**Percentage Change in 2020 Budget**
Bus...............	274.3	259.1	249.2	242.2	237.3	234.5	119.9	-48.9%
Rail	241.7	238.6	230.2	225.9	218.5	214.2	73.8	-65.5%
Total..........	516.0	497.7	479.4	468.1	455.7	448.7	193.7	-56.8%

Source: The Authority.
(1) Each boarding of a transit vehicle by a passenger is counted as an unlinked passenger trip. Columns may not add due to rounding.

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THE REGIONAL TRANSPORTATION AUTHORITY

The RTA

The RTA was created by the RTA Act in 1974. The RTA provides funding, planning and fiscal oversight for regional bus and rail systems in the Northeastern Illinois Transit Region, which are operated by the Service Boards.

The governing body of the RTA is its Board of Directors (the "RTA Board") which consists of sixteen persons. Five directors are appointed by the Mayor of Chicago with the advice and consent of the City Council. Four directors are appointed by the commissioners of the Cook County Board of Commissioners (the "Cook County Board") elected from districts in which a majority of the electors reside outside the City of Chicago. One director is appointed by the President of the Cook County Board, with the advice and consent of the commissioners of the Cook County Board, selected from districts in which a majority of electors reside outside the City of Chicago. One director each is appointed by the Chairman or Chief Executive of the county boards of the Collar Counties, with the advice and consent of the respective county boards. The Chairman of the RTA Board is appointed by eleven members of the RTA Board with at least two votes from each sub-region of Chicago, Cook County and the Collar Counties. The Chairman and each director serve five-year terms and until his or her successor has been appointed and qualified.

RTA Oversight

The RTA Act vests responsibility for operating budget financial oversight for each Service Board in the RTA. Responsibility for operations and day-to-day management of rail and bus service rests with the Service Boards. The RTA's financial oversight responsibility is implemented principally through the operating budget process, in which each Service Board submits an annual budget and two-year financial plan for approval by the RTA. The RTA Act sets criteria which proposed budgets and financial plans must meet in order for the RTA Board to adopt a consolidated budget and financial plan. The RTA provides public funding marks for the two-year financial plan. Funding "marks" refer to the amounts RTA commits to provide to each of the Service Boards. The RTA public funding projections for the Authority include revenues from Sales Tax Receipts in addition to RETT Revenues from the City of Chicago.

The RTA Act requires the Northeastern Illinois Transit Region to fund 50 percent of its expenses through revenues generated by the three Service Boards. The recovery ratio measures the percentage of expenses that a Service Board must pay against the revenue that it generates. System-Generated Revenues, operating expenses, and certain statutory exclusions are used in the calculation. The RTA Act requires the region to fund 50 percent of its expenses through revenues generated by the three Service Boards, including that each Service Board finance at least 50% of its operating costs, excluding depreciation and certain other items, from system-generated sources on a budgetary basis.

The RTA Board, by the affirmative vote of twelve of its directors, determines whether a Service Board's budget and financial plan meet the RTA's criteria and certifies such to the Governor, the Mayor and the Auditor General of the State. If a Service Board's budget and financial plan are found not to be substantially in compliance with its criteria, the RTA may direct that Service Board to submit a revised budget and financial plan meeting the mandated criteria. See "—Annual Budget Process" herein. If the budget meets the RTA's criteria, which are identified in the RTA Act then the RTA is required to adopt the budget. If the RTA Board does not approve the budget, the RTA Board cannot release any RTA Discretionary Funds to the Authority for the periods covered by the budget and two-year financial plan until the budget conforms to the criteria specified in the RTA Act.

The RTA Act also requires the RTA to annually prepare and adopt a five-year capital program. The Authority submits its five-year capital plan to the RTA for inclusion as a component of the RTA's five-year capital program. The Service Boards are prohibited from undertaking any capital project in excess of $250,000 unless the project has been incorporated in the RTA's five-year capital program.

The RTA Act also requires, among other things, that the Authority obtain agreement from local governmental units to provide an annual monetary contribution of at least $5,000,000 for public transportation. See "CERTAIN INVESTMENT CONSIDERATIONS—Factors Affecting RTA's Transfer of Sales Tax Receipts to the Authority" herein.

The RTA Act requires total contributions to the Authority of $3.0 million annually from the City of Chicago and $2.0 million annually from Cook County.

Pursuant to the RTA Act, within six months of the end of each fiscal year the RTA is required to determine whether the aggregate of all "system-generated revenues" for public transportation in the Northeastern Illinois Transit Region which is provided by, or under grant or purchase of service contracts with, the Service Boards ("System-Generated Revenues") equals 50 percent of the aggregate of all costs of providing public transportation. System-Generated Revenues include all the proceeds of fares and charges for services provided, contributions received in connection with public transportation from units of local government other than the RTA (except for RETT Revenues, and from grants made by the Illinois Department of Transportation ("IDOT") to units of local government, districts, and carriers for the acquisition, construction, extension, reconstruction, and improvement of mass transportation), and all other revenues properly included consistent with generally accepted accounting principles. System-Generated Revenues do not include the proceeds from any borrowing, and all revenues and receipts, including but not limited to fares and grants received from federal, State or any unit of local government or other entity, derived from providing ADA paratransit service. If System-Generated Revenues are less than the amount required, the RTA Board is required to remit an amount equal to the amount of the deficit to the State for deposit into the General Revenue Fund. If the RTA makes any payment to the State pursuant to the foregoing, the RTA must reduce the amount provided to a Service Board from funds transferred in proportion to the amount by which that Service Board failed to meet its required System-Generated Revenues recovery ratio. The Authority has never failed to meet the requirement.

Also within six months of the end of each fiscal year, the RTA is required to determine whether the aggregate of all fares charged and received for ADA paratransit services equals the system-generated ADA paratransit services revenue recovery ratio percentage of the aggregate of all costs of providing the ADA paratransit services. If System-Generated Revenues are less than 10.0 percent of costs, the RTA Board is required to remit an amount equal to the amount of the deficit to the State for deposit into the General Revenue Fund. If the RTA makes any payment to the State pursuant to the foregoing, the RTA must reduce the amount provided to a Service Board from funds transferred in proportion to the amount by which that Service Board failed to meet its required System-Generated Revenues recovery ratio. The Authority has never failed to meet the requirement.

Annual Budget Process

The RTA Act requires the RTA Board to adopt a consolidated annual operating budget, two-year financial plan, a strategic plan and five-year capital program. The budgetary process contains three phases: budget development, budget adoption, and budget execution and administration. The general budget calendar of the Authority is presented in the following table.

Annual Budget Calendar

Month	Action
July	RTA releases the requirements that the Service Boards must follow for the development of their annual budget, two-year financial plan, and five- year capital program.
September	RTA announces marks. The RTA Board is required by the RTA Act to set operating and capital funding marks for the three Service Boards by September 15. The operating marks include estimates of available funding for the budget and financial plan, and a Required Recovery Ratio (the ratio or percentage of operating expenses that must be recovered from System-Generated Revenues) for the budget. Upon issuance of the budget marks, the Authority revises its expenses and revenues to conform to the marks.
	The capital marks provide estimates of available grant receipts from federal, State, and local sources for the proposed fiscal year and the remaining years of the five year capital plan.
October	Authority Budget released to the public. The RTA Act requires that documents be available for public inspection 21 days prior to a public hearing.
November	Public Hearing to be scheduled to receive comments from the public.
	Budget presentation to Cook County Board. The Authority presents the budget to the Cook County Board after the Public Hearing but prior to the Authority adoption of the budget, as required by the RTA Act.
	Chicago Transit Board vote. The Chicago Transit Board incorporates any changes and adopts the operating and capital fiscal year budget and financial plans.
	Budget submission to the RTA. The RTA Act requires that the Authority, by November 15, submit its detailed budget and financial plan to the RTA. The budget must conform to the marks set by the RTA by the statutory deadline of September 15.
December	RTA Board vote on consolidated regional budget. The RTA Board adopts the proposed fiscal year operating and capital budget and the two year and five year financial plan upon the approval of 12 of the RTA's 16 directors.
February	RTA and the Authority submit the capital improvement program to the Chicago Metropolitan Agency from Planning ("CMAP"). CMAP adopts and incorporates the Authority's capital projects in the Regional Transportation Improvement Program, allowing the Authority to apply for federal funding of these projects.

If the budget meets the RTA's criteria, which are identified in the RTA Act, then the RTA is required to adopt the budget. If the RTA Board does not approve the budget, the RTA Board can only transfer to the Authority the portion of the Sales Tax Receipts that are RTA Formula Funds and cannot release any RTA Discretionary Funds for the periods covered by the budget and two-year financial plan, until the budget conforms to the criteria specified in the Act.

After the proposed budget and financial plan are adopted, the budget execution and administration phase begins. Detailed budgets of operating revenues and expenses for each of the 12 months of the budget year are forwarded to the RTA. The Authority's actual monthly financial performance is measured against the monthly budget and reported to the RTA Board. Detailed capital grant applications are prepared and submitted to funding agencies. Quarterly capital program progress reports are provided to the RTA Board to monitor expenditures and obligations for capital program items.

As the Authority monitors actual performance, changes may be required to the budget. The RTA might revise its Sales Tax estimate and in its judgment may thereafter require a Service Board to submit a revised budget incorporating such revised estimate and, if in the RTA Board's judgment the revised estimate requires it do so, the RTA Board may revise the Service Board's Required Recovery Ratio. A revised Sales Tax estimate could result in less public funding for the Authority. This in turn would require reduced spending to meet the RTA's revised funding commitment and previously established Required Recovery Ratio.

When the RTA amends a revenue estimate because of changes in economic conditions, governmental funding, a new program, or other reasons, the Authority has 30 days to revise its budget to reflect these changes. The RTA's Finance Committee must approve all amendments before they are recommended to the RTA Board for approval. The budget may also be amended based upon financial condition and results of operations if the Authority is significantly out of compliance with its budget for a particular quarter. The RTA Board, by a vote of 12 members, may require the Authority to submit a revised financial plan and budget, which show that the marks will be met in a time period of less than four quarters.

As capital projects proceed, changes may be required to project budgets. Capital funding marks may be revised based on actual federal or State appropriations actions. When revisions are necessary, the Authority will amend its five-year capital program and submit the changes to the RTA for RTA Board action.

FINANCIAL INFORMATION

This heading includes certain historical financial information from the Authority's financial statements and other records, and certain budgeted and projected information prepared by the Authority as a part of its Original 2020 Budget and Amended 2020 Budget.

COVID-19 Outbreak Impact on Revenues and Expenses

The economic downturn from the COVID-19 outbreak has had an adverse impact on economic activity in the Chicago region and on the operations, revenues and expenses of the Authority, including Transportation System ridership, System-Generated Revenues, Sales Tax Receipts, RETT Revenues, and operating expenses of the Authority. The Authority cannot predict the amount or duration of such impact. See "INTRODUCTION—COVID-19 Outbreak Impact" herein.

Transportation System Ridership. The Authority is experiencing substantial ridership losses due to the COVID-19 outbreak and the Stay-at-Home Order. The Statewide Stay-at-Home Order started on March 21, 2020 and by March 23, 2020, rail ridership had declined 84% and bus ridership had declined 72%. Transportation System ridership decreased 40.7% in March 2020, 78.7% in April 2020, 76.9% in May 2020, and 74.2% in June 2020 as compared to corresponding monthly ridership in 2019. Through June 2020, Transportation System ridership totaled 122,590,565 including 71,859,356 for rail and 50,731,209 for bus. This compared with ridership through June 2019 which totaled 224,299,170 including 107,099,036 for rail and 117,200,134 for bus. This reflects a 54.5% decline in ridership from 2019 to 2020 for the six month period January through June.

System-Generated Revenues. The Authority is experiencing significant declines in fare revenues related to the declines in ridership. Total fare revenues for June 2020 were $8.7 million as compared with

$49.2 million for June 2019 and total year-to-date fare revenues through June 2020 were $142.0 million as compared with $282.2 million for the same period in 2019. Contributing to the lower fare revenue collection was the implementation of rear-door boarding of buses on April 9,2020 as a COVID-19 protective measure for drivers and passengers. Most CTA buses are not equipped with fare readers at the back of the bus and this resulted in a failure to collect fares for such back-door boarding passengers. Front-door boarding of buses and fare collection resumed on June 21, 2020. The Amended 2020 Budget includes farebox revenues of $210.6 million which is a decrease of $375.1 million from the Original 2020 Budget amount of $585.7 million. See the discussion under the heading "FINANCIAL INFORMATION—System-Generated Revenues" herein.

Sales Tax Receipts. Sales Tax generated through April 2020 totaled $109.2 million as compared with $124.6 million for the same period in 2019. The Sales Tax generated through April reflects the first full month of the Stay-at-Home Order that began March 21, 2020. Sales Tax generated in May, June and July will not be known until later in August, September and October, respectively, due to the historical timing delays in distribution of Sales Tax from sales transaction, collection by the State, transfer to the RTA and RTA's distribution to the Authority. In addition, the State has deferred sales tax payments for certain small and medium sized businesses due to COVID-19 and may provide further taxpayer relief in the future which may also reduce revenues in future months.

Public Transportation Funds generated through July 2020 were $163.2 million as compared with $170.3 million for the same period in 2019. The June and July 2020 Public Transportation Funds represent sales in March 2020 and April 2020, respectively, that were impacted by the COVID-19 Stay-at-Home Order. The RTA distributed an advance payment of $19.5 million of Public Transportation Funds to the Authority in April based on the Authority's estimated March fare revenue loss. The RTA payments of Public Transportation Funds to the Authority in August and September will each be reduced by $9.75 million to reimburse RTA for this payment.

RETT Revenues. RETT Revenues generated from January 2020 through June 2020 totaled $21.2 million as compared with $27.2 million for the same period in 2019.

GTT IGA Revenues. The Authority's outstanding Second Lien CIP Notes are secured by Sales Tax Receipts and the Authority's annual receipt of $16 million from the City in GTT IGA Revenues from the City's ground transportation tax. The economic downturn from the COVID-19 outbreak is expected to have an adverse impact on economic activity in the Chicago region and the resulting ground transportation tax received by the City.

Operating Expenses. The Authority may experience an increase in operating expenses related to COVID-19 including costs related to increased cleaning of vehicles and facilities, establishing health and safety protections and protocols, labor costs and training workers to address them. For a discussion of Authority operations in response to the COVID-19 Outbreak see "THE AUTHORITY—Authority Operations in Response to the COVID-19 Outbreak" herein. The Authority cannot project the amount of any such increased operating expenses. However, through June 2020, the Authority's total operating expenses remain within budgeted amounts with increased costs offset by reductions in other budgeted expenses.

Amended 2020 Budget

RTA Direction of Amended 2020 Budget. The COVID-19 outbreak has had an effect on the operations and financial condition of the Authority. The RTA Act vests responsibility for financial and budgetary oversight for the Authority and the other Service Boards in the RTA that is implemented in part through the operating budget process, in which the Authority submits an annual budget for RTA approval and the RTA provides "marks" indicating the RTA's estimate of the level of public funding to be provided, including Sales Tax Receipts and RETT Revenues (the "Public Funding Marks") for the Authority. See "THE REGIONAL TRANSPORTATION AUTHORITY—Annual Budget Process" herein. The RTA Act requires the Northeastern Illinois Transit Region to fund 50 percent of operating expenses through revenues generated by the Service Boards and the RTA establishes a "required recovery ratio" (the "Required Recovery Ratio") for each Service Board, including the Authority, that measures the percentage of its expenses against the revenue that it generates.

On October 24, 2019, the Authority publicly released its 2020 operating and capital budgets in "CREATING OPPORTUNITIES: Investing in Transit, President's 2020 Budget Recommendations" (the "Original 2020 Budget") and the Chicago Transit Board approved the recommended budget on November 19, 2019. On December 19, 2019, the RTA Board approved the 2020 operating funding amounts and Original 2020 Budget for the Authority.

In response to the economic impact of the COVID-19 outbreak, federal emergency legislation, the "Coronavirus Aid, Relief and Economic Security Act" or "CARES Act," received final passage by Congress and was signed into law by the President on March 27, 2020. On April 16, 2020 the RTA Board approved the allocation of CARES Act funds to the Authority in the amount of $817,487,351. On May 21, 2020, the RTA Board adopted ordinance no. 2020-20 that: (i) amends the 2020 Public Funding Marks of the Authority (including the Sales Tax Receipts and RETT Revenues); (ii) recognizes the availability of CARES Act funding and approves the inclusion of such funds as operating revenues in the calculation of System-Generated Revenues for purposes of the Authority's Required Recovery Ratio; and (iii) directed the Service Boards to submit revised 2020 operating budgets to the RTA. The Amended 2020 Budget was approved by the Chicago Transit Board on August 12, 2020 and by the RTA Board on August 20, 2020.

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The amended RTA Public Funding Marks and Required Recovery Ratio for the Authority are set forth below. These Public Funding Marks are subject to revision by the RTA as the year progresses.

Amended RTA 2020 Public Funding Marks for Authority Operations, CARES Act Funding and 2020 Required Recovery Ratio
($ in thousands)

	2020 Budget	2020 Change	2020 Amended	Percentage Change
SALES TAX RECEIPTS -				
RTA Formula Funds				
RTA Sales Tax	$409,156	($129,334)	$279,822	-31.6%
State Sales Tax	59,879	(20,281)	39,598	-33.9%
Public Transportation Funds (PTF)	89,548	(24,252)	65,296	-27.1%
RTA Discretionary Funds				
RTA Sales Tax	5,463	(4,552)	910	-83.3%
Public Transportation Funds (PTF)	235,735	(59,025)	176,710	-25.0%
Subtotal Sales Tax Receipts	$799,781	($237,444)	$562,336	-29.7%
RETT REVENUES				
RETT Revenues	$68,630	($25,177)	$43,453	-36.7%
ICE FUNDING				
Innovation, Coordination, and Enhancement (ICE) Funding	$6,398	($2,019)	$4,379	-31.6%
Total RTA Funding for Operations	**$874,809**	**($264,640)**	**$610,169**	-30.3%
Available CARES Act Funding – Public Funding Replacement	-0-	$264,640	$264,640	
Total Funding for Operations	**$874,809**	**-0-**	**$874,809**	
System-Generated Revenue Recovery Ratio	**54.75%**		**54.75%**	

Amended 2020 Budget Overview. The Amended 2020 Budget includes the Authority's actual operating revenues and expenses through June 2020 and the Authority's budgeted amounts of operating revenues and expenses for the remainder of the fiscal year ending December 31, 2020. See the discussion below of the COVID-19 outbreaks impact on revenues and expenses under the heading "--COVID-19 Outbreak Impact on Revenues and Expenses." The public funding amounts in the Amended 2020 Budget, including Sales Tax Receipts and RETT Revenues, are the amounts established by the RTA as Public Funding Marks for the Authority. The Amended 2020 Budget also includes the Authority's share of CARES Act funding for purposes of calculating the Required Recovery Ratio as: (i) operating revenue to offset projected fare revenue shortfalls from the original budget; and (ii) public funding to offset projected public funding shortfalls. The Amended 2020 Budget shows operating expenses increasing by a net $21.7 million or 1.4% due to reallocating certain costs from the capital budget to the operating budget, consistent with historical practice. Information regarding ridership included in the Original Budget and the Amended 2020 Budget is included in the discussion under the heading "THE AUTHORITY--Ridership Trends and Amended 2020 Budgeted Ridership" herein.

The Authority has an ongoing relationship with the MIT Transit Lab ("MTL"), which has extensive knowledge of the Authority's ridership and revenues and has consulted the Authority on certain operational and financial matters. In connection with preparation of the Amended 2020 Budget, the Authority sought MTL's review of certain estimated revenues and expenses, including ridership estimates and fare revenues proposed as compared with those of the Authority's peer transit agencies. MTL determined that the estimates included in the Amended 2020 Budget are consistent with industry norms.

Historical Operating Budgets and Amended 2020 Budget. The Authority accounts for its activities on both an operating and capital basis. See "THE REGIONAL TRANSPORTATION AUTHORITY—Annual Budget Process" herein. Operations reflect revenues generated from user fees (in the form of farebox revenues) or other activities and costs associated with the day-to-day operations of the delivery of service for a transit agency. Capital activities are directly related to the construction, replacement or maintenance of rolling stock (buses and railcars), track and structure, support facilities and equipment, and stations and passenger equipment. For information regarding the Authority's capital activities, see "CAPITAL IMPROVEMENT PROGRAM" herein.

The following table sets forth the operating expenses and operating revenues, including System-Generated Revenues and public funding for the Authority on an historical basis for the years 2015 through 2019, as included in the Original 2020 Budget and the Amended 2020 Budget, and the percentage change from the Original 2020 Budget to the Amended 2020 Budget. The public funding in the Amended 2020 Budget is based on the RTA's Public Funding Marks. The table also shows the System-Generated Revenues Required Recovery Ratio established by the RTA and achieved by the Authority for 2015 through 2019 and as budgeted for 2020.

The financial information included in the table is presented on a budgetary basis. The historical financial information presented is prepared on a basis consistent with generally accepted accounting principles (GAAP), except for the exclusion of certain income and expenses. These amounts include provision for injuries and damage in excess of budget, depreciation expense, pension expense in excess of pension contributions, revenue from leasing transactions, interest income, expense from sale/leaseback transactions, and capital contributions.

The following information should be read in conjunction with the audited financial statement of the Authority set forth in APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018."

The Series 2020B Refunding Bonds are not general obligations of the Authority and the assets and revenues of the Authority (other than the Sales Tax Receipts) are not pledged for the payment of the Series 2020B Refunding Bonds or the interest thereon.

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Chicago Transit Authority
Operating Information – Budgetary Basis
2015-2019 Actual and Original 2020 Budget, Amended 2020 Budget and Percentage Change ($ in thousands)

	Actual							
	2015	2016	2017	2018	2019	Original 2020 Budget	Amended 2020 Budget	Percentage Change in 2020 Budget
Operating Expenses								
Labor	$ 1,002,486	$ 1,027,047	$ 1,044,859	$ 1,070,458	$ 1,093,922	$ 1,133,287	$1,136,251	0.3%
Material	83,507	82,921	83,783	90,474	67,652	74,686	76,280	2.1%
Fuel	49,830	32,738	28,757	32,079	40,396	44,376	40,941	-7.7%
Power	28,818	29,283	27,373	31,162	31,560	32,639	29,229	-10.4%
Provisions for Injuries and Damages	13,000	10,500	3,167	5,000	7,500	22,000	22,000	0.0%
Purchase of Security Services	14,431	14,095	17,041	17,502	14,920	20,445	20,228	-1.1%
Other Expenses	252,054	267,558	245,860	251,535	259,438	243,032	267,194	9.9%
Total Operating Expenses	$ 1,444,126	$ 1,464,142	$ 1,450,840	$ 1,498,210	$ 1,515,388	$ 1,570,466	$ 1,592,123	0.3%
System-Generated Revenues								
Fares and Passes	$ 587,108	$ 577,007	$ 559,495	$ 588,791	$ 585,297	$ 585,660	$ 210,605	-64.0%
Reduced Fare Subsidy	14,606	14,385	14,606	13,876	14,606	14,606	14,606	0.0%
Advertising, Charter & Concessions	31,241	35,019	34,379	37,844	38,987	39,852	$23,520	-41.0%
Investment Income	1,123	1,608	3,119	3,483	3,822	3,000	1,870	-37.7%
Statutory Required Contributions	5,000	5,000	5,000	5,000	5,000	5,000	5,000	0.0%
Other Revenue	36,440	43,550	33,279	48,339	49,465	47,538	36,253	-23.7%
Subtotal	$ 675,518	$ 676,569	$ 649,878	$ 697,333	$ 697,177	$ 695,657	$ 291,854	-58.0%
CARES Act Funding / System-Generated Revenue	- 0-	-0-	-0-	-0-	-0-	-0-	425,460	NA
Total System-Generated Revenues	$ 675,518	$ 676,569	$ 649,878	$ 697,333	$ 697,177	$ 695,657	$ 717,314	
Public Funding								
Public Funding[(1)]	$ 793,008	$ 809,748	$ 778,462	$ 809,352	$ 818,211	$ 874,809	$ 610,169	-30.3%
CARES Act Funding / Public Funding	-0-	-0-	-0-	-0-	-0-	-0-	264,640	NA
Total Public Funding	$ 793,008	$ 809,748	$ 778,462	$ 809,352	$ 818,211	$ 874,809	$ 874,809	0%
Total Operating Revenue	$ 1,468,525	$ 1,486,317	$ 1,428,340	$ 1,506,685	$ 1,515,388	$ 1,570,466	$ 1,592,123	1.4%
Total CARES Act Funding Draw[(2)]	-0-	-0-	-0-	-0-	-0-	-0-	$ 690,100	NA
Short-term Borrowing for Operations[(3)]	-0-	-0-	$ 22,499	-0-	-0-	-0-	-0-	
Balance	$ 24,400	$ 22,175	$ -0-	$ 8,475	$ -0-	$ -0-		
Actual Recovery Ratio[(4)]	56.02%	55.21%	55.48%	57.11%	56.26%	55.34%	54.76%	NA
RTA Required Recovery Ratio[(5)]	54.50%	54.50%	54.75%	54.75%	54.75%	54.75%	54.75%	NA

Source: The Authority and APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018."

(1) Amounts include the Sales Tax Receipts pledged to secure the Authority's First Lien Parity Obligations and Second Lien Obligations and RETT Revenues pledged to secure the Pension Bonds.

(2) Total CARES Act funding draw consists of CARES Act Funding / System-Generated Revenues and CARES Act Funding / Public Funding.

(3) Includes short-term borrowing for operating revenues and does not include such borrowing for capital improvement projects.

(4) Actual recovery ratio is calculated by dividing the System-Generated Revenues over operating expenses. The calculation includes in-kind revenues and expenses for security provided by the City and some grant revenues, and excludes security expenses and Pension Bonds debt service.

(5) The RTA Required Recovery Ratio is one of the operating marks set for the Authority by the RTA during the annual budget process. See "THE REGIONAL TRANSPORTATION AUTHORITY—Annual Budget Process" herein.

CARES Act Funding and Other Federal Funding. The Authority's allocation of CARES Act funds is $817,487,351 and will be provided at a 100 percent Federal share, with no local match required. Funds provided under the CARES Act are available for all operating activities (net of fare revenues) that occur on or after January 20, 2020 and do not expire until drawn in full. The Amended 2020 Budget reflects a shortfall of $425.5 million in System-Generated Revenues and a shortfall of $264.6 in public funding from the Original 2020 Budget, and the Authority expects that shortfalls in similar amounts may continue into fiscal year 2021. The Authority's Amended 2020 Budget includes $690.1 million in CARES Act Funds to make up such shortfalls in 2020 that would result in $127.4 of CARES Act funds available to be drawn by the Authority to offset shortfalls in public funding and operating revenues in fiscal year 2021. The CARES Act funds are not included in Sales Tax Receipts and are not pledged to payment of the Sales Tax Receipt Revenue Bonds, including the Series 2020B Refunding Bonds.

The Authority submits two draws per month for CARES Act funds: One draw in the amount of the prior operating loss related to System-Generated Revenues and the second for the shortfall in public funding revenues from the amounts in the Original 2020 Budget (including Sales Tax Receipts and RETT Revenues). CARES Act funds are typically distributed to the Authority within two to three days of the Authority's submittal of the draw request. As of August 6, 2020, the Authority has drawn approximately $177.4 million of its allocation of CARES Act funds. A portion of the CARES Act funds received by the Authority replace the Authority's loss in public funding revenues (including Sales Tax Receipts and RETT Revenues).

The Federal government has taken several actions which are expected to provide flexibility and substantial additional funding for operations to the Authority. The FTA has given transit grantees, including the Authority, the flexibility to apply certain existing grant program proceeds, previously only available for capital expenditures, to be applied for operating expenses or other purposes to address COVID-19 outbreak impacts. The Authority will continue to explore programs providing Federal and State assistance to offset the economic impact of COVID-19.

Operating Expenses

The Authority's annual operating expenses consist of labor, material, fuel, power, provisions for injuries and damage, purchase of security services and other expenses. Set forth below is a review of the Authority's operating expenses on an historical basis for 2015 through 2019, and as included in the Original 2020 Budget. See the heading "—Amended 2020 Budget" above for a discussion of the changes in operating expenses in the Amended 2020 Budget.

Labor. Labor is the largest expense of the Authority, representing between 69.4 percent and 72.2 percent of costs annually over the period 2015 to 2019. Labor expense consists of wages, salaries, employer pension contributions, and fringe benefits such as healthcare. Labor expenses in 2019 were $1,093.9 million, which is $9.8 million or 0.9% higher than budget, and higher than 2018 actual labor expense by $23.4 million. The labor cost is higher than 2018 actuals due to contractual wage increases for bargained for employees approved in 2018. The 2020 budgeted labor expenses represent 72.2 percent of the total operating expense budget at $1,133.3 million, an increase of $49.2 million from the 2019 labor budget and an increase of $39.4 million from the 2019 actual. The labor budget assumes flat service levels and restricted hiring on 200 positions, an increase from 150 positions in 2019. The labor cost increase is due to existing contractual wage increases, as well as rising costs of pension, health care, and workers' compensation.

Material. Material primarily consists of parts replacement and supplies. Material tends to track the age of the Authority's fleet, changes in fleet mileage and the occurrence of severe weather. Material constituted between 4.4 percent and 6.0 percent of operating costs annually from 2015 through 2019. Material spending for 2019 was $67.7 million, which was $12.4 million or 15.5 percent lower than budgeted levels, and $22.8 million lower than 2018 actuals. The 2019 spending reflects strategic capital investments, such as new bus purchases, bus and rail fleet overhaul, and capital programs for the rail and bus fleet, as well as facilities and infrastructure. One such campaign was to replace motors and armatures for the oldest rail car series, the 2600 series, which resulted in direct savings on the operating budget. The Authority's material expenses for 2020 are budgeted to be $74.5 million, or 10% higher than 2019 actual. The Authority continues its proactive ongoing capital maintenance for the Authority's infrastructure and the bus and rail fleet in an effort to keep material costs low. These targeted campaigns focus on high-failure parts for railcars and major component systems related to bus. The result of these targeted capital campaigns will continue to reduce operating costs and improve service to customers by proactively replacing components that are the top causes of mechanical delays to the Authority's bus and rail fleet.

Fuel. Fuel represents the cost of diesel for revenue equipment. Fuel costs correlate to overall fuel consumption, fuel price levels, and service mileage. Fuel fluctuated between 2.0 percent and 3.5 percent of operating costs from 2015 to 2019. Spending on diesel fuel was $40.4 million in 2019, which was $3.7 million or 8.3 percent lower than 2019 budget of $44.1 million; and 25.9 percent higher than the Authority's actual expense of $32.8 million in 2018. The higher diesel expense in 2019 compared to 2018 was due to an increase in the market price of diesel, which rose significantly in January 2019 and remained high through the spring of that year. Although the Authority was able to mitigate market fluctuations in part by locking in lower pricing for future purchases, remaining market exposure resulted in an average price per gallon of $2.46 in 2019 versus $1.92 in 2018.

The 2020 budgeted diesel fuel expenditures for the revenue fleet are $44.4 million. This budget is $0.3 million higher than the 2019 budget of $44.1 million, and $4.0 million higher than 2019 actual. The 2020 budget assumes a modest 1 percent increase in diesel consumption – from 16.5 million gallons to 16.6 million gallons – compared to the 2019 budget. The resulting 2020 budget cost per gallon is $2.67, which is flat with the 2019 budget cost per gallon, although higher than the 2019 unit-cost of $2.46 per gallon. Throughout 2020, the Authority will continue to manage the diesel fuel budget using a fixed-price purchasing policy. To reduce the risk of future price increases and provide budgetary certainty, the Authority has fixed pricing for 84 percent of the 2020 estimated fuel usage.

Power. Electric power expenses reflect the cost of electric power for the rail. For the five-year period beginning 2015, electric power ranged from 1.9 percent to 2.1 percent of total operating expenses. The Authority's strategy for purchasing electric power changed in 2017. In previous years, the Authority purchased a fixed portion of the estimated consumption and carried the risk if consumption was higher than estimated. In 2017, the Authority switched to a "load following" strategy, in which the price of a percentage of consumption is fixed, no matter what the consumption ultimately is. This protects against extreme weather that can cause spikes in consumption. This strategy helped the Authority take advantage of attractive forward prices and provided budget certainty.

The 2019 expenditure for traction (rail system) electric power was $31.6 million. While this is $2.8 million, or 8.2 percent, below the Authority's budgeted spend of $34.4 million, it is $0.4 million, or 1.3 percent, higher compared to the 2018 traction power spend of $31.2 million. The increase over 2018 is due primarily to an increase in base rates for delivery of electric power. Higher capacity charges and renewable energy fees also contributed to the increase, although it was partially offset by a relatively low price for electricity supply.

For 2020, the Authority budgeted $32.6 million in expenses for traction electric power. This 2020 budget is $1.8 million less than the 2019 budget of $34.4 million, and $1.0 million higher than the 2019 actual expenditure of $31.6 million. The budget reduction is due to a favorable fixed-price contract that the Authority executed in late 2018 for traction electric power supply starting in January 2020. This contract establishes a fixed price – inclusive of transmission and capacity charges – for every kilowatt-hour that the

Authority purchases, regardless of the Authority's actual consumption levels. In addition to providing cost savings, the new fixed-price contract enables the Authority to budget with greater certainty over the full contract length of five years (2020 through 2024). Variances in electric power costs year-to-year are generally due to changes in utility rates, market pricing, and power consumption, which depends primarily on service mileage and weather severity.

The Authority budgets separately for non-traction power, which includes all electric accounts that serve facilities: bus garages, rail shops, administrative buildings, passenger rail stations, and other facilities. On an annual basis, Authority facilities consume about 30% of the amount of power consumed by the rail system. Accordingly, the Authority's non-traction power expense is about 30% its traction power expense. For 2020, the Authority budgeted $10.1 million in expenses for non-traction power.

Provisions for Injuries and Damages. Provision for injuries and damages represents expenses for claims and litigation for incidents that occur on Authority property, as well as incidents involving Authority vehicles. This amount is suggested by the Authority's actuaries and reviewed annually. It is based on actual claims history and future projections. The 2019 contribution was kept flat at $7.5 million, in line with the 2019 budget. The 2020 budget includes a $22.0 million contribution to the provision for injuries and damages fund.

Purchase of Security Services. Security expenses are the costs the Authority incurs to provide police and security for the Transportation System. Expenditures for security services in 2019 were $17.4 million, excluding a one-time accounting adjustment, which is 9.8 percent lower than 2019 budget and 0.5 percent lower than $17.5 million spent in 2018. The security services budget consists of expenditures for intergovernmental service agreements with officers from the Evanston, Oak Park, Forest Park and Chicago police departments, as well as contracts with other private security firms. The Public Transportation Section of the Chicago Police Department also provides services to transit customers during the course of its regular patrols at no expense to the Authority.

The 2020 budget for security services is $20.5 million, an increase of $1.1 million versus the 2019 budget. The increase is due to wage rate increases and changes to contracted security services, which no longer includes K-9 units. The purchased security services budget covers inter-governmental agreements with the police departments of Chicago, Oak Park, Forest Park and Evanston, plus contract security services for additional protection of Transportation System passengers, bus garages and other Authority facilities.

Other Expenses. The Other Expenses category includes interest on pension obligation bonds, maintenance and repair contracts, utilities, advertising, commissions, consulting, insurance, leases and rentals, and other general expenses. Set forth below are the historical results of other expenses for the years 2015 through 2019, and as included in the Original 2020 Budget and as included in the Amended 2020 Budget and percentage change from the Original 2020 Budget to the Amended 2020 Budget.

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Other Expenses
2015-2019 Actual and Original 2020 Budget, Amended 2020 Budget and Percentage Change
($ in thousands)

	Actual							
	2015	2016	2017	2018	2019	Original 2020 Budget	Amended 2020 Budget	Change in 2020 Budget
Pension Bonds (Net)[1]	$ 112,281	$ 111,779	$ 104,469	$ 105,526	$ 103,378	$ 109,396	$ 106,114	-3.0%
Contractual Services	104,278	105,003	84,878	93,832	88,399	107,428	110,702	3.0%
Utilities, Non-Capital Grant, Travel, Leases, Other	35,494	36,477	27,672	22,824	21,410	24,209	20,578	-15.0%
Other Debt Service[2]	0	14,298	28,841	29,353	46,250	2,000	29,800	1,390.0%
Total	$ 252,053	$ 267,558	$ 245,861	$ 251,535	$ 259,438	$ 243,032	$ 267,194	9.9%

Note: Columns may not add due to rounding.
Source: The Authority and APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018."

(1) Amounts shown represent debt service on the Pension Bonds less the yearly reductions in Retirement Plan contributions of the Authority permitted under the Pension Code. See "PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS–Retirement Plan" herein.

(2) Other Debt Service for 2016 through 2019 represents interest on the Series 2014 and 2017 Bonds, TIFIA loans and interest on the Outstanding Second Lien CIP Notes. Debt service for the Series 2010 Bonds and the Series 2011 Bonds is paid out of the Authority's capital budget. The Series 2011 Bonds are being refunded with the proceeds of the Series 2020B Refunding Bonds. For 2020, The Original 2020 Budget assumed that the debt service for the 2014 and 2017 bonds and the TIFIA loan would be paid from the capital budget. A portion of the debt service will remain on the operating budget, consistent with historical practice.

Other expenses in 2019 were $259.4 million, which is $7.9 million or 3.1 percent higher than 2018 actual, however lower than 2019 budget by $23.3 million or 8.2 percent. The majority of the increase over 2018 actual arises due to a lower amount of the statutory 6% credit related to pension contributions. The lower estimated expenditures are due to lower expenses than budgeted for pension obligation bonds, contractual services, and the category of utilities, non-capital grant, travel, leases and other.

Other expenses for 2020 are budgeted at $243 million, a decrease of $16.4 million versus 2019 actual. The decrease is due to reallocating capital debt service costs to the capital budget.

System-Generated Revenues

The Authority's System-Generated Revenues include fares and passes, reduced-fare subsidy, advertising and concessions, investment income, statutory required contributions from the City and Cook County, and other miscellaneous revenues, including the City of Chicago's ride-hailing fee. Set forth below is a review of the Authority's System-Generated Revenues on an historical basis for 2015 through 2019, and as included in the Original 2020 Budget. See the heading "—Amended 2020 Budget" above for a discussion of the changes in System-Generated Revenues in the Amended 2020 Budget.

Overall, System-Generated Revenues have increased 3.2 percent comparing 2019 to 2015. System-Generated Revenues were $697.2 million for 2019 which is $10.6 million or 1.5 percent below the original 2019 budget of $707.7 million. The lower System-Generated Revenue compared to the original 2019 budget is primarily due to lower than expected ridership during unfavorable winter weather, service disruptions on the rail system for planned work during the spring, summer and fall, a reduction in State reduced fare subsidy and increased competition from the ride hailing industry. In 2020, System-Generated Revenue is initially budgeted to be $695.7 million, representing a decrease of $12.1 million or 1.7 percent when compared to the 2019 budget and a decrease of $1.5 million or 0.2 percent versus the 2019 actual.

Fares and Passes. Regular fares and passes make up the majority of System-Generated Revenues.

Farebox revenue from 2015 to 2019 represents between 84.0 percent and 86.9 percent of System-Generated Revenues. Farebox revenue is affected primarily by ridership levels and increases in the price of passes and fares.

Fare and pass revenue for 2019 was $585.3 million which was $2.7 million or 0.5% lower than the original 2019 budget and $3.5 million lower than the 2018 actual amount. While the Authority's ridership losses have slowed during 2019, the Authority continues to see a loss in year-over-year ridership, particularly during unfavorable weather. In addition, track and signal work on Blue, Green, and Pink Lines have led to service disruptions over weekends, reducing revenue and ridership over the summer and fall months. The average fare paid in 2019, including cross-platform transfers, is estimated to be $1.28.

Revenue from fares and passes for 2020 is budgeted at $585.7 million, which is $2.4 million lower than the 2019 budget and $0.4 million higher than the 2019 actual, to reflect continued lower ridership levels in 2019. In accordance with State and local laws, the Authority continues to provide free rides to seniors and people with disabilities participating in the State's Circuit Breaker Program, active military personnel, and veterans with disabilities.

Reduced-fare Subsidies. The Authority provides nearly 100 million free and reduced-fare trips annually to qualified riders based on federal, State, or local mandates. The foregone revenue from these rides is more than $100 million. The State provides partial support for this mandate, with the reduced fare subsidy. The subsidy is a reimbursement provided to local transit agencies by the General Assembly. Unlike Sales Tax Receipts, reduced-fare subsidy reimbursements are not a continuous appropriation of State funds and therefore must be approved annually by the General Assembly.

Since 2015, the General Assembly has decreased the level of the reduced fare subsidy by approximately 50%. The fiscal year 2020 budget passed by the State of Illinois in June 2019 again did not restore the reduction from the fare subsidy. Consistent with guidance from the RTA, the 2020 budget assumes the reduced fare subsidy cut will continue, resulting in reimbursement of $14.6 million for 2020. The Authority continues to work with the other service boards and the RTA to restore this critical funding to its historic levels in order to comply with important federal and State mandates.

Advertising and Concessions. Advertising and concessions comprise revenues from systemwide advertising sales, rentals and concession fees. Advertising and concessions revenue is subject to regional economic conditions. The Authority has used a combination of concession rental improvements, advertisements, single vendor station sponsorship, specialty media (such as wraps on elevators, in tunnels and on stairs) and increased digital platform and street-level advertisements to augment advertising and concessions revenues.

From 2015 to 2019, advertising and concessions revenue constituted between 4.6 percent to 5.6 percent of total System-Generated Revenue. Advertising, charters and concessions revenues in 2019 were $39 million, slightly over 2019 budget and $1.0 million more than 2018. The year-over-year growth is due to an increase in advertising revenues from the minimum guarantee escalation. The 2020 budgeted advertising and concession revenues total $39.9 million, which is approximately $1.0 million higher than 2019 actual, due to an increase in minimum annual guarantees in advertising contracts and management initiatives to increase digital advertising. The Authority will continue to work to expand digital advertising and increase advertising sales.

Investment Income. Investment income is the interest earned on funds on hand and yields on short-term investments. Investment income has generally represented 1.0 percent or less of total System-

Generated Revenues. The level of investment income has been low in recent years because of historically low interest rates. Income is also low because the State has been late in payments of Public Transportation Funds. The delayed payments require the Authority to keep more cash on hand, leaving less available for short-term investments.

Investment income was $3.8 million for 2019, which was $1.7 million higher than budget due to higher than anticipated interest rates, and $0.3 million higher than 2018. Investment income for 2020 is budgeted at $3.0 million, which is $0.8 million lower than 2019 actual. Current low interest rates mean the Authority's conservative cash investments will yield minimal income.

Statutory Required Contributions. The RTA Act requires total contributions to the Authority of $5.0 million annually from the City and Cook County. Historically, the City and Cook County have satisfied the requirement with annual contributions of $3.0 million and $2.0 million, respectively, and are expected to do so in 2020. These required cash contributions are in addition to in-kind contributions from the City and Cook County. The Chicago Police Department's Public Transportation Section provides approximately $22.0 million of in-kind security services to the Authority as part of its regular patrols. Cook County provides in-kind services through the Sheriff's Work Alternative Program (SWAP). Under the SWAP program, non-violent offenders in Cook County supplement existing Authority employees to clean along and under the rail right-of-way.

Other Revenue. Other revenue includes safety and security grants, parking fees, rental revenue, City GTT IGA Revenues, third-party contractor reimbursements and filming fees.

From 2015 to 2019, other revenue ranged from 5.1 percent to 7.1 percent of System-Generated Revenues. In 2018, a new source of revenue was included in the other revenue category. Starting in January 2018, the City increased the Ground Transportation Tax on ride-hailing services by $0.15 to fund capital improvements for the Authority, generating $16 million annually referred to herein as GTT IGA Revenues.

Other revenue for 2019 was $49.4 million, which was $1.1 million higher than 2018. Other revenues are budgeted in 2020 at $47.5 million, lower than 2019 actual by $1.9 million. This decrease is primarily due to lower non-capital grant revenues, which also has a reciprocal impact on expenses.

Public Funding

Public funding is the largest source of the Authority's revenue and includes Sales Tax Receipts and the RETT Revenues. The amount of public funding available for Authority operations is established by the RTA, and is based on the RTA's revenue projections and the approved Public Funding Marks set by the RTA Board in the amounts RTA commits to provide to each of the Service Boards. The amounts budgeted as public funding by the Authority do not include GTT IGA Revenues and certain other revenues received from public entities that are not established by Public Funding Marks. The following is a review of the Authority's public funding on an historical basis for 2015 through 2019, and as included in the Original 2020 Budget. See the heading "—Amended 2020 Budget" above and the paragraphs below under this heading for a discussion of the changes in public funding in the Amended 2020 Budget.

Public funding as a whole increased on average 0.6 percent per year from 2015 to 2019, reflecting an improving economy. RTA Sales Tax increased an average of 1.9 percent per year from 2015 to 2019. RTA discretionary allocations of State Sales Tax and Public Transportation Funds increased an average of 0.8 percent per year over the same period. On a relative basis, total public funding from 2016 to 2017 decreased due to a surcharge on Sales Tax revenues and a cut to Public Transportation Fund revenues, implemented by the State as discussed below.

The RETT Revenues increased by 5.8 percent, -21.6 percent, 15.3 percent, and -12.8 percent, respectively, in years 2015 through 2019, for an annual average of $69.9 million. The RETT Revenues are dependent upon real estate transactions in the City. See “SALES TAX RECEIPTS—RETT Revenues Pledged to Payment of the Pension Bonds” and “DEBT SERVICE COVERAGE” herein.

The State budget for fiscal year 2018 reduced the State’s Public Transportation Fund matching funds by 10 percent for one year. The budget also included a 2 percent permanent surcharge on RTA Sales Tax and State Sales Tax receipts. The State’s fiscal year 2019 budget reduced the surcharge on these sales tax receipts to 1.5 percent and extended the cut to Public Transportation Fund matching funds at a reduced rate of 5 percent. The State’s fiscal year 2020 and 2021 budgets maintained the surcharge at 1.5 percent and the Public Transportation Fund matching fund reduction at 5 percent.

Public funding for 2019 was $818.2 million, which is $26.2 million, or 3.1 percent below the budgeted level of $844.4 million, and $8.9 million higher than 2018. Public funding available through the RTA is budgeted to be $874.8 million in 2020. This includes the $6.4 million in ICE funds which can be used in the operating or capital budget. The total public funding level is a $30.4 million increase compared to the 2019 budget and a $56.6 million increase over the 2019 actual.

Set forth in the following table are the components of public funding as reported by the Authority in its financial statements for the years 2015 to 2019, and as included in the Original 2020 Budget and as included in the Amended 2020 Budget and percentage change from the Original 2020 Budget to the Amended 2020 Budget. See APPENDIX D—“CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018, Note 4–Budgeted Public Funding from the Regional Transportation Authority and the State of Illinois” and “—Amended 2020 Budget “ above.

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Public Funding
2015-2019 Actual and Original 2020 Budget, Amended 2020 Budget and Percentage Change
($ in thousands)

	Actual							
	2015	2016	2017	2018	2019	Original 2020 Budget	Amended 2020 Budget	Percentage Change in 2020 Budget
RTA Sales Tax[1]	$ 360,575	$ 365,622	$ 364,280	$ 379,617	$ 388,833	$ 409,156	$ 279,822	-31.6%
RTA Discretionary Funds (including Discretionary PTF)[1]	214,471	218,922	209,021	211,425	220,959	235,735	176,710	-25.0%
State Sales Tax and Formula PTF[1]	143,239	145,141	137,011	140,774	139,919	149,427	104,894	-29.8%
RETT Revenues[2]	74,724	79,063	62,021	71,518	62,373	68,630	43,453	-36.7%
Total Public Funding[3]	$ 793,009	$ 808,748	$ 772,333	$ 803,334	$ 812,084	$ 862,948	$ 604,879	-29.9%

Source: The Authority; information for 2019 is from APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018."

(1) Amounts include the Sales Tax Receipts pledged to secure the Authority's First Lien Parity Obligations and Second Lien Obligations.

(2) RETT Revenues are not included in Sales Tax Receipts pledged to secure the Authority's First Lien Parity Obligations, including the Series 2020B Refunding Bonds. However, RETT Revenues are pledged to pay debt service on the Pension Bonds prior to use of the Sales Tax Receipts for such purpose and such revenues reduce the amount of Sales Tax Receipts needed to pay debt service on the Pension Bonds. See "SALES TAX RECEIPTS—RETT Revenues Pledged to Payment of the Pension Bonds" and "DEBT SERVICE COVERAGE" herein.

(3) Totals do not include ICE funding provided to the Authority.

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2021-2022 Proposed Two-Year Financial Plan

As required by the RTA Act, the Authority approved a 2021-2022 two-year financial plan as part of the process of approving the Original 2020 Budget. On October 24, 2019, the Authority released the 2021-2022 Two-Year Financial Plan and it was approved by the Chicago Transit Board on November 19, 2019 and by the RTA Board on December 19, 2019 (the "Two-Year Financial Plan").

The Two-Year Financial Plan continued the Authority's mission to deliver quality, affordable bus and rail transit services. The Two-Year Financial Plan assumed flat bus and rail service levels from the 2020 budget, increases in non-farebox revenues through innovative advertising programs, and continued strategic capital investments in bus and rail fleets, stations, track structures and technology to reduce cost escalations in the operating budget. The Two-Year Financial Plan assumed public funding growth at 3.1 percent for 2021 and 1.8 percent for 2022, based on growth in sales tax receipts and full restoration of the Public Transportation Fund that was subject to a 5 percent temporary cut through June 2020 when the State fiscal year ends. The proposed funding levels assumed there would be no further PTF cut thereafter.

The Two-Year Financial Plan assumed increased System-Generated Revenues from fares and passes, and advertising, offset by increased labor, material, debt service, and standard increases in contractual services and contributions to injuries and damages reserves. The labor cost growth was budgeted at 3.0 percent growth for 2021 and 2.5 percent growth for 2022, which amounts would be determined, in large part, by the outcome of collective bargaining negotiations and pension and health care costs. The Authority has built and is continuing to strengthen its management team, policies and procedures, and internal controls to ensure attainment of operational efficiencies throughout the agency. The Two-Year Financial Plan reflected fixed fuel purchases, managed block purchases of power, and strong efforts to monitor expenses and increase recurring revenue streams.

The Two-Year Financial Plan was prepared in conjunction with the preparation of the Original 2020 Budget and therefore does not reflect the impact on the operations and financial condition of the Authority of the COVID-19 outbreak and resulting economic conditions. The Two-Year Financial Plan no longer reflects the Authority's projection of the Authority's finances for the two years covered thereby. The Authority expects to update its Two-Year Financial Plan as a part of its 2021 budget which is expected to be presented to the Chicago Transit Board in November 2020. See "—COVID-19 Outbreak Impact on Revenues and Expenses" and "--Amended 2020 Budget" above.

DEBT OBLIGATIONS

Short-Term Borrowing Programs

Short-term debt may be used by the Authority as a cash management tool to provide interim financing or to bridge temporary cash flow deficits within a fiscal year. The Authority established a short-term borrowing program in 2018 to provide interim funding of up to $300 million for capital improvement projects expected to be financed on a permanent basis with long-term debt (the "Short-Term CIP Borrowing Program"). The Authority has issued and outstanding its Third Supplement CIP Notes in the aggregate principal amount of $150,000,000 and its Fourth Supplement CIP Notes in the aggregate principal amount of $150,000,000. A portion of the Outstanding Second Lien CIP Notes is being refunded with the proceeds of the Series 2020A Project Bonds and the Series 2020B Refunding Bonds. The Remaining Outstanding Second Lien CIP Notes are expected to be refunded with the proceeds of the Authority's GTT Sales Tax Receipts Bonds and other available funds of the Authority. See "PLAN OF FINANCE—Future Financings" herein.

The Outstanding Second Lien CIP Notes are secured by a first lien on GTT IGA Revenues pursuant to the Authority's Intergovernmental Agreement with the City and by Sales Tax Receipts on a parity basis with the Second Lien Obligations.

The Short-Term CIP Borrowing Program is currently structured pursuant to two revolving note purchase agreements, each in the maximum aggregate amount outstanding of $150 million, with each of Bank of America, N.A. and PNC Bank, National Association. The note purchase agreements expire on December 31, 2020 and July 11, 2022, respectively. The Authority expects to maintain the availability of short-term funding for its capital projects through the issuance of Second Lien CIP Notes on a revolving basis under its Short-Term CIP Borrowing Program. See "PLAN OF FINANCE—Future Financings" herein.

The Authority's Board adopted Ordinance No. 020-26 on April 8, 2020 that authorizes the issuance of up to $40 million of Second Lien Sales Tax Receipts Revenue Working Cash Notes (the "Second Lien Working Cash Notes") through December 31, 2021. Proceeds of such Second Lien Working Cash Notes can be used to fund the payment, or reimbursement of the Authority for the payment, of the day-to-day operating expenses of the Authority and the Transportation System and the payment of costs of issuance of such Second Lien Working Cash Notes. To date, the Authority has not entered into a note purchase agreement or other agreement with a financial institution to implement a borrowing program for the Second Lien Working Cash Notes.

The note purchase agreements entered into in connection with the Short-Term CIP Borrowing Program provide certain events of default and/or increased interest rates if the credit rating of the Authority's debt is reduced or terminated; however, no agreement provides for acceleration upon such default. See "RATINGS" and "CERTAIN INVESTMENT CONSIDERATIONS—Effect of Future Ratings Downgrades" herein.

Long-Term Debt Obligations and Debt Limitations

The Authority does not use long-term debt to fund operations. However, long-term bonds are deemed appropriate to finance essential capital activities and certain management initiatives. The Authority may also use long-term lease obligations to finance or refinance capital equipment. Prior to entering into any lease financing, the Authority evaluates the useful life of assets financed, the terms and conditions of the lease, and the budgetary, debt capacity and tax implications.

The Authority is not subject to statutory debt limitations for capital investment.

Outstanding Long-Term Debt

The Authority's current long-term debt includes bonds issued by the Authority and capital lease obligations. The following table describes the current long-term debt of the Authority and includes the issuance of the Series 2020A Project Bonds and the Series 2020B Refunding Bonds and the refunding of the Refunded Bonds. See "PLAN OF FINANCE" herein.

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Long Term Debt
($ in millions)

Sales Tax and Transfer Tax Receipts Revenue Bonds	2008A and 2008B	$1,711.1	Sales Tax Receipts and RETT Revenues[(1)]
	2010B	505.4	Sales Tax Receipts
	2014	555.0	Sales Tax Receipts
	2017	296.2	Second Lien Sales Tax Receipts
	2020A	367.9	Second Lien Sales Tax Receipts
	2020B	534.0	Sales Tax Receipts
Capital Grant Receipts Revenue Bonds			
FTA 5307 Program...............			
	2010	63.9	Grant Receipts
	2011	56.5	Grant Receipts
	2015	41.4	Grant Receipts
	2017	90.5	Grant Receipts
FTA 5309/5337 Program......	2010	26.8	Grant Receipts
	2015	44.7	Grant Receipts
	2017	96.2	Grant Receipts
PBC Lease	2006	58.3	General Obligation[(2)]
Bus lease (Certificates of Participation)....................................	2008	3.9	General Obligation
TIFIA Loans			Farebox Revenue
95th Street		91.1	
YNB		127.8	
Railcars		275.1	
Total..		$4,945.8	

(1) Sales Tax Receipts are applied to pay the Series 2008A and 2008B Bonds (the Pension Bonds) only to the extent that the RETT Revenues applied to the payment of debt service thereon is insufficient.

(2) Rent and other obligations under the PBC Lease are payable from Sales Tax Receipts if the PBC Senior Pledge Rights are in effect. See "PLEDGE OF SALES TAX RECEIPTS TO OUTSTANDING INDEBTEDNESS" herein.

The Authority's outstanding long term debt obligations are described below.

Sales Tax and Real Estate Transfer Tax Receipts Revenue Bonds. The Authority has outstanding bonds secured by Sales Tax Receipts and RETT Revenues. See "PLEDGE OF SALES TAX RECEIPTS TO OUTSTANDING OBLIGATIONS—First Lien Sales Tax Receipts Obligations," and "—Second Lien Sales Tax Receipts Obligations" herein for a discussion of Authority's outstanding bonds secured by a pledge of Sales Tax Receipts and the RETT Revenues. See APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018, Note 9–Bonds Payable."

Capital Grant Receipts Revenue Bonds. The Authority has outstanding capital grant receipts revenue bonds secured by funds provided by the Federal Transit Administration (the "FTA") under the FTA's Urbanized Area Formula Funding Program (5307) (the "5307 Program"), and the State of Good Repair Grants Program (5337) (the "5309/5337 Program"). See "CAPITAL IMPROVEMENT PROGRAM–Sources of Funds" herein.

The proceeds of bonds backed by grants under the 5307 Program have been used to pay or reimburse the Authority for prior expenditures relating to facility rehabilitation, rail station reconstruction, replacing and upgrading track, structure and signal systems, communication infrastructure improvements, and replacing the bus and rail fleets. See APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018, Note 9–Bonds Payable.

The proceeds of bonds backed by grants under the 5309/5337 Program were used to refund a prior issue of bonds, the proceeds of which funded costs of the Authority's capital program in anticipation of the receipts under the 5309/5337 Program. See APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018, NOTE 9–Bonds Payable.

PBC Lease Obligations. The Authority has outstanding the lease of the Authority's headquarters from the Public Building Commission. See APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018, Note 8–Capital Lease Obligations."

Certificates of Participation. In 2008, the Authority entered into an installment purchase agreement with a financial institution for the purchase of 200 (40 ft.) New Flyer low floor buses and certain related parts and equipment. The financial institution issued certificates of participation ("COPs") on behalf of the Authority, which represent the Authority's unconditional obligation to make installment payments from legally available funds. The Authority's installment payments are remitted to the financial institution, which in turn remits payments to the holders of the COPs. See APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018, Note 10–Certificates of Participation."

TIFIA Loans. The Authority has outstanding loans ("TIFIA Loans") from the USDOT pursuant to the credit program established under TIFIA (as defined herein). In 2014, the Authority received a TIFIA loan for $79.2 million as part of funding package to renovate the Red Line's 95th Street Terminal. In 2015, a second TIFIA loan was approved for $120.0 million to support the YNB program. On March 16, 2016, the Authority entered into a third TIFIA loan for $254.9 million to fund certain projects that are part of the Authority's rail car purchase program. See "CAPITAL IMPROVEMENT PROGRAM–Sources of Funds" herein for discussion of an additional TIFIA loan being sought by the Authority. The TIFIA Loans are secured by farebox revenues. As evidence of the Authority's obligation to repay the TIFIA loans, the Authority issues to the lenders a registered farebox receipts revenue bond in the respective amounts of the loans. For a discussion of the TIFIA Loan program see "CAPITAL IMPROVEMENT PROGRAM—Sources of Funds—*Federal Funding"* herein. See APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018, Note 12–TIFIA Loans."

CAPITAL IMPROVEMENT PROGRAM

General

As part of the Authority's annual budgeting process, the Authority prepares a five-year capital improvement program. Each project within the Authority's capital improvement program is initially evaluated in an annual review process, and followed by monthly planning meetings where issues and needs are addressed. Evaluation criteria include: customer and employee safety, reductions to travel time, increased customer comfort and convenience, system security, impact on system reliability, compliance with regulations, and community impact. With the exception of the system miscellaneous category, rail system projects receive a significantly larger portion of the proposed capital program funding than bus projects, due partly to the need to maintain an exclusive right-of-way while buses operate on streets maintained by other units of government.

The 2020-2024 Capital Improvement Program (the "CIP") was approved by the Chicago Transit Board in November 2019 and has been amended since its adoption to include additional funding from various sources or realignment of projects to funding sources. The Authority is currently evaluating the impacts of the recent COVID-19 outbreak on its ongoing construction projects and implementation of the CIP but has not amended the CIP in response to the economic impact of the COVID-19 outbreak.

Projects Expected to be Funded with Series 2020A Project Bonds

The Series 2020A Project Bonds will fund the following projects:

- Artic Bus Overhaul (4300 Series)
- Bus Purchase
- Rail Car Purchase
- Rail Car Overhaul (5000 Series)
- YNB - O'Hare Signals
- Tactical Traction Power Distribution
- Facilities Improvements - Systemwide
- Red Line Extension
- Project Administration CIP
- Red Purple Modernization - Phase One

These projects will allow the Authority to maintain or reach a state of good repair for the improved facilities. It will also reduce future maintenance costs for such facilities, freeing up federal funds for other purposes. The Red Purple Modernization Project will also expand capacity and enhance services on these rail lines.

2020-2024 Capital Improvement Program

The Capital Improvement Program for 2020-2024 addresses the Authority's most critical needs for the bus and rail system, customer facilities, and systemwide support. Major projects planned or underway during this period include the modernization of the north Red and Purple Lines; the rehabilitation of the O'Hare Branch on the Blue line; the Red Line Extension; and the procurement of 556 new 7000 Series railcars.

The following table sets forth the 2020-2024 Capital Improvement Program by general category of asset improved or replaced.

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Capital Improvement Program by Category 2020-2024
($ in thousands)

Category	5-Year Funding Amount
Bus Rolling Stock	$ 588,914
Rail Line Improvements................................	1,562,643
Rail Power & Way Electrical Signals & Communication..	28,600
Rail Power & Way Track & Structure	236,038
Rail Rolling Stock..	1,063,523
Systemwide Miscellaneous	
Information Technology...............................	8,633
Equipment and Non-Revenue Vehicle Replacement	85,606
Rehabilitate Rail Stations	190,059
Implement Security & Communication Projects	43,877
Program Management	59,663
Bond Repayment, Interest Cost, & Finance Cost	1,025,355
Core Capacity Planning Studies	18,376
Signal Priority & Modernization (Ashland Ave.)	8,891
Support Facilities & Equipment.....................	271,168
Total	$ 5,188,887

Sources of Funds

The following table details the funding sources for the 2020-2024 Capital Improvement Program. The funding levels used in preparing the 2020-2024 Capital Improvement Program reflect the capital resources available to the Authority from the federal government, including the FTA, USDOT, and Department of Homeland Security, and State and local sources, including the RTA and newly authorized State funding that consists of bond construction program and a dedicated annual share of Motor Fuel Tax receipts. Due to the increase in State capital funding, RTA bonds are not contemplated at this time for the 2020 Capital Improvement Program. Should the RTA issue bonds on behalf of the service boards after 2022, the Authority expects to receive its 50% historical share of the proceeds of that issuance. Other sources that are anticipated but not yet programmed in the five year capital program include funding from the federal TIFIA program for the Red and Purple Modernization Phase One (described below) and a number of discretionary grant awards.

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The following table details the funding sources as budgeted for the 2020-2024 Capital Improvement Program in the Amended 2020 Budget.

Capital Improvement Program Marks [1] 2020 – 2024
Sources of Funds
($ in thousands)

Sources of Funds	2020	2021	2022	2023	2024	TOTAL
5307 Urbanized Formula	$131,501	$132,236	$134,219	$136,232	$138,276	$672,464
5337 State of Good Repair	158,031	176,594	179,243	181,932	184,661	880,462
5339 Bus and Bus Facilities Formula	14,429	14,378	14,593	14,812	15,035	73,246
Subtotal FTA	**$303,961**	**$323,208**	**$328,056**	**$332,976**	**$337,971**	**$1,626,172**
5309 Core Capacity	$100,000	$100,000	$100,000	$100,000	$65,476	$465,476
CMAQ RPM	25,000	-	-	-	-	25,000
CMAQ Projects	8,891	17,270	-	38,694	-	64,855
Sec. 5303 UWP Planning	720	420	420	420	420	2,400
Surface Transportation Funds	7,236	-	13,930	-	-	21,166
Transit Security Grant Program (DHS)	6,000	6,000	6,000	6,000	6,000	30,000
Illinois Long Range Transportation Plan	1,222	220	-	-	-	1,442
Other Federal	**$149,068**	**$123,910**	**$120,350**	**$145,114**	**$71,896**	**$610,338**
AVAILABLE FEDERAL	**$453,029**	**$447,118**	**$448,406**	**$478,090**	**$409,867**	**$2,236,510**
State Bond	$825,434	$20,000	$142,032	$90,446	$160,994	$1,238,906
State (PAYGO)	141,875	141,875	141,875	141,875	141,875	709,375
CTA Bond	239,472	143,374	77,500	77,500	-	537,846
CTA Financing - Ground Transportation Tax	160,940	10,260	7,800	-	-	179,000
CTA Financing RPM	240,256	46,993	-	-	-	287,249
Subtotal Local	**$1,607,978**	**$362,502**	**$369,207**	**$309,821**	**$302,869**	**$2,952,376**
AVAILABLE LOCAL	**$1,607,978**	**$362,502**	**$369,207**	**$309,821**	**$302,869**	**$2,952,376**
New Funding Available	**$2,061,007**	**$809,620**	**$817,612**	**$787,911**	**$712,736**	**$5,188,887**
Reprogrammed Funds	1,500					**1,500**
CTA Share for Competitive Grants	**485**	**160**	**105**	**105**	**105**	**960**
TOTAL Core Programmed Funds	**$2,062,992**	**$809,780**	**$817,717**	**$788,016**	**$712,841**	**$5,191,347**

Note: Columns may not add due to rounding.
Source: The Authority.
[1] "Marks" represent estimates of available grant receipts from federal, State, and local sources. The available funding sources budgeted for 2020 and projected for 2021-2024 are taken from the 2020 August Board Amended Budget Recommendations. The budgeted and projected information was prepared by the Authority as a part of its Amended 2020 Budget.

Federal Funding. Sources of federal funds for capital projects included in the 2020-2024 Capital Improvement Program are described below.

FTA Programs. On December 4, 2015, President Obama signed the Fixing America's Surface Transportation (FAST) Act into law. The FAST Act is the first long-term federal surface transportation authorization enacted in more than a decade. By authorizing $305 billion over a five-year period for federal fiscal years (FFY) 2016-2020 for highways, highway and motor vehicle safety, public transportation and other programs, this law provides multi-year funding certainty that allows the Authority to plan and implement major capital projects. The FAST Act includes modest annual funding increases over the levels included in the previous transportation authorization called Moving Ahead for Progress in the 21st Century

(MAP-21). Congress and the Administration have begun the process to develop the next surface transportation authorization legislation to succeed the FAST Act (expires Octobers 31, 2020) that is expected to provide funding authorization levels for FFY 2021-2025. It is anticipated that new authorization will need to provide new funding mechanisms to maintain the solvency of revenue accounts that support the transit program. The majority of revenues are generated from excise tax on motor fuel where revenues have not grown sufficiently to meet the funding needs of the most recent federal transit authorization programs. The size of a new surface transportation program will be impacted by whether new revenue sources can be found and/or continue to allocate general revenue funds to meet funding gaps.

Transit agencies receive funds under the provisions of Title 49, Chapter 53, of the United States Code, as amended by the FAST Act. Transit funds for federal fiscal years 2016 through fiscal year 2020 are authorized by the FAST Act. Each year, new appropriation legislation must be passed to appropriate general federal revenues that will fund transit programs and set an obligation limitation that allows expenditure of funds from the federal Mass Transit Account of the Highway Trust Fund for transit programs.

Transit funds are distributed through both formula and discretionary programs. Discretionary program funds that are not earmarked or distributed by Congress are made available to the FTA. The three federal formula programs that the Authority traditionally receives are 5307 Urbanized Area funds, which provide for public transportation capital and planning projects; 5337 State of Good Repair ("SOGR") funds, dedicated to repairing and upgrading rail transit systems along with bus rapid transit systems; and 5339 Bus & Bus Facility funds, which provide funding to replace, rehabilitate and purchase buses and related equipment and to construct bus-related facilities. The RTA is the designated recipient of the federal formula funds distributed to the Chicago region, which is a part of the Chicago/Northwest Indiana Urbanized Area. The Chicago region's share of the annual apportionment is distributed to the each of the Service Boards on the following basis: the Authority 58%, Metra 34% and Pace 8%.

In order to obtain federal transit grant funds each transit agency must submit a grant application to the FTA. When the grant is approved the funds are "granted" or "obligated" to that agency and the agency proceeds with its procurement process or receives reimbursement for expenditures that have already been made. Federal funds pay for a portion, termed the "federal share," of a project's costs. State or local funds, termed "matching funds," must also be expended on a project. The three traditional federal formula programs that the Authority receives annually require a 20 percent local contribution match to the project budget.

Grant programs under which the Authority expects or may receive funds for the 2020-2024 Capital Improvement Program include: FTA's 5339 sub-program for low and zero-emission vehicles; FTA's 5307 Congestion Mitigation and Air Quality program for projects that address air qualify or congestion; FTA's 5309 Core Capacity program for major transit capital investment, including heavy rail, light rail, streetcars, and bus rapid transit; the Department of Homeland Security's program for mass transit security infrastructure; USDOT's Better Utilizing Investments to Leverage Development (BUILD) program for infrastructure projects that generate economic development and improve access to reliable, safe and affordable transportation to communities; and the U.S. Environmental Protection Agency's National Clean Diesel Funding Assistance program for projects that protect human health and improve air quality by reducing harmful emissions from diesel engines.

On January 9, 2017, the FTA announced a federal grant of approximately $1.07 billion to the Authority for the first phase of the RPM Phase One Project. The grant funds include a core capacity construction grant agreement for $956.6 million through the FTA's Capital Investment Grant ("CIG") program, and approximately $125.0 million through the U.S. Department of Transportation's Congestion Mitigation and Air Quality program. The CIG funds will be provided over the course of nine years on an annual payment schedule, subject to Congressional approval during the annual appropriations process. The federal grant is included in the 2020-2024 Capital Improvement Program.

TIFIA Loan Program. The Transportation Infrastructure Finance and Innovation Act of 1998 ("TIFIA") established a federal credit program for eligible transportation projects under which the U.S. Department of Transportation ("USDOT") may provide three forms of credit assistance, i.e., secured (direct) loans, loan guarantees, and standby lines of credit. TIFIA was created because state and local governments that sought to finance large-scale transportation projects with tolls and other forms of user-backed revenue often had difficulty obtaining financing at reasonable rates due to the uncertainties associated with these revenue streams. The savings to the Authority from TIFIA financing come from two primary sources: (1) the Authority draws TIFIA funds on an "as needed" basis during the project, similar to a line of credit, rather than accruing interest on funds before they are used, and (2) the interest rate on this borrowing is set at the federal government's rate, which, for Authority loans, have been 1.0 to 1.5 percent lower than traditional financing. TIFIA financing enhances the affordability of the debt and maximizes borrowing capacity.

The Authority has entered into federal TIFIA financing agreements for three major capital projects. In 2014, the Authority received a federal TIFIA loan for $79.2 million as part of an overall $280.0 million funding package to renovate the Red Line's 95th Street Terminal. In 2015, the Authority entered into a $120.0 million TIFIA financing agreement to support the $411.0 million "Your New Blue" program. The Authority's most recent agreement in 2016 provided $254.9 million in funding to contribute to the contract budget totaling $632.0 million to purchase four hundred new 7000-Series railcars. By adding TIFIA financing as a source for capital projects, the Authority can leverage existing federal, state, and local source funds with TIFIA financing to advance identified major projects, while also freeing up funds to be directed to other projects in the capital program.

State and Local Funding. Sources of State and local funding for capital projects included in the 2020-2024 Capital Improvement Program and described below.

State Funding. Within the State, a number of grants are available through IDOT. Money is available to IDOT through federal funds in order to reduce motor vehicle, pedestrian, and bicycle crashes, fatalities, and injuries, and to increase safety for all users of the State's roadways. Transportation projects have traditionally been paid for out of user fees such as gas taxes and vehicle fees, those who use the transportation system pay for its construction and upkeep. The State transportation program includes funding from State transportation user fees, the federal gas tax proceeds and the State gas tax of 38 cents per gallon.

The traditional avenue for the State transit funding is through a legislative mandated bond program, generally for a five-year period. In response to the backlog of transit needs, in June 2019, the General Assembly passed and the Governor signed into law a new State Capital construction program known as "Rebuild Illinois." Prior to Rebuild Illinois, 2014 was the last year the State of Illinois funded a Public Transportation Bond program. The previous State funding consisted of two programs: Illinois Jump Start (2009) and Illinois Jobs Now (2010). The Authority's share of both programs was $1.4 billion. Due to State budget constraints the Authority did not receive $220 million of promise funds and an additional $58.9 million in funding cuts were made to existing awards, ultimately receiving only total of $1.11 billion out of those two programs. These actions resulted in the delay or downsizing of a number of construction projects.

The new State funding under Rebuild Illinois provides $33.2 billion for transportation improvements over six years. The Chicago Regional Transportation Authority (RTA) region is expected to receive funding from two dedicated revenue programs that include State bond proceeds funded by vehicle receipts and the $0.19 per gallon increase in the State's Motor Fuel Tax ("MFT"), which became effective

July 1, 2019 and is currently assessed at the total rate of $0.38 per gallon. While the bonding series provides a onetime infusion of $2.7 billion State funds over a six year period, the MFT provides a recurring funding source to meet some of the region's SOGR needs going forward.

RTA's annual MFT funding share (or annual "Pay-As-You-Go Funds"), based on first year receipt estimate, is $227 million; and RTA's share of the State bond program proceeds is estimated to be $2.7 billion over a five to six year period. The percent allocation to the Service Boards has been agreed upon by RTA and the Service Boards and the Authority's 2020 budget funding estimates are $142 million of MFT annually, indexed to inflation, and a total of $1.1 billion of State bond proceeds in addition to the $141 million earmarked State bond funds. The Authority's budgeted amount of Pay-As-You-Go Funds from MFT for 2020 is $142 million; however, to date the Authority has not received any such funds from the State. The amount of MFT received by the State may be less than projected as a result of reduced fuel consumption resulting from the economic impact of the COVID-19 outbreak.

RTA Bonds. Due to the increase in State capital funding, RTA bonds are not contemplated at this time for the 2020 Capital Improvement Program. Should the RTA issue bonds on behalf of the service boards after 2022, the Authority expects to receive its 50% historical share of the proceeds of that issuance. The bond proceeds would be used for needed projects such as the purchase of new railcars and buses as well as capital improvements to the Authority's rail track and infrastructure.

Transit TIF. The Illinois Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 et seq. (the "TIF Act") was amended, effective August 12, 2016, to allow a municipality to (i) establish a transit facility improvement area (a "TFIA") and (ii) establish, within a TFIA, a redevelopment project area (a "Transit TIF District" or "RPA") for purposes of financing rehabilitation or expansion of existing and/or development of new public transit passenger stations; public transit maintenance, storage or service facilities; and public rights of way for use in providing transit (collectively, "Transit Facilities") through the use of incremental property tax revenues generated within the Transit TIF District.

A Transit TIF District has some important differences from other TIF districts established under the TIF Act. Most notably, in a Transit TIF District, the incremental property tax revenues that would otherwise be paid to the local school district absent the establishment of a Transit TIF District are still paid to the school district. Further, of the remaining incremental property tax revenues, 80% is available to finance Transit Facilities, and 20% is distributed to the various local taxing districts other than the school district. Finally, a Transit TIF District can be established without the need to satisfy the various "blighted area" criteria that otherwise must be satisfied in connection with the establishment of TIF districts.

Pursuant to authority granted by the amended TIF Act, on November 30, 2016, the City of Chicago (i) established the Red and Purple Modernization Phase One TFIA, (ii) approved the Red and Purple Modernization Phase One Project Redevelopment Plan ("Redevelopment Plan"), and (iii) created the Red and Purple Modernization Phase One Project Redevelopment Project Area (the "RPM Phase One RPA") to finance, in part, the Red and Purple Modernization Phase One Project ("RPM Phase One Project"). On the same date, the City of Chicago and the Authority entered into a Redevelopment and Intergovernmental Agreement where under available incremental property tax revenues will be used (a) to pay principal and interest on up to $622.0 million of debt financing or pay-as-you-go costs incurred by the Authority with respect to the RPM Phase One Project, and (b) to reimburse the Authority up to $3.0 million for certain transaction costs. The $622.0 million in RPM Phase One Project costs represents a portion of the local match required to obtain an approximately $957.0 million full funding grant agreement from the FTA for the RPM Phase One Project under the FTA's 5309 Core Capacity program. See "—*Federal Funding*" above.

The Authority intends to apply for and obtain debt financing in the form of a TIFIA loan in the amount of up to $622.0 million. However, in the event that a TIFIA loan is ultimately not available, it may be necessary to secure alternative debt financing which may include the issuance of sales tax revenue bonds. Should such alternative debt financing become necessary, the Chicago Transit Board has authorized the issuance of sales tax revenue bonds in lieu of a TIFIA loan.

Incremental property tax revenues generated within the Red and Purple Modernization Phase One TFIA will be used by the Authority to fund a portion of the RPM Phase One Project costs, including repayment of debt financing. Excess incremental property taxes from the Red and Purple Modernization Phase One TFIA are expected to be used to prepay debt obligations prior to maturity. Upon full retirement of debt obligations incurred to fund the RPM Phase One Project, the Red and Purple Modernization Phase One TFIA will be terminated.

Authority Funds. Authority funds are used for capital projects as they become available and generally consist of proceeds of bond financings, proceeds from positive budget variance, insurance settlement agreements, and/or sale of assets.

Authority Bonds for RPM and Ground Transportation Projects. Since fiscal year 2004, when the Authority issued its first series of capital bonds, Authority bonds have provided an internally generated source of capital funds for SOGR projects. The Authority bond financing program continues to be a strategically important supplement to the federal program. Through the issuance of bonds, supported by Sales Tax Receipts, federal grants or other State and local sources, the Authority can advance critically important projects which otherwise would need to be deferred for years and significantly increase system maintenance costs with continual degradation of assets. The Capital Improvement Program for 2020-2024 includes project revenues from bond financings. See "PLAN OF FINANCE—Future Financings" herein.

Unfunded Capital Needs. The RTA's asset condition assessment originally prepared in 2010 and last updated in 2016 defines the Northeastern Illinois Transit Region's total capital reinvestment needs over a 10-year period estimated at $37.67 billion, which includes investment needs for the Authority, Metra, and Pace. According to the RTA's analysis, the Authority's share of this total 10-year reinvestment need is $23.08 billion or 61.3 percent of the total regional amount. This includes $12.46 billion to address existing backlog and an additional $10.62 billion to address normal reinvestment needs expected over the 10-year period. Approximately 54.0 percent of the Authority's reinvestment needs are to address assets that are past their useful life. The Authority's total 10-year reinvestment need of $23.08 billion is split between approximately 82.0 percent for rail and 18 percent for bus assets. The shortage of capital funds needed to support the region's systems will continue to present significant challenges for the region and specifically for the Authority to reduce the number of assets beyond their useful life benchmarks. The Authority continues investing in upgrading or replacing system assets, yet the unfunded capital need continues to grow with each year. Even if the entire capital backlog was funded, the Authority estimates a need of $1.06 billion annually just to keep the system in a SOGR. The average capital funding level over the period 2020 to 2024 is $812 million.

PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

Retirement Plan

The Authority contributes to the Retirement Plan for Chicago Transit Authority Employees, a single-employer defined benefit pension plan covering substantially all full-time permanent union and non-union employees (the "Retirement Plan"). The Retirement Plan was first established by an agreement between the Authority and its collective bargaining units in 1949 ("Plan Agreement"), which has since been amended and is currently governed by Section 22-101 of the Illinois Pension Code (40 ILCS 5/22-101) (the

"Pension Code"). The Authority's contributions to the Retirement Plan and benefits for participants in the Retirement Plan are governed by the Plan Agreement and the Pension Code. Information relating to the Retirement Plan is set forth in APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018, Note 13–Employees' Retirement Plan Pension Disclosures" and APPENDIX F—"PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE." Capitalized terms, not otherwise defined in this heading, shall be as defined in Appendix F.

The Retirement Plan is governed by an 11-member Board of Trustees (the "Retirement Board") established under the Pension Code, which is separate and distinct from the Chicago Transit Board and the RTA Board. The Retirement Plan's primary sources of funding come from the Authority's contributions, the employees' contributions, and investment income on the Retirement Plan's assets. The amount of benefits payable to participating employees under the Retirement Plan and the calculation of the Authority and employee contribution amounts, and certain other provisions of the Retirement Plan are established under and governed by the Plan Agreement and the Pension Code.

Under amendments to the Pension Code adopted by the General Assembly in 2008, the funding of the Retirement Plan is subject to the following requirements:

- For each year through 2039, the estimated "Funded Ratio" of the Retirement Plan, which is the actuarial value of assets divided by the actuarial accrued liability, expressed as a percentage, must be at least 60%. If the Funded Ratio is projected to decline below 60% in any year before 2040, increased contributions will be required each year as a level percentage of payroll over the years remaining until 2040 so that the Funded Ratio does not decline below 60%.

- If the Funded Ratio actually declines below 60% in any year prior to 2040, increased contributions will be required each year as a level percentage of payroll during the years after the then current year so that the Funded Ratio is projected to reach at least 60% no later than 10 years after the then current year.

- Beginning in 2040, the minimum annual contribution to the Retirement Plan must be sufficient to bring the Funded Ratio to 90% by the end of 2059.

- Beginning in 2060, the minimum contribution must be an amount necessary to maintain the Funded Ratio at 90%.

- Each year the Retirement Board must submit its actuarial valuation and determination of contribution rates to the Office of the Auditor General of the State of Illinois for a determination as to whether the rates and assumptions are not unreasonable in the aggregate.

- Two-thirds of required contributions are paid by the Authority and one-third by participating employees. The Authority's contributions are reduced by debt service on the Pension Bonds issued in 2008, up to maximum of six percent. (See "Pension Bonds" below.)

As of the January 1, 2020 Actuarial Valuation (the "2020 Actuarial Valuation"), the contributions made by the Authority and its employees have been in compliance with the Pension Code, but the Pension Code's contribution requirements are at a level below the actuarially determined ARC and have resulted in an Unfunded Actuarial Accrued Liability ("UAAL") of $1.70 billion and a Funded Ratio of 52.55%. See APPENDIX F—"PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE–Background Information Regarding the Retirement Plan–*Determination of Authority's Contributions*."

In 2008, the Authority issued Pension Bonds in two series in an aggregate amount of $1,936.9 million. Proceeds of the Pension Bonds in the amount of approximately $1,110.5 million were deposited in the Retirement Plan, and proceeds in the amount of approximately $529.0 million were deposited into the Retiree Health Care Trust ("RHCT"). See "DEBT OBLIGATIONS–Outstanding Long-Term Debt–*Sales Tax and Real Estate Transfer Tax Receipts Revenue Bonds*" herein. The Pension Bonds were issued in part to fund a contribution to the Retirement Plan in order to increase the Funded Ratio of the Retirement Plan and to fully fund the RHCT. The Authority is obligated to make level annual debt service payments of $156.6 million through 2040 on the Pension Bonds. The Pension Code provides that the Authority's required annual contributions to the Retirement Plan are reduced by the amount of yearly debt service paid on the Pension Bonds up to a maximum of 6% of total employee compensation paid by the Authority for the year.

The funding mechanisms for the Retirement Plan can be distinguished in a number of respects from the retirement plans of other area governmental units, including plans currently in place for employees of the City of Chicago, Cook County and the Chicago Public Schools. First, the Pension Code requires the Authority to make contributions in amounts necessary to maintain target Funded Ratios that align with benefits earned under the Retirement Plan. The plans of certain other area governmental units base employer contributions on a multiple of employee contributions which has resulted in significant underfunding of the plans on an actuarial basis. Second, by making a large contribution to the Retirement Plan in 2008 with a portion of the proceeds of the Pension Bonds, the Authority was in effect able to convert uncertain or variable future contributions to level debt service payments on the Pension Bonds through 2040. Third, the Pension Code eliminates any discretionary action on the part of the Authority with respect to plan contributions by requiring the RTA to withhold funds otherwise distributable to the Authority if the Authority fails to meet its full payment obligations. Lastly, the funding formula for the Retirement Plan, in place since 2008, has not been challenged in the State courts as have the more recent legislative pension reforms undertaken on behalf of other area governmental units.

Supplemental Pension Plans

In addition to the Retirement Plan, the Authority maintains three non-statutory, single-employer defined benefit pension plans for a limited number of selected employees (collectively, the "Supplemental Pension Plans"). The Supplemental Pension Plans are operated separately from the Retirement Plan and closed to new participants. Descriptions of the Supplemental Pension Plans can found in APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018, Note 14–Supplemental Plans Pension Disclosures." Also see APPENDIX F—"PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE–SUPPLEMENTAL PENSION PLANS."

Health Care Benefits

Prior to 2008, retiree health care benefits were administered by the Retirement Plan pursuant to collective bargaining agreements ("CBAs") between the Authority and the labor unions representing Authority employees ("Unions"). In 2007, the Authority and its Unions agreed as part of an interest arbitration award (the "2007 CBA") that the responsibility for retiree health care benefits would be transferred to a separate and newly-created Retiree Health Care Trust. This agreement was codified in 2008 amendments to the Pension Code. As required by the parties' agreement, the Authority contributed $529.0 million in seed money to the RHCT from proceeds of the Pension Bonds, and the parties to the 2007 CBA confirmed that the obligation of the Authority and the Retirement Plan to provide or fund retiree health care benefits was terminated. Thereafter, the RHCT required subsidy of healthcare premiums from retirees. For a discussion of certain litigation relating to the RHCT, see APPENDIX F— "PENSION PLANS AND

POST-EMPLOYMENT HEALTHCARE–Litigation, Investigations and Labor Relations- *Health Care Benefits*."

CERTAIN INVESTMENT CONSIDERATIONS

The purchase of the Series 2020B Refunding Bonds involves certain investment considerations that are discussed throughout this Official Statement. Certain of these investment considerations are set forth in this section for convenience and are not intended to be a comprehensive compilation of all possible investment considerations nor a substitute for an independent evaluation of the information presented in this Official Statement. Each prospective purchaser of the Series 2020B Refunding Bonds should read this Official Statement in its entirety and consult such prospective purchaser's own investment and/or legal advisor for a more complete explanation of the matters that should be considered when purchasing investments such as the Series 2020B Refunding Bonds. The order in which the investment considerations are presented is not intended to reflect either the likelihood that a particular event will occur or the relative significance of or potential impact of such event. The investment considerations discussed herein, and others not discussed, could affect the ability of the Authority to pay principal of and interest on the Series 2020B Refunding Bonds, and could also affect the marketability of, or the market price for, the Series 2020B Refunding Bonds to an extent that cannot be determined.

Limited Obligations

The Series 2020B Refunding Bonds are limited obligations of the Authority payable solely from Sales Tax Receipts. The Series 2020B Refunding Bonds are not secured by a lien upon any physical properties of the Authority, nor has the Authority established a debt reserve fund or obtained any third-party credit enhancement, credit support, surety bond or insurance with respect to the Series 2020B Refunding Bonds. The Authority has no taxing authority which could be exercised for the purpose of paying debt service on the Series 2020B Refunding Bonds. See "SECURITY FOR THE BONDS—Limited Obligations of the Authority" herein.

Parity Bonds and Additional Bonds

The Series 2020B Refunding Bonds are secured by a parity lien on Sales Tax Receipts with outstanding First Lien Parity Obligations. Therefore, the security for the payment of the principal of and interest on the Series 2020B Refunding Bonds is dependent on the Authority's receipt of Sales Tax Receipts in amounts sufficient to meet the debt service requirements of First Lien Parity Obligations and the Series 2020B Refunding Bonds. See "PLAN OF FINANCE--"SECURITY FOR THE BONDS—Pledge of Security" herein.

Subject to certain financial tests and limitations contained in the Indenture, the Authority may issue additional bonds secured by a pledge of and lien on Sales Tax Receipts on a parity with or subordinate to the Series 2020B Refunding Bonds. See "PLAN OF FINANCE—Future Financings" and "CAPITAL IMPROVEMENT PROGRAM–Sources of Funds" herein. The debt service requirements for the payment of any such additional bonds may be substantial.

The financial tests that must be satisfied to permit the issuance of additional bonds are based on certain assumptions concerning future revenue and debt service requirements. Actual debt service requirements may exceed assumed requirements and result in lower debt service coverage on the Series 2020B Refunding Bonds. See "SECURITY FOR THE BONDS—Additional Sales Tax Receipts Obligations" herein.

COVID-19 Outbreak Impact

The headings "INTRODUCTION—COVID-19 Outbreak Impact" and "FINANCIAL INFORMATION--COVID-19 Outbreak Impact on Revenues and Expenses" herein include a discussion of certain impacts of the COVID-19 outbreak and resulting economic conditions on the operations and financial condition of the Authority; as well as certain impacts on the State, the City, and the RTA that provide funding to the Authority and that its operations support. These impacts are expected to result in a reduction in Sales Tax Receipts realized by the Authority and available for payment of debt service on the Authority's Sales Tax Receipts Revenue Bonds, including the Series 2020B Refunding Bonds.

The economic downturn from the COVID-19 outbreak is also expected to have an adverse impact on RETT Revenues distributed to the Authority. The RETT Revenues are used to pay the Pension Bonds prior to use of the Sales Tax Receipts for such purpose, and as a result the amount of RETT Revenues received by the Authority impacts the amount of Sales Tax Receipts available to pay Sales Tax Receipts Revenue Bonds, including the Series 2020B Refunding Bonds. See "DEBT SERVICE COVERAGE" herein.

The COVID-19 outbreak and resulting economic impact are over-arching factors to be considered in reviewing the investment considerations discussed under this heading.

Factors Affecting Sales Tax Receipts

The following represent some of the factors that may affect the actual amount of sales tax and other revenues collected by the State that impact the amount of RTA Sales Tax, State Sales Tax and Public Transportation Funds transferred to the RTA for funding of the Service Boards, and ultimately the amount of Sales Tax Receipts realized by the Authority and available for payment of debt service on the Authority's Sales Tax Receipts Revenue Bonds, including the Series 2020B Refunding Bonds. A significant change from historical results in any one of these factors could have a material impact on the availability of Sales Tax Receipts and the ability of the Authority to pay debt service on the Authority's Sales Tax Receipts Revenue Bonds, including the Series 2020B Refunding Bonds.

The COVID-19 outbreak and the resulting economic impact and governmental responses are having an adverse impact on economic activity and Sales Tax Receipts. Factors that impact sales transactions include the Stay-at-Home Order, restrictions on business operations, restrictions on travel and quarantine requirements, people's reluctance to travel and shop, unemployment and the overall economic impact on business and individual financial conditions. Such factors may continue and Sales Tax Receipts may be reduced until the economy is stabilized and a reliable vaccine protecting individuals from COVID-19 is approved and is readily available.

However, the Authority may have a new source of Sales Tax Receipts resulting from recreational cannabis sales that became legal in Illinois January 1, 2020. In addition the State and RTA may have increased tax revenues from internet sales that will augment Sales Tax Receipts. In recent years increasing numbers of sales transactions have taken place over the internet and it is expected that this trend will continue. Historically, internet sales have not been treated, for sales and use tax purposes, comparably to in store sales and Sales Tax Receipts have been adversely affected. In recent years increasing numbers of sales transactions have taken place over the Internet and it is expected that this trend will continue. Changes in State law now require retail sellers to collect more kinds of local sales tax on more types of online sales. Illinois has enacted regulations that allow the State to collect sales tax from online retailers who sell to Illinois customers, regardless of whether the retailer has a physical presence in the State. These regulations were made possible after the Supreme Court's decision in South Dakota v. Wayfair Inc., overturning a long established rule that states could only require retailers with a physical presence in the state to collect sales tax from sales to customers located in their state. Effective October 1, 2018, online retailers that have no physical presence in Illinois and whose sales to Illinois residents exceed certain thresholds, are required to register with the State, collect sales taxes for goods purchased online and remit the sales taxes to the State. Online retailers are required to collect a flat 6.25 percent sales tax, or which the State keeps revenues at the rate of 5 percent and distributes the other 1.25 percent to local governments. Although currently the State distributes the money to local governments based on existing formulas and not on where sales occur, beginning in 2021 online retailers will be required to collect the correct amount of sales tax depending on the address of the buyer, which means a Chicago resident would pay the same sales tax for an online purchase that would be charged if that resident made the same purchase in a physical retail store located in their neighborhood. The amount of the tax collected will depend on what taxes are in effect at the buyer's location and the State will distribute the money based on where the purchases occurred.

State Legislative Action. The General Assembly has the authority to amend the provisions of State law governing RTA Sales Tax, State Sales Tax and Public Transportation Funds and the Real Estate Transfer Tax. Legislative changes to: (i) the tax base, tax rates and exemptions for sales taxes; (ii) use of such funds by the State for other purposes; or (iii) the formula for RTA's allocation of RTA Sales Tax, State Sales Tax and/or Public Transportation Funds among the Service Boards, could adversely affect the amount of RTA Sales Tax, State Sales Tax and Public Transportation Funds received by the RTA from the State and/or made available to the Authority.

Beginning in fiscal year 2018, the General Assembly adopted a State budget that reduced the State's Public Transportation Fund "matching funds" surcharge on sales taxes collected by the State prior to transfer to the RTA for distribution to the Service Boards, including the Authority. This resulted in, and will continue to result in, a reduction in Sales Tax Receipts of the Authority for the years affected. See the discussion under the heading "SALES TAX RECEIPTS—State Collection and Disbursements to the RTA" herein.

The General Assembly has proposed and may continue to propose legislation relating to the State and local tax system in Illinois and any such changes could impact the amount of Sales Tax Receipts received by the Authority. The Authority cannot predict the form of any such legislation, if any such legislation will be adopted or the impact of any such legislation on Sales Tax Receipts or operating revenues of the Authority.

Illinois Fair Tax Constitutional Amendment. The Illinois Fair Tax is a proposed amendment to the Illinois State constitution that would change the State's income tax system from a flat tax to a graduated income tax (the "Fair Tax Amendment"). Under current law, Illinois's State income tax rate is a flat rate of 4.95 percent and a flat rate structure is required by the current Illinois State constitution. The Fair Tax Amendment will be on the ballot in the November 3, 2020 general election. Passage requires 60 percent of the votes on the ballot measure itself, or a simple majority of all of those voting in the election. The General Assembly has adopted legislation ("Senate Bill 687") which establishes a new tax structure which will only go into effect if voters approve the Fair Tax Amendment. The proposed new tax structure under Senate Bill 687 would raise taxes on Illinois taxpayers making over $250,000 with rates ranging from 4.75% to 7.99% and Senate Bill 687 also would provide $100 million for property tax relief. The State's fiscal year 2021 budget was balanced in reliance on increased income tax revenues expected to be generated from the Fair Tax Amendment. The Authority cannot predict if the Fair Tax Amendment will be adopted and the impact of passage or failure of such amendment on the financial condition of the State.

Uses of Sales Tax Sources That Impact Sales Tax Receipts. The State Distribution received by the RTA is the amount of the Sales Tax Sources collected by the State reduced by the collection fees imposed by the State on sales tax revenues and debt service on the RTA's bonds and notes. The RTA is entitled to withhold from the amount received in the form of RTA Sales Tax and State Sales Tax up to 15.0

percent for its general corporate purposes and to use the State Distribution to make RTA Withholdings consisting of special fund deposits for ADA paratransit, community mobility and RTA ICE programs, prior to the allocation of such funds among the Service Boards, including the Authority. The amount of Sales Tax Receipts distributed to the Authority in any year is impacted by the State collection fee on sales taxes, debt service on RTA's bond and notes, the amounts withheld for RTA's general corporate purposes and the RTA Withholdings. An increase in any of such amounts, over historical levels, could impact the amount of Sales Tax Receipts received by the Authority.

State Delays in Payments to RTA. The RTA has historically experienced and continues to experience delays by the State in transferring the Sales Tax Sources to the RTA, resulting in certain delays in receipt of Sales Tax Receipts by the Authority. See the discussion under the heading "SALES TAX RECEIPTS—State Collection and Disbursements to the RTA" herein.

The State's inability to adopt a budget for fiscal years 2016 and 2017 resulted in economic uncertainty and disruption in the distribution of State revenues and the payment of State funding. Though the State has adopted budgets since that time, continued budgetary problems of the State, which may be worsened by the economic impact of the COVID-19 outbreak, may impact State legislative actions relating to the provisions of State law governing RTA Sale Taxes, State Sales Tax and Public Transportation Funds, the timely transfer of Sales Tax Sources to the RTA for distribution to the Service Boards, including the Authority, and the funding of the Authority's capital improvements. No assurance can be provided as to what effect, if any, future State payment delays could have on the Authority's ability to make timely payments of principal or interest on the Series 2020B Refunding Bonds when due. See "--Financial Condition of the State and the City of Chicago" below.

Changes in Economic and Demographic Conditions. The Sales Tax Sources are sensitive to changes in local, regional and national economic conditions and/or a decline in the population of the Northeastern Illinois Transit Region. For example, the Sales Tax Sources have historically declined during economic recession, when higher unemployment adversely affects consumption. Demographic changes in the population of the Northeastern Illinois Transit Region may adversely affect the level of commercial and industrial activity in the Northeastern Illinois Transit Region and could reduce the number and value of taxable transactions and thus reduce the amount of revenues from the Sales Tax Sources. It is not possible to predict whether or to what extent any such changes in economic conditions, demographic characteristics, population or commercial and industrial activity will occur, and what impact any such changes would have on Sales Tax Receipts realized by the Authority. See APPENDIX C – "SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION."

Different Sales Tax Rates in Competing Jurisdictions. Increases in sales and use tax rates in the Northeastern Illinois Transit Region, or decreases in sales and use tax rates in other jurisdictions, may create incentives for certain purchases to be made and delivered in jurisdictions with lower overall sales tax rates. As a result, increasing sales and use tax rates in the Northeastern Illinois Transit Region as a means to increase Sales Tax Receipts may not have the intended effect.

Factors Affecting RTA's Transfer of Sales Tax Receipts to the Authority

There are certain State statutory provisions that trigger the withholding, intercept or diversion of the transfer of Sales Tax Receipts by the RTA to the Authority that are described below. Any such action by RTA would reduce the amount of Sales Tax Receipts transferred to the Authority, could have an adverse impact on the financial condition and operations of the Authority, and could impact the ability of the Authority to pay debt service on the Authority's Sales Tax Receipts Revenue Bonds, including the Series 2020B Refunding Bonds. The RTA has never withheld, intercepted or diverted the transfer of funds to the Authority pursuant to such provisions.

Mandatory Funding of Authority's Retirement Plan Contributions From Sales Tax Receipts. The RTA is required to continually review the Authority's payment of required contributions to the Retirement Plan. If at any time the RTA determines that the Authority's payment of any portion of the required contributions to the Retirement Plan is more than one month overdue, the RTA is required as soon as possible to pay the amount of the overdue contributions to the Retirement Board on behalf of the Authority out of moneys otherwise payable to the Authority, which includes Sales Tax Receipts, and to give notice to the Authority and certain other parties of such payment. The 2019 Actuarial Valuation of the Retirement Plan determined the contributions made by the Authority and its employees have been in compliance with the Pension Code, but the Pension Code's contribution requirements are at a level below the actuarially determined ARC and have resulted in an Unfunded Actuarial Accrued Liability of $1.65 billion and a Funded Ratio of 52.62%. See APPENDIX F—PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE–Background Information Regarding the Retirement Plan–*Determination of Authority's Contributions*."

The funding levels of the Retirement Plan are dependent on investment returns of assets of the Retirement Plan and the Funded Ratio and UAAL that are tied to the Authority's required employer contributions are determined, in part, on an assumed rate of return of such investments (currently 8.25%). Declines in the actual or assumed rate of return on such investments resulting from an economic downturn or market volatility, could have an adverse impact on the Funded Ratio and UAAL of the Retirement Plan and could result in an increase in the Authority's required contributions.

RTA Act Mandated Local Assistance to the Authority. The RTA Act requires that no moneys be released by the RTA to the Authority in any fiscal year unless "…a unit or units of local government in Cook County (other than the Authority) enters or enter into an agreement with the Authority to make a monetary contribution for such year of at least $5,000,000 for public transportation." In addition, the RTA Act requires that the City and Cook County must continue to provide services to the Authority at the same level and on the same basis as services were provided as of the effective date of the RTA Act or as otherwise approved by the RTA Board. The City and Cook County have made the required monetary contributions to the Authority each year since the inception of such requirement. If the mandated local assistance requirements are not met, it is possible that the RTA could withhold Sales Tax Receipts otherwise payable to the Authority.

RTA Act Mandated Authority Budget Requirements and Oversight. The RTA Act requires, among other things, that the RTA approve the annual budget of the Authority, including that the Authority finance at least 50% of its operating costs, excluding depreciation and certain other items, from system-generated sources on a budgetary basis. The RTA Board, by the affirmative vote of twelve of its directors, determines whether the Authority's budget and financial plan meet the RTA's criteria and if they are found not to be substantially in compliance, the RTA may direct the Authority to submit a revised budget and financial plan meeting the mandated criteria. If the RTA Board does not approve the budget, the RTA Board can only transfer to the Authority the portion of the Sales Tax Receipts that are RTA Formula Funds and cannot release any RTA Discretionary Funds, until the budget conforms to the criteria specified in the Act. See "THE REGIONAL TRANSPORTATION AUTHORITY—RTA Oversight" and "—Annual Budget Process" herein.

In addition, the RTA Act requires the RTA to perform certain audits to determine if system-generated revenues of the Authority satisfy the Required Recovery Ratio required by the RTA Act, and if they fail to do so the RTA Board is required to remit an amount of such deficit to the State. If the RTA makes any payment to the State pursuant to the foregoing, the RTA must reduce the amount provided to the Authority, from RTA provided funding in proportion to the amount by which the Authority failed to meet its Required Recovery Ratio. See "THE REGIONAL TRANSPORTATION AUTHORITY—RTA

Oversight" and "FINANCIAL INFORMATION—COVID-19 Outbreak Impact on Revenues and Expenses" and "—Amended 2020 Budget" herein.

RTA's Right to Intercept Sales Tax Receipts. Pursuant to the RTA Act, the RTA has the right to intercept Sales Tax Receipts allocable to the Service Boards, including the Authority, in order to make debt service payments on certain RTA bond obligations, in the event that funds from the State (including, but not limited to Public Transportation Funds) are not available to make such payments. Such occurrence could result in the RTA withholding, delaying or not making payments to the Authority of Sales Tax Receipts.

Discretionary Funding. The RTA provides financial assistance to the Service Boards with RTA Discretionary Funds. The percentage of RTA Discretionary Funds are not fixed by statute and requires action each year by the RTA Board. The RTA has historically allocated between 90% and 99% of RTA Discretionary Funds to the Authority. See "SALES TAX RECEIPTS—Allocations of RTA Formula Funds and RTA Discretionary Funds Among the Service Boards" herein. Any significant reduction in RTA's allocation of RTA Discretionary Funds to the Authority, whether the exercise of such discretion is the result of reduced ridership, declining operations, or some other factor, could have a negative impact on Sales Tax Receipts.

Force Majeure Events

General. There are certain unanticipated events beyond the Authority's control that could have a material adverse impact on the generation or collection of Sales Tax Receipts, RETT Revenues and the operations and revenues of the Authority, State, City of Chicago and the RTA if they were to occur. These events include fire, flood, earthquake, severe weather conditions, epidemic, pandemic, adverse health conditions or other unavoidable casualties or acts of God, freight embargo, labor strikes or work stoppages, civil commotion, new acts of war or escalation of existing war conditions, sabotage, terrorism or enemy action, pollution, unknown subsurface or concealed conditions affecting the environment, and any similar causes. No assurance can be provided that such events will not occur, and, if any such events were to occur, no prediction can be provided as to the actual impact or severity of the impact on the financial condition and operations of the Authority, State, City of Chicago and the RTA if they were to occur and the generation or collection of Sales Tax Receipts, RETT Revenues and of operating revenues of the Authority. See "FINANCIAL INFORMATION--COVID-19 Outbreak Impact" herein.

Weather Conditions. The Chicago region is naturally susceptible to the effects of extreme weather events and natural disasters, which could result in negative economic impacts on the Authority, State, City of Chicago and the RTA if they were to occur. Such effects can be exacerbated by a longer-term shift in the climate over several decades (commonly referred to as climate change), including increasing global temperatures and rising lake levels and/or a polar vortex. The occurrence of such extreme weather events could damage local infrastructure, including the Authority's Transportation System. Such extreme weather events could have an adverse impact on the financial condition and operations of the Authority, State, City of Chicago and the RTA if they were to occur the generation or collection of Sales Tax Receipts, RETT Revenues and GTT IGA Revenues and of operating revenues of the Authority.

Cyber Security

The Authority, State, City of Chicago and the RTA, like many other public and private entities, each rely on a large and complex technology environment to conduct their operations, and face multiple cybersecurity threats including, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private or sensitive information, the Authority, State, City of Chicago and RTA each may be the target of cybersecurity incidents that could result in adverse consequences to such entities' Systems Technology, requiring a response action to mitigate the consequences.

Cybersecurity incidents could result from unintentional events, or from deliberate attack by unauthorized entities attempting to gain access to Systems Technology for the purposes of misappropriating assets or information or causing operational disruption or damage to public services, including operation of the Authority's Transportation System. Cybersecurity breaches could cause material disruption to affected entities finances and operations. And the cost of remedying any such damage, protecting against future attacks, or responding to resulting legal claims or proceedings could be substantial.

No assurance can be provided that such a cybersecurity incident will not occur, and, if any such events were to occur, no prediction can be provided as to the actual impact or severity of the impact on the financial condition or operations of the Authority, State, City of Chicago and RTA and the generation or collection of Sales Tax Receipts and of operating revenues of the Authority.

Financial Condition of the State and the City of Chicago

Public funding is the largest source of operating revenues of the Authority. The financial impact that the Authority is experiencing as a result of the COVID-19 outbreak is being similarly felt by the State, the City and the RTA that provide public funding to the Authority. This can be expected to have an adverse impact on the financial condition of such entities and their capacity to increase or maintain the historical level of financial support to the Authority during this crisis or their need to divert such revenues for other purposes.The financial condition of such entities may result in legislative, administrative or other actions that impact Sales Tax Receipts, RETT Revenues and GTT IGA Revenues or the timeliness of payment thereof. See "--Factors Affecting Sales Tax Receipts—*State Legislative Action*. Certain of the sources of public funding to the Authority have statutory or contractual protections from legislative action, reduction or diversion by the funding entity. For a discussion of such statutory and contractual protections see "SALES TAX RECEIPTS—State Collection and Disbursements to the RTA" and "—RETT Revenues Pledged to Payment of the Pension Bonds" and "PLEDGE OF SALES TAX RECEIPTS TO OUTSTANDING INDEBTEDNESS—Second Lien Sales Tax Receipts Obligations—*Short-Term CIP Borrowing Program" herein.* See "FINANCIAL INFORMATION--COVID-19 Outbreak Impact on Revenues and Expenses" herein.

The State has experienced and continues to experience a structural deficit and pension obligations that result annually in significant shortfalls between the State's general fund revenues and spending demands. There can be no certainty as to if or when the State will resolve its structural deficit. The State's inability to adopt a budget for fiscal years 2016 and 2017 resulted in economic uncertainty and disruptions in the distribution of State revenues and the payment of State contracts. Continued budget problems of the State may impact State legislative actions relating to the provisions of State law governing Sales Taxes and Public Transportation Funds, the timeliness of transfer of Sales Tax Sources to the RTA for distribution to the Service Boards, including the Authority, and the State's funding of the Authority's capital improvements. In addition, the failure of the State to resolve its current and future deficits or resolve them by budget cuts and/or increases in taxes, could have an adverse effect on the local and State economy and therefore an adverse impact on the Sales Tax Receipts, RETT Revenues and the operating revenues of the Authority.

The City has experienced structural deficits in recent years. Over the past ten years, the City has experienced an imbalance of tax revenues relative to operating expenditures resulting in operating budget gaps. Since 2012, the City has reduced its General Fund budget gap each year through targeted cuts, revenue enhancements, and improved operating efficiencies. As part of its process to address such ongoing structural budget deficits, the City adopted a substantial increase in property taxes that began in tax year

2015 (collected in 2016) and continued through tax year 2018 (collected in 2019). The failure of the City to resolve any future deficits or resolving them by budget cuts and/or continued increases in property taxes or other taxes, could have an adverse effect on the local economy and therefore an adverse impact on the Sales Tax Receipts, RETT Revenues and the operating revenues of the Authority.

Operating Revenues of the Authority

Similar to other public transit agencies around the country, the Authority is experiencing decreasing ridership which adversely impacts fare box revenues and other Authority revenues tied to Transportation System operations. This results in part from the popularity and availability of competing transportation options including walking, biking, ridesharing, taxis and other forms of ground transportation and of work trends of remote working and tele-commuting options. The Authority's ridership is also impacted by lower gas prices making commuting by car less expensive and the relocation of residential areas in closer proximity to concentrated commercial areas. See "THE AUTHORITY—Ridership Trends and Amended 2020 Budgeted Ridership" herein. Ridership is also impacted by various of the factors that impact Sales Tax Receipts that are described in this heading, such as economic and demographic factors, force majeure events, etc. See "FINANCIAL INFORMATION--COVID-19 Outbreak Impact on Revenues and Expenses" herein.

The Authority's Sales Tax Receipts Revenue Bonds, including the Series 2020B Refunding Bonds, are not a general obligation of the Authority and are not secured by the operating revenues of the Authority, including fare box revenues. However, the ability of the Authority to generate revenues for operations and capital improvements is important to the ongoing funding of the Authority by the State, RTA and federal government.

Project Costs and Capital Requirements

The Authority is currently undertaking major transit projects that require significant capital investment to augment transit services and maintain the Transportation System in SOGR. See "CAPITAL IMPROVEMENT PROGRAM" herein. There can be no assurances that these projects will be completed on budget or on schedule. Whether or not the projects can be completed on budget or on schedule depends on a large number of factors, many of which are beyond the control of the Authority, including a delay in receipt of federal and State grants or loans. The costs for these projects may require the issuance of additional bonds secured by Sales Tax Receipts, which could result in lower debt service coverage on the Sales Tax Receipts Revenue Bonds, including the Series 2020B Refunding Bonds.

Changes in Federal Subsidy Programs

The Authority receives substantial federal assistance for planned capital improvements. The Authority anticipates that its planned capital improvements will require increasing amounts of federal subsidies for the foreseeable future. Any reduction in federal subsidies from anticipated levels or use of such subsidies for operating costs would cause the Authority to place additional reliance on the issuance of additional bonds secured by Sales Tax Receipts, which could result in lower debt service coverage on the Sales Tax Receipts Revenue Bonds, including the Series 2020B Refunding Bonds. See "FINANCIAL INFORMATION--COVID-19 Outbreak Impact on Revenues and Expenses" and "—Amended 2020 Budget" herein.

Bankruptcy

The rights and remedies of the Bondholders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The various opinions of counsel to be delivered with respect to the Series 2020B Refunding Bonds will be similarly qualified.

State and local governments, including the Authority, cannot file for protection under the U.S. Bankruptcy Code unless specifically authorized to be a debtor by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy proceeding. Illinois law does not currently permit the State or other Illinois public entities to file for bankruptcy; however, from time to time, legislation has been introduced in the General Assembly which, if enacted, would permit such entities to file for bankruptcy under the U.S. Bankruptcy Code. No assurance can be provided as to whether any such legislation will be enacted into law.

No Secondary Market

There can be no assurance that a secondary market for the Series 2020B Refunding Bonds will be established, maintained or functioning. Accordingly, each purchaser should expect to bear the risk of the investment represented by the Series 2020B Refunding Bonds to maturity.

Limitations on Remedies of Bondholders

The remedies available upon an event of default under each Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. The legal opinion to be delivered by Co-Bond Counsel concurrently with the delivery of the Series 2020B Refunding Bonds will be qualified as to the enforceability of such Series and the related Indenture by bankruptcy, insolvency or other similar laws affecting the rights of creditors generally.

No Acceleration Provision

The Indenture securing the Series 2020B Refunding Bonds does not contain a provision allowing for the acceleration of the Series 2020B Refunding Bonds secured by such Indenture in the event of a default in the payment of principal of and interest on the Series 2020B Refunding Bonds when due. In the event of a default under the Indenture, the Trustee will have the right to exercise the remedies provided in such Indenture. See APPENDIX A— "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—THE INDENTURE–Events of Default" and "–Remedies."

Effect of Future Ratings Downgrades

The interest rate the Authority pays on new issuances of long-term and short-term debt is highly dependent on the Authority's credit ratings, and downward changes in the Authority's ratings could result in significantly higher interest rates payable by the Authority on future bond issuances and other borrowings. Ratings downgrades below certain threshold levels could trigger an increase in interest rates and costs and events of default under the agreements securing the Authority's notes issued, from time to time, under its Short-Term Borrowing Programs. See "DEBT OBLIGATIONS—Short-Term Borrowing Programs" herein.

In response to the COVID-19 pandemic, the rating agencies that rate the Authority's long-term debt revised their respective outlooks to negative on nearly all long-term debt ratings in the U.S. transportation infrastructure sector due to the severe and ongoing impacts associated with the COVID-19 pandemic. The outlook on the Authority's long-term debt was changed from stable to negative. It is uncertain as to the effect that the COVID-19 outbreak's impact on the operations and financial condition of the Authority of unknown duration may have on the credit ratings of the Authority.

Forward-Looking Statements

This Official Statement, including the appendices hereto, contain certain statements relating to future results that are forward-looking statements. See the discussion under the heading "INTRODUCTION—Forward-Looking Statements" herein. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, bondholders and potential investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material. The Authority does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2020B Refunding Bonds are subject to the approving opinion of Mayer Brown LLP, Chicago, Illinois, and Sanchez Daniels & Hoffman LLP, Chicago, Illinois, Co-Bond Counsel. The proposed form of the opinions to be delivered by Co-Bond Counsel is attached hereto as APPENDIX H—"PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL." Approval of certain other legal matters will be passed upon for the Authority by its General Counsel and by Thompson Coburn LLP, Chicago, Illinois, Disclosure Counsel, and for the Underwriters by Chapman and Cutler LLP, Chicago, Illinois.

TAX MATTERS

Interest Not Exempt From State of Illinois Income Taxes

Interest on the Series 2020B Refunding Bonds is not exempt from present State of Illinois income taxes. Ownership of the Series 2020B Refunding Bonds may result in other state and local tax consequences to certain taxpayers. Co-Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2020B Refunding Bonds. Prospective purchasers of the Series 2020B Refunding Bonds should consult their own tax advisors regarding the application of any such state and local taxes.

Certain United States Federal Income Tax Consequences

The following is a summary of the principal United States federal income tax consequences of ownership of the Series 2020B Refunding Bonds. It deals only with the Series 2020B Refunding Bonds held as capital assets by initial purchasers, and not with special classes of holders, such as dealers in securities or currencies, banks, tax-exempt organizations, certain accrual-method taxpayers subject to special tax accounting rules as a result of their use of applicable financial statements, life insurance companies, persons that hold the Series 2020B Refunding Bonds that are a hedge or that are hedged against currency risks or that are part of a straddle or conversion transaction, persons that are not citizens or residents of the United States or persons whose functional currency is not the U.S. dollar. The summary is based on Co-Bond Counsel's review of the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, perhaps with retroactive effect.

The Code contains a number of provisions relating to the taxation of securities such as the Series 2020B Refunding Bonds (including but not limited to the tax treatment of and accounting for interest, premium, original issue discount and market discount thereon, gain from the sale, exchange or other disposition thereof and withholding and backup withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations. Prospective purchasers of the Series 2020B Refunding Bonds should consult their own tax advisors concerning the consequences, in their particular circumstances, under the Code and the laws of any other taxing jurisdiction, of ownership of the Series 2020B Refunding Bonds.

Taxable Bonds

Consequences to United States Holders. The following is a summary of the material U.S. federal income tax consequences that will apply to holders of Series 2020B Refunding Bonds that are "United States persons" within the meaning of Section 7701(a)(30) of the Code and that are not treated as partnerships for U.S. federal income tax purposes.

Payments of Interest. Except as set forth below, interest on the Series 2020B Refunding Bonds will generally be taxable to holders as ordinary income and included in their income as interest income at the time it is paid or accrued in accordance with the holder's method of accounting for tax purposes.

Original Issue Discount. Holders of Series 2020B Refunding Bonds issued with OID will be subject to special tax accounting rules, as described in greater detail below. In that case, holders should be aware that they generally must include OID in gross income in advance of the receipt of cash attributable to that income. However, holders generally will not be required to include separately in income cash payments received on the Series 2020B Refunding Bonds, even if denominated as interest, to the extent those payments do not constitute "qualified stated interest," as defined below.

A Series 2020B Refunding Bonds with an "issue price" that is less than its "stated redemption price at maturity" (the sum of all payments to be made on such Series 2020B Refunding Bonds other than "qualified stated interest") generally will be issued with OID if that difference is at least 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity or weighted average maturity in the case of a Series 2020B Refunding Bonds with more than one principal payment. The "issue price" of each Series 2020B Refunding Bonds in a particular offering will be the first price at which a substantial amount of that particular offering is sold to the public. The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property, other than debt instruments of the issuer, and meets all of the following conditions:

- it is payable at least once per year;
- it is payable over the entire term of the bond; and
- it is payable at a single fixed rate or, subject to certain conditions, based on one or more interest indices.

If a holder owns a Series 2020B Refunding Bonds issued with de minimis OID, which is discount that is not OID because it is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity (or weighted average maturity in the case of Series 2020B Refunding Bonds with more than one principal payment), the holder generally must include the de minimis OID in income at the time principal payments on the Series 2020B Refunding Bonds are made in proportion to the amount paid. Any amount of de minimis OID that such holder has included in income will be treated as capital gain.

Certain of the Series 2020B Refunding Bonds may contain provisions permitting them to be redeemed prior to their stated maturity at our option and/or at the holder's option. Series 2020B Refunding

Bonds issued with OID containing those features may be subject to rules that differ from the general rules discussed herein. Investors considering the purchase of Series 2020B Refunding Bonds with those features and issued with OID should consult their own tax advisors with respect to those features since the tax consequences to holders with respect to OID will depend, in part, on the particular terms and features of the Series 2020B Refunding Bonds.

Holders of Series 2020B Refunding Bonds issued with OID with a maturity upon issuance of more than one year generally must include OID in income in advance of the receipt of some or all of the related cash payments using the "constant yield method" described in the following paragraphs.

Holders of Series 2020B Refunding Bonds with a maturity of more than one year from its date of issue that have been issued with OID are generally required to include any qualified stated interest payments in income as interest at the time such interest is accrued or is received in accordance with their regular accounting method for tax purposes, as described above under "—Consequences to United States Holders —Payment of Interest" below.

The amount of OID that an initial holder of a Series 2020B Refunding Bonds issued with OID is the sum of the "daily portions" of OID with respect to such Series 2020B Refunding Bonds for each day during the taxable year or portion of the taxable year in which the holder held that bond ("accrued OID") regardless of the holder's regular method of accounting. The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for a Series 2020B Refunding Bonds issued with OID may be of any length and may vary in length over the term of such bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period other than the final accrual period is an amount equal to the excess, if any, of:

- the bond's "adjusted issue price" at the beginning of the accrual period multiplied by its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period; over

- the aggregate of all qualified stated interest allocable to the accrual period.

OID allocable to a final accrual period is the difference between the amount payable at maturity, other than a payment of qualified stated interest, and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a bond at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period, determined without regard to the amortization of any acquisition or bond premium, as described below, and reduced by any payments previously made on the bond other than a payment of qualified stated interest. Under these rules, holders will generally have to include in income increasingly greater amounts of OID in successive accrual periods.

Series 2020B Refunding Bonds that provide for a variable rate of interest ("variable rate bonds") are subject to special OID rules. In the case of a Series 2020B Refunding Bonds issued with OID that is a variable rate bond, both the "yield to maturity" and "qualified stated interest" will be determined solely for purposes of calculating the accrual of OID as though such bond will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on such bond on its date of issue or, in the case of certain variable rate bonds, the rate that reflects the yield to maturity that is reasonably expected for such bond. Additional rules may apply if either:

- the interest on a variable rate Bond is based on more than one interest index; or

- the principal amount of such Bond is indexed in any manner.

The discussion above generally does not address Series 2020B Refunding Bonds that are subject to the special rules governing contingent payment debt instruments. Holders should consult their own tax advisors regarding the U.S. federal income tax consequences of the holding and disposition of any Series 2020B Refunding Bonds that are subject to the special rules governing contingent payment debt instruments.

Holders may elect to treat all interest on any Series 2020B Refunding Bonds as OID and calculate the amount includible in gross income under the constant yield method described above subject to certain limitations and exceptions. For purposes of this election, interest includes stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. Holders should consult with their own tax advisors about this election.

Market Discount. In the case of holders who purchase a Series 2020B Refunding Bonds for an amount that is less than its stated redemption price at maturity (or, in the case of a Series 2020B Refunding Bonds issued with OID, its adjusted issue price), the amount of the difference will be treated as "market discount" for U.S. federal income tax purposes, unless that difference is less than a specified de minimis amount. Under the market discount rules, holders will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a Series 2020B Refunding Bonds as ordinary income to the extent of the market discount that such holders have not previously included in income and are treated as having accrued on such bond at the time of the payment or disposition.

In addition, holders may be required to defer, until the maturity of the Series 2020B Refunding Bonds or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness attributable to the Series 2020B Refunding Bonds. A holder may elect, on a bond-by-bond basis, to deduct the deferred interest expense in a tax year prior to the year of disposition. Holders should consult their own tax advisors before making this election.

Any market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Series 2020B Refunding Bonds, unless the holder elects to accrue on a constant interest method. Holders may elect to include market discount in income currently as it accrues, on either a ratable or constant interest method, in which case the rule described above regarding deferral of interest deductions will not apply.

Acquisition Premium, Amortizable Bond Premium. If a holder purchases a Series 2020B Refunding Bonds issued with OID for an amount that is greater than its adjusted issue price but equal to or less than the sum of all amounts payable on such bond after the purchase date other than payments of qualified stated interest, such holder will be considered to have purchased that bond at an "acquisition premium." Under the acquisition premium rules, the amount of OID that such holder must include in gross income with respect to such bond for any taxable year will be reduced by the portion of the acquisition premium properly allocable to that year.

If a holder purchases a Series 2020B Refunding Bonds (including a Series 2020B Refunding Bonds issued with OID) for an amount in excess of the sum of all amounts payable on such bond after the purchase date other than qualified stated interest, such holder will be considered to have purchased the Series 2020B Refunding Bonds at a "premium" and, if it is a Series 2020B Refunding Bonds, such holder will not be required to include any OID in income. A holder generally may elect to amortize the premium over the remaining term of the Series 2020B Refunding Bonds on a constant yield method as an offset to interest when includible in income under the holder's regular accounting method. Special rules limit the amortization of premium in the case of convertible debt instruments. If a holder does not elect to amortize bond premium, that premium will decrease the gain or increase the loss the holder would otherwise recognize on disposition of the Series 2020B Refunding Bonds.

Sale, Exchange, Retirement or other Disposition of Bonds. A holder's adjusted tax basis in a Series 2020B Refunding Bonds will, in general, be the holder's cost for that bond, increased by OID or market discount, and reduced by any amortized premium and any cash payments on such bond other than qualified stated interest. Upon the sale, exchange, retirement or other disposition of a Series 2020B Refunding Bonds, the holder will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less an amount equal to any accrued and unpaid qualified stated interest, which will be taxable as interest income to the extent not previously included in income) and the adjusted tax basis of the Series 2020B Refunding Bonds.

A holder's amount realized will include the amount of any cash and the fair market value of any other property received for the Series 2020B Refunding Bonds. Except (i) as described above with respect to market discount and (ii) with respect to contingent payment debt instruments which this summary generally does not discuss, that gain or loss will be capital gain or loss. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Additional Medicare Tax. Certain United States holders that are individuals, estates or trusts and whose income exceeds certain thresholds will be subject to an additional 3.8% Medicare tax on some or all of such United States holder's "net investment income." Net investment income generally includes interest on, and gain from the disposition of, the Series 2020B Refunding Bonds unless such interest income or gain is derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). United States holders should consult their tax advisors regarding the effect this tax may have, if any, on their acquisition, ownership or disposition of the Series 2020B Refunding Bonds.

Consequences to Non-United States Holders. The following is a summary of the material U.S. federal income and estate tax consequences that will apply to a holder of Series 2020B Refunding Bonds other than a United States person (within the meaning of Section 7701(a)(30) of the Code) or a partnership for U.S. federal income tax purposes.

U.S. Federal Withholding Tax. Subject to the discussion of backup withholding and FATCA below, the 30% U.S. federal withholding tax ordinarily imposed on U.S. source payments of interest to non-United States holders will not apply to any payment of interest on the Series 2020B Refunding Bonds (including OID) under the "portfolio interest rule," provided that:

- interest paid on the Series 2020B Refunding Bonds is not effectively connected with the holder's conduct of a trade or business in the United States, or a permanent establishment maintained by the holder in the United States if certain tax treaties apply;

- the holder is not a "10-percent shareholder" of us within the meaning of Section 871(h)(3)(B) of the Code and applicable United States Treasury regulations;

- the holder is not a controlled foreign corporation that is related to the Authority directly or indirectly through stock ownership;

- the interest is not considered contingent interest under Section 871(h)(4)(A) of the Code and the United States Treasury regulations thereunder; and

- either (a) the holder provides its name and address on an IRS Form W-8BEN or IRS Form W-8BEN-E (or other applicable form), and certifies, under penalties of perjury, that it is not a United States person as defined under the Code or (b) the holder holds its Series 2020B Refunding Bonds through certain foreign intermediaries and satisfies the certification requirements of applicable United States Treasury regulations. Special certification rules apply to non-United States holders that are pass-through entities rather than corporations or individuals.

If a holder cannot satisfy the requirements described above, payments of interest, including OID, made to such holder will be subject to the 30% U.S. federal withholding tax, unless the holder provides us with a properly executed:

- IRS Form W-8BEN or IRS Form W-8BEN-E (or other applicable form) claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty; or

- IRS Form W-8ECI (or other applicable form) stating that interest paid on the Series 2020B Refunding Bonds is not subject to withholding tax because it is effectively connected with the holder's conduct of a trade or business in the United States (as discussed below under "—U.S. Federal Income Tax On Effectively Connected Income").

Subject to the discussion of FATCA below, the 30% U.S. federal withholding tax generally will not apply to any payment of principal or gain that a holder realizes on the sale, exchange, retirement or other disposition of a Series 2020B Refunding Bonds.

U.S. Federal Income Tax On Effectively Connected Income. If a holder is engaged in a trade or business in the United States and interest, including OID, on the Series 2020B Refunding Bonds is effectively connected with the conduct of that trade or business (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment maintained by the holder), then such holder will be subject to U.S. federal income tax on that interest on a net income basis (although the holder will be exempt from the 30% U.S. federal withholding tax, provided the certification requirements discussed above in "—U.S. Federal Withholding Tax" are satisfied) in the same manner as if such holder were a United States person as defined under the Code. In addition, if such holder is a foreign corporation, such holder may be subject to a branch profits tax equal to 30% (or lower applicable income tax treaty rate) of such interest, subject to certain adjustments.

Sale, Exchange, Retirement or other Disposition of Bonds. Subject to the discussion of backup withholding and FATCA below, any gain realized on the disposition of a Series 2020B Refunding Bonds generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with the holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment maintained by the holder); or

- the holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met.

Information Reporting and Backup Withholding.

Consequences to United States Holders. In general, information reporting requirements will apply to certain payments of interest (including OID) and premium paid on Series 2020B Refunding Bonds and to the proceeds of sale of a Series 2020B Refunding Bonds paid to the holder (unless such holder is an exempt recipient such as a corporation). A backup withholding tax may apply to such payments if the holder fails to provide a taxpayer identification number or a certification of exempt status, or if the holder fails to report in full dividend and interest income.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the holder's U.S. federal income tax liability provided the required information is furnished to the IRS on a timely basis.

Consequences to Non-United States Holders. Generally, the Authority must report to the IRS and to holders the amount of interest (including OID) on the Series 2020B Refunding Bonds paid to holders and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which a holder resides under the provisions of an applicable income tax treaty or multilateral agreement.

In general, a holder will not be subject to backup withholding with respect to payments on the Series 2020B Refunding Bonds that the Authority makes to such holder provided that the Authority does not have actual knowledge or reason to know that such holder is a United States person as defined under the Code, and the Authority has received from such holder the statement described above in the sixth bullet point under "—Consequences to Non-United States Holders—U.S. Federal Withholding Tax."

In addition, subject to the discussion of FATCA below, no information reporting or backup withholding will be required regarding the proceeds of the sale of a bond made within the United States or conducted through certain United States-related financial intermediaries, if the payor receives the statement described above and does not have actual knowledge or reason to know that the holder is a United States person as defined under the Code, or the holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the holder's U.S. federal income tax liability provided the required information is furnished to the IRS on a timely basis.

FATCA

Pursuant to Sections 1471 through 1474 of the Code and United States Treasury regulations promulgated thereunder (commonly referred to as "FATCA"), a separate U.S. withholding tax is imposed at the rate of 30% on payments of U.S. source interest and, under rules previously scheduled to take effect beginning January 1, 2019, on the gross proceeds from the sale or other taxable disposition of Series 2020B Refunding Bonds producing U.S. source interest, made to non-U.S. financial institutions and certain other non-U.S. non-financial entities (including, in some instances, where such an entity is acting as an intermediary) that fail to comply with certain information reporting obligations. Treasury Regulations were recently published in proposed form that eliminate withholding on payments of gross proceeds from such dispositions. Pursuant to these proposed Treasury Regulations, the Authority and any withholding agent may rely on this change to FATCA withholding until the final Treasury Regulations are issued. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest or principal payments on Series 2020B Refunding Bonds as a result of a holder's failure to comply with these rules or the presence in the payment chain of an intermediary that does not comply with these rules, neither the Authority nor any paying agent nor any other person would be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less interest or principal than expected. Certain countries have entered into, and other countries are expected to enter into, agreements with the United States to facilitate the type of information reporting required under FATCA. While the existence of such agreements will not eliminate the risk that Series 2020B Refunding Bonds will be subject to withholding, these agreements are expected to reduce the risk of the withholding for investors in (or indirectly holding Series 2020B Refunding Bonds through financial institutions in) those countries. Non-United States holders should consult their own tax advisors regarding FATCA and whether it may be relevant to their purchase, ownership and disposition of Series 2020B Refunding Bonds.

Change of Law

The opinions of Co-Bond Counsel and the descriptions of tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the applicable series of Series 2020B Refunding Bonds are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Series 2020B Refunding Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2020B Refunding Bonds.

LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, to the knowledge of the Authority, pending or threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Series 2020B Refunding Bonds, the application of the proceeds thereof in accordance with the Indenture, or the receipt or application of Sales Tax Receipts or other moneys to be pledged to pay the principal of and interest on the Series 2020B Refunding Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Series 2020B Refunding Bonds, the Indenture or any other agreement entered into in connection therewith, or in any way contesting the completeness or accuracy of this Official Statement or the powers of the Authority or its authority with respect to the Series 2020B Refunding Bonds, or the Indenture or any other agreement entered into in connection therewith.

RATINGS

S&P and KBRA have assigned the Series 2020B Refunding Bonds ratings of “AA” (negative outlook) and “AA” (negative outlook), respectively.

There is no assurance that the credit ratings given to the Series 2020B Refunding Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by the rating agencies, if, in their judgment, circumstances so warrant. The Authority does not undertake and has no responsibility to oppose any downward revision or withdrawal of any one or both of the ratings. Any downward revision or withdrawal of one or both of the ratings may have an adverse effect on the market price of the Series 2020B Refunding Bonds. The ratings reflect only the views of such organizations and an explanation of the significance of the ratings may be obtained from the credit rating agencies.

FINANCIAL ADVISORS

Sycamore Advisors, LLC, Chicago, Illinois and Public Alternative Advisors, LLC, Chicago, Illinois, serve as Financial Advisors to the Authority with respect to the sale of the Series 2020B Refunding Bonds. The Financial Advisors have not conducted a detailed investigation of the affairs of the Authority to determine the completeness or accuracy of this Official Statement. Because of their limited participation, the Financial Advisors have not independently verified any of the data contained herein and have no responsibility for the accuracy or completeness thereof.

CONTINUING DISCLOSURE UNDERTAKING

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12 promulgated by the Securities Exchange Commission (the "Rule"), the Authority will enter into a Continuing Disclosure Undertaking for the benefit of the Bondholders (as defined in such agreement) from time to time of the Series 2020B Refunding Bonds. The form of the Continuing Disclosure Undertaking, including the nature of the information that the Authority has agreed to supply on an annual basis, is attached to this Official Statement in APPENDIX E—"FORM OF CONTINUING DISCLOSURE UNDERTAKING."

On January 17, 2013, Moody's Investors Service Inc. ("Moody's") downgraded the rating of Assured Guaranty Municipal Corp. from "Aa3" to "A2," which provided a municipal bond insurance policy relating to a certain series of the Authority's capital grant receipts revenue bonds. Also, on June 27, 2017, S&P upgraded the rating of certain of the Authority's capital grants receipts revenue project bonds from "A" to "A+". Event notices with respect to such rating changes were not filed with the Electronic Municipal Market Access system ("EMMA") of the Municipal Securities Rulemaking Board as required by the Rule. The Authority made such required filings on June 28, 2017 and July 13, 2017, respectively. Further, Moody's and S&P downgraded the rating on the Authority's sales and transfer tax receipts revenue bonds on September 21, 2009 and February 12, 2010, respectively. Event notices with respect to such rating changes were not filed with EMMA as required by the Rule. The Authority made such required filings on August 16, 2020.

In June 2020, the Authority made certain filings with the EMMA to address previous incomplete filings and to fulfill previous continuing disclosure undertaking filing obligations for certain of the Authority's outstanding Sales Tax Receipts Revenue Bonds, including certain financial information and operating data (exclusive of Audited Financial Statements) for fiscal years 2016, 2017 and 2018. In addition, on August 14, 2020, the Authority filed an amendment to the cover page of an Annual Disclosure, originally filed on June 28, 2020, that added one additional fiscal year to the previously filed list of years for which the Authority failed to file. Further, on August 16, 2020, the Authority made certain filings with the EMMA to address previous incomplete filings and to fulfill previous continuing disclosure undertaking filing obligations for certain of the Public Building Commission of Chicago's outstanding building revenue bonds, including certain financial information and operating data (exclusive of Audited Financial Statements) for fiscal years 2015 through 2019. As of the date hereof, the Authority is in compliance with the continuing disclosure obligations related to its outstanding bonds. In order to ensure future compliance, the Authority has established certain procedures, including its development of a checklist and a tickler system, to ensure timely and complete filings.

UNDERWRITING

Series 2020B Refunding Bonds

A group of underwriters (the "Underwriters"), managed by Goldman Sachs & Co. LLC and identified on the front cover page, is purchasing the Series 2020B Refunding Bonds, subject to certain conditions set forth in a bond purchase agreement relating to the Series 2020B Refunding Bonds (the "Bond Purchase Agreement").

Pursuant to the Bond Purchase Agreement, the Underwriters have agreed to purchase the Series 2020B Refunding Bonds at a purchase price of $531,329,066.76 (representing the principal amount of the Series 2020B Refunding Bonds, less the Underwriters' discount of $2,675,933.24). The initial public offering prices of the Series 2020B Refunding Bonds may be changed from time to time by the Underwriters after the Series 2020B Refunding Bonds have been released for sale. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2020B Refunding Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including, among others, the approval of certain legal matters by Underwriters' Counsel.

Certain Relationships

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

Huntington Capital Markets is a trade name under which securities and investment banking products and services of Huntington Bancshares Incorporated and its subsidiaries, including Huntington Securities, Inc. ("HSI"), are marketed. Municipal sales, trading and underwriting services are provided through HSI, which is a broker-dealer registered with the Securities and Exchange Commission.

Stern Brothers & Co., an Underwriter of the Series 2020B Refunding Bonds, has entered into agreements (each a "Stern Brothers Agreement") with 280 Securities LLC ("280 Securities") and BNY Mellon Capital Markets, LLC ("BNYMCM") for the distribution of certain municipal securities offerings at the original issue price. Pursuant to each Stern Brothers Agreement, Stern Brothers & Co. may sell the bonds to 280 Securities and BNYMCM and will share a portion of its selling concession compensation with each, if applicable.

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MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers, holders or beneficial owners of any of the Series 2020B Refunding Bonds. All of the summaries of the Series 2020B Refunding Bonds, the Indenture, applicable legislation, and other agreements and documents in this Official Statement are made subject to the provisions of the Series 2020B Refunding Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information in connection therewith.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

CHICAGO TRANSIT AUTHORITY

By: /s/ Jeremy V. Fine
Chief Financial Officer and Treasurer

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APPENDIX A

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in this Official Statement that are provided for the convenience of the reader and do not purport to be comprehensive or definitive. Certain capitalized terms used herein are defined elsewhere in this Official Statement. All references herein to terms defined in the Indenture are qualified in their entirety by the definitions set forth in the Indenture.

"*Accountant*" means an independent certified public accountant or a firm of independent certified public accountants (who may be the accountants who regularly audit the books and accounts of the Authority) who are selected and paid by the Authority.

"*Accounts*" means the special accounts created and established pursuant to the 2010 Indenture or any Supplemental Indenture.

"*Accreted Amount*" means, with respect to any Capital Appreciation Bonds, the amount set forth in the Supplemental Indenture authorizing such Capital Appreciation Bonds as the amount representing the initial public offering price thereof, plus the amount of interest that has accreted on such Capital Appreciation Bonds, compounded periodically, to the date of calculation, determined by reference to accretion tables contained in each such Capital Appreciation Bond or contained or referred to in any Supplemental Indenture authorizing the issuance of such Capital Appreciation Bonds. The Accreted Amounts for such Capital Appreciation Bonds as of any date not stated in such tables shall be calculated by adding to the Accreted Amount for such Capital Appreciation Bonds as of the date stated in such tables immediately preceding the date of computation a portion of the difference between the Accreted Amount for such preceding date and the Accreted Amount for such Capital Appreciation Bonds as of the date shown on such tables immediately succeeding the date of calculation, apportioned on the assumption that interest accretes during any period in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months.

"*Act*" means the Metropolitan Transit Authority Act, 70 Illinois Compiled Statutes 3605, as the same may be amended and supplemented from time to time.

"*Additional Bonds*" means Bonds authorized and delivered on original issuance pursuant to the provisions of the Indenture summarized under the heading "THE INDENTURE—Additional Bonds" in this Appendix A.

"*Allocable Share*" means, with respect to any Series of Consolidated Reserve Fund Bonds and the funding of any deficiency in the Consolidated Debt Service Reserve Fund or any reimbursement of a draw of moneys under a Qualified Reserve Credit Instrument held in the Consolidated Debt Service Reserve Fund, the amount obtained by multiplying the amount needed to cure such deficiency or the amount needed to fully restore the coverage of the Qualified Reserve Credit Instrument by a fraction the numerator of which is the principal amount of the Outstanding Bonds of such Series and the denominator of which is the principal amount of all Outstanding Consolidated Reserve Fund Bonds.

"*Annual Coverage Requirement*" means, with respect to any Bond Year, the aggregate of the Annual Debt Service Requirement for such Bond Year, the Pension and Retirement Debt Payments for such Bond Year and the PBC Annual Rent for such Bond Year.

"*Annual Debt Service Requirement*" means, with respect to any Bond Year, the aggregate of the Interest Requirement and the Principal Requirement for such Bond Year.

"*Authority*" means the Chicago Transit Authority, duly organized and existing under the Act.

"*Authorized Denominations*" means $1,000 or any integral multiple thereof.

"*Authorized Officer*" means the Chairman of the Board, the President the Treasurer or the Assistant Treasurer of the Authority, or any other officer or employee of the Authority or member of the Board authorized to perform specific acts or duties hereunder by ordinance duly adopted by the Authority.

"*Board*" means the Chicago Transit Board.

"*Bond*" or "*Bonds*" means any bond or bonds, including any Series 2020B Refunding Bonds, any Additional Bond, and any Refunding Bond, authenticated and delivered under and pursuant to the Indenture.

"*Bond Insurance Policy*" means any municipal bond insurance policy insuring and guaranteeing the payment of the principal of and interest on a Series of Bonds or certain maturities thereof as may be provided in the Supplemental Indenture authorizing such Series or as otherwise may be designated by the Authority.

"*Bond Insurer*" means any person authorized under law to issue a Bond Insurance Policy.

"*Bond Ordinance*" means Ordinance Number 020-028 adopted by the Board on April 8, 2020 and entitled: Ordinance Authorizing The Execution And Delivery Of One Or More Supplemental Indentures Under Which The Chicago Transit Authority May Issue One Or More Series Of Debt Obligations Payable From The Sales Tax Receipts Fund And The Transfer Tax Receipts Fund; Authorizing The Issuance Of Sales And Transfer Tax Receipts Revenue Refunding Bonds, Series 2020B; Authorizing The Execution And Delivery Of One Or More Supplemental Indentures Under Which The Chicago Transit Authority May Issue One Or More Series Of Corporate Purpose Debt Obligations Payable From The Sales Tax Receipts Fund; Authorizing The Issuance Of Sales Tax Receipts Revenue Refunding Bonds, Series 2020B; Authorizing The Execution And Delivery Of One Or More Supplemental Indentures Under Which The Chicago Transit Authority May Issue Second Lien Obligations Payable From The Sales Tax Receipts Fund; And Authorizing The Issuance Of Second Lien Sales Tax Receipts Revenue Refunding Bonds, Series 2020B.

"*Bond Year*" means the 12-month period commencing on December 2 of a year and ending on December 1 of the next succeeding year.

"*Business Day*" means any day which is not a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the city where the principal corporate trust office of any Fiduciary is located are authorized or required by law or executive order to close (and such Fiduciary is in fact closed).

"*Capital Appreciation and Income Bond*" means any Bond as to which accruing interest is not paid prior to the Interest Commencement Date specified therefor and is compounded periodically on certain designated dates prior to the Interest Commencement Date specified therefor, all as provided in the Supplemental Indenture authorizing the issuance of such Capital Appreciation and Income Bond.

"*Capital Appreciation Bond*" means any Bond the interest on which (i) shall be compounded periodically on certain designated dates, (ii) shall be payable only at maturity or redemption prior to maturity and (iii) shall be determined by subtracting from the Accreted Amount the initial public offering price thereof, all as provided in the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bond. The term "Capital Appreciation Bond" also includes any Capital Appreciation and Income Bond prior to the Interest Commencement Date specified therefor.

"*Certificate*" means an instrument of the Authority in writing signed by an Authorized Officer.

"*City*" means the City of Chicago, a municipal corporation and a home rule unit of government of the State.

"*City Transfer Tax*" means the tax on the privilege of transferring title to real estate in the City in the amount of $1.50 per $500 of value or fraction thereof imposed under the provisions of Section 8-3-19 of the Illinois Municipal Code and Chapter 3-33 of the Municipal Code of Chicago.

"*Code*" or "*Code and Regulations*" means the Internal Revenue Code of 1986, and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

"*Consolidated Debt Service Reserve Fund*" means the Consolidated Debt Service Reserve Fund established in the 2010 Indenture for the benefit of Consolidated Reserve Fund Bonds.

"*Consolidated Reserve Fund Bonds*" means Bonds of a Series so designated by the Authority in the Supplemental Indenture authorizing such Series.

"*Consolidated Reserve Requirement*" means, as of the date of calculation, an amount equal to fifty percent (50%) of the maximum amount of Principal and interest (exclusive of interest to be paid from a capitalized interest account) payable on Outstanding Consolidated Reserve Fund Bonds in the then current or any future Bond Year.

"*Corporate Purpose Debt Obligation*" means any bond (including any Bond), note, installment contract, financing contract, lease or other evidence of indebtedness (other than a Pension and Retirement Obligation or the PBC Lease) that is payable from or secured by a pledge of or lien on the Sales Tax Receipts Fund on a parity with any lien on or pledge of the Sales Tax Receipts Fund granted by the 2010 Indenture as security for the payment of Parity Obligations.

"*Corporate Purpose Debt Payment*" means with respect to each Corporate Purpose Debt Obligation, the amounts payable by the Authority under the terms of such Corporate Purpose Debt Obligation, including payments of principal, interest, rent and any financing cost.

"*Counsel's Opinion*" means an opinion signed by an attorney or firm of attorneys of recognized standing in the area of law to which the opinion relates, who may be counsel to the Authority (including the General Counsel of the Authority).

"*Credit Bank*" means, as to any particular Series of Bonds, the person (other than a Bond Insurer) providing a Credit Facility.

"*Credit Facility*" means, as to any particular Series of Bonds, a letter of credit, a line of credit, a guaranty, a standby bond purchase agreement or other credit or liquidity enhancement facility, other than a Bond Insurance Policy.

"*Current Funds*" means moneys which are immediately available in the hands of the payee at the place of payment.

"*Current Interest Bond*" means any Bond the interest on which is payable on the Interest Payment Dates provided therefor in the Supplemental Indenture authorizing such Current Interest Bond. The term "Current Interest Bond" also includes any Capital Appreciation and Income Bond from and after the Interest Commencement Date specified therefor.

"*Date of Issuance*" means the date of original issuance and delivery of the Series 2020B Refunding Bonds.

"*Debt Service Fund*" means the Debt Service Fund established in the Indenture.

"*Debt Service Reserve Account*" means any reserve account within the Debt Service Fund established pursuant to the 2010 Indenture or a Supplemental Indenture.

"*Defeasance Obligations*" means Government Obligations that are not subject to redemption or prepayment other than at the option of the holder thereof.

"*Depositary*" means any bank, national banking association or trust company having capital stock, surplus and retained earnings aggregating at least $10,000,000, selected by an Authorized Officer as a depositary of moneys and securities held under the provisions of the Indenture, and may include the Trustee.

"*DTC*" means The Depository Trust Company, as securities depository for the Series 2020B Refunding Bonds.

"*DTC Participant*" shall mean any securities broker or dealer, bank, trust company, clearing corporation or other organization depositing Series 2020B Refunding Bonds with DTC.

"*Event of Default*" means any event so designated and specified in the 2010 Indenture.

"*Fiduciary*" or "*Fiduciaries*" means the Trustee, the Registrar, the Paying Agents and any Depositary, or any or all of them, as may be appropriate.

"*First Lien Parity Obligations*" means any Parity Obligation (including the Outstanding First Lien Bonds) and any Pension and Retirement Debt Obligation.

"*Fiscal Year*" means the period January 1 through December 31 of the same year.

"*Fourth Supplemental Indenture*" means the Fourth Supplemental Indenture, dated as of September 1, 2020 by and between the Authority and the Trustee, as from time to time amended and supplemented.

"*Funds*" means the special funds created and established pursuant to the 2010 Indenture or any Supplemental Indenture.

"*Government Obligations*" means any direct obligations of the United States of America and any obligations guaranteed as to the timely payment of principal and interest by the United States of America or any agency or instrumentality of the United States of America, when such obligations are backed by the full faith and credit of the United States of America.

"*Indenture*" means the 2010 Indenture as supplemented and amended to date, and as further supplemented by a Fourth Supplemental Indenture, as so supplemented and amended.

"*Insured Bond*" means any Bond with respect to which the payment of principal and interest is guaranteed under a Bond Insurance Policy.

"*Interest Commencement Date*" means, with respect to any Capital Appreciation and Income Bond, the date specified in the Supplemental Indenture authorizing the issuance of such Capital Appreciation and Income Bond (which date must be prior to the maturity date for such Capital Appreciation and Income

Bond) after which interest accruing on such Capital Appreciation and Income Bond shall be payable periodically, with the first such payment date being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

"*Interest Payment Date*" means any Payment Date on which interest on any Parity Obligation is payable and for the Series 2020B Refunding Bonds means December 1, 2020 and each June 1 and December 1 of each year thereafter.

"*Interest Period*" means the period from the date of any Parity Obligation to and including the date immediately preceding the first Interest Payment Date and thereafter shall mean each period from and including an Interest Payment Date to and including the day immediately preceding the next Interest Payment Date.

"*Interest Requirement*" for any Bond Year or any Interest Period, as the context may require, as applied to Bonds of any Series then Outstanding and each Section 207 Obligation then Outstanding, shall mean the total of the sums that would be deemed to accrue on such Bonds or Section 207 Obligations during such Bond Year or Interest Period if the interest on the Bonds or Section 207 Obligations were deemed to accrue daily during such Bond Year or Interest Period in equal amounts, and employing the methods of calculation set forth (i) in the Indenture as described in this APPENDIX A under the heading "INDENTURE – Hedging Transactions" in the case of a Qualified Swap Agreement and (ii) in the Indenture as described in this APPENDIX A under the heading "INDENTURE – Optional Tender Bonds and Variable Rate Bonds" and "-Variable Interest Rates" in the cases of Optional Tender Bonds and Variable Rate Bonds; *provided* that interest expense shall be excluded from the determination of Interest Requirement to the extent that such interest is to be paid from the proceeds of Bonds allocable to the payment of such interest as provided in the Supplemental Indenture authorizing the issuance of a Series of Bonds or other available moneys or from investment (but not reinvestment) earnings thereon if such proceeds shall have been invested in Investment Securities and to the extent such earnings may be determined precisely. Unless the Authority shall otherwise provide in a Supplemental Indenture, interest expense on Credit Facilities drawn upon to purchase but not to retire Bonds, except to the extent such interest exceeds the interest otherwise payable on such Bonds, shall not be included in the determination of Interest Requirement.

"*Investment Securities*" means any of the following securities or investments authorized by law as permitted investments of Authority funds at the time of purchase thereof:

(i) Government Obligations;

(ii) obligations of any of the following federal agencies, which obligations are fully guaranteed by the full faith and credit of the United States of America:

- Department of Treasury
- Commodity Credit Corporation
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Public Housing Agencies

(iii) direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- obligations of the Resolution Funding Corporation (REFCORP)
- obligations of the Tennessee Valley Authority (TVA)
- senior debt obligations of the Federal Home Loan Bank System (FHLB)
- senior debt obligations of other government sponsored agencies approved by each Bond Insurer

(iv) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's Investors Service and "A-1+" by Standard & Poor's and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(v) commercial paper which is rated at the time of purchase "P-1" by Moody's Investors Service and "A-1+" by Standard & Poor's and which matures not more than 270 calendar days after the date of purchase;

(vi) investments in a money market fund rated the equivalent of "AAAm" or "AAAm-G" or better by Standard & Poor's and rated "Aaa" by Moody's Investors Service;

(vii) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's Investor Service and Standard & Poor's or any successors thereto; or (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (vii) on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(viii) municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of "A2/A" or higher by both Moody's Investors Service and Standard & Poor's;

(ix) any repurchase agreements collateralized by securities described in clauses (i), (ii) or (iii) above with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank or parent holding company providing a guaranty has an uninsured, unsecured and unguaranteed obligation rated (an "unsecured rating") Prime-1 and A3 or better by Moody's Investors Service, Inc., or A- or better by Standard & Poor's Ratings Services provided (1) a specific written agreement governs the transaction; (2) the securities are held by a depository acting solely as agent for the Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and with combined capital, surplus and undivided profits of not less than $25,000,000, and the Trustee shall have received written confirmation from such third party that it holds such securities; (3) a perfected first security interest under the Uniform

Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; (4) the repurchase agreement has a term of one year or less, or the collateral securities will be valued no less frequently than monthly and will be liquidated if any deficiency in the required collateral percentage is not restored within two business days of such valuation; (5) the repurchase agreement matures at least 10 days (or other appropriate liquidation period) prior to a Payment Date; and (6) the fair market value of the securities in relation to the amount of the repurchase obligations, including principal and interest, is equal to at least 100 percent;

(x) investment agreements which represent the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution, in either case that has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the two highest rating categories by each of the Rating Services; or

(xi) any other type of investment in which the Authority directs the Trustee in writing to invest, provided that there is delivered to the Trustee a Certificate stating that each Rating Service has been informed of the proposal to invest in such investment and each Rating Service has confirmed that such investment will not adversely affect the rating then assigned by such Rating Service to any Parity Obligations.

"*Maximum Annual Coverage Requirement*" means, as of any date of calculation, the largest Annual Coverage Requirement occurring in the then current or any future Bond Year.

"*Maximum Annual Debt Service Requirement*" means, as of any date of calculation, the largest Annual Debt Service Requirement occurring in the then current and any succeeding Bond Year.

"*Optional Tender Bonds*" means any Bonds with respect to which the Owners thereof have the option to tender to the Authority, to any Fiduciary or to any agent thereof, all or a portion of such Optional Tender Bonds for payment or purchase.

"*Outstanding*," when used with reference to Parity Obligations, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Indenture, all Section 206 Obligations incurred under Qualified Swap Agreements and all Section 207 Obligations incurred under Credit Facilities except:

(i) Any Parity Obligations canceled by the Trustee or the Person entitled to payment of any Section 206 Obligation or Section 207 Obligation, as the case may, be, at or prior to such date or theretofore delivered to the Trustee or the Authority, as the case may be, for cancellation;

(ii) Parity Obligations (or portions of Parity Obligations) for the redemption or purchase in lieu thereof for which moneys and/or Defeasance Obligations, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or date fixed for redemption, are held in trust under the Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Parity Obligations (or portions of Parity Obligations) are to be redeemed, notice of such redemption shall have been given as provided in the Supplemental Indenture authorizing the issuance of such Series or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture as a result of transfer, exchange or redemption or in replacement of Bonds mutilated, destroyed, stolen or lost;

(iv) Parity Obligations deemed to have been paid as a result of defeasance in accordance with the Indenture; and

(v) Optional Tender Bonds deemed to have been purchased in accordance with the provisions of the Supplemental Indenture authorizing their issuance in lieu of which other Bonds have been authenticated and delivered under such Supplemental Indenture.

"*Outstanding First Lien Bonds*" means the Series 2010 Bonds, the Series 2011 Bonds and the Series 2014 Bonds.

"*Owner*" means any person who shall be the registered owner of any Series 2020 Refunding Bond or Bonds.

"*Parity Obligation*" means any Bond, any Section 206 Obligation and any Section 207 Obligation.

"*Paying Agent*" means (a) with respect to Bonds, any bank, national banking association or trust company designated by ordinance of the Chicago Transit Board or by an Authorized Officer as paying agent for the Bonds of any Series, and any successor or successors appointed by an Authorized Officer under the Indenture and (b) with respect to a Qualified Swap Agreement, the Swap Provider.

"*Payment Date*" shall mean any date on which the principal of (including any Sinking Fund Installment) or interest on any Series of Bonds is payable in accordance with its terms and the terms of the 2010 Indenture and the Supplemental Indenture creating such Series or, in the case of Section 207 Obligations or amounts that are payable under any Qualified Swap Agreement, in accordance with the terms of the instrument creating such Section 207 Obligation or such Qualified Swap Agreement.

"*PBC*" means the Public Building Commission of Chicago.

"*PBC Annual Rent*" means, with respect to any Bond Year, the scheduled annual rent payable by the Authority under the PBC Lease during such Bond Year calculated without regard to any additional rent payable under the PBC Lease or any amount required to replenish reserves or pay administrative costs.

"*PBC Lease*" means the Lease Agreement dated March 31, 2003 by and between the Authority and the PBC, as amended by the Amendment to Lease Agreement dated October 25, 2006, as the same may be amended and supplemented.

"*PBC Parity Pledge Rights*" means the provisions of Section 31 of the PBC Lease pursuant to which the Authority agreed that it will not pledge the sales taxes revenues it receives from RTA pursuant to Section 4.01 (now Section 4.03.3) of the RTA Act to secure its debt on a priority basis with respect to its rent and other payment obligations under the PBC Lease if the maximum annual debt service on all debt so secured exceeds 75% of the sales tax revenue received from the RTA pursuant to said Section 4.01 (now Section 4.03.3) during the preceding Fiscal Year, without equally and ratably securing its obligations under the PBC Lease.

"*Pension and Retirement Debt Obligation*" means any then outstanding "Parity Obligation," as defined in the 2008 Indenture, including the Sales and Transfer Tax Receipts Revenue Bonds, Taxable Series 2008A (Pension Funding) of the Authority and the Sales and Transfer Tax Receipts Revenue Bonds, Taxable Series 2008B (Retiree Health Care Funding) of the Authority.

"*Pension and Retirement Debt Payment*" means with respect to each Pension and Retirement Debt Obligation, the amounts payable by the Authority under the terms of such Pension and Retirement Debt Obligation, including payments of principal, interest and financing cost.

"*Person*" means and includes an association, unincorporated organization, a corporation, a partnership, a limited liability corporation, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity, or a natural person.

"*Principal*" or "*principal*" means (i) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest) except as used in the Indenture in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an event of default, in which case "principal" means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) but when used in connection with determining whether the Owners of the requisite principal amount of Bonds then Outstanding have given any request, demand, authorization, direction, notice, consent or waiver or with respect to the Redemption Price of any Capital Appreciation Bond, "principal amount" means the Accreted Amount (ii) with respect to the principal amount of any Current Interest Bond, the principal amount of such Bond payable in satisfaction of a Sinking Fund Installment, if applicable, or at maturity or (iii) with respect to a Section 207 Obligation, the principal amount payable on each repayment date.

"*Principal Payment Date*" means any Payment Date upon which the principal of any Parity Obligation is stated to mature or upon which the principal of any Term Bond is subject to redemption in satisfaction of a Sinking Fund Installment.

"*Principal Requirement*" for any Bond Year, as applied to the Bonds of any Series, or any Section 207 Obligation means, the last day of the Bond Year (the "Applicable Principal Payment Date") an amount calculated beginning

(i) on the preceding Principal Payment Date, if any, that occurs one year or less before each Applicable Principal Payment Date, or

(ii) one year prior to each Applicable Principal Payment Date if there is no prior Principal Payment Date or if the preceding Principal Payment Date is more than one year prior to the Applicable Principal Payment Date;

which amount shall equal the sums that would be deemed to accrue on such Bonds or Section 207 Obligations during such Bond Year of

(i) the principal of the Current Interest Bonds of such Series or Section 207 Obligations scheduled to mature or have a required Sinking Fund Installment on or prior to the Applicable Principal Payment Date, and

(ii) the Accreted Amount of the Capital Appreciation Bonds of such Series, scheduled to become due or have a required Sinking Fund Installment on or prior to the Applicable Principal Payment Date,

determined by employing the methods of calculation set forth in the Indenture as described in this APPENDIX A under the heading "INDENTURE – Optional Tender Bonds and Variable Rate" in the cases of Optional Tender Bonds and Variable Rate Bonds, were each deemed to accrue daily during such year in equal amounts to but not including the Applicable Principal Payment Date; *provided* that an amount of principal shall be excluded from the determination of Principal Requirement to the extent that such amount is to be paid from the proceeds of Bonds allocable to the payment of such principal as provided in the Supplemental Indenture authorizing the issuance of such Bonds or other available moneys or from the investment (but not reinvestment) earnings thereon if such proceeds or other moneys shall have been invested in Investment Securities and to the extent such earnings may be determined precisely.

"*Purchase Price*" means the purchase price established in any Supplemental Indenture authorizing Optional Tender Bonds as the purchase price to be paid for such Optional Tender Bonds upon an optional or mandatory tender of all or a portion of such Optional Tender Bonds.

"*Qualified Reserve Credit Instrument*" means a letter of credit, surety bond or non-cancelable insurance policy issued by a domestic or foreign bank, insurance company or other financial institution whose debt obligations are rated "Aa2" or better by Moody's Investors Service, Inc. or "AA" or better by Standard & Poor's Ratings Service or "AA" or better by Fitch Ratings as of the date of issuance thereof.

"*Qualified Swap Agreement*" means an agreement between the Authority and a Swap Provider under which the Authority agrees to pay the Swap Provider an amount calculated at an agreed-upon rate and/or index based upon a notional amount and the Swap Provider agrees to pay the Authority or the Authority agrees to pay the Swap Provider for a specified period of time an amount calculated at an agreed-upon rate or index based upon such notional amount, where (a) each Rating Service (if such Rating Service also rates the unsecured obligations of the Swap Provider or its guarantor) has assigned to the unsecured obligations of the Swap Provider, or of the person who guarantees the obligation of the Swap Provider to make its payments to the Authority, as of the date the swap agreement is entered into, a rating that is equal to or higher than "AA", without regard to sub-category designations; *provided, however* that if three or more Rating Services have assigned ratings to any Outstanding Bonds then such "AA" rating need only be assigned by two Rating Services, and (b) the Authority has notified each Rating Service (whether or not such Rating Service also rates the unsecured obligations of the Swap Provider or its guarantor) in writing at least 15 days prior to executing and delivering the swap agreement of its intention to enter into the swap agreement.

"*Rating Services*" means each and every one of the nationally recognized statistical rating organizations by the U.S. Securities and Exchange Commission.

"*Record Date*" means the fifteenth (15^{th}) day (whether or not a Business Day) of the calendar month next preceding each interest payment date (including any redemption date) or such other day as may be determined in the applicable Supplemental Indenture.

"*Redemption Price*" means, with respect to any Bond, the Principal thereof plus the applicable premium, if any, payable upon the date fixed for redemption or such other redemption price as shall be specified for such Bond in a Supplemental Indenture.

"*Refunding Bonds*" means Bonds issued pursuant to the provisions of the Indenture summarized under the heading "THE INDENTURE-Refunding Bonds" in this APPENDIX A.

"*Registrar*" means any bank, national banking association or trust company appointed by an Authorized Officer under the Indenture and designated as registrar for the Bonds of any Series, and its successor or successors.

"*RTA*" means the Regional Transportation Authority, a political subdivision of the State of Illinois organized and existing under the RTA Act.

"*RTA Act*" means the Regional Transportation Authority Act, 70 Illinois Compiled Statutes 3615.

"*Sales Tax Receipts*" means all amounts received by the Authority from the RTA and representing the Authority's share (in accordance with the RTA Act including Section 4.03.3 thereof) of (i) the tax receipts derived from taxes imposed by the RTA pursuant to the RTA Act; (ii) amounts paid to the RTA by the State from transfers to (a) the Regional Transportation Authority Occupation and Use Tax Replacement Fund, (b) the Public Transportation Fund and (c) the Regional Transportation Authority tax fund created by Section 4.03(n) of the RTA Act from the County and Mass Transit District Fund and (iii) funds derived by RTA from any other source designated by law as a replacement source of funds for all or a portion of the RTA tax receipts described in clause (i), or the State payments described in clause (ii), of this definition.

"*Sales Tax Receipts Fund*" means the Sales Tax Receipts Fund held by the Authority and established in the 2008 Indenture.

"*Section 207 Obligations*" means any obligations incurred by the Authority to reimburse the issuer or issuers of one or more Credit Facilities securing one or more Series of Bonds as described below under the heading "THE INDENTURE—Credit Facilities to Secure Bonds," including any fees or other amounts payable to the issuer of any such Credit Facilities, whether such obligations are set forth in one or more reimbursement agreements entered into between the Authority and the Credit Bank, or in one or more notes or other evidences of indebtedness executed and delivered by the Authority pursuant thereto, or any combination thereof.

"*Section 206 Obligations*" means any payment obligations incurred by the Authority to any one or more Swap Providers as described below under the heading "THE INDENTURE—Hedging Transactions."

"*Serial Bonds*" means the Bonds of a Series which shall be stated to mature in annual installments.

"*Series*" means all of the Bonds (including Working Cash Notes) designated as a series and authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the 2010 Indenture or the provisions of a Supplemental Indenture.

"*Series 2008A Bonds*" means the $1,297,175,000 original principal amount of Sales and Transfer Tax Receipts Revenue Bonds, Taxable Series 2008A (Pension Funding) of the Authority authorized by the 2008 Indenture.

"*Series 2008B Bonds*" means the $639,680,000 original principal amount of Sales and Transfer Tax Receipts Revenue Bonds, Taxable Series 2008B (Retiree Health Care Funding) of the Authority authorized by the 2008 Indenture.

"*Series 2011 Bonds*" means the $476,905,000 original principal amount of Sales Tax Receipts Revenue Bonds, Series 2011, of the Authority authorized by the 2010 Indenture.

"*Series 2014 Bonds*" means the $555,000,000 original principal amount of Sales Tax Receipts Revenue Bonds, Series 2014, of the Authority authorized by the 2010 Indenture.

"*Series 2017 Bonds*" means the $296,220,000 original principal amount of Second Lien Sales Tax Receipts Revenue Bonds, the Authority issued Second Lien Sales Tax Receipts Revenue Bonds, Series 2017 of the Authority authorized by the 2017 Indenture.

"*Series 2010B Bonds"* means the $505,355,000 original principal amount of Sales Tax Receipts Revenue Bonds, Taxable Series 2010B (Build America Bonds), of the Authority authorized by the 2010 Indenture.

"*Series 2020B Refunding Bonds*" means the $534,005,000 original principal amount of the Sales Tax Receipts Revenue Refunding Bonds, Series 2020B, of the Authority authorized by the Bond Ordinance and the Indenture.

"*Sinking Fund Installment*" means, as of any particular date of determination and with respect to the Outstanding Bonds of any Series or consisting of any Section 207 Obligation, the amount required by the Supplemental Indenture creating such Series or the instrument creating such Section 207 Obligation to be paid in any event by the Authority on a single future date for the retirement of such Bonds which mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond or Section 207 Obligation.

"*State*" means the State of Illinois.

"*Sub-Account*" means any account so designated by the Authority pursuant to the Indenture.

"*Sub-Fund*" means any fund so designated by the Authority pursuant to the Indenture.

"*Subordinated Indebtedness*" means indebtedness permitted to be issued or incurred pursuant to the provisions of the Indenture and summarized herein under "SECURITY FOR THE BONDS – Junior Indebtedness".

"*Supplemental Indenture*" *means* any Supplemental Indenture authorized pursuant to the 2010 Indenture.

"*Swap Provider*" means any counterparty with whom the Authority enters into a Qualified Swap Agreement.

"*Term Bonds*" means the Bonds of a Series other than Serial Bonds which shall be stated to mature on one or more dates through the payment of Sinking Fund Installments.

"*Transportation System*" means the Transportation System of the Authority, as defined in the Act.

"*Trustee*" means U.S. Bank National Association, Chicago, Illinois, and any successor or successors appointed under the Indenture as hereinafter provided.

"*Trust Estate*" means the security for the payment of Parity Obligations established by the pledges and liens effected by the Indenture and all other property pledged to the Trustee pursuant to the Indenture.

"*2008 Indenture*" means the Trust Indenture between the Authority and the 2008 Trustee dated July 1, 2008, securing Chicago Transit Authority Sales and Transfer Tax Receipts Revenue Bonds, as from time to time amended and supplemented.

"*2008 Indenture Trustee*" means U.S. Bank National Association, Chicago, Illinois, and any successor or successors appointed under the 2008 Indenture.

"*2010 Indenture*" means the Trust Indenture, dated as of March 1, 2010, by and between the Authority and U.S. Bank National Association, securing Chicago Transit Authority Sales Tax Receipts Revenue Bonds, as from time to time amended and supplemented.

"*2017 Indenture*" means the Trust Indenture, dated as of January 1, 2017, by and between the Authority and Zions Bancorporation, National Association, securing Chicago Transit Authority Second Lien Sales Tax Receipts Revenue Bonds, as from time to time amended and supplemented.

“*2017 Indenture Trustee*” means Zions Bancorporation, National Association, and any successor or successors appointed under the 2017 Indenture.

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

“*Working Cash Notes*” means any note or notes issued by the Authority pursuant to Section 12a of the Act.

THE INDENTURE

The following is a composite summary of certain provisions of the Indenture pursuant to which the Series 2020B Refunding Bonds will be issued not summarized elsewhere in this Official Statement. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture, copies of which are on file with the Trustee.

Authorization of Bonds

The Indenture authorizes the Authority to issue Bonds from time to time in one or more Series. Working Cash Notes may also be issued under the Indenture as a Series of Bonds and shall contain the words “Working Cash Notes” as an additional designation and need not contain the word “Bonds.”

The Bonds Constitute a Corporate Purpose Debt Obligation Under the 2008 Indenture

Under the 2008 Indenture, prior to or concurrently with the issuance of a Corporate Purpose Debt Obligation the Authority shall file with the 2008 Trustee a certified copy of all proceedings taken by the Authority to authorize and issue such Corporate Purpose Debt Obligation together with a schedule setting forth the payment date and amount of such Corporate Purpose Debt Payment that the Authority will be obligated to pay under the terms of the Corporate Purpose Debt Obligation.

As a condition precedent to the issuance of any Corporate Purpose Debt Obligation under the 2008 Indenture, the Authority shall file with the 2008 Trustee not more than five Business Days prior to the date of issuance or the effective date of the Corporate Purpose Debt Obligation, a Certificate stating that (1) the aggregate amount of all Sales Tax Receipts and Transfer Tax Receipts (as defined in the 2008 Indenture) received by the Authority for a period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of the Corporate Purpose Debt Obligation were at least equal to 200% of the Maximum Annual Coverage Requirement as of the time immediately following the date of issuance or effective date of the Corporate Purpose Debt Obligation or (2) the Annual Coverage Requirement for the then current and each future Bond Year as of the time immediately following the issuance of the Corporate Purpose Debt Obligation does not exceed the Annual Coverage Requirement for the corresponding Bond Year as of the time immediately prior to the issuance of the Corporate Purpose Debt Obligation. All capitalized terms used in the prior paragraph have the meanings set forth in the 2008 Indenture.

Under the 2008 Indenture, no Corporate Purpose Debt Obligation may contain a term or provision permitting an acceleration of the scheduled payment of the Corporate Purpose Debt Payments with respect to such Corporate Purpose Debt Obligation.

Variable Interest Rates

In determining the Interest Requirement for the purpose of determining Annual Debt Service Requirements, the Maximum Annual Debt Service Requirement and the Pension and Retirement Debt Payment under the provisions of the Indenture summarized below under “-Refunding Bonds" or “-Right to

Issue Pension and Retirement Debt Obligations" and for the purpose of determining the amount of any deposit pursuant to the provisions of the Indenture summarized below under "Deposit and Application of Sales Tax Receipts," interest on variable rate indebtedness, including Variable Rate Bonds and variable rate interest payments for Pension and Retirement Debt Obligations, Section 207 Obligations or under Qualified Swap Agreements, shall be calculated at the lower of (1) the maximum rate of interest permitted for such variable rate indebtedness under the terms of the Variable Rate Bonds, Pension and Retirement Debt Obligations, Section 207 Obligations or the Qualified Swap Agreement and (2) the highest rate of (a) the actual rate on the date of calculation or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (b) if the indebtedness has been outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, (c) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the average rate over the 12 months immediately preceding the date of calculation of the Securities Industry and Financial Markets Association Municipal Swap Index, (d) if interest is not so excludable, the interest rate on Government Obligations with comparable maturities plus 75 basis points, and (e) the interest rate set forth in a Certificate filed with the Trustee.

Optional Tender Bonds and Variable Rate Bonds

If any of the Outstanding Bonds constitute Optional Tender Bonds, then in determining the Interest Requirement and the Principal Requirement of a Series of Bonds, the options of the Owners of such Bonds to tender the same for payment prior to their stated Principal Payment Date shall be ignored. If any of the Bonds constitute Variable Rate Bonds, the interest rate used in determining the Interest Requirement for such Variable Rate Bonds shall be the interest rate determined pursuant to the provisions of the Indenture summarized above under "Variable Interest Rates," or, if and so long as a Qualified Swap Agreement is in effect that provides for a fixed interest rate, the interest rate determined pursuant to the provisions of the Indenture summarized below under "-Hedging Transactions." The conversion of Variable Rate Bonds to bear interest at a different variable rate or a fixed rate or rates, in accordance with their terms, shall not constitute a new issuance of Bonds under the Indenture. In determining the Interest Requirement or the Principal Requirement of any Section 207 Obligation, such Section 207 Obligation shall be deemed to be Outstanding only to the extent that, on the date of computation, there are unpaid drawings or advances under the terms of the Credit Facility that created the Section 207 Obligation.

Additional Bonds

One or more Series of Bonds entitled to the benefit, protection and security of the Indenture and constituting a Series of Additional Bonds may be authorized and delivered upon original issuance for the purpose of financing any lawful project or purpose of the Authority, to pay costs and expenses incident to the issuance of such Additional Bonds and to make deposits into any Fund, Sub-Fund, Account or Sub-Account under the 2010 Indenture or any Supplemental Indenture. Any such Series shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to the documents required by the Indenture with respect to Additional Bonds) of a Certificate of an Authorized Officer stating that the aggregate amount of all Sales Tax Receipts received by the Authority for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of such Series were at least equal to 200% of the Maximum Annual Coverage Requirement as of the time immediately following the issuance of such Series. In applying the foregoing test, (1) if any of the Bonds Outstanding immediately prior to or after the issuance of the Additional Bonds to be issued constitute Optional Tender Bonds or Variable Rate Bonds, the applicable provisions of the Indenture summarized above under "-Optional Tender Bonds and Variable Rate Bonds" and "-Variable Interest Rates" shall be applied in determining the Annual Debt Service Requirements of such Bonds and of any Outstanding Section 207 Obligations and (2) if any Retirement and Pension Debt Obligation Outstanding immediately prior to or after the issuance of the Additional Bonds bears interest at variable rates, then the applicable provisions of the Indenture summarized above under "-

Optional Tender Bonds and Variable Rate Bonds" and "-Variable Interest Rates" shall be applied in determining the Annual Coverage Requirement as if said Retirement and Pension Debt Obligation was a Bond.

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund or advance refund any or all Outstanding Bonds of one or more Series, and any or all Outstanding Section 207 Obligations, to pay costs and expenses incident to the issuance of such Refunding Bonds and to make deposits in any Fund, Sub-Fund, Account or Sub-Account under the 2010 Indenture or any Supplemental Indenture.

Refunding Bonds of a Series shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to the documents required by the Indenture with respect to Refunding Bonds) of:

(1) Such instructions to the Trustee as necessary to comply with all requirements set forth in the Indenture and summarized below under "-Defeasance" so that the Bonds and Section 207 Obligations to be refunded or advance refunded will be paid or deemed to be paid pursuant to the Indenture.

(2) Either (i) moneys in an amount sufficient to effect payment of the principal and Redemption Price, if applicable, and interest due and to become due on the Bonds and Section 207 Obligations to be refunded or advance refunded on and prior to the redemption date or maturity date thereof, as the case may be, which moneys shall be held by the Trustee or any of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds or the Persons entitled to payment of the Section 207 Obligations, as the case may be, to be refunded or advance refunded, or (ii) Defeasance Obligations in such principal amounts, of such maturities, and bearing interest at such rates as shall be necessary, together with the moneys, if any, deposited with the Trustee at the same time, to comply with the provisions of the Indenture summarized below under the second paragraph under the caption "-Defeasance."

(3) (a) a Certificate stating that the aggregate amount of all Sales Tax Receipts received by the Authority for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of such Series were at least equal to 200% of the Maximum Annual Coverage Requirement as of the time immediately following the issuance of such Series, or (b) a Certificate evidencing that for the then current and each future Bond Year, the Annual Debt Service Requirements for each such Bond Year on account of all Bonds and Section 207 Obligations Outstanding as of the time immediately after the issuance of such Refunding Bonds does not exceed the Annual Debt Service Requirements for the corresponding Bond Year on account of all the Bonds and Section 207 Obligations Outstanding as of the time immediately prior to the issuance of such Refunding Bonds.

In applying the foregoing tests set forth in clause (3) of the preceding paragraph, (1) if any of the Bonds Outstanding immediately prior to or after the issuance of the Refunding Bonds to be issued constitute Optional Tender Bonds or Variable Rate Bonds, the applicable provisions of the Indenture summarized above under "-Optional Tender Bonds and Variable Rate Bonds" and "-Variable Interest Rates" shall be applied in determining the Annual Debt Service Requirements of such Bonds and of any Outstanding Section 207 Obligations and (2) if any Pension and Retirement Debt Obligation Outstanding immediately prior to or after the issuance of the Refunding Bonds bears interest at variable rates, then the applicable provisions of the Indenture summarized above under "-Optional Tender Bonds and Variable Rate Bonds" and "-Variable Interest Rates" shall be applied in determining the Annual Coverage Requirement as if said Pension and Retirement Debt Obligation was a Bond.

Hedging Transactions

If the Authority shall enter into a Qualified Swap Agreement with a Swap Provider requiring the Authority to pay a fixed interest rate on a notional amount, or requiring the Authority to pay a variable interest rate on a notional amount, and the Authority has made a determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments for Bonds of a particular maturity or maturities in a principal amount equal to the notional amount of the Qualified Swap Agreement, then during the term of the Qualified Swap Agreement and so long as the Swap Provider under such Qualified Swap Agreement is not in default under such Qualified Swap Agreement:

(1) for purposes of any calculation of Interest Requirements, the interest rate on the Bonds of such maturity or maturities shall be determined as if such Bonds bore interest at the fixed interest rate or the variable interest rate, as the case may be, payable by the Authority under such Qualified Swap Agreement;

(2) any net payments required to be made by the Authority to the Swap Provider pursuant to such Qualified Swap Agreement from Sales Tax Receipts shall be made from amounts on deposit to the credit of the appropriate Sub-Fund or Account in the Debt Service Fund designated by Supplemental Indenture to the extent that the amount then held in such Sub-Fund or Account is not sufficient to make such payment; and

(3) any net payments received by the Authority from the Swap Provider pursuant to such Qualified Swap Agreement shall be deposited to the credit of the appropriate Sub-Fund or Account in the Debt Service Fund designated by Supplemental Indenture.

If the Authority shall enter into a swap agreement of the type generally described in the preceding paragraph that does not satisfy the requirements for qualification as a Qualified Swap Agreement, then:

(1) the interest rate adjustments or assumptions referred to in clause (1) of the preceding paragraph shall not be made;

(2) any net payments required to be made by the Authority to the Swap Provider pursuant to such swap agreement shall be made either (i) from sources other than Sales Tax Receipts or (ii) if made from Sales Tax Receipts, such payments, and any lien on Sales Tax Receipts securing such payments, shall be junior and subordinate to the pledge of and lien on Sales Tax Receipts created by the Indenture as security for the payment of Parity Obligations; and

(3) any net payments received by the Authority from the Swap Provider pursuant to such swap agreement may be treated as Sales Tax Receipts at the option of the Authority, and if so treated shall be deposited in the same manner as Sales Tax Receipts are to be deposited.

With respect to a Qualified Swap Agreement or a swap agreement described above in the first paragraph under this caption, any termination payment required to be made by the Authority to the Swap Provider shall be made either (i) from sources other than Sales Tax Receipts, or (ii) if made from Sales Tax Receipts, such termination payment and any lien on Sales Tax Receipts securing such termination payment, shall be junior and subordinate to the pledge of and lien on Sales Tax Receipts created by the Indenture as security for the payment of Parity Obligations.

Credit Facilities to Secure Bonds

The Authority reserves the right to provide one or more Credit Facilities, or a combination thereof, to secure the payment of the principal of, premium, if any, and interest on one or more Series of Bonds, or in the event Owners of such Bonds have the right to require purchase thereof, to secure the payment of the purchase price of such Bonds upon the demand of the Owner thereof. In connection with any such Credit Facility, the Authority may execute and deliver an agreement setting forth the conditions upon which drawings or advances may be made under such Credit Facility, and the method by which the Authority will reimburse the Credit Bank that issued such Credit Facility for such drawings together with interest thereon at such rate or rates and otherwise make payments as may be agreed upon by the Authority and such Credit Bank.

At the election of the Authority expressed in a certificate of an Authorized Officer filed with the Trustee, any such obligation of the Authority to reimburse or otherwise make payments to the Credit Bank shall constitute a Parity Obligation under the Indenture (a "Section 207 Obligation") to the same extent as any Series of Bonds, and any and all amounts payable by the Authority to reimburse such Credit Bank, together with interest thereon, shall for purposes of the Indenture be deemed to constitute the payment of principal of, premium, if any, and interest on Parity Obligations.

Right to Issue Pension and Retirement Debt Obligations

The Authority reserves the right to issue additional Pension and Retirement Debt Obligations upon satisfaction of the requirements of the 2008 Indenture and the 2010 Indenture.

Prior to or concurrently with the issuance of a Pension and Retirement Debt Obligation the Authority shall file with the Trustee a certified copy of all proceedings taken by the Authority to authorize and issue such Pension and Retirement Debt Obligation together with a schedule setting forth the payment date and amount of such Pension and Retirement Debt Payment that the Authority will be obligated to pay under the terms of the Pension and Retirement Debt Obligation.

As a condition precedent to the issuance of any Pension and Retirement Debt Obligation the Authority shall file with the Trustee, not more than five Business Days prior to the date of issuance or the effective date of such Pension and Retirement Debt Obligation, a Certificate stating that (1) the aggregate amount of all Sales Tax Receipts and Transfer Tax Receipts received by the Authority for a period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of such Pension and Retirement Debt Obligation were at least equal to 200% of the Maximum Annual Coverage Requirement as of the time immediately following the date of issuance or effective date of such Pension and Retirement Debt Obligation or (2) the Annual Coverage Requirement for the then current and each future Bond Year as of the time immediately following the issuance of such Pension and Retirement Debt Obligation does not exceed the Annual Coverage Requirement for the corresponding Bond Year as of the time immediately prior to the issuance of such Pension and Retirement Debt Obligation. In applying the foregoing tests, (1) if any of the Bonds Outstanding immediately after the issuance of the Pension and Retirement Debt Obligations to be issued constitute Optional Tender Bonds or Variable Rate Bonds, the applicable provisions of the Indenture summarized above under "-Optional Tender Bonds and Variable Rate Bonds" and "-Variable Interest Rates" shall be applied in determining the Annual Debt Service Requirements of such Bonds and of any Outstanding 207 Obligations and (2) if any Pension and Retirement Debt Obligation Outstanding immediately prior to or after the issuance of the Pension and Retirement Debt Obligation bears interest at variable rates, then the applicable provisions of the Indenture summarized above under "-Optional Tender Bonds and Variable Rate Bonds" and "-Variable Interest Rates" shall be applied in determining the Annual Coverage Requirement as if such Pension and Retirement Debt Obligation was a Bond.

No Pension and Retirement Debt Obligation may contain a term or provision permitting an acceleration of the scheduled payment of the Pension and Retirement Debt Payments with respect to such Pension and Retirement Debt Obligation.

Source of Payment; Pledge of Receipts

The Indenture provides that the Parity Obligations are limited obligations of the Authority payable solely from the Sales Tax Receipts Fund, subject however to the PBC Parity Pledge Rights and the parity pledge of or lien on the Sales Tax Receipts Fund as security for the payment of Pension and Retirement Debt Payments, (ii) all moneys, securities and earnings thereon in all Funds, Sub-Funds, Accounts and Sub-Accounts established under the 2010 Indenture or any Supplemental Indenture, subject however to the right of the Authority to make periodic withdrawals from the Sales Tax Receipts Fund, the Debt Service Fund and the Consolidated Debt Service Reserve Fund all as permitted by the Indenture, and (iii) any and all other moneys and securities furnished from time to time to the Trustee by the Authority or on behalf of the Authority or by any other persons to be held by the Trustee under the terms of the Indenture; *provided* that the application of moneys to the payments due to a Swap Provider under a Qualified Swap Agreement is expressly limited to the extent provided in the Indenture. The Parity Obligations do not constitute an indebtedness of the RTA, the State, or any political subdivision of the State, including the City, other than the Authority. No lien upon any physical properties of the Authority is, or shall ever be, created by the 2010 Indenture.

The Authority makes a pledge of the Trust Estate, to the extent set forth in the Granting Clauses of the Indenture, and of all moneys and securities held or set aside to be held or set aside by the Trustee under the 2010 Indenture or any Supplemental Indenture, to secure the payment of principal and Redemption Price of, and interest on, the Parity Obligations, subject only to the provisions of the 2010 Indenture or any Supplemental Indenture requiring or permitting the payment, setting apart or appropriation of such moneys and securities for or to the purposes and on the terms, conditions, priorities and order set forth in or provided under the 2010 Indenture or any Supplemental Indenture. Such pledge is valid and binding from and after the date of issuance of any Parity Obligations under the Indenture, without any physical delivery or further act, and the lien and pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice of it.

Deposit and Application of Sales Tax Receipts

Pursuant to the 2008 Indenture the Authority has established the Sales Tax Receipts Fund as a special fund of the Authority held by the Authority as part of the Trust Estate subject to the PBC Parity Pledge Rights and other parity liens described in the Indenture. In the Indenture, the Authority establishes the Debt Service Fund to be held and administered by the Trustee. Subject to use and application in accordance with the 2008 Indenture and the Indenture in the case of the Sales Tax Receipt Fund and the 2010 Indenture in the case of the Debt Service Fund and the Consolidated Debt Service Reserve Fund, all of the moneys and securities held in the Sales Tax Receipts Fund and the Debt Service Fund are pledged as security for the payment of the principal of, redemption premium, if any, and interest on the Parity Obligations and shall be subject to the lien of the Indenture.

All Sales Tax Receipts received by the Authority shall be deposited promptly into the Sales Tax Receipts Fund.

Subject to the following paragraph, the Authority covenants and agrees in the Indenture to withdraw from the Sales Tax Receipts Fund and pay into the Debt Service Fund, not later than the 20th day of each calendar month, the sum required to make all of the Sub-Fund Deposits and Other Required Deposits to be disbursed from the Debt Service Fund in that calendar month pursuant to the Indenture.

Each withdrawal from the Sales Tax Receipts Fund is subject to the contractual obligations of the Authority to make monthly withdrawals from the Sales Tax Receipts Fund for the payment of Pension and Retirement Debt Payments on a parity with the payments to the Debt Service Fund, provided that each such monthly withdrawal shall be made in equal monthly installments that may commence no earlier than (i) in the case of interest, six months prior to the interest payment date and (ii) in the case of principal, 12 months prior to the principal payment date. In addition, whenever the PBC Parity Pledge Rights are in effect, the Authority may make monthly allocations from the Sales Tax Receipts Fund, on a parity with the payments to the Debt Service Fund, and sufficient to provide for the payment, in equal monthly installments, of the next payment of PBC Annual Rent. Each month, after making all the payments required by this paragraph, and, if no Event of Default then exists, the Authority may withdraw all remaining moneys in the Sales Tax Receipts Fund free from the lien of the Indenture.

On any date required by the provisions of a Supplemental Indenture creating a Series of Bonds, or by an instrument creating Section 206 Obligations or Section 207 Obligations, the Trustee will segregate within the Debt Service Fund and credit to such Sub-Funds, Accounts and Sub-Accounts therein as may have been created for the benefit of such Series, and such Section 206 Obligations or Section 207 Obligations (i) such amounts as may be required to be so credited under the provisions of such Supplemental Indenture or instrument creating Section 206 Obligations or Section 207 Obligations to pay the principal of and interest on such Parity Obligations and (ii) any other amounts required to be withdrawn or deposited by such Supplemental Indenture or instrument. Moneys on deposit in the Debt Service Fund and which have been credited to such Sub-Funds, Accounts and Sub-Accounts therein as may have been created for the benefit of a Series of Bonds, Section 206 Obligations or Section 207 Obligations shall be used for the purposes specified in the Supplemental Indenture creating such Series or instruments securing such Section 206 Obligations or Section 207 Obligations. If on any date no Event of Default then exists and there are moneys in the Debt Service Fund in excess of the amounts required to be disbursed as required in the preceding paragraph, then the Authority, pursuant to the written direction of the Authority expressed in a Certificate filed with the Trustee, may direct the withdrawal of such excess amount free from the lien of the Indenture.

The Indenture creates and establishes with the Trustee a separate and segregated Sub-Fund within the Debt Service Fund (the "Series 2020B Dedicated Sub-Fund"). Moneys on deposit in the Series 2020B Dedicated Sub-Fund and in each Account established therein are to be held in trust by the Trustee for the sole and exclusive benefit of the Owners of the Series 2020B Refunding Bonds and shall not be used or available for the payment of any other Parity Obligations, except as expressly provided in the Indenture.

Consolidated Debt Service Reserve Fund

A Consolidated Debt Service Reserve Fund is established under the 2010 Indenture for the benefit and security of Consolidated Reserve Fund Bonds to be maintained in an amount equal to the Consolidated Reserve Requirement, which requirement may be satisfied in whole or in part with one or more Qualified Reserve Credit Instruments. The Series 2010 Bonds were designated as Consolidated Reserve Fund Bonds, but the Series 2020B Refunding Bonds are not designated as Consolidated Reserve Fund Bonds.

Any such Qualified Reserve Credit Instrument shall be issued in the name of the Trustee and shall contain no restrictions on the ability of the Trustee to receive payments thereunder other than a certification of the Trustee that the funds drawn thereunder are to be used for the purposes for which moneys in the Consolidated Debt Service Reserve Fund may be used. If any time the Consolidated Debt Service Reserve Fund holds one or more Qualified Reserve Credit Instruments and Investment Securities, the Investment Securities shall be liquidated and the proceeds applied to fund transfers permitted under the following two paragraphs prior to any draw being made on any Qualified Reserve Credit Instrument. If the Consolidated

Debt Service Reserve Fund holds multiple Qualified Reserve Credit Instruments, draws shall be made under such Qualified Reserve Credit Instruments on a pro-rata basis to the extent of available funds.

If on the Business Day prior to any Interest Payment Date there shall not be a sufficient amount in any Sub-Fund of the Debt Service Fund maintained under a Supplemental Indenture for the payment of interest on a Series of Consolidated Reserve Fund Bonds due on such Interest Payment Date, then the Trustee shall withdraw from the Consolidated Debt Service Reserve Fund and deposit into the appropriate Account or Sub-Account in such Sub-Fund, the amount needed to cure such deficiency and provide for the punctual payment of such interest.

If on any Business Day prior to any Principal Payment Date there shall not be a sufficient amount in any Sub-Fund of the Debt Service Fund maintained under a Supplemental Indenture for the payment of the principal of a Series of Consolidated Reserve Fund Bonds due on such Principal Payment Date, then the Trustee, after making all withdrawals then required by the preceding paragraph, shall withdraw from the Consolidated Debt Service Reserve Fund and deposit into the appropriate Account or Sub-Account in such Sub-Fund, the amount needed to cure such deficiency and provide for the punctual payment of such principal.

In the event that the sum available for withdrawal from the Consolidated Debt Service Reserve Fund is not sufficient to satisfy all the withdrawals required by the preceding two paragraphs, then the sum held therein shall be allocated first for the withdrawals for interest and among the various withdrawals required above, pro-rata based upon the amount needed to cure each such deficiency.

Each Supplemental Indenture authorizing the issuance of a Series of Consolidated Reserve Fund Bonds shall provide for the transfer of moneys held in the Sub-Fund of the Debt Service Fund established in such Supplemental Indenture to fund any reimbursement amount due under any Qualified Reserve Credit Instrument and to cure any deficiency in the Consolidated Debt Service Reserve Fund. Any priority established by a Supplemental Indenture with respect to application of moneys in a Sub-Fund established with respect to a Series of Consolidated Reserve Fund Bonds, after making provision for any money deposited for the payment of the principal of and interest on such Series, shall next provide (i) first, for monthly payments to the provider of any Qualified Reserve Credit Instrument of amounts sufficient to fully restore the coverage of such Qualified Reserve Credit Instrument within one year of the date of initial draw thereunder and (ii) second, for monthly transfers to the Consolidated Debt Service Reserve Fund sufficient to fully restore the amount held on the Consolidated Debt Service Reserve Fund to the Consolidated Reserve Requirement within one year of the initial deficiency in the Consolidated Debt Service Reserve Fund. If, at the time that any payment or transfer required to be made by these paragraphs is to be made, there are then Outstanding two or more Series of Consolidated Reserve Fund Bonds, then each Series and its associated Sub-Fund shall be charged for its Allocable Share of the amounts due under these paragraphs.

If on any date all withdrawals or payments from the Consolidated Debt Service Reserve Fund required by any other provision of the 2010 Indenture or any Supplemental Indenture shall have been made and no Event of Default then exists under the 2010 Indenture, the Trustee, at the direction of the Authority expressed in a Certificate filed with the Trustee, shall withdraw from the Consolidated Debt Service Reserve Fund the amount of any excess therein over the Consolidated Reserve Requirement and either (a) deposit such moneys into any one or more of the Funds, Sub-Funds, Accounts or Sub-Accounts maintained under the 2010 Indenture or any supplement thereto or (b) pay such moneys to the Authority free from the lien of the 2010 Indenture.

At the direction of the Authority expressed in a Certificate filed with the Trustee, moneys in the Consolidated Debt Service Reserve Fund may be withdrawn from the Consolidated Debt Service Reserve Fund and deposited with the Trustee for the payment of the Principal or Redemption Price of or the interest on Bonds in accordance with the 2010 Indenture, provided that immediately after such withdrawal the amount held in the Consolidated Debt Service Reserve Fund equals or exceeds the Consolidated Reserve Requirement.

Debt Service Reserve Accounts

Any Supplemental Indenture pursuant to which a Series is issued may establish a Debt Service Reserve Account and a Series reserve account requirement with respect thereto. Any such Supplemental Indenture may provide that the reserve account requirement may be satisfied as a whole or in part with one or more Qualified Reserve Credit Instruments. Any such Qualified Reserve Credit Instrument shall be issued in the name of the Trustee and shall contain no restrictions on the ability of the Trustee to receive payments thereunder other than a certification of the Trustee that the funds drawn thereunder are to be used for purposes for which moneys in the Debt Service Reserve Account may be used. There is no debt service reserve account securing the Series 2020B Refunding Bonds.

Deposits into the Series 2020 Dedicated Sub-Fund and Accounts

On the 25th day of each month, or if such day is not a Business Day, the immediately preceding Business Day, commencing September 25, 2020 each such date referred to herein as the "*Deposit Date*") there shall be deposited into the Series 2020B Dedicated Sub-Fund from amounts on deposit in the Debt Service Fund, an amount equal to the aggregate of the amounts set forth in subsection (B) of this Section, which amounts shall have been calculated by the Trustee on the 5th day of each month (such aggregate amount with respect to any Deposit Date being referred to herein as the "*Series 2020B Deposit Requirement*").

On each Deposit Date the Trustee shall make the following deposits in the following order of priority and if the moneys deposited into the Series 2020B Dedicated Sub-Fund are insufficient to make any required deposit, the deposit shall be made up on the next Deposit Date after required deposits into other Accounts having a higher priority shall have been made in full:

First: for deposit into the Series 2020B Interest Account, an amount equal to the lesser of (i) (a) prior to the December 25, 2020 Deposit Date, an amount equal to the total amount due on the Series 2020B Refunding Bonds on the first Interest Payment Date (other than interest payable on such Interest Payment Date from the Series 2020B Capitalized Interest Account and available in the Series 2020B Capitalized Interest Account) divided by the number of months between the date of the Fourth Supplemental Indenture and the first Interest Payment Date; and (b) commencing on the December 25, 2020 Deposit Date, one-sixth of the interest due on the Series 2020B Refunding Bonds on the next Interest Payment Date; or (ii) the amount required so that the sum held in the Series 2020B Interest Account, when added to the interest payable from the Series 2020B Capitalized Interest Account on the next Interest Payment date and available in the 2020 Capitalized Interest Account, will equal the interest due on the Series 2020B Refunding Bonds on such Interest Payment Date; and

Second: commencing on December 25, 2021, for deposit into the Series 2020B Principal Account, an amount equal to the lesser of (i) one-twelfth of the Principal due on the Series 2020B Refunding Bonds on the first day of December next ensuing, or (ii) the amount required so that the sum then held in the Series 2020B Principal Account will equal the Principal due on the Series 2020B Refunding Bonds on the first day of December next ensuing.

In addition to the Series 2020B Deposit Requirement, there shall be deposited into the Series 2020B Dedicated Sub-Fund any other moneys received by the Trustee under and pursuant to the 2010 Indenture or the Fourth Supplemental Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Series 2020B Dedicated Sub-Fund and to one or more accounts in the Series 2020B Dedicated Sub-Fund.

Upon calculation by the Trustee of each Series 2020B Deposit Requirement under this Section, the Trustee shall notify the Authority of the Series 2020B Deposit Requirement and the Deposit Date to which it relates together with such supporting documentation and calculations as the Authority may reasonably request.

Covenant Against Pledge of Sales Tax Receipts

The Authority covenants not to issue any bonds or other evidences of indebtedness or incur any indebtedness, other than the Parity Obligations, Qualified Swap Agreements, the PBC Lease, the Corporate Purpose Debt Obligations and Subordinated Indebtedness, which are secured by a pledge of or lien on the Sales Tax Receipts or the moneys, securities or funds held or set aside by the Authority or by the Trustee under the Indenture, and shall not, except as expressly authorized in the Indenture, create or cause to be created any lien or charge on the Sales Tax Receipts or such moneys, securities or funds; *provided* that nothing contained in the Indenture shall prevent the Authority from issuing or incurring evidences of indebtedness (a) payable from or secured by amounts that may be withdrawn from the Sales Tax Receipts Fund free from the lien of the Indenture as provided in the provisions of the Indenture summarized above under "—Deposit and Application of Sales Tax Receipts" or from the Debt Service Fund as provided in the provisions of the Indenture summarized above under "—Deposit and Application of Sales Tax Receipts" or (b) payable from, or secured by the pledge of, Sales Tax Receipts to be derived on and after such date as the pledge of the Trust Estate provided in the Indenture shall be discharged and satisfied as provided in the Indenture and summarized below under the caption "—Defeasance."

Depositaries

All moneys held by the Trustee under the provisions of the Indenture may be deposited with one or more Depositaries selected by an Authorized Officer in the name of and in trust for the Trustee. All moneys held by the Authority under the Indenture shall be deposited in one or more Depositaries (selected by an Authorized Officer) in the name of the Authority. All moneys deposited under the provisions of the Indenture with the Trustee, the Authority or any Depositary shall be held in trust and applied only in accordance with the provisions of the Indenture, and each of the Funds, Sub-Funds, Accounts and Sub-Accounts established by the Indenture shall be a trust fund.

All moneys held by any Depositary under the Indenture may be placed on demand or time deposit, as directed by an Authorized Officer, provided that such deposits shall permit the moneys so held to be available for use when needed. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks and drafts on such deposit as if it were not a Fiduciary. All moneys held by a Fiduciary may be deposited in its banking department on demand or, if and to the extent directed by an Authorized Officer, on time deposit, provided that such moneys on deposit be available for use when needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size.

All moneys on deposit to the credit of the Debt Service Fund or the Consolidated Debt Service Reserve Fund not otherwise secured by deposit insurance shall be continuously and fully secured by the Trustee for the benefit of the Authority and the Owners of the Bonds by lodging with the Trustee as collateral security, Government Obligations having a market value (exclusive of accrued interest) of not less than the amount of such moneys. All other moneys held for the Authority under the Indenture shall be continuously and fully secured for the benefit of the Authority and the Owners of the Bonds in the same manner as provided by the Authority for similar funds of the Authority.

All moneys deposited with the Trustee and each Depositary shall be credited to the particular Fund, Sub-Fund, Account or Sub-Account to which such moneys belong.

Investment of Certain Moneys

Moneys held in the Debt Service Fund and its Sub-Funds, Accounts and Sub-Accounts shall be invested and reinvested by the Trustee at the oral direction of an Authorized Officer promptly confirmed in writing to the fullest extent practicable in Investment Securities which mature no later than necessary to provide moneys when needed for payments to be made from such Funds, Sub-Funds, Accounts and Sub-Accounts. In the event that no such directions are received by the Trustee, such amounts shall be invested in money market funds described in the definition of Investment Securities, pending receipt of investment directions. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries.

Moneys held in two or more Funds, Sub-Funds, Accounts or Sub-Accounts may be jointly invested in one or more Investment Securities, provided that such investment complies with all the terms and conditions of the Indenture relating to the investment of moneys in such Funds, Accounts or Sub-Accounts, as the case may be, and the Authority maintains books and records as to the allocation of such investment as among such Funds, Sub-Funds, Accounts or Sub-Accounts. Investment income from investments held in the various Funds, Sub-Funds, Accounts and Sub-Accounts shall remain in and be a part of the respective Funds, Sub-Funds, Accounts and Sub-Accounts in which such investments are held, except as otherwise provided in the Indenture.

Valuation of Investment Securities held in the Funds, Sub-Funds, Accounts and Sub-Accounts established under the Indenture shall be made by the Trustee on each June 15 and December 15 and at any other time required by the Indenture.

Extension of Payment of Bonds

If the maturity of any Bond or installment of interest shall be extended pursuant to the written consent of the Owner thereof, such Bond or installment of interest shall not be entitled, in case of any default under the Indenture, to the benefit of the Indenture or to payment out of the Trust Estate or Funds, Sub-Funds, Accounts and Sub-Accounts established by the Indenture or moneys held by Fiduciaries or Depositaries (except moneys held in trust for the payment of such Bond or installment of interest) until the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing in the Indenture shall be deemed to limit the right of the Authority to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Payment of Lawful Charges

The Authority shall pay or cause to be discharged, or will make adequate provision to satisfy and discharge, all judgments and court orders, and all lawful claims and demands for labor, materials, supplies or other objects which, if unsatisfied or unpaid, might by law become a lien upon the Available Sales Tax Receipts; provided, however, that nothing in this paragraph shall require the Authority to pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Accounts and Reports

The Authority shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Sales Tax Receipts and the Funds, Sub-Funds, Accounts and Sub-Accounts established by the 2010 Indenture and any Supplemental Indenture, and which, shall at all reasonable times be available for the inspection of the Trustee and the Owners of not less than 25 percent in principal amount of Outstanding Bonds or their representatives duly authorized in writing. The Authority further covenants that it will keep an accurate record of the Sales Tax Receipts received and the deposit of Sales Tax Receipts into the Sales Tax Receipts Fund.

Not later than August 1 of each year the Authority shall cause an independent audit to be made of its books and accounts for the preceding Fiscal Year, including its books and accounts relating to the Sales Tax Receipts. Promptly thereafter reports of each such annual audit, signed by an Accountant, shall be mailed by the Authority to the Trustee and the Trustee shall make such reports available for inspection by the Owners of the Bonds.

Events of Default

Each of the following events is hereby declared an "Event of Default":

(a) if a default shall occur in the due and punctual payment of the principal or Redemption Price of any Parity Obligation when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(b) if a default shall occur in the due and punctual payment of interest on any Parity Obligation, when and as such interest shall become due and payable;

(c) if the Authority shall fail to promptly deposit the Sales Tax Receipts into the Sales Tax Receipts Fund;

(d) if a default shall occur in the performance or observance by the Authority of any other of the covenants, agreements or conditions in the Indenture or in the Parity Obligations contained, and such default shall continue for a period of 30 days after written notice thereof to the Authority by the Trustee or after written notice thereof to the Authority and to the Trustee by (a) the Owners of not less than a majority in principal amount of the Outstanding Bonds or (b) the Person entitled to payment under any other Outstanding Parity Obligation; or

(e) if the Authority shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any other applicable law or statute of the United States of America or of the State.

Application of Funds After Default

The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay over or cause to be paid over (1) if any Pension and Retirement Debt Obligation is then outstanding, to the 2008 Trustee and (2) if no Pension and Retirement Debt Obligation is then outstanding, to the Trustee (a) the Sales Tax Receipts Fund, and (b) all Sales Tax Receipts for deposit as promptly as practicable after receipt thereof.

During the continuance of an Event of Default, (1) if any Pension and Retirement Debt Obligation is then outstanding, the Trustee shall demand of the 2008 Trustee the equitable distribution of the Sales Tax

Receipts Fund for the payment of the PBC Annual Rent, if then subject to the PBC Parity Pledge Rights, and for the payment of Pension and Retirement Debt Payments and Corporate Purpose Debt Payments, as provided in the 2008 Indenture and (2) if no Pension and Retirement Debt Obligation is then outstanding, the Trustee shall provide for the equitable distribution of the Sales Tax Receipts Fund for the payment of the PBC Annual Rent, if then subject to the PBC Parity Pledge Rights, and for the payment of Corporate Purpose Debt Payments.

Moneys paid to the Trustee from the Sales Tax Receipts Fund pursuant to such equitable distribution or otherwise shall be applied as follows and in the following order:

(1) to the payment of the reasonable and proper charges and expenses of the Trustee, including the reasonable fees and expenses of counsel employed by it pursuant to the Indenture;

(2) to the payment of the principal of, Redemption Price of and interest on the Parity Obligations then due, as follows:

First: to the payment to the persons entitled thereto of all installments of interest then due on the Parity Obligations in the order of the maturity of such installments, together with accrued and unpaid interest on the Parity Obligations theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Parity Obligations which shall have become due, whether at maturity or by call for redemption in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Parity Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

If and whenever all overdue installments of principal and Redemption Price of and interest on all Parity Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the Authority under the Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all Parity Obligations held by or for the account of the Authority have been paid, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture or the Parity Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Authority, the Trustee, the Credit Banks, Swap Providers, Bond Insurers and the Owners shall be restored, respectively, to their former positions and rights under the Indenture. No such payment over to the Authority by the Trustee or such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

For purposes of the provisions of the Indenture summarized under this caption, interest on Parity Obligations includes net payments under a Qualified Swap Agreement.

Remedies

If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon identical written request of the Owners of not less than a majority in principal amount of the Bonds Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners of the Bonds under the Indenture forthwith by a suit or suits in equity or at law, including by writ of mandamus, whether for the specific performance of any covenant contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

All rights of action under the Indenture may be enforced by the Trustee without the possession of any of the Parity Obligations or the production thereof in any suit or other proceeding, and any such suit or other proceeding instituted by the Trustee shall be brought in its name.

All actions against the Authority under the Indenture shall be brought in a state or federal court located in the County of Cook, Illinois.

The Owners of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the enforcement of any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Owners not parties to such direction.

Upon commencing any suit at law or in equity or upon commencement of other judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation, to institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under the 2010 Indenture and to preserve or protect its interests and the interest of the Owners.

Restriction on Owners' Action

No Owner of any Bond shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least a majority in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or by the laws of Illinois or to institute such suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or failed to comply with such request within 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by the Indenture or to enforce any right under the Indenture, except in the manner provided in the Indenture; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds, subject only to the provisions of the Indenture summarized under the caption "-Extension of Payment of Bonds" above.

Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective Owners thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Owner to enforce by any suit or proceeding, including by writ of mandamus, such payment of its Bond from the sources provided in the Indenture.

Rights of Credit Bank or Bond Insurer

Subject to the provisions of any applicable Supplemental Indenture, any Credit Bank or any Bond Insurer shall be treated as the Owner of Bonds upon which such Credit Bank or Bond Insurer is obligated pursuant to a Credit Facility or Bond Insurance Policy, as applicable, for the purposes of calculating whether or not the Owners of the requisite percentage of Bonds then Outstanding have consented to any request, consent, directive, waiver or other action permitted to be taken by the Owners of the Bonds pursuant to the Indenture; *provided* that such Credit Bank or Bond Insurer shall cease to be so regarded as Owner of such Bonds in the event such Credit Bank or Bond Insurer is in default of its obligations under the applicable Credit Facility or Bond Insurance Policy.

Subject to the provisions of any applicable Supplemental Indenture, until the Authority has reimbursed a Credit Bank for amounts paid under a Credit Facility to pay the interest on or the principal of any Bonds on any Interest Payment Date or Principal Payment Date or to the extent any Bond Insurer has exercised its rights as subrogee for the particular Bonds of which it has insured payment, such Bonds shall be deemed to be Outstanding and such Credit Bank or Bond Insurer shall succeed to the rights and interests of the Owners to the extent of the amounts paid under the Credit Facility or as specified in respect of the applicable Bond Insurance Policy until such amount has been reimbursed.

Supplemental Indentures

The Authority and the Trustee may without the consent of, or notice to, any of the Owners or any Credit Bank, Bond Insurer and Swap Provider, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the 2010 Indenture for any one or more of the following purposes:

(1) to authorize a Series of Bonds and to specify, determine or authorize any matters and things concerning any such Series which are not contrary to or inconsistent with the 2010 Indenture;

(2) to close the 2010 Indenture against, or impose additional limitations or restrictions on, the issuance of Parity Obligations, or of other notes, bonds, obligations or evidences of indebtedness;

(3) to impose additional covenants or agreements to be observed by the Authority;

(4) to impose other limitations or restrictions upon the Authority;

(5) to surrender any right, power or privilege reserved to or conferred upon the Authority by the 2010 Indenture;

(6) to confirm, as further assurance, any pledge of or lien upon the Trust Estate or any other moneys, securities or funds;

(7) to cure any ambiguity, omission or defect in the 2010 Indenture;

(8) to provide for the appointment of a successor securities depository in the event any Series of Bonds is held in book-entry only form;

(9) to provide for the establishment of any Debt Service Reserve Account;

(10) to provide for the appointment of any successor Fiduciary;

(11) to conform the provisions of the 2010 Indenture to the provisions of the Act, the RTA Act, the Code, or other applicable law; and

(12) to make any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee, any Bond Insurer, any Swap Provider, any Credit Bank or the Owners.

Powers of Amendment

Except for Supplemental Indentures described under the caption "Supplemental Indentures" above, any modification or amendment of the 2010 Indenture and of the rights and obligations of the Authority and of the Owners of the Bonds under the 2010 Indenture, in any particular, may be made by a Supplemental Indenture with the written consent given as provided in the 2010 Indenture (i) of the Owners of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; *provided* that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the 2010 Indenture. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds, or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

A Series shall be deemed to be affected by a modification or amendment of the 2010 Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not the rights of the Owners of Bonds of any particular Series or maturity would be adversely affected or diminished by any such modification or amendment, and its determination shall be binding and conclusive on the Authority and all Owners of the Bonds.

Any amendment or modification of the 2010 Indenture that adversely affects or diminishes the rights of any Credit Bank or Swap Provider with respect to the payment of any Section 206 Obligation or any Section 207 Obligation or the security provided by the 2010 Indenture with respect to the payment of any Section 206 Obligation or Section 207 Obligation shall not take effect unless such amendment or modification is consented to by such Credit Bank or Swap Provider (or in the event of an assignment of such Section 206 Obligation or Section 207 Obligation, the Person entitled to payment of such Section 206 Obligation or Section 207 Obligation).

Consent of Owners

The Authority may at any time authorize the execution and delivery of a Supplemental Indenture making a modification or amendment permitted by the provisions of the 2010 Indenture summarized above under "-Powers of Amendment", to take effect when and as provided under this caption. Subject to the provisions of the 2010 Indenture summarized below under “Rights of Bond Insurers,” the rights of an owner of an Insured Bond to take action pursuant to this paragraph are abrogated and the Bond Insurer may exercise the rights of the owner of any Insured Bond that is entitled to the benefits of a Bond Insurance Policy issued by the Bond Insurer for the purpose of any approval, request, demand, consent, waiver or other instrument of similar purpose pursuant to the provisions of this caption. Upon the authorization of such Supplemental Indenture, a copy thereof shall be delivered to and held by the Trustee for the inspection of the Owners. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed to the Owners, but failure to mail such copy and request shall not affect the validity of such Supplemental Indenture when consented to as in this caption provided. Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (i) the written consents of the Owners of the required principal amount of Outstanding Bonds, and (ii) a Counsel's Opinion stating that the execution and delivery of such Supplemental Indenture has been duly authorized by the Authority in accordance with the provisions of the 2010 Indenture, is authorized or permitted by the 2010 Indenture and, when effective, will be valid and binding upon the Authority, the Owners and the Trustee, and (b) a notice shall have been mailed as hereinafter provided. A certificate or certificates by the Trustee delivered to the Authority that consents have been given by the Owners of the Bonds described in such certificate or certificates of the Trustee shall be conclusive. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor whether or not such subsequent Owner has notice thereof; *provided* that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter referred to is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. The fact that a consent has not been revoked may be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with it. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by the 2010 Indenture and shall not be deemed ineffective by reason of such prior delivery or filing. Within 30 days of any date on which the consents on file with the Trustee and not theretofore revoked shall be sufficient under the 2010 Indenture, the Trustee shall make and deliver to the Authority a written statement that the consents of the Owners of the required principal amount of Outstanding Bonds have been filed with the Trustee. Such written statement shall be conclusive that such consents have been so filed. Any time thereafter notice, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required principal amount of Outstanding Bonds and will be effective as provided in the 2010 Indenture, shall be given by mailing to the Owners (but failure to mail such notice or any defect therein shall not prevent such Supplemental Indenture from becoming effective and binding). The Trustee shall deliver to the Authority proof of the mailing of such notice. A record, consisting of the information required or permitted by the 2010 Indenture to be delivered by or to the Trustee, shall be proof of the matters therein stated.

Defeasance

If the Authority shall pay or cause to be paid or there shall otherwise be paid (i) to the Owners of all Bonds the Principal or Redemption Price, or Make Whole Optional Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of the Trust Estate and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the Authority to the Owners shall thereupon be discharged and satisfied and (ii) to the applicable Credit Banks and Swap Providers (or their assignees) all payments due upon the instruments creating Section 206 Obligations and Section 207 Obligations, then the pledge of the Trust Estate under the Indenture and all covenants, agreements and obligations of the Authority to the Credit Banks, the Swap Providers and any of their assignees with respect to the payment of Section 206 Obligations and Section 207 Obligations shall thereupon be discharged and satisfied. In such event, the Trustee, upon request of the Authority, shall provide an accounting of the assets managed by the Trustee to be prepared and filed with the Authority for any year or part thereof requested, and shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the Authority all moneys and securities held by them pursuant to the Indenture which are not required for the payment of Bonds not previously surrendered for such payment or redemption or for the payment of Section 206 Obligations and Section 207 Obligations. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series, maturity within a Series or portion of any maturity within a Series, the Principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if the Authority shall have delivered to or deposited with the Trustee (i) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (ii) irrevocable instructions to publish or mail the required notice of redemption of any Bonds so to be redeemed, (iii) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the Principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, (iv) if any of said Bonds are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all Owners of said Bonds a notice that such deposit has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the Principal or Redemption Price, if applicable, of said Bonds, (v) if any of said Bonds are not to be paid within the next succeeding 60 days, a report of an Accountant verifying the sufficiency of such Defeasance Obligations and moneys to pay when due the Principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, and (vi) a Counsel's Opinion to the effect that said Bonds are no longer Outstanding under the Indenture. The Trustee shall execute a certificate confirming the defeasance of said Bonds and the satisfaction of the foregoing conditions. The Defeasance Obligations and moneys deposited with the Trustee pursuant to the Indenture shall be held in trust for the payment of the Principal or Redemption Price, if applicable, and interest on said Bonds. No payments of principal of any such Defeasance Obligations or interest thereon shall be withdrawn or used for any purpose other than the payment of such Principal or Redemption Price of, or interest on, said Bonds unless after such withdrawal the amount held by the Trustee and interest to accrue on Defeasance Obligations so held shall be sufficient to provide fully for the payment of the Principal of or Redemption Price and interest on such Bonds, at maturity or upon redemption, as the case may be.

Amounts deposited with the Trustee for the payment of the Principal of and interest on any Bonds deemed to be paid pursuant to the Indenture, if so directed by the Authority, shall be applied by the Trustee to the purchase of such Bonds in accordance with the Indenture. Bonds for which a redemption date has been established may be purchased on or prior to the forty-fifth day preceding the redemption date. The Principal amount of Bonds to be redeemed shall be reduced by the Principal amount of Bonds so purchased.

Bonds which mature on a single future date may be purchased at any time prior to the maturity date. All such purchases shall be made at prices not exceeding the applicable Principal amount or Redemption Price established pursuant to the Indenture, plus accrued interest, and such purchases shall be made in such manner as the Trustee shall determine. No purchase shall be made by the Trustee if such purchase would result in the Trustee holding less than the moneys and Defeasance Obligations required to be held for the payment of all other Bonds deemed to be paid pursuant to the Indenture.

The Authority may purchase with any available funds any Bonds deemed to be paid in accordance with the provisions of the Indenture summarized under this caption. Bonds for which a redemption date has been established may be purchased by the Authority on or prior to the forty-fifth day preceding the redemption date. On or prior to the forty-fifth day preceding the redemption date the Authority shall give notice to the Trustee of its intention to surrender such Bonds on the redemption date. The Trustee shall proceed to call for redemption the remainder of the Bonds due on the redemption date and shall pay to the Authority on the redemption date the Redemption Price of and interest on such Bonds upon surrender of such Bonds to the Trustee. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. The Trustee shall pay to the Authority the principal amount of and interest on such Bonds upon surrender of such Bonds on the maturity date.

Each Fiduciary shall continue to be entitled to reasonable compensation for all services rendered under the Indenture, notwithstanding that any Bonds are deemed to be paid pursuant to the Indenture.

Any moneys held by a Fiduciary in trust for the payment and discharge of any of the Parity Obligations which remain unclaimed for two years after the date when Parity Obligations have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Parity Obligations become due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of such Bonds and the Persons entitled to payment of any Section 206 Obligation or Section 207 Obligation shall look only to the Authority for the payment of such Parity Obligation.

Rights of Bond Insurers

All rights of any Bond Insurer under the 2010 Indenture, or any Supplemental Indenture shall cease and terminate if: (i) such Bond Insurer has failed to make any payment under its Bond Insurance Policy; (ii) such Bond Insurance Policy shall cease to be valid and binding on such Bond Insurer or shall be declared to be null and void, or the validity or enforceability of any provision thereof is being contested by such Bond Insurer, or such Bond Insurer is denying further liability or obligation under such Bond Insurance Policy; (iii) a petition has been filed and is pending against such Bond Insurer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, and has not been dismissed within sixty days after such filing; (iv) such Bond Insurer has filed a petition, which is still pending, in voluntary bankruptcy or is seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, or has consented to the filing of any petition against it under any such law; or (v) a receiver has been appointed for such Bond Insurer under the insurance laws of any jurisdiction.

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APPENDIX B

SALES TAX RECEIPTS

Sales Tax Receipts consist of RTA Sales Tax, State Sales Tax and Public Transportation Funds that are transferred by the RTA to the Authority and deposited by the Authority into the Sales Tax Receipts Fund. Set forth below is a detailed description of the components of Sales Tax Receipts. For additional information on Sales Tax Receipts, see *"SALES TAX RECEIPTS" in this Official Statement.*

RTA Sales Tax

RTA Sales Tax consists of the RTA sales and use taxes imposed by the RTA under the RTA Act. The following table sets forth the components of the RTA Sales Tax and associated tax rates currently:

RTA Sales Tax

		Rate		
		Cook County		**Collar Counties**
RTA Tax	**Description**	**Food and Drug Sales**	**General Sales**	**All Sales**
Retailer's Occupation Tax	Tax upon all persons engaged in the Northeastern Illinois Transit Region in the business of selling tangible personal property at retail, applicable to (i) sales of food for human consumption that is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks and food that has been prepared for immediate consumption) and prescription and nonprescription medicines, drugs, medical appliances and insulin, urine testing materials, syringes and needles used by diabetics ("Food and Drug Sales"), and (ii) sales of tangible personal property at retail ("General Sales").	1.25%	1.00%	0.75%
Service Occupation Tax	Tax upon all persons in the Northeastern Illinois Transit Region engaged in the business of making sales of service, who as an incident to making the sales of service, transfer tangible personal property within the Northeastern Illinois Transit Region, either in the form of tangible personal property or in the form of real estate as an incident to a sale of service.	1.25%	1.00%	0.75%
Use Tax	Tax imposed upon the privilege of using in the Northeastern Illinois Transit Region any item of tangible personal property that is purchased outside the Northeastern Illinois Transit Region at retail from a retailer, and *that is titled or registered with an agency of State.* The tax shall be collected from persons whose Illinois address for titling or registration purposes is given as being in the metropolitan region.		Titled or registered property* 1.00%	Titled or registered property* 0.75%

* e.g. cars, boats and aircraft.

On or before the 25th day of each calendar month, the Illinois Department of Revenue prepares and certifies to the Comptroller of the State of Illinois (the "State Comptroller") and to the RTA: (i) the amount of RTA Sales Tax collected in the Collar Counties, (ii) the amount of RTA Sales Tax collected within the City of Chicago, and (iii) the amount of RTA Sales Tax collected in that portion of Cook County outside of Chicago, each amount less refunds to taxpayers. Within 10 days after receipt of the Department of Revenue's certification of RTA Sales Tax, the State Comptroller orders to be drawn for payment: (1) two-thirds of the amounts certified in item (i) above to the RTA Sales Tax Fund, (2) one-third of the amounts certified in item (i) to the Collar Counties, and (3) the amounts certified in items (ii) and (iii) above to the RTA Sales Tax Fund.

State Sales Tax

The following table describes the components of the State Sales Tax and associated tax rates.

State Sales Tax

		Rate	
State Tax	**Description**	**Food and Drug Sales**	**General Sales**
Retailer's Occupation Tax	Tax imposed upon persons engaged in the State in the business of selling tangible personal property to purchasers for use or consumption.	1.00%	6.25%
Service Occupation Tax	Tax imposed upon all persons engaged in the State in the business of making sales of service on all tangible personal property transferred as an incident of a sale of service.	1.00%	6.25%
Use Tax	Tax imposed upon the privilege of using in the State tangible personal property purchased in a sale at retail from a retailer.	1.00%	6.25%
Service Use Tax	Tax imposed upon the privilege of using in the State real or tangible personal property acquired as an incident to the purchase of a service from a serviceman.	1.00%	6.25%

In general, 20 percent of the 6.25 percent net State use tax on General Sales and 100 percent of the 1.00 percent net State use tax on Food and Drug Sales are deposited in the State and Local Sales Tax Reform Fund maintained by the State Treasurer. Additionally, 4 percent of the 6.25 percent net State sales tax on General Sales, and 4 percent of the 6.25 percent net State use tax on titled or registered tangible personal property are deposited monthly in the County and Mass Transit District Fund. After certain deductions, 10 percent of the money paid into the State and Local Sales Tax Reform Fund is transferred into the Regional Transportation Authority Occupation and Use Tax Replacement Fund. Of the money paid into the County and Mass Transit District Fund, amounts attributable to retail sales occurring (or vehicles titled or registered) in Cook County are transferred to the RTA Sales Tax Fund.

Public Transportation Funds

Public Transportation Funds represent State money dedicated to public transportation in Illinois in addition to amounts paid for public transportation out of the State Sales Tax. Public Transportation Funds received by the RTA are separated into amounts that must be distributed to the Service Boards pursuant to statutorily prescribed formula allocations (the "Formula PTF") and amounts are allocated to the Service Boards at the discretion of the RTA Board ("Discretionary PTF"). The following table sets forth the calculation of Formula PTF and Discretionary PTF.

Public Transportation Funds

Type	Description
Formula PTF	25% of the net revenue (after taxpayer refunds for overpayments), before the deduction of serviceman and retailer discounts, realized by the RTA from (i) 20% of the proceeds of the RTA Sales Tax collected in Cook County on Food and Drug Sales, (ii) 25% of the State Sales Tax collected in Cook County on General Sales, and (iii) one-third of the RTA Sales Tax collected in the Collar Counties on Food and Drug Sales and General Sales, plus
	5% of the net revenue, before deduction of servicemen and retailer discounts, realized from RTA Sales Tax, plus
	5% of amounts deposited into the RTA Tax Fund from the Regional Transportation Authority Occupation and Use Tax Replacement Fund and the County and Mass Transit District Fund, plus
	30% of the revenue realized by the Authority as financial assistance from the City of Chicago from the proceeds of the tax imposed by the City of Chicago under the Illinois Municipal Code on the privilege of transferring title to, or beneficial interest in, real property located in the City of Chicago (the "Real Estate Transfer Tax").
Discretionary PTF	25% of the net revenue (after taxpayer refunds for overpayments), before the deduction of serviceman and retailer discounts, realized by the RTA from (i) 80% the proceeds of the RTA Sales Tax collected in Cook County on Food and Drug Sales, (ii) 75% of the proceeds of the RTA Sales Tax collected in Cook County on General Sales and (ii) one-third of the RTA Sales Tax collected in the Collar Counties on Food and Drug Sales and General Sales, plus
	25% of amounts deposited into the RTA Tax Fund from the Regional Transportation Authority Occupation and Use Tax Replacement Fund and the County and Mass Transit District Fund.

Public Transportation Funds are paid from the State's General Revenue Fund into the Public Transportation Fund for the benefit of local units of government responsible for public transportation. No moneys are to be paid from the Public Transportation Fund to the RTA for any fiscal year until the RTA has certified to the Governor, the Comptroller, and the Mayor that the RTA has adopted for that fiscal year an annual budget and two-year financial plan meeting the requirements of the RTA Act.

Within six months of the end of each fiscal year, the RTA is required to determine whether the aggregate of all System-Generated Revenues for public transportation in the Northeastern Illinois Transit Region which is provided by, or under grant or purchase of service contracts with, the Service Boards equals 50 percent of the aggregate of all costs of providing public transportation. System-Generated Revenues include all the proceeds of fares and charges for services provided, contributions received in connection with public transportation from units of local government other than the RTA (except for contributions received by the Authority from the Real Estate Transfer Tax, and from grants made by the Illinois Department of Transportation to units of local government, districts, and carriers for the acquisition, construction, extension, reconstruction, and improvement of mass transportation), and all other revenues properly included consistent with generally accepted accounting principles. System-Generated Revenues do not include the proceeds from any borrowing, and all revenues and receipts, including but not limited to fares and grants received from the federal government, the State or any unit of local government or other entity, derived from providing ADA paratransit service. If the RTA makes any payment to the State pursuant to the foregoing, the RTA must reduce the amount provided to a Service Board from funds transferred in proportion to the amount by which that Service Board failed to meet its Required Recovery Ratio. The Transportation System has never failed to meet the requirement.

Also within six months of the end of each fiscal year, the RTA is required to determine whether the aggregate of all fares charged and received for ADA paratransit services equals the system generated ADA paratransit services revenue recovery ratio of the aggregate of all costs of providing the ADA paratransit services. If System-Generated Revenues are less than 10.0 percent of costs, the RTA Board is required to remit an amount equal to the amount of the deficit to the State for deposit into the General Revenue Fund. The Transportation System has never failed to meet the requirement.

Allocations of RTA Tax Funds

As described above, RTA Sales Tax, State Sales Tax and Public Transportation Funds are ultimately deposited in the RTA Sales Tax Fund maintained by the State Treasurer. After providing for the payment of outstanding RTA bonds and notes issued under the provisions of RTA Act, amounts in the RTA Sales Tax Fund are distributed to the RTA. Of the amount received by the RTA in the form of RTA Sales Tax and State Sales Tax, the RTA is entitled to withhold 15.0 percent for its general corporate purposes. After making special fund deposits for ADA paratransit, community mobility and RTA innovation, coordination and enhancement ("ICE") programs, remaining RTA Sales Tax and State Sales Tax and a portion of Public Transportation Funds are then distributed to the Service Boards, as RTA Formula Funds, in accordance with statutorily-required formula allocations. Additionally, the RTA distributes to the Service Boards discretionary operating funds, as RTA Discretionary Funds, that were derived from the RTA's 15.0 percent retention of RTA Sales Tax and State Sales Tax and the remaining portion of Public Transportation Funds. Although the RTA Act does not specify how RTA Discretionary Funds are to be allocated, the RTA has historically allocated nearly half of the RTA Sales Tax and State Sales Tax and between 90 and 99 percent of Discretionary PTF to the Authority. The percentage allocations of RTA Formula Funds and RTA Discretionary Funds to the Service Boards are set forth in the following tables. All allocations of RTA Formula Funds and RTA Discretionary Funds constitute Sales Tax Receipts.

Allocations of RTA Formula Funds

RTA Sales Tax	Authority % Allocation
85% of 80% of taxes on Food and Drug Sales in Chicago.	100%
85% of 80% of taxes on Food and Drug Sales in Cook County but outside of Chicago.	30%
85% of 75% of taxes on General Sales in Chicago and property titled or registered in Chicago	100%
85% of 75% of taxes on General Sales in Cook County, but sold outside of Chicago, or property titled or registered in Cook County but outside of Chicago.	30%
85% of 50% of taxes on Food and Drug Sales, General sales and property titled or registered in Collar Counties.	
20% of taxes on Food and Drug Sales in Cook County, 25% of taxes on General Sales in Cook County (and property titled or registered in Cook County), and 50% of taxes on Food and Drug Sales, General sales and property titled or registered in Collar Counties (after required deposits into other funds for ADA paratransit, community mobility and ICE programs).	48%
State Sales Tax	
85% of State Sales Tax received by the RTA attributable to retail sales within the City of Chicago.	100%
85% of State Sales Tax received by the RTA attributable to retail sales within Cook County but outside of the City of Chicago.(1)	30%
Public Transportation Funds	
The State's contribution of an amount equal to the amount of RTA State Sales Tax and State Sales Tax distributable to the RTA as Formula PTF, and the State's contribution of an amount equal to 5% of the Real Estate Transfer Tax(2) (after required deposits into other funds for ADA paratransit, community mobility and ICE programs).	48%
The State's contribution of an amount equal to 25% of the Real Estate Transfer Tax.(2)	100%

(1) All of the State use tax received by the RTA from the State and Local Tax Reform Fund are allocated among the Service Boards on the basis of each Service Board's "distribution ratio." The distribution ratio is the ratio of the total amount of RTA Sales Tax distributed to a Service Board for the immediately preceding calendar year to the total amount of RTA Sales Tax distributed to all of the Service Boards for the immediately preceding calendar year.

(2) Public Transportation Funds represent State matching funds determined in part by reference to the Real Estate Transfer Tax paid to the Authority from the City of Chicago. Public Transportation Funds do not represent the actual Real Estate Transfer Tax collected by the City of Chicago and paid to the Authority. RETT Revenues are not part of Sales Tax Receipts and are not pledged to payment of the Series 2020B Refunding Bonds. See "FINANCIAL INFORMATION—Public Funding."

Allocations of RTA Discretionary Funds

RTA Sales Tax and State Sales Tax	Authority % Allocation
Amounts authorized by ordinance by the RTA Board from the 15% of RTA Sales Tax and State Sales Tax retained by the RTA (after payment of RTA debt service and operating expenses).	48%
Formula PTF	
25% of (i) 80% of the proceeds of the RTA Sales Tax collected in Cook County on Food and Drug Sales, (ii) 75% of the proceeds of the RTA Sales Tax collected in Cook County on General Sales, (iii) one-third of the RTA Taxes collected in the Collar Counties; and (iv) the amount of State Sales Tax deposited into the RTA Tax Fund.	98%

APPENDIX C

SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION

The Authority's revenue is affected by various economic and demographic factors, including population, economic conditions, employment, fuel costs and consumer and producer prices. Chicago is the third largest economy ranked by GDP in the U.S. and the 21st largest economy in the world.* Set forth below are selected and comparative statistics demonstrating trends in population, economic activity and prices for the sectors and years cited. Information presented for the Northeastern Illinois Transit Region is for Cook County and the Collar Counties of DuPage, Kane, Lake, McHenry and Will, collectively. The Chicago Metropolitan Statistical Area ("Chicago MSA") represents the Northeastern Illinois Transit Region and the Counties of DeKalb, Grundy, and Kendall in Illinois, the Counties of Jasper, Lake, Newton and Porter in Indiana, and the County of Kenosha in Wisconsin. Chicago MSA information is presented where no comparable information is available for the Northeastern Illinois Transit Region. Data provided in each table is the most recently available data from the applicable source.

* (Source: https://www.statista.com/statistics/183827/gdp-of-the-chicago-metro-area/)

Population
1980-2019

Year	Northeastern Illinois Transit Region	Cook County	City of Chicago	State of Illinois
1980	7,103,624	5,253,655	3,005,072	11,426,518
1990	7,261,176	5,105,067	2,783,726	11,430,602
2000	8,091,720	5,377,175	2,895,995	12,419,231
2010	8,316,650	5,194,675	2,695,598	12,830,632
2019 Est.	8,345,010	5,150,233	2,693,976	12,671,821

Source: U.S. Census Bureau, www.census.gov/quickfacts/fact/table (accessed June 30, 2020).

Gross Domestic Product
Percent Change from Preceding Period
2009-2018

Year	United States	State of Illinois	Chicago MSA
2009	-2.5%	-2.4%	-3.3%
2010	2.6%	1.8%	1.7%
2011	1.6%	1.7%	1.4%
2012	2.2%	1.9%	2.6%
2013	1.8%	0.5%	0.9%
2014	2.5%	1.4%	1.7%
2015	2.9%	1.3%	2.3%
2016	1.6%	0.4%	0.9%
2017	2.4%	0.9%	1.1%
2018	2.9%	2.1%	1.9%

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Annual percent change in Real GDP from prior year based on chained 2012 dollars. www.bea.gov/national, www.bea.gov/regional (accessed June 25, 2020).

Per Capita Personal Income
2009 - 2019

Year	United States	State of Illinois	Chicago MSA	Cook County
2009	$ 39,284	$ 41,042	$ 43,320	$ 43,394
2010	40,546	42,093	44,207	44,150
2011	42,735	44,140	46,247	45,831
2012	44,599	46,050	48,752	48,473
2013	44,851	47,124	49,644	49,813
2014	47,058	49,461	52,658	53,586
2015	48,978	51,541	55,275	56,270
2016	49,870	52,299	56,086	56,961
2017	51,885	53,974	58,014	59,046
2018	54,446	56,919	61,089	62,205
2019	56,663	58,935	NA	NA

Source: Bureau of Economic Analysis, www.bea.gov (accessed August 11, 2020)

Educational Attainment
2018

	United States	State of Illinois	Cook County	City of Chicago
High School Graduate	26.9%	26.1%	23.3%	22.9%
Bachelor's Degree	20.0%	21.1%	22.6%	22.7%
Graduate or Professional Degree	12.6%	14.0%	15.4%	15.6%
Bachelor's Degree or Higher	32.6%	35.1%	38.0%	38.3%

Source: U.S. Census Bureau; 2018: ACS 5-Year Estimates Data Profile
https://www.census.gov/topics/education/educational-attainment/data/tables.html (accessed June 30, 2020).

Employment
2009–2019
(in thousands)

Calendar Year-End	State of Illinois	Chicago MSA	Cook County	City of Chicago
2009	5,943	4,381	2,330	1,174
2010	5,937	4,358	2,356	1,206
2011	5,948	4,378	2,361	1,208
2012	5,991	4,438	2,398	1,228
2013	5,957	4,461	2,415	1,236
2014	6,052	4,542	2,457	1,258
2015	6,119	4,597	2,481	1,271
2016	6,162	4,646	2,500	1,282
2017	6,159	4,653	2,498	1,285
2018	6,185	4,668	2,494	1,285
2019	6,191	4,676	2,497	1,286

Source: Bureau of Labor Statistics,www.bls.gov/regions/Midwest/il_chicago_md.htm (accessed June 30, 2020). State level data was revised on March 4, 2020. MSA, County and City level data was revised on April 17, 2020.

Annual Unemployment Rates
2009-2019

Calendar Year	United States	State of Illinois	Chicago MSA	Cook County	City of Chicago
2009	9.3%	10.2%	10.2%	10.5%	11.1%
2010	9.6%	10.4%	10.6%	10.9%	11.2%
2011	8.9%	9.7%	9.9%	10.4%	10.8%
2012	8.1%	9.0%	9.1%	9.6%	10.0%
2013	7.4%	9.0%	9.1%	9.6%	10.0%
2014	6.2%	7.1%	7.1%	7.5%	7.8%
2015	5.3%	6.0%	5.9%	6.2%	6.6%
2016	4.9%	5.8%	5.7%	6.0%	6.4%
2017	4.3%	4.9%	4.8%	5.1%	5.4%
2018	3.9%	4.3%	4.1%	4.1%	4.3%
2019	3.7%	4.0%	3.8%	3.8%	4.0%

Source: Bureau of Labor Statistics, https://www.bls.gov/lau/home.htm (accessed June 25, 2020). State level data was revised on March 4, 2020. MSA, County and City level data was revised on April 17, 2020.

Percentage of Total Non-Farm Employment by Major Industry Sector
June 2020

Sector	United States	Illinois	Chicago MSA	MSA Jobs by Sector (000's)
Trade, Transportation and Utilities	11.4%	20.5%	20.6%	896.60
Education and Health Services	17.7%	15.9%	15.9%	690.00
Government	16.7%	14.4%	11.6%	506.10
Professional and Business Services	15.6%	15.8%	17.9%	780.20
Leisure and Hospitality	9.8%	6.3%	7.7%	333.50
Manufacturing	9.6%	10.0%	9.2%	401.50
Financial Activities	6.8%	7.5%	7.1%	311.20
Construction	5.8%	3.9%	4.1%	178.70
Other Services	4.1%	3.9%	4.1%	178.10
Information	2.0%	1.6%	1.7%	75.40
Mining and Logging	0.5%	0.1%	0.0%	1.70
				4,353.0

Source: U.S. Bureau of Labor Statistics, (accessed August 12, 2020)
https://www.bls.gov/regions/midwest/news-release/areaemployment_chicago.htm

Largest Non-Government Employers in Chicago Area[1]
(FTE as of 12/31/19)

Employer	Number of Employees
Advocate Aurora Health	25,917
Northwestern Memorial Healthcare	21,264
Amita Health	20,046
University of Chicago	18,276
Amazon.com	14,610
United Continental Holdings Inc.	14,520
JP Morgan Chase & Co	13,742
Walgreens Boots Alliance Inc.	12,200
WalMart	11,549
Jewel-Osco	10,410

Source: City of Chicago CAFR for the Year Ended 12/31/19; reprinted with permission from February 24, 2020 issue of Crain's Chicago Business, Crain Communications, Inc. www.chicagobusiness.com

(1) Includes Northeastern Illinois Transit Region and Lake County, Indiana.

Tourism—City of Chicago
2010-2018
(in millions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Visitations	39.3	43.7	46.5	48.5	50.2	52.7	54.1	55.0	57.6

Source: Choose Chicago,
http://www.choosechicago.com/articles/view/research-statistics/927/?fmid=1748 (accessed March 6, 2020).

Retail Fuel Prices
2009-2019
($ per gallon)

Year	Gasoline (Unleaded regular)	On-Highway Diesel Fuel
2009	$2.35	$2.47
2010	2.79	2.99
2011	3.53	3.84
2012	3.64	3.97
2013	3.53	3.92
2014	3.37	3.83
2015	2.45	2.71
2016	2.14	2.30
2017	2.41	2.65
2018	2.74	3.18
2019	2.64	3.06

Source: U.S. Department of Labor, Bureau of Labor Statistics; US City Average per Gallon; U.S. Energy Information Administration, https://www.eia.gov/totalenergy/data/monthly/#prices (accessed June 26, 2020).

Consumer Price Index (All Urban Consumers)
Year-to-Year Changes(1)
2009-2019

Year	U.S. City Average	Chicago MSA
2009	-0.4%	-1.2%
2010	1.6%	1.4%
2011	3.2%	2.7%
2012	2.1%	1.5%
2013	1.5%	1.1%
2014	1.6%	1.7%
2015	0.1%	-0.3%
2016	1.3%	0.7%
2017	2.1%	1.9%
2018	2.4%	1.8%
2019	1.8%	1.5%

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://www.bls.gov/cpi (accessed June 5, 2020).
(1) Not seasonally adjusted.

Producer Price Index
Year-to-Year Changes
2009-2019

Year	Industrial Commodities	Gasoline	Diesel Fuel (No. 2)
2009	-8.8%	-41.4%	-44.1%
2010	6.8%	35.2%	29.0%
2011	8.9%	26.0%	35.5%
2012	0.5%	-0.7%	3.2%
2013	0.6%	2.8%	-2.6%
2014	0.9%	-7.8%	-5.7%
2015	-7.3%	-50.0%	-39.4%
2016	-2.6%	-14.1%	-21.1%
2017	4.4%	24.5%	29.5%
2018	4.0%	31.5%	33.2%
2019	-1.1%	-13.3%	-10.4%

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://www.bls.gov/ppi (accessed June 29, 2020).

Fortune 500 Companies
Headquartered in the Chicago MSA

Fortune Rank	Company	Headquarters Location
17	Walgreens Boots Alliance	Deerfield IL
28	Boeing	Chicago, IL
49	Archer Daniels Midland	Chicago, IL
58	Caterpillar	Deerfield IL
78	United Continental Holdings	Chicago, IL
82	Allstate	Northbrook, IL
93	Exelon	Chicago, IL
96	AbbVie	North Chicago, IL
103	Abbott Laboratories	Abbott Park, IL
116	Mondelez International	Deerfield IL
125	US Foods Holdings	Rosemont, IL
149	McDonald's	Chicago, IL
189	Jones Lang LaSalle	Chicago, IL
191	CDW	Lincolnshire, IL
214	Illinois Tool Works	Glenview, IL
253	Discover Financial Services	Riverwoods, IL
262	LKQ	Chicago, IL
267	Tenneco	Lake Forest, IL
282	W.W. Grainger	Lake Forest, IL
286	Baxter International	Deerfield IL
308	Navistar International	Lisle, IL
353	Univar	Downers Grove, IL
364	Anixter International	Glenview, IL
386	Conagra Brands	Chicago, IL
412	Dover	Downers Grove, IL
416	Motorola Solutions	Chicago, IL
432	Packaging Corp. of America	Lake Forest, IL
435	Arthur J. Gallagher	Rolling Meadows, IL
445	R.R. Donnelley & Sons	Chicago, IL
449	Ulta Beauty	Bolingbrook, IL
453	Northern Trust	Chicago, IL
481	Old Republic International	Chicago, IL
486	Ingredion	Westchester, IL
489	Treehouse Foods	Oak Brook, IL

Source: https://fortune.com/fortune500/search/?hqcity=Chicago&hqstate=IL (accessed March 8, 2020).

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APPENDIX D

CHICAGO TRANSIT AUTHORITY
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
YEARS ENDED DECEMBER 31, 2019 AND 2018

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CHICAGO TRANSIT AUTHORITY
CHICAGO, ILLINOIS

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
Years Ended December 31, 2019 and 2018
(With Independent Auditor's Report Thereon)

CHICAGO TRANSIT AUTHORITY
Chicago, Illinois

FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Chicago Transit Board
Chicago Transit Authority
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Chicago Transit Authority (CTA), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the CTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the CTA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CTA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the CTA, as of December 31, 2019 and 2018, and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 will impact subsequent periods of the CTA. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CTA's basic financial statements. The accompanying supplementary schedules of expenses and revenues – budget and actual for the years ended December 31, 2019 and 2018, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules of expenses and revenues – budget and actual for the years ended December 31, 2019 and 2018 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary schedules of expenses and revenues – budget and actual for the years ended December 31, 2019 and 2018 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated April 29, 2020 on our consideration of the CTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CTA's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Chicago, Illinois
April 29, 2020

Introduction

The following discussion and analysis of the financial performance and activity of the Chicago Transit Authority (CTA) provide an introduction and understanding of the basic financial statements of the CTA for the fiscal years ended December 31, 2019 and 2018. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights for 2019

- Net position totaled ($886,163,000) at December 31, 2019.
- Net position decreased $115,208,000 in 2019 which compares to a decrease of $137,645,000 in 2018.
- Total net capital assets were $5,059,929,000 at December 31, 2019, an increase of 2.50% over the balance at December 31, 2018 of $4,936,546,000.

Financial Highlights for 2018

- Net position totaled ($770,955,000) at December 31, 2018.
- Net position decreased $137,645,000 in 2018, which compares to a decrease of $210,071,000 in 2017.
- Total net capital assets were $4,936,546,000 at December 31, 2018, an increase of 0.58% over the balance at December 31, 2017 of $4,907,988,000.

The Financial Statements

The basic financial statements provide information about the CTA's business-type activities and the Qualified Supplemental Retirement Fund (fiduciary activities). The financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB).

Overview of the Financial Statements for Business-Type Activities

The financial statements consist of the (1) Statements of Net Position, (2) Statements of Revenues, Expenses, and Changes in Net Position, (3) Statements of Cash Flows, and (4) Notes to the Financial Statements. The financial statements are prepared on the accrual basis of accounting, meaning that all expenses are recorded when incurred and all revenues are recognized when earned, in accordance with U.S. generally accepted accounting principles.

Statements of Net Position

The Statements of Net Position reports all financial and capital resources for the CTA (excluding fiduciary activities). The statements are presented in the format where assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as current (convertible into cash within one year) and noncurrent. The focus of the Statements of Net Position is to show a picture of the liquidity and health of the organization as of the end of the year.

The Statements of Net Position are designed to present the net available liquid (noncapital) assets, deferred outflows of resources, net of liabilities, and deferred inflows of resources for the entire CTA. Net position is reported in three categories:

- *Net Investment in Capital Assets—This component of net position consists of all capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.*
- *Restricted—This component of net position consists of restricted assets where constraints are placed upon the assets by creditors (such as debt covenants), grantors, contributors, laws, and regulations, etc.*
- *Unrestricted—This component consists of net position that does not meet the definition of net investment in capital assets, or a restricted component of net position.*

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position includes operating revenues, such as bus and rail passenger fares, rental fees received from concessionaires, and the fees collected from advertisements on CTA property; operating expenses, such as costs of operating the mass transit system, administrative expenses, and depreciation on capital assets; and nonoperating revenue and expenses, such as grant revenue, investment income, and interest expense. The focus of the Statements of Revenues, Expenses, and Changes in Net Position is the changes in net position. This is similar to net income or loss and portrays the results of operations of the organization for the entire operating period.

Statements of Cash Flows

The Statements of Cash Flows discloses net cash provided by or used for operating activities, investing activities, noncapital financing activities, and from capital and related financing activities.

Notes to Financial Statements

The Notes to Financial Statements are an integral part of the basic financial statements and describe the organization, budget, significant accounting policies, related-party transactions, deposits and investments, restrictions on deposits and investments, capital assets, capital lease obligations, bonds payable, long-term liabilities, defined-benefit pension plans, other post-employment benefits, derivative financial instruments, and the commitments and contingencies. The reader is encouraged to review the notes in conjunction with the management discussion and analysis and the financial statements.

Financial Analysis of the CTA's Business-Type Activities

Statements of Net Position

The following table reflects a condensed summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the CTA as of December 31, 2019, 2018, and 2017:

Table 1
Summary of Assets, Deferred Outflows of Resources, Liabilities,
Deferred Inflows of Resources, and Net Position
December 31, 2019, 2018, and 2017
(In thousands of dollars)

	2019	2018	2017
Assets:			
Current assets	$ 633,635	$ 696,275	$ 755,984
Capital Assets, net	5,059,929	4,936,546	4,907,988
Noncurrent assets	354,624	430,392	588,218
Total assets	6,048,188	6,063,213	6,252,190
Total deferred outflows of resources	312,255	185,039	300,954
Total assets and deferred outflows of resouces	$ 6,360,443	$ 6,248,252	$ 6,553,144
Liabilities:			
Current liabilities	$ 847,915	$ 758,276	$ 852,902
Long-term liabilities	6,378,597	6,260,931	6,326,088
Total liabilities	7,226,512	7,019,207	7,178,990
Total deferred inflows of resources	20,094	-	1,000
Net position			
Net investment in capital assets	2,372,455	2,510,818	2,541,407
Restricted:			
Payment of leasehold obligations	2,227	2,297	4,631
Debt service	71,631	70,804	72,453
Unrestricted (deficit)	(3,332,476)	(3,354,874)	(3,245,337)
Total net position	(886,163)	(770,955)	(626,846)
Total liabilities, deferred inflows of resources, and net position	$ 6,360,443	$ 6,248,252	$ 6,553,144

Year Ended December 31, 2019

Current assets decreased by $62,640,000 primarily due to lower operating and capital receivable balances.

Capital assets (net) increased by $123,383,000 or 2.50% to $5,059,929,000 due to more capital funding. The CTA's capital improvement projects were funded primarily by the Federal Transit Administration (FTA), U.S. Department of Transportation, the Illinois Department of Transportation (IDOT), the Regional Transportation Authority (RTA), and CTA bonds.

Other non-current assets decreased by 17.60% to $354,624,000 due to capital spending of bond proceeds.

Current liabilities increased 11.82% to $847,915,000 primarily due to the capital line of credit balance due in 2020.

Long-term liabilities increased by $117,666,000 or 1.88% to $6,378,597,000. The increase is primarily due to increases in the net pension liability associated with the employee pension plan in accordance with GASB 68 and in the capital lines of credit.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets.

The net position balances restricted for other purposes include amounts restricted for two distinct purposes. The first restriction is for the assets restricted for future payments on the lease obligations. The second restriction is for the assets restricted for debt service payments.

The deficit in unrestricted net position, represents assets available for operations, increased 2.81% over the prior year.

Year Ended December 31, 2018

Current assets decreased by $59,709,000 primarily due to lower cash and investment balances.

Capital assets (net) increased by $28,558,000 or 0.58% to $4,936,546,000 due to more capital funding. The CTA's capital improvement projects were funded primarily by the Federal Transit Administration (FTA), U.S. Department of Transportation, the Illinois Department of Transportation (IDOT), the Regional Transportation Authority (RTA), and CTA bonds.

Other non-current assets decreased by 26.83% to $430,392,000 due to the termination of the 1998-JH Green Line lease/leaseback transaction and capital spending of bond proceeds.

Current liabilities decreased 11.09% to $758,276,000 primarily due to the termination of the 1998-JH Green Line lease/leaseback transaction.

Long-term liabilities decreased by $65,157,000 or 1.03% to $6,260,931,000. The decrease is primarily due to decreases in bonds payable and in the net pension liability associated with the employee pension plan in accordance with GASB 68.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets.

The net position balances restricted for other purposes include amounts restricted for two distinct purposes. The first restriction is for the assets restricted for future payments on the lease obligations. The second restriction is for the assets restricted for debt service payments.

The deficit in unrestricted net position, represents assets available for operations, increased 3.38% over the prior year.

Statements of Revenues, Expenses, and Changes in Net Position

The following table reflects a condensed summary of the revenues, expenses, and changes in net position (in thousands) for the years ended December 31, 2019, 2018, and 2017:

Table 2
Condensed Summary of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2019, 2018, and 2017
(In thousands of dollars)

	2019	2018	2017
Operating revenues	$ 654,009	$ 656,076	$ 608,465
Operating expenses:			
Operating expenses	1,451,594	1,435,054	1,417,786
Depreciation	500,475	459,447	489,895
Total operating expenses	1,952,069	1,894,501	1,907,681
Operating loss	(1,298,060)	(1,238,425)	(1,299,216)
Nonoperating revenues:			
Public funding from the RTA	818,211	809,352	778,462
Build America Bond subsidy	10,127	10,090	10,052
Interest revenue from leasing transactions	-	-	5,054
Other nonoperating revenues	42,400	39,112	36,263
Total nonoperating revenues	870,738	858,554	829,831
Nonoperating expenses	(190,124)	(198,936)	(209,572)
Change in net position before capital contributions	(617,446)	(578,807)	(678,957)
Capital contributions	502,238	441,162	468,886
Change in net position	(115,208)	(137,645)	(210,071)
Total net position, beginning of year	(770,955)	(633,310)	(416,775)
Total net position, end of year	$ (886,163)	$ (770,955)	$ (626,846)

Year Ended December 31, 2019

Total operating revenues decreased by $2,067,000, or 0.32% primarily due to a decrease in farebox revenue.

Farebox and pass revenue decreased $3,494,000 primarily due to lower ridership. CTA's ridership decreased by 2.8% or 12.9 million rides over the prior year. CTA's average fare of $1.29 was $0.03 higher than 2018.

In 2019, CTA provided approximately 67,786,000 free rides, an increase of 1,634,000 or 2.47% over 2018. The Illinois General Assembly passed legislation to allow senior citizens aged 65 and over who live in the RTA service region to take free fixed route public transit rides on CTA, Metra and Pace beginning March 17, 2008. The Chicago City Council passed an ordinance to provide free CTA rides for active military personnel beginning May 1, 2008 and disabled veterans beginning August 1, 2008. The Illinois General Assembly also enacted legislation to require free rides on fixed-route transit to be made available to any Illinois resident who has been enrolled as a person with a disability in the Illinois Circuit Breaker program. In 2011, the free ride program was modified to subject the participants to a means test. Under this program seniors who do not qualify to ride free pay a reduced fare.

Total operating expenses increased $57,568,000, or 3.04%. The increase is primarily driven by higher depreciation and labor expense. Labor expense increased $47,017,000 primarily due to an increase in actuarial estimates for pension costs. Depreciation expense increased $41,028,000.

Year Ended December 31, 2018

Total operating revenues increased by $47,611,000, or 7.82% primarily due to increases in both farebox and pass revenue in addition to the new City of Chicago ride-hailing fee.

Farebox and pass revenue increased $29,297,000 primarily due to the fare increase in 2018. CTA's ridership decreased by 2.4% or 11.4 million rides over the prior year. CTA's average fare of $1.26 was $0.09 higher than 2018.

In 2018, CTA provided approximately 66,152,000 free rides, a decrease of 1,135,000 or 1.69% over 2018. The Illinois General Assembly passed legislation to allow senior citizens aged 65 and over who live in the RTA service region to take free fixed route public transit rides on CTA, Metra and Pace beginning March 17, 2008. The Chicago City Council passed an ordinance to provide free CTA rides for active military personnel beginning May 1, 2008 and disabled veterans beginning August 1, 2008. The Illinois General Assembly also enacted legislation to require free rides on fixed-route transit to be made available to any Illinois resident who has been enrolled as a person with a disability in the Illinois Circuit Breaker program. In 2011, the free ride program was modified to subject the participants to a means test. Under this program seniors who do not qualify to ride free pay a reduced fare.

Total operating expenses decreased $13,180,000, or 0.69%. The decrease is primarily driven by lower depreciation and labor expense. Labor expense decreased $12,360,000 due to a decrease in actuarial estimates for pension costs. Depreciation expense decreased $30,448,000.

Table 3, which follows, provides a comparison of amounts for these items:

Table 3
Operating Revenues and Expenses
Years ended December 31, 2019, 2018, and 2017
(In thousands of dollars)

	2019	2018	2017
Operating Revenues:			
Farebox revenue	$ 350,992	$ 359,614	$ 347,368
Pass revenue	234,305	229,177	212,126
Total farebox and pass revenue	585,297	588,791	559,494
Advertising and concessions	38,987	37,844	34,379
Other revenue	29,725	29,441	14,592
Total operating revenues	$ 654,009	$ 656,076	$ 608,465
Operating Expenses:			
Labor and fringe benefits	$ 1,163,529	$ 1,116,512	$ 1,128,872
Materials and supplies	67,652	90,474	83,783
Fuel	40,396	32,079	28,757
Electric power	31,560	31,162	27,373
Purchase of security services	14,920	17,502	17,041
Other	104,801	111,677	107,314
Operating expense before provisions	1,422,858	1,399,406	1,393,140
Provision for injuries and damages	28,736	35,648	24,646
Provision for depreciation	500,475	459,447	489,895
Total operating expenses	$ 1,952,069	$ 1,894,501	$ 1,907,681

Capital Asset and Debt Administration

Capital Assets

The CTA has $13,204,811,000 in capital assets, including buildings, vehicles, elevated railways, signal and communication equipment, as well as other equipment as of December 31, 2019 recorded at historical cost. Net of accumulated depreciation, the CTA's capital assets at December 31, 2019 totaled $5,059,929,000. This amount represents a net increase (including additions and disposals, net of depreciation) of $123,383,000, or 2.50%, over the December 31, 2018 balance primarily due to an increase in capital funding.

The CTA has $12,654,553,000 in capital assets, including buildings, vehicles, elevated railways, signal and communication equipment, as well as other equipment as of December 31, 2018 recorded at historical cost. Net of accumulated depreciation, the CTA's capital assets at December 31, 2018 totaled $4,936,546,000. This amount represents a net increase (including additions and disposals, net of depreciation) of $28,558,000 or 0.58%, over the December 31, 2017 balance primarily due to an increase in capital funding.

Additional information on the capital assets and construction commitments can be found in note 6 and note 18, respectively, of the audited financial statements.

Debt Administration

Long-term debt includes capital lease obligations payable, accrued pension costs, bonds payable, certificates of participation, and fare collection purchase agreement.

At December 31, 2019, the CTA had $67,867,000 in capital lease obligations outstanding, a decrease from the prior year due to principal payments on lease transactions. The bonds payable liability decreased by $97,860,000 primarily due to debt service payments. Current liabilities increased 11.82% to $847,915,000 primarily due to the capital line of credit balance due in 2020. Long-term liabilities increased by $117,666,000 or 1.88% to $6,378,597,000. The increase is primarily due to increases in the net pension liability associated with the employee pension plan in accordance with GASB 68 and in the capital lines of credit.

At December 31, 2018, the CTA had $83,518,000 in capital lease obligations outstanding, a decrease from the prior year due to principal payments on lease transactions. The bonds payable liability decreased by $91,625,000 primarily due to debt service payments. Current liabilities decreased 11.09% to $758,276,000 primarily due to the termination of the 1998-JH Green Line lease/leaseback transaction. Long-term liabilities decreased by $65,157,000 or 1.03% to $6,260,931,000. The decrease is primarily due to decreases in bonds payable and in the net pension liability associated with the employee pension plan in accordance with GASB 68.

Additional information on the debt activity can be found in notes 7, 8, 9, 10, 11, and 12 of the audited financial statements.

2020 Budget and Economic Factors

On November 20, 2019, the CTA Board adopted the fiscal Year 2020 operating budget of $1.570 billion and capital budget of $5.1 billion. After adoption, the budgets were submitted to and approved by the RTA Board (the regional oversight agency) on December 19, 2019. The 2020 operating budget maintains bus and rail service levels while the capital budget continues historic investments to modernize and improve the customer experience.

In 2020, the CTA operating budget includes more than $25 million in cost savings and operational efficiencies. Among the cost containment measures are freezing hiring for 200 positions, an increase of 50 positions from 2019, locking in fuel and power costs at historically low prices, and strategic use of capital funds to reduce operating expenses. Since 2015, the CTA has achieved more than $150 million in cost-cutting savings, operational efficiencies and additional non-farebox revenue.

The cost savings that have been implement this year alone will not address entirely the agency's financial challenges. The CTA has been subject to multiple financial pressures and conditions outside the agency's control in recent years. The first is the unexpected State of Illinois operating funding cuts that has led to a combined $180 million in lost funding through 2020. The second factor is that CTA's cost for pension obligations will continue to increase for 2020 due to actuarial requirements to maintain the needed funding ratio per Illinois state law. Finally, ridership and fare revenue loss from new mobility competitors has contributed to a net loss of 48 million rides between 2015 and 2018.

The Proposed 2020 Operating Budget is balanced between expenses, system generated revenues, and public funding. CTA continues to maintain existing service levels while holding fares constant, even as the State funding reductions continue to impact revenues.

The 2020 Operating budget is 1.2% higher than the 2019 budget, due to pension and health care costs, certain contractual wage increases for union employees, along with higher fuel costs. The major assumptions outlined in the 2020 budget include enhancing capital maintenance programs to improve service and reliability while maintaining existing fares and service levels. Increases in expenditures were offset in part by 2019 cost reduction measures.

System-generated revenue is projected to be $695.7 million in 2020, representing a 1.71% decrease from 2019 budget. CTA anticipates a modest decrease in fare revenue in 2020 from 2019 budget as ridership declined more than anticipated in 2019 due to unfavorable weather, planned construction and increased competition from the ride-hailing industry. Since 2018, CTA receives $16.0 million per year from the ride-hailing fee imposed by the City of Chicago. Funds are generated from the Ground Transportation Tax (GTT) to support capital improvements.

Public funding is projected to be $874.8 million, representing a 3.6% increase over 2019 budget. Per the Regional Transit Authority (RTA), which sets public funding estimates for the three service boards (CTA, Metra and Pace), net regional sales taxes are expected to grow by 2.9 percent in 2020.

The Chicago-area unemployment rate has dropped from as high as 10.4 percent in 2010 to 3.7 percent in 2019. The total number of non-farm employed in the Chicago region is 4.85 million as of November 2019; and reflects a 1.8 percent increase in payroll in the Chicago area from 2017 to 2019 year-to-date. This is the ninth consecutive year of gains in employment and the highest total since 2008, before the recession.

CTA's 2020 budget is aligned with CTA's strategic priorities of safety, customer experience and workforce development.

Safety and Security initiatives include the ongoing five year multi-faceted program aimed at increasing safety across the system. As part of this program, CTA will add 1,000 new cameras and upgrade more than 3,800 older-model cameras throughout the system to high-definition (HD). New cameras will be installed at more than 100 CTA bus turnaround locations, and video monitors will be added to all CTA rail stations to aid personnel in monitoring station and customer activity. New lighting, repairs and other improvements will also enhance safety at about 100 CTA rail stations.

CTA continues to enhance the customer experience through a number of initiatives such that include the following: (1) "Fast Tracks" a targeted multi-year program of track repairs and maintenance that provides faster commutes and smoother rides for 'L' customers, reducing and preventing slow zones on the rail system; (2) Planning to launch with the Chicago Department of Transportation a program of nine Bus Priority Zones aimed at improving bus speed and reliability. Bus Priority Zones target pinch points areas that cause delays on high ridership, frequent bus routes that span across the city; (3) Introducing Pre-Paid boarding on two of CTA's high use bus routes as a precursor to more extensive implementation system-wide; (4) Making up to eight stations vertically accessible over the next series of years as a part of CTA's All Stations Accessibility Plan to make all stations accessible; (5) Adding a digital Ventra fare card, beyond Apple, to more mobile wallets including Google Pay to the Ventra fare application; and (6) Over the next five years, CTA will install 775 new digital screens; nearly tripling the 425 digital screens currently found across CTA's rail system. The new screens will include large format displays; in-station and street level screens; interactive digital kiosks and a digital advertising display in every CTA station.

An important element of CTA's workforce development plan is the Second Change Program. The program continues to provide valuable training, educational and career opportunities to Chicago residents who are met with challenges re-entering the workforce. To date, more than 1,200 people have participated in this invaluable program and 330 program participants have secured permanent employment with CTA, with several later promoted to management-level positions. Many others have secured permanent jobs elsewhere because of their successful experience at CTA.

In 2020 CTA will continue to pursue long-term priorities, which focus on improving service to customers. With the influx of State funds from the Rebuild Illinois Grant, the Agency will continue to make extensive investments in its bus and rail system, along with modernizing its infrastructure. The Red-Purple Modernization (RPM) project is one of five major construction projects the CTA has embarked on; RPM is a $2.1 billion investment to modernize and add capacity to the CTA's busiest rail corridor. CTA awarded contract to The Walsh-Fluor Design Build Team in 2018; Major construction began in October 2019 with the start of construction of a new Red-Purple Bypass north of the Belmont Red, Purple and Brown Line station. In addition CTA continues to move forward with its planning for the proposed $2.3 billion Red Line

Extension (RLE) project between 95th and 130th streets. The proposed 5.3-mile extension would include four new, fully accessible stations at 103rd Street, 111th Street, Michigan Avenue and 130th Street. In 2018, the CTA selected a preferred alignment for the extension, and awarded a Program Management Contract. The Program Manager will oversee final environmental review and preliminary engineering work necessary to ultimately seek federal funding for the project. In 2019, the agency committed $310 million to advance the project beyond Project Development phase. Furthermore, as Your New Blue (YNB) finalizes Phase 4 Signal improvements from Jefferson Park to O'Hare and with the influx of State funds the agency will be able to further modernize the Blue Line O'Hare branch. YNB Plus will reconstruct the Harlem Bus Bridge at the O'Hare Harlem Station; it will also replace canopies at the Montrose and Irving Park Stations in addition to adding two new Blue Line substations and providing for traction power improvements along the O'Hare Branch. Lastly, two new initiatives have been added to modernize and improve the rail system: the Green Line Improvements and the Forest Park Branch on the Blue Line. The Green Line Improvements will enhance its infrastructure including track, substations, traction power cable replacement and all local traction power cables throughout the line system. The Forest Park - Blue Line Upgrades project is the first of four phases of the Forest Park Branch. It will provide for new track-work from Halsted to Illinois Medical District, rehabilitate the Racine station making it ADA compliant, advanced utility work, and add a new substation and traction power equipment at Hermitage.

Major projects completed or substantially underway in 2019:

Vehicles – CTA received the remaining 25 buses from the existing Nova bus contract to Purchase Up To 450 buses; CTA also completed the New Flyer Hybrid 4000 Series Overhaul of (208) buses; CTA began Quarter-Overhaul Program for the 5000-Series Rail Cars (714 cars) overhaul program to last until 2023. **Infrastructure** - CTA finished construction on the 95th North Side Terminal of the Red Line South, in addition to completing both the Green Line and Blue Line Gateway Station projects. CTA also completed construction work on the O'Hare Blue Line Jefferson Park Station and Bus Turnaround Improvements. Major construction began in October 2019 with the start of construction of a new Red-Purple Bypass north of the Belmont Red, Purple and Brown Line station. The City of Chicago broke ground on a new station for the Green Line located at Damen/Lake. Major construction began in late 2019 with anticipated completion FY 2021. **Renewal of Track and Structure** – CTA and the City of Chicago continues its efforts to improve and enhance the system with the scheduled multi-year programs Fast Tracks and Safe & Secure. In 2019, work has been completed on the Ravenswood Line Ballasted Track Improvements in addition to the Harlem/Lake branch of the Green/Pink lines and the South Main branch of the Green Line. It's expected to result in commute time savings of two-to-five minutes.

Among the capital projects to continue or begin in FY 2020:

Vehicles - CTA anticipates delivery of 20 new Electric buses with up 5 chargers, CTA also expects to receive ten (10) 7000 Series Prototype railcars; also in 2020 the Authority anticipates the design and award contract for the purchase up to 600 new buses, Request for Proposal (RFP) by first quarter for a base order of 100 buses with an Option up to 500 additional buses to begin replacement of New Flyers 1,030 buses. In addition to new bus and rail fleet, CTA also anticipates the design and award contract for 4 Diesel Locomotives projected delivery 2021. On the Overhaul Program CTA expects to contract a design and award agreement for a Mid-Life Bus Overhaul on 100 Artic (4300/4333 Series). The Authority will also continue the phased 5000 Series Rail Car Quarter Overhaul. **Infrastructure** – O'Hare Blue Line Improvements: Substantial completion is expected for Logan Square Station improvements by 1st Qtr, and the Grand, Chicago, & Division (Blue Line) Station Renovations Improvements by 3rd Qtr. CTA will begin a multi-year program to repair or replace rail yard facility deficiencies systemwide. **Renewal of Track and Structure** – Substantial completion is expected for East Lake, Milwaukee, and Illinois Substation Improvements by 2nd Qtr. on the Blue Line O'Hare Line. In addition, CTA will continue its efforts to improve and enhance the system with the scheduled multi-year programs Fast Tracks and Safe & Secure focusing this year on the State (Red) and Dearborn (Blue) Subway Improvements.

Many capital projects include distinctive architecture and public art from notable Chicago and international artists, part of ongoing efforts to make public transportation more attractive and to highlight communities.

Legislation

On January 18, 2008, Public Act 95-708 became law. This legislation provides funding for CTA operations, pension and retiree healthcare from four sources: 1) a 0.25 percent increase in the RTA sales tax in each of the six counties, 2) a $1.50 per $500 of transfer price increase in the City of Chicago's real estate transfer tax, 3) an additional 5% state match on the real estate transfer tax and all sales tax receipts except for the replacement and use tax, and 4) a 25% state match on the new sales tax and real estate transfer tax. The proceeds from the increase in the RTA sales tax will be used to fund some existing programs such as ADA paratransit services, as well as some new initiatives such as the Suburban Community Mobility Fund and the Innovation, Coordination and Enhancement Fund. The balance of these additional proceeds along with the 5% state match on: existing, additional sales tax and real estate transfer tax; and the state 25% match on the new sales tax will be divided among the CTA (48%), Metra (39%) and Pace (13%) according to the statutory formula. On February 6, 2008, the Chicago City Council authorized an increase in the real estate transfer tax in the amount of $1.50 per $500 of transfer price, the proceeds of which (after deducting costs associated with collection) will be entirely directed to the CTA. Additionally the state 25% match on the real estate transfer tax will be entirely directed to CTA as well.

Pursuant to Public Act 94-839, the CTA was required to make contributions to its retirement system in an amount which, together with the contributions of its participants, interest earned on investments and other income, were sufficient to bring the total assets of the retirement system up to 90% of its total actuarial liabilities by the end of fiscal year 2058. This legislation also required the RTA to monitor the payment by the CTA of its required retirement system contributions. If the CTA's contributions were more than one month overdue, the RTA would pay the amount of the overdue contributions directly to the trustee of the CTA's retirement system out of moneys otherwise payable by the RTA to the CTA.

Public Act 95-708 modified this directive slightly and added a number of other requirements. First, a new Retirement Plan Trust was created to manage the Retirement Plan assets. Second, CTA contributions and employee contributions were increased. Third, in addition to the requirement that the Retirement Plan be 90% funded by 2059, there is a new requirement that the Retirement Plan be funded at a minimum of 60% by September 15, 2009. Any deviation from the stated projections could result in a directive from the State of Illinois Auditor General to increase the CTA and employee contributions. Fourth, Public Act 95-708 authorized the CTA to issue $1.349 billion in pension obligation bonds to fund the Retirement Plan. Finally, the legislation provides that CTA will have no future responsibility for retiree healthcare costs after the bond funding.

Public Act 95-708 also addressed retiree healthcare. In addition to the separation between pension and healthcare that was mandated by Public Act 94-839, Public Act 95-708 provides funding and benefit changes to the retiree healthcare benefits. First, all CTA employees will be required to contribute 3% of their compensation into the new retiree healthcare trust. Second, all employees will be eligible for retiree healthcare, but after January 18, 2008, only those employees who retire at or after the age of 55 with 10 years of continuous service will actually receive the benefit. Third, retiree, dependent and survivor premiums can be raised up to 45% of the premium cost. Finally, the CTA has been given the authorization to issue $640 million in pension obligation bonds to fund the healthcare trust. Subsequent to the 2008 legislation, the Board of Trustees of the Retiree Healthcare Trust amended the eligibility requirements to receive postemployment health benefits. Effective January 1, 2018, employees will be eligible for retiree healthcare at or after the age of 65 with 10 years of continuous service or at or after age 55 or at pension start date (whichever is later) with 20 years of continuous service.

The pension and retiree healthcare bonds were issued on August 6, 2008 and $1.1 billion was deposited in the pension trust and $528.8 million was deposited in the healthcare trust.

Future Impacts

The United States and the State of Illinois declared a state of emergency in March 2020 due to the COVID-19 global pandemic. CTA anticipates a financial impact resulting from the effects of the COVID-19 outbreak and related stay-at-home orders on the national, state, and local economies, as well as ridership. During this evolving situation, CTA continues to analyze the impact on its financial position. As of April 29, 2020, CTA has been allocated and has applied for approximately $817.5 million in emergency funding under the Coronavirus Aid, Relief, and Economic Security (CARES) Act from the Federal Transit Administration. This compares to its $1.57B annual operating budget.

Contacting the CTA's Financial Management

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the CTA's finances and to demonstrate the CTA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chicago Transit Authority's Chief Financial Officer, 567 W. Lake Street, Chicago, IL 60661.

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Net Position
December 31, 2019 and 2018
(In thousands of dollars)

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 111,639	$ 49,354
Cash and cash equivalents restricted for damage reserve	50,071	57,769
Investments	14,900	43,691
Total cash, cash equivalents, and investments	176,610	150,814
Operating and capital receivables:		
Due from the RTA	235,674	314,019
Unbilled work in progress	142,821	154,922
Other	171	2,461
Total operating and capital receivable	378,666	471,402
Accounts receivable, net	43,385	37,783
Materials and supplies, net	29,133	30,702
Prepaid expenses and other assets	5,841	5,574
Total current assets	633,635	696,275
Noncurrent assets:		
Other noncurrent assets:		
Restricted bond proceeds held by trustee	353,926	429,758
Restricted assets held by trustee for supplemental retirement plans	698	634
Total other noncurrent assets	354,624	430,392
Capital assets:		
Capital assets not being depreciated:		
Land	173,028	171,201
Construction in process	601,571	633,054
Total Capital assets not being depreciated	774,599	804,255
Capital assets being depreciated	12,430,212	11,850,298
Less accumulated depreciation	(8,144,882)	(7,718,007)
Total capital assets being depreciated, net	4,285,330	4,132,291
Total capital assets, net	5,059,929	4,936,546
Total noncurrent assets	5,414,553	5,366,938
Total assets	6,048,188	6,063,213
Deferred outflows of resources		
Deferred loss on refunding	10,153	13,317
Pension outflows - CTA Retirement Plan	302,102	169,013
Pension outflows - CTA Supplemental Plans	-	2,709
Total deferred outflows of resources	312,255	185,039
Total assets and deferred outflows of resources	$ 6,360,443	$ 6,248,252

(Continued)

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Net Position
December 31, 2019 and 2018
(In thousands of dollars)

	2019	2018
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 256,853	$ 236,750
Accrued payroll, vacation pay, and related liabilities	131,666	137,302
Accrued interest payable	21,529	21,891
Advances, deposits, and other	27,217	35,344
Unearned passenger revenue	73,784	73,216
Other unearned revenue	2,280	2,295
Unearned operating assistance	42,953	41,283
Current portion of long-term liabilities	291,633	210,195
Total current liabilities	847,915	758,276
Long-term liabilities:		
Self-insurance claims, less current portion	185,625	184,501
Capital lease obligations, less current portion	61,006	70,900
Bonds payable, less current portion	4,006,526	4,119,924
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	81,731	80,443
Capital line of credit - note purchase agreement	119,000	49,250
Certificates of participation payable, less current portion	-	7,751
Net pension liability - CTA Employees' Retirement Plan	1,847,007	1,656,902
Net pension liability - CTA Supplemental Plans	32,031	34,772
Total other postemployment benefits liability	9,820	9,751
Other long-term liabilities	35,851	46,737
Total long-term liabilities	6,378,597	6,260,931
Total liabilities	7,226,512	7,019,207
Deferred inflows of resources		
Pension inflows - CTA Retirement Plan	19,170	-
Pension inflows - CTA Supplemental Plans	924	-
Total deferred inflows of resources	20,094	-
Net position:		
Net investment in capital assets	2,372,455	2,510,818
Restricted:		
Payment of leasehold obligations	2,227	2,297
Debt service	71,631	70,804
Unrestricted (deficit)	(3,332,476)	(3,354,874)
Total net position	(886,163)	(770,955)
Total liabilities, deferred inflows of resources, and net position	$ 6,360,443	$ 6,248,252

See accompanying notes to financial statements.

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2019 and 2018
(In thousands of dollars)

	2019	2018
Operating revenues:		
Fare box revenue	$ 350,992	$ 359,614
Pass revenue	234,305	229,177
Total fare box and pass revenue	585,297	588,791
Advertising and concessions	38,987	37,844
Other revenue	29,725	29,441
Total operating revenues	654,009	656,076
Operating expenses:		
Labor and fringe benefits	1,163,529	1,116,512
Materials and supplies	67,652	90,474
Fuel	40,396	32,079
Electric power	31,560	31,162
Purchase of security services	14,920	17,502
Maintenance and repairs, utilities, rent, and other	104,801	111,677
	1,422,858	1,399,406
Provisions for injuries and damages	28,736	35,648
Provision for depreciation	500,475	459,447
Total operating expenses	1,952,069	1,894,501
Operating expenses in excess of operating revenues	(1,298,060)	(1,238,425)
Nonoperating revenues (expenses):		
Public funding from the RTA	818,211	809,352
Reduced-fare subsidies	14,606	13,876
Build America Bond subsidy	10,127	10,090
Operating grant revenue	9,613	8,808
Contributions from local government agencies	5,000	5,000
Investment income	13,181	11,428
Interest expense on bonds and other financing	(186,931)	(193,093)
Interest expense on leasing transactions	(3,193)	(5,843)
Total nonoperating revenues, net	680,614	659,618
Change in net position before capital contributions	(617,446)	(578,807)
Capital contributions	502,238	441,162
Change in net position	(115,208)	(137,645)
Total net position – beginning of year	(770,955)	(633,310)
Total net position – end of year	$ (886,163)	$ (770,955)

See accompanying notes to financial statements.

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Cash Flows
Years ended December 31, 2019 and 2018
(In thousands of dollars)

	2019	2018
Cash flows from operating activities:		
Cash received from fares	$ 585,865	$ 596,556
Payments to employees and benefit payments	(1,105,361)	(1,100,985)
Payments to suppliers	(297,746)	(321,747)
Other receipts	54,968	52,371
Net cash flows used in operating activities	(762,274)	(773,805)
Cash flows from noncapital financing activities:		
Public funding from the RTA	898,226	797,205
Reduced-fare subsidies	14,606	13,876
Operating grant revenue	9,613	8,808
Contributions from local governmental agencies	5,000	5,000
Net cash flows provided by noncapital financing activities	927,445	824,889
Cash flows from capital and related financing activities:		
Interest payments on bonds	(195,912)	(202,782)
Increase (decrease) in restricted assets for repayment of leasing commitments	-	84,895
Repayment of lease obligations	(18,976)	(103,591)
Proceeds from capital line of credit - note purchase agreement	158,915	49,250
Proceeds from issuance of Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds	2,840	80,138
Repayment of bonds payable	(105,403)	(98,964)
Repayment of line of credit - note purchase agreement	-	(22,500)
Repayment of other long-term liabilities	(10,396)	(9,623)
Payments for acquisition and construction of capital assets	(586,148)	(433,990)
Build America Bond subsidy	10,127	10,090
Capital grants	516,629	434,542
Net cash flows used in capital and related financing activities	(228,324)	(212,535)
Cash flows from investing activities:		
Purchases of unrestricted investments	(14,900)	(43,691)
Proceeds from maturity of unrestricted investments	43,691	90,574
Restricted cash and investment accounts:		
Purchases	(1,108,488)	(2,166,424)
Withdrawals	1,184,256	2,239,355
Investment revenue	13,181	11,428
Net cash flows provided (used) by investing activities	117,740	131,242
Net increase (decrease) in cash and cash equivalents	54,587	(30,209)
Cash and cash equivalents – beginning of year	107,123	137,332
Cash and cash equivalents – end of year	$ 161,710	$ 107,123

(Continued)

CHICAGO TRANSIT AUTHORITY

Business-Type Activities

Statements of Cash Flows

Years ended December 31, 2019 and 2018

(In thousands of dollars)

	2019	2018
Reconciliation of operating expenses in excess of operating revenues to net cash flows used in operating activities:		
Operating expenses in excess of operating revenues	$ (1,298,060)	$ (1,238,425)
Adjustments to reconcile operating expenses in excess of operating revenues to net cash flows used in operating activities:		
Depreciation	500,475	459,447
(Increase) decrease in assets:		
Accounts receivable	(5,602)	307
Materials and supplies	1,569	1,293
Prepaid expenses and other assets	(267)	365
Deferred outflow - pension	20,094	112,219
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(17,607)	(8,629)
Accrued payroll, vacation pay, and related liabilities	(5,636)	(31,089)
Self-insurance reserves	(6,719)	2,846
Unearned passenger revenue	568	7,765
Other unearned revenue	(15)	(108)
Advances, deposits, and other	(8,127)	(15,113)
Net pension liability	187,364	(61,785)
Total OPEB liability	69	(1,898)
Deferred inflow - pension	(130,380)	(1,000)
Net cash flows used in operating activities	$ (762,274)	$ (773,805)
Noncash investing and financing activities:		
Accretion of interest on lease/leaseback obligations	$ -	$ 1,967
Retirement of fully depreciated capital assets	73,604	35,720
Purchases of capital assets in accounts payable at year-end	116,506	78,796
RTA assistance not received	235,674	314,019
Unbilled work in progress	142,821	154,922

See accompanying notes to financial statements.

CHICAGO TRANSIT AUTHORITY
Fiduciary Activities
Statements of Fiduciary Net Position
Qualified Supplemental Retirement Plan
December 31, 2019 and 2018
(In thousands of dollars)

	2019	2018
Assets:		
Contributions from employees	$ 55	$ 42
Contributions from employer	280	-
Investments at fair value:		
Short-term investments	93	282
U.S. fixed income	10,394	6,217
Global fixed income	-	2,398
Common stock	21,665	21,420
Real estate	4,217	4,163
Total investments at fair value	36,369	34,480
Total assets	36,704	34,522
Liabilities:		
Accounts payable and other liabilities	17	82
Total liabilities	17	82
Net position restricted for pensions	$ 36,687	$ 34,440

See accompanying notes to financial statements.

CHICAGO TRANSIT AUTHORITY
Fiduciary Activities
Statements of Changes in Fiduciary Net Position
Qualified Supplemental Retirement Plan
Years ended December 31, 2019 and 2018
(In thousands of dollars)

	2019	2018
Additions:		
Contributions:		
Employee	$ 29	$ 71
Employer	1,120	550
Total contributions	1,149	621
Investment income:		
Net increase (decrease) in fair value of investments	3,327	(3,579)
Investment income	2,191	1,499
Total investment income	5,518	(2,080)
Total additions	6,667	(1,459)
Deductions:		
Benefits paid to participants or beneficiaries	4,192	4,105
Administrative fees	228	246
Total deductions	4,420	4,351
Net increase (decrease)	2,247	(5,810)
Net position restricted for pensions		
Beginning of year	34,440	40,250
End of year	$ 36,687	$ 34,440

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION

The Chicago Transit Authority (CTA) was formed in 1945 pursuant to the Metropolitan Transportation Authority Act passed by the Illinois Legislature. The CTA was established as an independent governmental agency (an Illinois municipal corporation) “separate and apart from all other government agencies” to consolidate Chicago’s public and private mass transit carriers. The City Council of the City of Chicago has granted the CTA the exclusive right to operate a transportation system for the transportation of passengers within the City of Chicago.

The Regional Transportation Authority Act (the Act) provides for the funding of public transportation in the six-county region of Northeastern Illinois. The Act established a regional oversight board, the Regional Transportation Authority (RTA), and designated three service boards (CTA, Commuter Rail Board, and Suburban Bus Board). The Act requires, among other things, that the RTA approve the annual budget of the CTA, that the CTA obtain agreement from local governmental units to provide an annual monetary contribution of at least $5,000,000 for public transportation, and that the CTA (collectively with the other service boards) finance at least 50% of its operating costs, excluding depreciation and certain other items, from system-generated sources on a budgetary basis.

Financial Reporting Entity: As defined by U.S. generally accepted accounting principles (GAAP), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1) Appointment of a voting majority of the component unit’s board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

2) Fiscal dependency on the primary government.

Based upon the application of these criteria, the CTA is not a component unit of any other entity.

The CTA participates in the Employees’ Retirement Plan, which is a single-employer, defined benefit pension plan covering substantially all full-time permanent union and nonunion employees. The Employees’ Plan is governed by Illinois state statute (40 ILCS 5/22-101). The fund, established to administer the Employees’ Retirement Plan, is not a fiduciary fund or a component unit of the CTA. This fund is a legal entity separate and distinct from the CTA. This plan is administered by its own board of trustees comprised of 5 union representatives, 5 representatives appointed by the CTA, and a professional fiduciary appointed by the RTA. The CTA has no direct authority and assumes no fiduciary responsibility with regards to the Employees’ Retirement Plan. Accordingly, the accounts of this fund are not included in the accompanying financial statements.

The CTA participates in the Retiree Health Care Trust (RHCT), which provides and administers health care benefits for CTA retirees and their dependents and survivors. The Retiree Health Care Trust was established by Public Acts 94-839 and 95-708. The RHCT is not a fiduciary fund or a component unit of the CTA. This trust is a legal entity separate and distinct from the CTA. This trust is administered by its own board of trustees comprised of three union representatives, three representatives appointed by the CTA and a professional fiduciary appointed by the RTA. The CTA has no direct authority and assumes no fiduciary responsibility with regards to the RHCT. Accordingly, the accounts of this fund are not included in the accompanying financial statements.

(Continued)

NOTE 1 - ORGANIZATION (Continued)

The CTA administers supplemental retirement plans that are separate, defined benefit pension plans for selected individuals. The supplemental retirement plans provide benefits to employees of the CTA in certain employment classifications. The supplemental retirement plans consist of the: (1) closed board member plan (Board), (2) closed (Non-Qualified) supplemental plan for members retired or terminated from employment before March 2005, including early retirement incentive, and (3) closed (Qualified) supplemental plan for members retiring or terminating after March 2005. The CTA received qualification under Section 401(a) of the Internal Revenue Code for the supplemental plan and established a qualified trust during 2005 for members retiring after March 2005 (Qualified Supplemental Retirement Plan). The Qualified plan is administered by a committee that is appointed by the Board of Directors of the CTA. In addition, there is a financial burden as the CTA has the obligation to make contributions to the Qualified plan. Based on this, the trust for the Qualified plan is reported as a fiduciary component unit. Whereas the activities for the Non-Qualified and Board Plans are included in the financial statements of the CTA's business-type activities.

The CTA is not considered a component unit of the RTA because the CTA maintains separate management, exercises control over all operations, and is fiscally independent from the RTA. Because governing authority of the CTA is entrusted to the Chicago Transit Board, comprising four members appointed by the Mayor of the City of Chicago and three members appointed by the Governor of the State of Illinois, the CTA is not financially accountable to the RTA and is not included as a component unit in the RTA's financial statements, but is combined in pro forma statements with the RTA, as statutorily required.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The basic financial statements provide information about the CTA's business-type and fiduciary (Qualified Supplemental Retirement Plan) activities. Separate statements for each category, business-type and fiduciary, are presented. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, revenues from operating activities are recognized in the fiscal year that the operations are provided; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

The financial statements for the CTA's business-type activities are used to account for the CTA's activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, the CTA maintains its records on the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the CTA are included in the Statements of Net Position.

The principal operating revenues of the CTA are bus and rail passenger fares. The CTA also recognizes as operating revenue the rental fees received from concessionaires, the fees collected from advertisements on CTA property, and miscellaneous operating revenues. Operating expenses for the CTA include the costs of operating the mass transit system, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the CTA receives value without directly giving equal value in return, include grants from federal, state, and local governments. On an accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the CTA on a reimbursement basis.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements for the fiduciary activities are used to account for the assets held by the CTA in trust for the payment of future retirement benefits under the Qualified Supplemental Retirement Plan. The assets of the Qualified Supplemental Retirement Plan cannot be used to support CTA operations.

<u>Cash and Cash Equivalents</u>: Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities when purchased of three months or less.

<u>Cash and Cash Equivalents Restricted for Damage Reserve</u>: The CTA maintained cash and investment balances to fund the annual injury and damage obligations that are required to be designated under provisions of Section 39 of the Metropolitan Transportation Authority Act.

<u>Investments</u>: Investments, including the supplemental retirement plan assets, are reported at fair value based on quoted market prices and valuations provided by external investment managers.

Chapter 30, Paragraph 235/2 of the Illinois Compiled Statutes authorizes the CTA to invest in obligations of the United States Treasury and United States agencies, direct obligations of any bank, repurchase agreements, commercial paper rated within the highest classification set by two standard rating services, or money market mutual funds investing in obligations of the United States Treasury and United States agencies.

<u>Unbilled Work In Progress</u>: Unbilled work in progress represents grant expense that has not been billed to the funding agencies as of year-end. This would include contract retentions, accruals and expenditures for which, due to requisitioning restrictions of the agencies or the timing of the expenditures, reimbursement is requested in a subsequent period.

<u>Materials and Supplies</u>: Materials and supplies are stated at average cost and consist principally of maintenance supplies and repair parts.

<u>Other Noncurrent Assets</u>: Other noncurrent assets include (a) cash and claims to cash that are restricted as to withdrawal or use for other than current operations, (b) resources that are designated for expenditure in the acquisition or construction of noncurrent assets, or (c) resources that are segregated for the liquidation of long-term debts.

Restricted assets for repayment of leasing commitments: The CTA entered into various lease/leaseback agreements in fiscal years 1995 through 2003. These agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the related capital assets to an equity investor trust, which would then lease the capital assets back to another trust established by the CTA under a separate lease. The CTA received certain funds as prepayment by the equity investor trust. These funds have been deposited in designated investment accounts sufficient to meet the payments required under the leases and are recorded as assets restricted for repayment of leasing commitments. The last of these lease/leaseback agreements was terminated in December 2018.

Bond proceeds held by trustee: During various fiscal years, the CTA issued Capital Grant Receipt Revenue Bonds. The proceeds from each sale were placed in trust accounts restricted for financing the costs of capital improvement projects associated with each issuance. For more detailed information see Note 9.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: All capital assets are stated at cost. Capital assets are defined as assets which (1) have a useful life of one year or more and a unit cost of more than $5,000, (2) have a unit cost of $5,000 or less, but which are part of a network or system conversion, or (3) were purchased with grant money. The cost of maintenance and repairs is charged to operations as incurred. Interest is capitalized on constructed capital assets. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Capitalized interest cost is amortized on the same basis as the related asset is depreciated. Projects funded with bond proceeds incurred $28,396,546 of interest expense for each of the years ended December 31, 2019 and 2018, respectively. Of those interest costs incurred, $74,467 and $12,830 were capitalized during the years ended December 31, 2019 and 2018, respectively.

The provision for depreciation of transportation property and equipment is calculated under the straight-line method using the respective estimated useful lives of major asset classifications, as follows:

	Years
Buildings	10-40
Elevated structures, tracks, tunnels, and power system	20-40
Transportation vehicles:	
Bus	7-12
Rail	25
Signal and communication	10-20
Other equipment	3-10

A full month's depreciation is taken in the month after an asset is placed in service. When property and equipment are disposed, depreciation is removed from the respective accounts and the resulting gain or loss, if any, is recorded.

The transportation system operated by the CTA includes certain facilities owned by others. The CTA has the exclusive right to operate these facilities under the terms of the authorizing legislation and other agreements.

Included with the CTA's *other equipment* capital assets, the CTA has capitalized an intangible asset, computer software. The CTA follows the same capitalization policy and estimated useful life for its intangible asset as it does for its *other equipment* capital assets. The CTA also amortizes the intangible asset utilizing the straight-line method.

Deferred Outflows of Resources: A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Deferred Inflows of Resources: A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.

Self-insurance: The CTA is self-insured for various risks of loss, including public liability and property damage, workers' compensation, and health benefit claims, as more fully described in note 16. A liability for each self-insured risk is provided based upon the present value of the estimated ultimate cost of settling claims using a case-by-case review and historical experience. A liability for claims incurred but not reported is also provided.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: Substantially all employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally on length of service. Vacation leave that has been earned but not paid has been accrued in the accompanying financial statements. Compensation for holidays, illness, and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts do not accumulate or vest.

Under GASB Statement No. 16, Accounting for Compensated Absences, applicable salary-related employer obligations are accrued in addition to the compensated absences liability. This amount is recorded as a portion of the accrued payroll, vacation pay, and related liabilities on the Statements of Net Position.

Bond Premiums: Bond premiums are amortized over the life of the bonds using the bonds outstanding method, which is materiality consistent with the effective interest method.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plans (the Plans) and additions to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For more detailed information see Notes 13 and 14.

Net Position: Net position is displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of legally restricted assets by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the CTA's policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted – This component of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Retirement Plan: The CTA has a retirement plan for all nontemporary, full-time employees with service greater than one year. Pension expense is recorded on an annual basis based on the results of an actuarial valuation in conformity with GASB 67 and 68. For more detailed information see Note 13.

Fare Box and Pass Revenues: Fare box and pass revenues are recorded as revenue at the time services are performed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenues: The CTA has classified its revenues as either operating or nonoperating. Operating revenues include activities that have the characteristics of exchange transactions, including bus and rail passenger fares, rental fees received from concessionaires, the fees collected from advertisements on CTA property, and miscellaneous operating revenues. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as federal, state, and local grants and contracts.

Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Reclassifications: Certain amounts from the prior year have been reclassified to conform to the current year presentation. The reclassifications had no effect on net position or change in net position.

Implementation of New Accounting Standards:

In November 2016, the GASB issued Statement 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). The provisions of this Statement became effective for the CTA during fiscal year 2019 with no material impact for the CTA.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The provisions of this Statement became effective for the CTA during fiscal year 2019 with no material impact for the CTA.

In April 2018, GASB issued Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The provisions of this Statement became effective for the CTA during fiscal year 2019 and additional disclosures have been added to Notes 8, 9, 12, and 17.

In August 2018, GASB issued Statement No. 90 *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement became effective for the CTA during fiscal year 2019 with no material impact for the CTA.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Pronouncements:

In June 2017, GASB issued Statement No. 87 *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2018, GASB issued Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In May 2019, GASB issued Statement No. 91 *Conduit Debt Obligations*. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; sets standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

In January 2020, GASB issues Statement No. 92 *Omnibus 2020*. This Statement addresses a variety of topics including the effective date of Statement No. 87 and Implementation Guide (IG) No. 2019-3 for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements No. 73 and 74 to reporting assets accumulated for postemployment benefits (PEBs); the applicability of certain requirements of Statement No. 84 to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The requirements of this Statement related to intra-entity transfers of assets and those related to the applicability of Statements No. 73 and 74 are effective for fiscal years beginning after June 15, 2020. The requirements of this Statement related to the application of Statement No. 84 to PEBs, those related to nonrecurring fair value measurements of assets or liabilities, and those related to the measurement of liabilities (and assets, if any) associated with AROs are effective for reporting periods beginning after June 15, 2020. The requirements related to the effective date of Statement No. 87 and IG No. 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2020, GASB issues Statement No. 93, *Replacement of Interbank Rates.* The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020.

In April 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). In addition, the statement provides guidance for accounting and financial reporting for availability payment arrangements (APAs). This statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Management has not yet determined the impact of these statements on the basic financial statements.

NOTE 3 - BUDGET AND BUDGETARY BASIS OF ACCOUNTING

The CTA is required under Section 4.01 of the Regional Transportation Authority Act to submit for approval an annual budget to the RTA by November 15 prior to the commencement of each fiscal year. The budget is prepared on a basis consistent with GAAP, except for the exclusion of certain income and expenses. For 2019 and 2018, these amounts include provision for injuries and damage in excess of (or under) budget, depreciation expense, pension expense in excess of pension contributions, actuarial adjustments, revenue from leasing transactions, interest income and expense from sale/leaseback transactions, and capital contributions.

The Act requires that expenditures for operations and maintenance in excess of budget cannot be made without approval of the Chicago Transit Board. All annual appropriations lapse at fiscal year-end. The RTA, in accordance with the RTA Act, has approved for budgetary basis presentation the CTA's recognition of the amount of the injury and damage reserve and pension contribution, funded by the RTA in the approved annual budget. Provisions in excess of the approved annual budget that are unfunded are excluded from the recovery ratio calculation.

Prior to 2009, the RTA funded the budgets of the service boards rather than the actual operating expenses in excess of system-generated revenue. Under this funding policy favorable variances from budget remain as unearned operating assistance to the CTA, and can be used in future years with RTA approval. At the end of 2009, the RTA changed the funding policy to reflect actual collections rather than the budgeted funding marks. This new policy shifts the risk of shortfalls from actual collections to the respective service boards.

The RTA approves the proposed budget based on a number of criteria:

- That the budget is in balance with regard to anticipated revenues from all sources, including operating subsidies and the costs of providing services and funding operating deficits;
- That the budget provides for sufficient cash balances to pay, with reasonable promptness, costs and expenses when due;
- That the budget provides for the CTA to meet its required system-generated revenue recovery ratio; and
- That the budget is reasonable, prepared in accordance with sound financial practices and complies with such other RTA requirements as the RTA Board of Directors may establish.

(Continued)

NOTE 3 - BUDGET AND BUDGETARY BASIS OF ACCOUNTING (Continued)

The RTA monitors the CTA's performance against the budget on a quarterly basis. If, in the judgment of the RTA, this performance is not substantially in accordance with the CTA's budget for such period, the RTA shall so advise the CTA and the CTA must within the period specified by the RTA, submit a revised budget to bring the CTA into compliance with the budgetary requirements listed above.

NOTE 4 - BUDGETED PUBLIC FUNDING FROM THE REGIONAL TRANSPORTATION AUTHORITY AND THE STATE OF ILLINOIS

Most of the CTA's public funding for operating needs is funneled through the RTA. The RTA allocates funds to the service boards based on a formula included in the 1983 Regional Transportation Authority Act and the 2008 Legislation (P.A. 95-0708) approved by Illinois lawmakers to provide increased operating funds to the Northeastern Illinois Transit System. Other funds are allocated based on the RTA's discretion.

The funding "marks" represent the amount of funds that each Service Board can expect to receive from the RTA and other sources.

The components of the operating funding from the RTA were as follows (in thousands of dollars):

		2019	2018
1983 Legislation	Illinois state sales tax allocation	$ 388,833	$ 379,617
1983 Legislation	RTA discretionary funding and other	220,959	211,425
2008 Legislation	Illinois state sales tax allocation & PTF	139,919	140,774
2008 Legislation	Real estate transfer tax	62,373	71,518
2008 Legislation	Innovation, Coordination and Enhancement funding (ICE)	6,127	6,018
Final public funding		$ 818,211	$ 809,352

Reduced-fare subsidies from the State of Illinois were $14,606,000 and $13,876,000 during the years ended December 31, 2019 and 2018, respectively, for discounted services provided to the elderly, disabled, or student riders.

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, Cash Equivalents, and Investments of the Business-type Activities

Cash, cash equivalents, and investments are reported in the Statements of Net Position of the business-type activities as follows as of December 31, 2019 and 2018 (in thousands of dollars):

	2019	**2018**
Current assets:		
Cash and cash equivalents	$ 111,639	$ 49,354
Restricted for damage reserve	50,071	57,769
Investments	14,900	43,691
Noncurrent assets:		
Bond proceeds held by trustee	353,926	429,758
Held by trustee for supplemental retirement plan	698	634
Total	$ 531,234	$ 581,206

Cash, cash equivalents, and investments of the business-type activities consist of the following as of December 31, 2019 and 2018 (in thousands of dollars):

	2019	**2018**
Investments:		
Certificates of deposit	$ 20	$ 9,477
Money market mutual funds	209,323	184,062
U.S. government agencies	153,613	219,781
U.S. Treasury notes	6,647	13,572
Municipal bonds	-	1,120
Commercial paper	98,896	93,683
Total Investments	468,499	521,695
Deposits with financial institutions	62,735	59,511
Total deposits and investments	$ 531,234	$ 581,206

Investment Policy: CTA investments are made in accordance with the Public Funds Investment Act (30 ILCS 235/1) (the Act) and, as required under the Act, the Chicago Transit Authority Investment Policy (the Investment Policy). The Investment Policy does not apply to the Employees Retirement Plan or the Retiree Healthcare Trust, which are separate legal entities. Additionally, the CTA Investment Policy does not apply to the Supplemental Retirement Plan, which is directed by the Employee Retirement Review Committee. In accordance with the Act and the Investment Policy, CTA can invest in the following types of securities:

1. United States Treasury Securities (Bonds, Notes, Certificates of Indebtedness, and Bills). CTA may invest in obligations of the United States government, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
2. United States Agencies. CTA may invest in bonds, notes, debentures, or other similar obligations of the United States or its agencies. Agencies include: (a) federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit bank, or other entities authorized to issue debt obligations under the Farm Credit Act of 1971, as amended; (b) federal home loan banks and the federal home loan mortgage corporation; and (c) any other agency created by an act of Congress.

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

3. Bank Deposits. CTA may invest in interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1 et seq.), provided that any such bank must be insured by the Federal Deposit Insurance Corporation (the FDIC) and no more than 33.33% of the maximum portfolio percentage amount allowed by the chart in Section 2B of the Investment Policy for investment in Certificates of Deposit may be invested in Certificates of Deposit of a single issuer of such Certificates.
4. Commercial Paper. CTA may invest in short-term obligations (commercial paper) of corporations organized in the United States with assets exceeding $500 million, provided that: (a) such obligations are at the time of purchase at the highest classification for short-term obligations and one of the three highest classifications for long-term obligations established by at least two standard rating services and which mature no later than 3 years from the date of purchase; (b) such purchases do not exceed 10% of the corporation's outstanding obligations; (c) no more than one-third of the Authority's funds may be invested in short term obligations of corporations; and (d) no more than 25% of the maximum portfolio percentage allowed by the chart in Section 2B of the Investment Policy for all Corporate Obligations may be invested in Corporate Obligations of a single issuer.
5. Mutual Funds. CTA may invest in mutual funds which invest exclusively in United States government obligations and agencies.
6. Investment Pool. CTA may invest in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act (15 ILCS 505/17).
7. Repurchase Agreements. CTA may invest in repurchase agreements for securities that are authorized investments under the Investment Policy, subject to all of the requirements of the Act, provided that: (a) the securities shall be held by a custodial bank authorized by the Chicago Transit Board; and (b) each transaction must be entered into under terms of a master repurchase agreement in a form authorized by the Chicago Transit Board.
8. Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the Authority or held under a custodial agreement at a bank. The bonds shall be rated, at the time of purchase, no lower than 'A' category by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions. The maturity of the bonds authorized by this subsection (8) shall, at the time of purchase, not exceed 5 years; provided that a longer maturity is authorized if the Authority has a put option on the bonds to demand early repayment on the bonds within 5 years from the date of purchase. These securities shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within five years from the date of purchase.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the CTA's deposits may not be returned. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the CTA will not be able to recover the value of its investments or collateral securities that are in the possession of a third party. The Investment Policy requires that investment securities be held by an authorized custodial bank pursuant to a written custodial agreement.

In addition, the Investment Policy requires that whenever funds are deposited in a financial institution in an amount which causes the total amount of the Authority's funds deposited with such institution to exceed the amount which is protected by the FDIC, all deposits which exceed the amount insured be collateralized, at the rate of 102% of such deposit, by: bonds, notes, certificates of indebtedness, Treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

America as to principal and interest or, at the rate of 110% of such deposit, by: bonds, notes, debentures, or other similar obligations of agencies of the United States of America. As of December 31, 2019 and 2018, the CTA's bank balances were fully insured or collateralized.

Interest Rate Risk: Interest rate risk is the risk that the fair value of the CTA's investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Investment Policy limits the allocation of the portfolio and the term of investments as follows:

Instrument type	Maximum Investment Level	Actual Investment Level	Term of investment
U.S. Treasuries	100%	1%	3 years
Repurchase Agreements	33%	0%	330 days
Certificates of Deposit	30%	0%	365 days
Corporate Obligations	33%	21%	3 years
Government Money Market Funds	50%	45%	n.a.
U.S. Government Agencies	75%	33%	5 years
Municipal Bonds (Callable)	25%	0%	5 years
Investment Pool - Illinois Fund	25%	0%	n.a.

As of December 31, 2019, the maturities for the CTA's fixed-income investments are as follows (in thousands of dollars):

		Investment maturities (by years)		
	Fair value	Less than 1	1 - 5	5+
Certificates of deposit	$ 20	$ 20	$ -	$ -
Money market mutual funds	209,323	209,323	-	-
U.S. government agencies	153,613	128,627	24,896	-
U.S. Treasury notes	6,647	6,647	-	-
Commercial paper	98,896	98,896	-	-
Total	$ 468,499	$ 443,513	$ 24,896	$ -

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of December 31, 2018, the maturities for the CTA's fixed-income investments are as follows (in thousands of dollars):

	Fair value	Investment maturities (by years) Less than 1	1 - 5	5+
Certificates of deposit	$ 9,477	$ 9,477	$ -	$ -
Money market mutual funds	184,062	184,062	-	-
U.S. government agencies	219,781	145,962	73,819	-
U.S. Treasury notes	13,572	13,572	-	-
Municipal bonds	1,120	1,120	-	-
Commercial paper	93,683	93,683	-	-
Total	$ 521,695	$ 447,876	$ 73,819	$ -

Credit Risk: Credit risk is the risk that the CTA will not recover its investments due to the failure of the counterparty to fulfill its obligation. To address this risk, the CTA invests in accordance with its Investment Policy which states investments held by CTA are backed by the United States Government, which are valued at AAA, municipal bonds that shall be rated, at the time of purchase, no lower than 'A' category by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions, and commercial paper that are at the time of purchase at the highest classification established by at least two standard rating services and which mature not later than three years from the date of purchase.

As of December 31, 2019, the CTA had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands of dollars):

	Fair value	Credit ratings A1P1 or AAA	A2P2 or AA	A3P3 or A	B	Not rated
Money market mutual funds	$ 209,323	$ 209,323	$ -	$ -	$ -	$ -
U.S. government agencies	153,613	153,613	-	-	-	-
U.S. Treasury notes	6,647	6,647	-	-	-	-
Commercial paper	98,896	98,896	-	-	-	-
Total	$ 468,479	$ 468,479	$ -	$ -	$ -	$ -

(Continued)

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of December 31, 2018, the CTA had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands of dollars):

		Credit ratings				
	Fair value	A1P1 or AAA	A2P2 or AA	A3P3 or A	B	Not rated
Money market mutual funds	$ 184,062	$ 156,428	$ -	$ -	$ -	$ 27,634
U.S. government agencies	219,781	219,781	-	-	-	-
U.S. Treasury notes	13,572	13,572	-	-	-	-
Municipal bonds	1,120	1,120	-	-	-	-
Commercial paper	93,683	93,683	-	-	-	-
Total	$ 512,218	$ 484,584	$ -	$ -	$ -	$ 27,634

Concentration of Credit Risk: Except for investments in certificates of deposits and commercial paper, the CTA does not restrict the amount which may be invested in authorized investments of a single issuer or financial institution. No more than 30 percent of the maximum portfolio percentage amount allowed for investment in certificates of deposit may be invested in certificates of deposit of a single issuer of such certificates. No more than 25 percent of the maximum portfolio percentage amount allowed for investment in commercial paper may be invested in commercial paper of a single issuer of such commercial paper.

As of December 31, 2019, the CTA had investments in Goldman Sachs – Amalgamated (28.02%), Federal Home Loan Bank (FHLB) (20.44%), Morgan Stanley – Zions Bank (16.66%), Cabrera (12.60%), Federal National Mortgage Association (FNMA) (7.02%), Great Pacific (5.74%), and Federal Home Loan Mortgage Corporation (FHLMC) (5.33%), that exceeded 5 percent of the total investment balance. As of December 31, 2018, the CTA had investments in the Federal Home Loan Mortgage Corporation (FHLMC) (23.78%), Federal Home Loan Bank (FHLB) (11.46%), Federal National Mortgage Association (FNMA) (6.90%), Morgan Stanley (11.95%), and Goldman Sachs – Amalgamated (23.33%), that exceeded 5 percent of the total investment balance.

Fair Value: CTA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs and are valued using a matrix pricing model. Level 3 inputs are significant unobservable inputs and are valued using future projected cash flows. CTA has the following fair value measurements as of December 31, 2019 and 2018 (in thousands of dollars).

	Fair Value Measurements as of December 31, 2019			
	Total Amount	Level 1	Level 2	Level 3
Federal Home Loan Bank	$ 95,756	$ -	$ 95,756	$ -
Federal National Mortgage Association	32,871	-	32,871	-
Federal Home Loan Mortgage Corporation	24,986	-	24,986	-
US Treasury Notes	6,647	6,647	-	-
Money market mutual funds	209,323	209,323	-	-
Commercial paper	98,896	-	98,896	-
Total	$ 468,479	$ 215,970	$ 252,509	$ -

(Continued)

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

	Fair Value Measurements as of December 31, 2018			
	Total Amount	Level 1	Level 2	Level 3
Federal Home Loan Bank	$ 59,769	$ -	$ 59,769	$ -
Federal National Mortgage Association	35,975	-	35,975	-
Federal Home Loan Mortgage Corporation	124,037	-	124,037	-
US Treasury Notes	13,572	13,572	-	-
Municipal bonds	1,120	-	1,120	-
Money market mutual funds	184,062	184,062	-	-
Commercial paper	93,683	-	93,683	-
Total	$ 512,218	$ 197,634	$ 314,584	$ -

Cash, Cash Equivalents, and Investments of the Fiduciary Activities

Cash, cash equivalents, and investments are reported in the Fiduciary Fund as follows as of December 31, 2019 and 2018 (in thousands of dollars):

	2019	2018
Investments, at fair value:		
Short-term investments	$ 93	$ 282
U.S. fixed income	10,394	6,217
Global fixed income	-	2,398
Common stock	21,665	21,420
Real estate	4,217	4,163
Total	$ 36,369	$ 34,480

Investment Policy: The Employee Retirement Review Committee has been appointed as the fiduciary having responsibility for administering the Qualified Supplemental Retirement Plan, including the responsibility for allocating the assets of the trust fund among the separate accounts, for monitoring the diversification of the investments of the trust fund, for determining the propriety of investments of the trust fund in foreign securities and of maintaining the custody of foreign investments abroad, for assuring that the plan does not violate any provisions of applicable law limiting the acquisition or holding of certain securities or other property, and for the appointment and removal of an investment fiduciary. The Qualified Supplemental Retirement Plan is a qualified plan that is not subject to the Public Funds Investment Act.

In March 2005 the Employee Retirement Review Committee engaged a registered investment adviser under the Investment Advisers Act of 1940. The Employee Retirement Review Committee engaged a new registered investment adviser in October 2015. The investment adviser is authorized to invest and reinvest the assets of the Qualified Supplemental Retirement Plan and keep the same invested, without distinction between principal and income, in any property, real, personal or mixed or share or part thereof, or part interest thereof, or part interest therein, wherever situated, and whether or not productive of income, including: capital, common and preferred stock, and short-term investments.

(Continued)

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Interest Rate Risk: Interest rate risk is the risk that the fair value of the Qualified Supplemental Retirement Plan investments will decrease as a result of an increase in interest rates. The Employee Retirement Review Committee mitigates exposure to changes in interest rates by requiring that the assets of the Trust be invested in accordance with the following asset allocation guidelines as of December 31, 2019 and 2018:

Asset class	2019 Allocation	2018 Allocation
U.S. large cap equities	20.00%	14.50%
U.S. mid size cap equities	5.00	12.50
U.S. small cap equities	5.00	11.00
Developed non-U.S. equities	15.00	10.00
Small non-U.S. equities	—	5.00
Emerging markets equities	5.00	7.00
U.S. fixed income	30.00	20.00
Global fixed income	—	10.00
Real estate	10.00	10.00
Open-End Private Equity	10.00	—
	100.00%	100.00%

As of December 31, 2019, the maturities for the Plan's fixed-income investments are as follows (in thousands):

	Fair value	Investment Maturities (in years) Less than 1	Investment Maturities (in years) 1 - 5
Short-term investment funds	$ 93	$ 93	$ -
U.S. fixed income	10,394	10,394	-
Total	$ 10,487	$ 10,487	$ -

As of December 31, 2018, the maturities for the Plan's fixed-income investments are as follows (in thousands):

	Fair value	Investment Maturities (in years) Less than 1	Investment Maturities (in years) 1 - 5
Short-term investment funds	$ 282	$ 282	$ -
U.S. fixed income	6,217	6,217	-
Global fixed income	2,398	2,398	-
Total	$ 8,897	$ 8,897	$ -

(Continued)

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Credit Risk: Credit risk is the risk that the Qualified Supplemental Retirement Plan will not recover its investments due to the failure of the counterparty to fulfill its obligation.

As of December 31, 2019, the Plan had the following fixed-income investments which are not rated by either Moody's or Standard and Poor's (in thousands of dollars):

		Credit ratings	
	Fair value	**Government Secured**	**Not Rated**
Short-term investment funds	$ 93	$ -	$ 93
U.S. fixed income	10,394	-	10,394
Total	$ 10,487	$ -	$ 10,487

As of December 31, 2018, the Plan had the following fixed-income investments which are not rated by either Moody's or Standard and Poor's (in thousands of dollars):

		Credit ratings	
	Fair value	**Government Secured**	**Not Rated**
Short-term investment funds	$ 282	$ -	$ 282
U.S. fixed income	6,217	-	6,217
Global fixed income	2,398	-	2,398
Total	$ 8,897	$ -	$ 8,897

Custodial Credit Risk – Investments: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Qualified Supplemental Retirement Plan will not be able to recover the value of its investments or collateral securities that are in the possession of a third party. The investment securities are held in trust pursuant to a written trust agreement.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. There was no foreign currency risk as of December 31, 2019 or 2018.

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Fair Value: The Qualified Supplemental Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs and are valued using a matrix pricing model. Level 3 inputs are significant unobservable inputs and are valued using future projected cash flows. The Qualified Supplemental Plan has the following fair value measurements as of December 31, 2019 and 2018 (in thousands of dollars).

	Fair Value Measurements as of December 31, 2019			
	Total Amount	Level 1	Level 2	Level 3
Global Fixed Income	$ -	$ -	$ -	$ -
Common Stock	-	-	-	-
Total investments by fair value level	$ -	$ -	$ -	$ -
Investments measured at Net Asset Value				
U.S. Fixed Income	10,394			
Common Stock	13,751			
Common Stock - Global	7,914			
Real Estate	4,217			
Total investments	$ 36,276			

	Fair Value Measurements as of December 31, 2018			
	Total Amount	Level 1	Level 2	Level 3
Global Fixed Income	$ 2,398	$ 2,398	$ -	$ -
Common Stock	1,440	1,440	-	-
Total investments by fair value level	$ 3,838	$ 3,838	$ -	$ -
Investments measured at Net Asset Value:				
U.S. Fixed Income	6,217			
Common Stock	16,059			
Common Stock - Global	3,921			
Real Estate	4,163			
Total investments	$ 34,198			

Investment in Certain Entities that Calculate Net Asset Value Per Share

CTA measures certain investments that do not have a readily determinable fair value using NAV as a practical expedient. The Real Estate, Common Stock – Global, and the U.S. Fixed Income and Common Stock are generally structured as limited partnerships, limited liability corporations, or collective trusts, respectively, with an investment manager and are created by raising pools of capital from investors that will be invested according to one or more specific investment strategies. Investors commit capital to the fund, and as the investment manager identifies investment opportunities, the committed capital is called to purchase the investments.

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The following table displays information regarding investments that use NAV per share (or equivalent) as their fair value measurement as of December 31, 2019 and 2018 (in thousands of dollars):

	Net Asset Value Practical Expedient			
	Fair Value December 31, 2019	Total Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
U.S. Fixed Income	$ 10,394	$ -	N/A	N/A
Common Stock	13,751	-	N/A	N/A
Common Stock - Global	7,914	-	N/A	30 Days
Real Estate	4,217	-	Quarterly on a Calendar Basis.	60 Days

	Net Asset Value Practical Expedient			
	Fair Value December 31, 2018	Total Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
U.S. Fixed Income	$ 6,217	$ -	N/A	N/A
Common Stock	16,059	-	N/A	N/A
Common Stock - Global	3,921	-	N/A	30 Days
Real Estate	4,163	-	Quarterly on a Calendar Basis.	60 Days

Restricted Assets for Repayment of Leasing Commitments

The CTA had outstanding lease/leaseback obligations. When the CTA entered into these transactions it received advance payments. The CTA deposited a portion of the advance payment with a trustee, who was to purchase direct obligations of the U.S. government and other securities that would mature on the dates and in the amounts required to pay lease payments and the respective purchase option price. These investments were held by the trustee and were invested in U.S. Treasury strips, U.S. government obligations, or guaranteed investment contracts. Because these investments were insured by a third party and were held in U.S. Treasuries and government investment contracts they were not recorded at fair value but were recorded at amortized cost on the Statements of Net Position.

The last of these lease/leaseback agreements were terminated in December 2018. Therefore, there were no restricted assets for repayment of leasing commitments as of December 31, 2019 or December 31, 2018.

NOTE 6 - CAPITAL ASSETS

The CTA has capital grant contracts with federal, state, and regional agencies, including the U.S. Department of Transportation, Federal Transit Administration (FTA), the State of Illinois Department of Transportation (IDOT), established under the Transportation Bond Act, and the RTA. Under these contracts, the CTA has acquired rapid-transit cars, buses, and equipment and is constructing, renewing, and improving various portions of track structures and related operating facilities and systems. It is anticipated that the FTA will finance approximately 80% of the total cost of the federal projects, with the balance of the cost being financed principally by IDOT, the RTA, and CTA bonds. Commitments of approximately $410,404,000 and $500,997,000 have been entered into for federal and state (including local) capital grant contracts as of December 31, 2019 and 2018, respectively.

The CTA also has additional capital grant contracts, which are 100% funded by the RTA, IDOT, FEMA, IEMA, or CTA bonds. Commitments of approximately $462,605,000 and $481,904,000 have been entered into for these state and local capital grants as of December 31, 2019 and 2018, respectively. Changes in capital assets for the year ended December 31, 2019 are as follows (in thousands of dollars):

	January 1, 2019	Increase	Decrease	December 31, 2019
Capital assets not being depreciated:				
Land	$ 171,201	$ 1,827	$ -	$ 173,028
Construction in process	633,054	623,856	(655,339)	601,571
Total capital assets not being depreciated	804,255	625,683	(655,339)	774,599
Capital assets being depreciated:				
Land improvements	63,642	108,672	(66)	172,248
Buildings	3,068,849	252,002	(11,145)	3,309,706
Transportation vehicles	3,843,953	94,554	(26,819)	3,911,688
Elevated structure track	2,609,703	77,901	(396)	2,687,208
Signal and communication	1,454,561	65,386	(2,245)	1,517,702
Other equipment	809,590	54,999	(32,929)	831,660
Total capital assets being depreciated	11,850,298	653,514	(73,600)	12,430,212
Less accumulated depreciation for:				
Land improvements	37,835	22,173	(66)	59,942
Buildings	1,675,899	126,865	(11,145)	1,791,619
Transportation vehicles	2,524,840	168,464	(26,819)	2,666,485
Elevated structure track	1,716,619	80,904	(396)	1,797,127
Signal and communication	1,063,533	55,607	(2,245)	1,116,895
Other equipment	699,281	46,462	(32,929)	712,814
Total accumulated depreciation	7,718,007	500,475	(73,600)	8,144,882
Total capital assets being depreciated, net	4,132,291	153,039	-	4,285,330
Total capital assets, net	$ 4,936,546	$ 778,722	$ (655,339)	$ 5,059,929

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets for the year ended December 31, 2018 are as follows (in thousands of dollars):

	January 1, 2018	Increase	Decrease	December 31, 2018
Capital assets not being depreciated:				
Land	$ 147,585	$ 23,616	$ -	$ 171,201
Construction in process	458,265	488,005	(313,216)	633,054
Total capital assets not being depreciated	605,850	511,621	(313,216)	804,255
Capital assets being depreciated:				
Land improvements	46,373	17,269	-	63,642
Buildings	2,976,898	92,147	(196)	3,068,849
Transportation vehicles	3,791,188	80,789	(28,024)	3,843,953
Elevated structure track	2,571,317	38,393	(7)	2,609,703
Signal and communication	1,430,160	27,165	(2,764)	1,454,561
Other equipment	780,482	33,837	(4,729)	809,590
Total capital assets being depreciated	11,596,418	289,600	(35,720)	11,850,298
Less accumulated depreciation for:				
Land improvements	33,482	4,353	-	37,835
Buildings	1,570,025	106,070	(196)	1,675,899
Transportation vehicles	2,377,248	175,616	(28,024)	2,524,840
Elevated structure track	1,641,874	74,752	(7)	1,716,619
Signal and communication	1,018,932	47,365	(2,764)	1,063,533
Other equipment	652,719	51,291	(4,729)	699,281
Total accumulated depreciation	7,294,280	459,447	(35,720)	7,718,007
Total capital assets being depreciated, net	4,302,138	(169,847)	-	4,132,291
Total capital assets, net	$ 4,907,988	$ 341,774	$ (313,216)	$ 4,936,546

(Continued)

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2019 are as follows (in thousands of dollars):

	Balance at January 1, 2019	Additions	Reductions	Balance at December 31, 2019	Amount due beyond one year	Amount due within one year
Self insurance claims (note 16)	$ 263,246	$ 158,362	$ (165,081)	$ 256,527	$ 185,625	$ 70,902
Bonds payable:						
Bonds payable (note 9)	4,113,875	-	(97,860)	4,016,015	3,914,175	101,840
Premium on bonds payable	103,909	-	(11,558)	92,351	92,351	-
Total bonds payable	4,217,784	-	(109,418)	4,108,366	4,006,526	101,840
Direct Borrowings:						
Capital lease obligations:						
Capital lease obligations (note 8)	83,518	-	(15,651)	67,867	58,330	9,537
Premium on capital lease obligation	3,033	-	(357)	2,676	2,676	-
Total capital lease obligations	86,551	-	(16,008)	70,543	61,006	9,537
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable (note 12)	80,443	2,840	-	83,283	81,731	1,552
Certificates of participation (note 10)	15,294	-	(7,543)	7,751	-	7,751
Fare system purchase agreement (note 11)	57,113	-	(10,396)	46,717	35,831	10,886
Total direct borrowings	239,401	2,840	(33,947)	208,294	178,568	29,726
Other long-term liabilities:						
Net pension liability (note 13 & 14)	1,691,674	187,364		1,879,038	1,879,038	-
Total OPEB liability (note 15)	9,751	69		9,820	9,820	-
Capital line of credit - note purchase agreement (note 17)	49,250	196,815	(37,900)	208,165	119,000	89,165
Other	20	-	-	20	20	-
Total other long-term liabilities	1,750,695	384,248	(37,900)	2,097,043	2,007,878	89,165
Total	$ 6,471,126	$ 545,450	$ (346,346)	$ 6,670,230	$ 6,378,597	$ 291,633

(Continued)

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations for the year ended December 31, 2018 are as follows (in thousands of dollars):

	Balance at January 1, 2018	Additions	Reductions	Balance at December 31, 2018	Amount due beyond one year	Amount due within one year
Self insurance claims (note 16)	$ 260,400	$ 218,413	$ (215,567)	$ 263,246	$ 184,501	$ 78,745
Bonds payable:						
Bonds payable (note 9)	4,205,500	-	(91,625)	4,113,875	4,016,015	97,860
Premium on bonds payable	116,820	-	(12,911)	103,909	103,909	-
Total bonds payable	4,322,320	-	(104,536)	4,217,784	4,119,924	97,860
Direct Borrowings:						
Capital lease obligations:						
Capital lease obligations (note 8)	181,269	1,967	(99,718)	83,518	67,867	15,651
Premium on capital lease obligation	3,406	-	(373)	3,033	3,033	-
Total capital lease obligations	184,675	1,967	(100,091)	86,551	70,900	15,651
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable (note 12)	-	80,443	-	80,443	80,443	-
Certificates of participation (note 10)	22,633	-	(7,339)	15,294	7,751	7,543
Fare system purchase agreement (note 11)	67,041	-	(9,928)	57,113	46,717	10,396
Total direct borrowings	274,349	82,410	(117,358)	239,401	205,811	33,590
Other long-term liabilities:						
Net pension liability (note 13 & 14)	1,753,459	-	(61,785)	1,691,674	1,691,674	-
Total OPEB liability (note 15)	11,648		(1,897)	9,751	9,751	-
Capital line of credit - note purchase agreement (note 17)	-	49,250	-	49,250	49,250	-
Line of credit - note purchase agreement (note 17)	22,500	-	(22,500)	-	-	-
Other	20	-	-	20	20	-
Total other long-term liabilities	1,787,627	49,250	(86,182)	1,750,695	1,750,695	-
Total	$ 6,644,696	$ 350,073	$ (523,643)	$ 6,471,126	$ 6,260,931	$ 210,195

During 2018, the CTA implemented GASB 75, changing the Net OPEB obligation to the Total OPEB liability that is now disclosed in the Statement of Net Position as of December 31, 2018.

NOTE 8 - CAPITAL LEASE OBLIGATIONS

Capital Lease – 2008 Bus Lease: During 2008, the CTA entered into a lease-purchase agreement to finance the purchase of 150 sixty-foot New Flyer articulated hybrid buses and certain related parts and equipment with a book value of $13,563,000 and $21,951,000 at December 31, 2019 and 2018, respectively. The terms of the 2008 agreement allow CTA to lease the buses for 12 years and retain ownership at the conclusion of the lease. Lease payments are due every June 1 and December 1 of each year. During 2013, CTA terminated the 2008 agreement and entered into a 2013 lease-purchase agreement with the same term and reduced rental payments. A deferred loss on refunding of $3,207,000 was recorded at the time of the 2013 transaction. The remaining unamortized loss of $30,000 and $196,000 are recorded as deferred outflows of resources as of December 31, 2019 and 2018, respectively. The present value of the future payments to be made by the CTA under the lease of approximately $6,472,000 and $19,208,000 is reflected in the accompanying December 31, 2019 and 2018 Statements of Net Position, respectively, as a capital lease obligation.

(Continued)

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

This lease contains a provision that in the event of a termination event, the total amount of unpaid principal and accrued interest become due immediately or Lessor can demand the return or repossess the buses as defined in the Lessor Remedies Upon Termination Event section.

Capital Lease – Public Building Commission: In 2003, the Public Building Commission of Chicago (PBC) issued revenue bonds for the benefit of the CTA in the amount of $119,020,000. The bonds were issued to pay costs associated with the acquisition of real property and construction of a building, and facilities, including certain furniture, fixtures, and equipment. The real property, building and facilities, and all furniture, fixtures, and equipment are owned by the PBC and leased to the CTA for use as its headquarters. On October 26, 2006, the Public Building Commission of Chicago (PBC) issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $91,340,000. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The principal amount of the bonds refunded was $111,120,000.

The proceeds from the sale of the 2006 bonds are being held in escrow under an escrow refunding agreement and have been invested in United States Treasury obligations. The principal amount of such obligations, together with interest earned thereon, will permit the payment of principal and interest on the refunded bonds up to an including their respective call dates. The refunded bonds are treated in the financial statements as defeased obligations. Accordingly, neither the trust account assets nor the refunded bonds appear in the accompanying financial statements. This refunding decreased annual debt service payments over 27 years by approximately $388,000, resulting in an economic gain of approximately $20,404,000. Based upon the requirements of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Accounts*, the CTA recorded a deferred amount (loss) on refunding of $2,395,000. The remaining unamortized portion of $418,000 and $539,000 are recorded as deferred outflows of resources in the accompanying Statements of Net Position as of December 31, 2019 and 2018, respectively.

The bonds are payable from and secured by the lease entered into between the Commission and the CTA and are considered a general obligation of the CTA payable from any lawfully available funds. The bond premium related to this transaction is presented as such on the Statements of Net Position. The present value of the future payments to be made by the CTA under the lease of approximately $61,395,000 and $64,310,000 is reflected in the accompanying December 31, 2019 and 2018 Statements of Net Position, respectively, as a capital lease obligation.

Capital Lease – Lease and Leaseback Transactions: During 1998, the CTA entered into lease and leaseback agreements with three third-party investors pertaining to certain property, railway tracks and train stations on the Green Line, with a book value of $125,898,000 at December 31, 2018. The 1998 Agreement, which provides certain cash and tax benefits to the third parties, also provides for a trust established by the CTA to lease the rail line to an equity investor trust (the 1998 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (the 1998 Lease). In 2008, one of the three investors chose to unwind the transaction and the corresponding agreements (1998-NL) were terminated. On March 6, 2015, another investor chose to unwind the transaction and the corresponding agreements (1998-PB) were terminated. The last of the three Green Line lease and leaseback agreements (1998-JH) was terminated on December 17, 2018. Therefore, no capital lease obligation is reflected as of December 31, 2019 or 2018.

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

Change in Capital Lease Obligations: Changes in capital leases for the year ended December 31, 2019 are as follows (in thousands of dollars):

2019	Beginning balance	Additions	Principal paid	Ending balance	Interest paid	Due in one year
2008 Bus Lease	$ 19,208	$ -	$ (12,736)	$ 6,472	$ 350	$ 6,472
2006 PBC lease	64,310	-	(2,915)	61,395	3,272	3,065
Total capital lease obligation	$ 83,518	$ -	$ (15,651)	$ 67,867	$ 3,622	$ 9,537

Change in Capital Lease Obligations: Changes in capital leases for the year ended December 31, 2018 are as follows (in thousands of dollars):

2018	Beginning balance	Additions*	Principal paid	Ending balance	Interest paid	Due in one year
2008 Bus Lease	$ 31,671	$ -	$ (12,463)	$ 19,208	$ 623	$ 12,736
2006 PBC lease	67,095	-	(2,785)	64,310	3,404	2,915
1998 (Green) - Lease / Leaseback	82,503	1,967	(84,470)	-	1,967	-
Total capital lease obligation	$ 181,269	$ 1,967	$ (99,718)	$ 83,518	$ 5,994	$ 15,651

* Additions include accretion of interest.

Future Minimum Lease Payments: As of December 31, 2019 future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2020	$ 9,537
2021	3,225
2022	3,390
2023	3,565
2024	3,760
2025 - 2029	22,060
2030 - 2033	22,330
Total minimum lease payments	67,867
Less interest	-
	$ 67,867

NOTE 9 - BONDS PAYABLE

2008 Series (5309 Fixed Guideway Modernization Program) and 2008A Series (5307 Urbanized Area Formula Program) Capital Grant Receipts Revenue Bonds: On April 16, 2008, the CTA issued Capital Grant Receipts Revenue Bonds, “2008 Project,” in the amount of $250,000,000, along with a premium of $18,637,000, in anticipation of the receipt of grants from the federal government. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the “2008 Project.” The Federal Transit Administration’s section 5307 program is a formula grant program for metropolitan areas providing capital, operating or planning assistance for mass transportation. The section 5309 program is a formula grant program providing capital assistance for the modernization of existing rail systems.

NOTE 9 - BONDS PAYABLE (Continued)

The Series 2008 (5309) and 2008A (5307) bonds bear interest ranging from 3.5% to 5.25%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially through June 1, 2026.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2010 refunded the maturities dated June 1, 2010 through June 1, 2011 of the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2017 refunded the maturities dated June 1, 2019 through June 1, 2026 of the 5309 (Series 2008) bonds and the maturities dated June 1, 2022 through June 1, 2026 of the 5307 (Series 2008A) bonds.

There are no bond debt service requirements as of December 31, 2019 and 2018.

<u>2008A Series (5309 Fixed Guideway Modernization Program) Capital Grant Receipts Revenue Bonds</u>: On November 20, 2008, the CTA issued Capital Grant Receipts Revenue Bonds, “2008 Project,” in the amount of $175,000,000, along with a premium of $3,760,000, in anticipation of the receipt of grants from the federal government. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the “2008 Project.” The section 5309 program is a formula grant program providing capital assistance for the modernization of existing rail systems.

The Series 2008A (5309) bonds bear interest ranging from 5.0% to 6.0%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially through June 1, 2026.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2010 refunded the maturities dated June 1, 2010 through June 1, 2011 of the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2015 5337 bonds refunded the maturities dated June 1, 2016, 2024 thru 2026 of the 5337 Series 2008A bonds.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2017 refunded the maturities dated June 1, 2019 through June 1, 2023 of the 5309 (Series 2008A) bonds.

There are no bond debt service requirements as of December 31, 2019 and 2018.

<u>2008A Series (Pension Funding) and 2008B Series (Retiree Health Care Funding) Sales and Transfer Tax Receipts Revenue Bonds</u>: On July 30, 2008, the CTA issued Sales and Transfer Tax Receipts Revenue Bonds in the amount of $1,936,855,000 to fund the employee retirement plan and to create a retiree health care trust. The bonds were sold in two tranches, a $1.3 billion Series A to fund the employee’s retirement plan and a $640 million Series B to fund a permanent trust that was established to cover other postemployment benefits for retirees’ health care. The bonds are secured primarily by a pledge of and lien on the Sales Tax Receipts Fund and the Transfer Tax Receipts Fund deposits. The bonds were issued pursuant to the pension and retiree health care reform requirements set forth in Public Acts 94-839 and 95-705.

Public Act 94-839 required the CTA to make contributions to its retirement system in an amount which, together with the contributions of its participants, interest earned on investments and other income, were sufficient to bring the total assets of the retirement system up to 90% of its total actuarial liabilities by the end of fiscal year 2058. Additionally, Public Act 94-839 required that the Retirement Plan’s pension and retiree health care programs be separated into two distinct trusts by December 31, 2008.

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

Public Act 95-708 modified this directive slightly and added a number of other requirements. First, a new Retirement Plan Trust will be created to manage the Retirement Plan assets. Second, CTA contributions and employee contributions were increased. Third, in addition to the requirement that the Retirement Plan be 90% funded by 2059, there is a new requirement that the Retirement Plan be funded at a minimum of 60% by September 15, 2009. Any deviation from the stated projections could result in a directive from the State of Illinois Auditor General to increase the CTA and employee contributions. Fourth, Public Act 95-708 authorized the CTA to issue $1.9 billion in pension obligation bonds to fund the pension and retiree health care. Finally, the legislation provides that CTA will have no future responsibility for retiree healthcare costs after the bond funding. In accordance with Public Act 95-708, all retiree healthcare benefits are now paid from the newly established Retiree Health Care Trust.

This bond contains a provision that in the event of default, the CTA upon demand of the Trustee shall pay any amounts remaining in the Sales Tax Receipt Fund and the Transfer Tax Receipts Fund, as defined by the bond agreement, and all tax receipts as promptly as practicable after receipt.

The Series 2008A and 2008B bonds bear interest ranging from 5.1% to 6.9%. Scheduled interest on the 2008A and 2008B bonds will be funded through June 1, 2009 and June 1, 2010, respectively, with bond proceeds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2013 through June 1, 2040.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2020	$ 39,010	$ 117,566	$ 156,576
2021	41,465	115,109	156,574
2022	44,080	112,496	156,576
2023	47,120	109,455	156,575
2024	50,370	106,205	156,575
2025	53,845	102,730	156,575
2026	57,560	99,015	156,575
2027	61,530	95,044	156,574
2028	65,775	90,799	156,574
2029	70,310	86,261	156,571
2030	75,165	81,410	156,575
2031	80,350	76,225	156,575
2032	85,895	70,681	156,576
2033	91,820	64,755	156,575
2034	98,150	58,421	156,571
2035	104,925	51,649	156,574
2036	112,165	44,411	156,576
2037	119,905	36,672	156,577
2038	128,170	28,400	156,570
2039	137,015	19,558	156,573
2040	146,470	10,105	156,575
Total	$ 1,711,095	$ 1,576,967	$ 3,288,062

NOTE 9 - BONDS PAYABLE (Continued)

2010A Sales Tax Receipts Revenue Bonds and Taxable Series 2010B Sales Tax Receipts Revenue Bonds (Build America Bonds): On March 23, 2010, the CTA issued the Sales Tax Receipts Revenue Bonds, Series 2010A and Taxable Series 2010B Build America Bonds, in the amount of $550,000,000, along with a premium of $5,186,000. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to the purchase of new rail cars, overhaul and rehabilitation of existing rail cars, and the purchase and installation of upgrades for rail system components. The American Recovery and Reinvestment Act of 2009 created the Build America Bond (BAB) Program. This program allows state and local governments to issue taxable bonds for capital projects and to receive a federal subsidy payment from the U.S. Treasury Department for a portion of their borrowing costs.

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay, after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

The Series 2010A and 2010B bonds bear interest ranging from 4.0% to 6.2%. Scheduled interest on the 2010 bonds was funded through December 1, 2010 with proceeds of the 2010 bonds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2015 through June 1, 2040.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

		2010B	
	Principal	Interest	Total
2020	$ 11,510	$ 30,798	$ 42,308
2021	12,095	30,214	42,309
2022	12,720	29,583	42,303
2023	13,405	28,900	42,305
2024	14,135	28,167	42,302
2025	14,930	27,372	42,302
2026	15,855	26,447	42,302
2027	16,835	25,464	42,299
2028	17,880	24,420	42,300
2029	18,985	23,311	42,296
2030	20,155	22,134	42,289
2031	21,400	20,885	42,285
2032	22,725	19,558	42,283
2033	24,135	18,149	42,284
2034	31,820	16,653	48,473
2035	33,785	14,680	48,465
2036	35,875	12,585	48,460
2037	38,090	10,361	48,451
2038	40,455	7,999	48,454
2039	42,955	5,491	48,446
2040	45,610	2,828	48,438
Total	$ 505,355	$ 425,999	$ 931,354

There are no bond debt service requirements on the Series 2010A bonds as of December 31, 2019.

NOTE 9 - BONDS PAYABLE (Continued)

<u>2010 (5307 Urbanized Area Formula Program & 5309 Fixed Guideway Modernization Program) Refunding Series Capital Grant Receipts Revenue Bonds</u>: On May 6, 2010, the CTA issued the tax-exempt Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program and 5309 Fixed Guideway Modernization Program Funds, in the amount of $90,715,000, along with a premium of $1,876,000, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to provide funds to refund a portion of the outstanding 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds.

This bond contains a provision that in the event of default, the CTA upon demand of the Trustee shall pay all moneys, securities, and funds held by the CTA in a fund, account, or sub-account pursuant to the terms of the Indenture and all 5307 and 5309 Grant Receipts as promptly as practicable after receipt.

The Series 2010 bonds bear interest at 5.00%. Interest is payable semiannually on June 1 and December 1, and the bonds mature serially on June 1, 2027 and June 1, 2028.

Net proceeds of $45,778,000 were deposited into an irrevocable trust with an escrow agent to provide for 2011 debt service payments on the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds. As a result, a portion of the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds then outstanding are considered to be defeased and the 2011 liability has been removed from the Statements of Net Position. The CTA refunded the various bonds using the proceeds from the 2010 Series bonds which increased its total debt service payments over the next 19 years by $78,528,000 and resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of $3,099,000. The defeased debt had a zero balance as of December 31, 2019 and 2018.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	2010 5307		2010 5309		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ -	$ 3,195	$ -	$ 1,341	$ -	$ 4,536
2021	-	3,195	-	1,341	-	4,536
2022	-	3,195	-	1,341	-	4,536
2023	-	3,195	-	1,341	-	4,536
2024	-	3,195	-	1,341	-	4,536
2025	-	3,195	-	1,341	-	4,536
2026	-	3,195	-	1,341	-	4,536
2027	31,170	2,415	13,085	1,014	44,255	3,429
2028	32,725	818	13,735	343	46,460	1,161
Total	$ 63,895	$ 25,598	$ 26,820	$ 10,744	$ 90,715	$ 36,342

NOTE 9 - BONDS PAYABLE (Continued)

2011 (5307 Urbanized Area Formula Program) Refunding Series Capital Grant Receipts Revenue Bonds: On October 26, 2011, the CTA issued the tax-exempt Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program, in the amount of $56,525,000, along with a premium of $1,806,000, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to provide funds to refund a portion of the outstanding 5307 (Series 2004B and 2006A) bonds.

This bond contains a provision that in the event of default, the CTA upon demand of the Trustee shall pay all moneys, securities, and funds held by the CTA in a fund, account, or sub-account pursuant to the terms of the Indenture and all 5307 Grant Receipts as promptly as practicable after receipt .

The Series 2011 bonds bear interest ranging from 4.5% to 5.25%. Interest is payable semiannually on June 1 and December 1, and the bonds mature serially from June 1, 2022 to June 1, 2029.

Net proceeds of $57,535,000 were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the 5307 (Series 2004B and 2006A) bonds. As a result, a portion of the 5307 (Series 2004B and 2006A) bonds then outstanding are considered to be defeased and the related liability has been removed from the Statements of Net Position. The CTA refunded the various bonds using the proceeds from the 2011 Series bonds which increased its total debt service payments over the next 18 years by $34,252,000 and resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of $9,214,000. The defeased debt had a zero balance as of December 31, 2019 and 2018.

The difference between the reacquisition price and the net carrying amount of the bonds refunded by the Capital Grant Receipts Revenue Bonds, Refunding Series 2011 of $6,794,000 was deferred and is being amortized over 18 years. The deferred amount ending balance for the years ended December 31, 2019 and 2018 was $2,968,000 and $3,436,000, respectively, and recorded as a deferred outflow of resources in the accompanying Statements of Net Position. Amortization of the deferred amount on the refunding was $468,000 and $469,000 for the years ended December 31, 2019 and 2018, respectively.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2020	$ -	$ 2,865	$ 2,865
2021	-	2,865	2,865
2022	6,595	2,700	9,295
2023	6,920	2,353	9,273
2024	7,285	1,980	9,265
2025	7,665	1,594	9,259
2026	8,060	1,187	9,247
2027	-	975	975
2028	-	975	975
2029	20,000	488	20,488
Total	$ 56,525	$ 17,982	$ 74,507

NOTE 9 - BONDS PAYABLE (Continued)

2011 Sales Tax Receipts Revenue Bonds: On October 26, 2011, the CTA issued the Sales Tax Receipts Revenue Bonds, Series 2011, in the amount of $476,905,000, along with a premium of $21,392,000. The bonds were issued to pay for, or reimburse the CTA for prior expenditures relating to (i) the purchase of rail cars to replace existing cars and (ii) the finance of any other capital project designated by the CTA Board as part of the 2011 Project.

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay, after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

The Series 2011 bonds bear interest ranging from 5.0% to 5.25%. Scheduled interest on the 2010 bonds will be funded through December 1, 2015 with proceeds of the 2011 bonds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on December 1, 2021 through December 1, 2040.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2020	$ -	$ 24,965	$ 24,965
2021	14,090	24,965	39,055
2022	14,800	24,261	39,061
2023	15,540	23,521	39,061
2024	16,360	22,705	39,065
2025	17,220	21,846	39,066
2026	18,120	20,942	39,062
2027	19,075	19,991	39,066
2028	20,080	18,989	39,069
2029	21,135	17,935	39,070
2030	22,250	16,825	39,075
2031	23,425	15,657	39,082
2032	24,655	14,428	39,083
2033	25,950	13,133	39,083
2034	27,315	11,771	39,086
2035	28,755	10,337	39,092
2036	30,265	8,827	39,092
2037	31,860	7,238	39,098
2038	33,540	5,566	39,106
2039	35,305	3,805	39,110
2040	37,165	1,951	39,116
Total	$ 476,905	$ 329,658	$ 806,563

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

2014 Sales Tax Receipts Revenue Bonds: On July 10, 2014, the CTA issued Sales and Transfer Tax Receipts Revenue Bonds, Series 2014 in the amount of $550,000,000, along with a premium of $45,154,000. The bonds were issued to provide funds to finance, in whole or in part, capital projects contemplated by the Authority's Capital Plan.

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay, after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

The Series 2014 bonds bear interest ranging from 5.0% to 5.25%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially December 1, 2041 through December 1, 2049.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2020	$ -	$ 28,597	$ 28,597
2021	-	28,597	28,597
2022	-	28,597	28,597
2023	-	28,597	28,597
2024	-	28,597	28,597
2025	-	28,597	28,597
2026	-	28,597	28,597
2027	-	28,597	28,597
2028	-	28,597	28,597
2029	-	28,597	28,597
2030	-	28,597	28,597
2031	-	28,597	28,597
2032	-	28,597	28,597
2033	-	28,597	28,597
2034	-	28,597	28,597
2035	-	28,597	28,597
2036	-	28,597	28,597
2037	-	28,597	28,597
2038	-	28,597	28,597
2039	-	28,597	28,597
2040	-	28,597	28,597
2041	50,180	28,597	78,777
2042	52,690	26,088	78,778
2043	55,325	23,453	78,778
2044	58,090	20,687	78,777
2045	60,995	17,783	78,778
2046	64,195	14,580	78,775
2047	67,565	11,210	78,775
2048	71,115	7,663	78,778
2049	74,845	3,929	78,774
Total	$ 555,000	$ 754,527	$ 1,309,527

NOTE 9 - BONDS PAYABLE (Continued)

Capital Grant Receipts Revenue Bonds, Refunding Series 2015: On September 16, 2015, the CTA issued Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program Funds and Section 5337 State of Good Repair Formula Program Funds, in the amount of $176,920,000 along with a premium of $21,569,000, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to refund a portion of the outstanding 5307 (Series 2004B and 2006A) and 5337 (Series 2008A) bonds.

This bond contains a provision that in the event of default, the CTA upon demand of the Trustee shall pay all moneys, securities, and funds held by the CTA in a fund, account, or sub-account pursuant to the terms of the Indenture and all 5307 and 5337 Grant Receipts as promptly as practicable after receipt.

The Series 2015 bond bear interest at 5.00%. Interest is payable semiannually on June 1 and December 1, commencing December 1, 2015 and the bonds mature serially June 1, 2018 through June 1, 2026.

The remaining net proceeds of $197,159,000 were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the 5307 (Series 2004B and 2006A) and 5337 (Series 2008A) bonds. As a result, a portion of the 5307 (Series 2004B and 2006A) and 5337 (Series 2008A) bonds then outstanding are considered to be defeased and the related liability has been removed from the Statements of Net Position. The CTA refunded the various bonds using the proceeds from the 2015 Series bonds which reduced its total debt service payments over the next 10 years by $10,043,000 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $9,856,000. The defeased debt had a zero balance as of December 31, 2019 and December 31, 2018.

The difference between the reacquisition price and the net carrying amount of the bonds refunded by the Capital Grant Receipts Revenue Bonds, Refunding Series 2015 of $12,281,000 was deferred and is being amortized over the next 10 years. The deferred amount ending balance for the years ended December 31, 2019 and 2018 was $3,835,000 and $5,427,000, respectively. Amortization of the deferred amount on the refunding was $1,592,000 and $1,943,000 for the years ended December 31, 2019 and 2018, respectively.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	2015 (5307)		2015 (5337)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 31,585	$ 2,860	$ 320	$ 2,245	$ 31,905	$ 5,105
2021	41,410	1,035	335	2,228	41,745	3,263
2022	-	-	350	2,211	350	2,211
2023	-	-	370	2,193	370	2,193
2024	-	-	13,855	1,838	13,855	1,838
2025	-	-	14,550	1,128	14,550	1,128
2026	-	-	15,275	382	15,275	382
Total	$ 72,995	$ 3,895	$ 45,055	$ 12,225	$ 118,050	$ 16,120

NOTE 9 - BONDS PAYABLE (Continued)

2017 Second Lien Sales Tax Receipts Revenue Bonds: On January 10, 2017, the CTA issued the Second Lien Sales Tax Receipts Revenue Bonds, Series 2017, in the amount of $296,220,000, along with a premium of $18,108,000. The bonds were issued to (i) finance certain capital projects contemplated by the CTA's capital improvement plan, (ii) capitalize interest on the 2017 Second Lien Bonds and (iii) pay costs in connection with the issuance of the 2017 Second Lien Bonds.

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds and on the Sales Tax Receipts Revenue Bonds, Series 2010A and Taxable Series 2010B bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

The Series 2017 bonds bear interest ranging from 4.0% to 5.0%. Scheduled interest on the 2017 bonds was funded through December 1, 2018 with proceeds of the 2017 bonds and interest thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially December 1, 2041 through December 1, 2051.

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2020	$ -	$ 14,711	$ 14,711
2021	-	14,711	14,711
2022	-	14,711	14,711
2023	-	14,711	14,711
2024	-	14,711	14,711
2025	-	14,711	14,711
2026	-	14,711	14,711
2027	-	14,711	14,711
2028	-	14,711	14,711
2029	-	14,711	14,711
2030	-	14,711	14,711
2031	-	14,711	14,711
2032	-	14,711	14,711
2033	-	14,711	14,711
2034	-	14,711	14,711
2035	-	14,711	14,711
2036	-	14,711	14,711
2037	-	14,711	14,711
2038	-	14,711	14,711
2039	-	14,711	14,711
2040	-	14,711	14,711
2041	20,910	14,711	35,621
2042	21,945	13,681	35,626
2043	23,025	12,599	35,624
2044	24,160	11,464	35,624
2045	25,350	10,273	35,623
2046	26,600	9,023	35,623
2047	27,910	7,712	35,622
2048	29,310	6,316	35,626
2049	30,775	4,851	35,626
2050	32,310	3,312	35,622
2051	33,925	1,696	35,621
Total	$ 296,220	$ 404,569	$ 700,789

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

Capital Grant Receipts Revenue Bonds, Refunding Series 2017: On July 18, 2017, the CTA issued Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program Funds and Section 5337 State of Good Repair Formula Program Funds, in the amount of $225,795,000 along with a premium of $31,279,000, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to refund the Series 2008A 5307 bonds maturing June 1, 2022 through 2026 as well as refunding the Series 2008 5337 bonds maturing June 1, 2019 through 2026 and the Series 2008A 5337 bonds maturing June 1, 2019 through 2023.

This bond contains a provision that in the event of default, the CTA upon demand of the Trustee shall pay all moneys, securities, and funds held by the CTA in a fund, account, or sub-account pursuant to the terms of the Indenture and all 5307 and 5337 Grant Receipts as promptly as practicable after receipt.

The Series 2017 bonds bear interest ranging from 2.0% to 5.0%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially June 1, 2018 through June 1, 2026.

Net proceeds of $255,396,000 were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the 5307 (Series 2008A) and 5337 (Series 2008 and 2008A) bonds. As a result, a portion of the 5307 (Series 2008A) and 5337 (Series 2008 and 2008A) bonds then outstanding are considered to be defeased and the related liability has been removed from the Statements of Net Position. The CTA refunded the various bonds using the proceeds from the 2017 Series bonds which resulted in a difference of cash flows of debt service payments on the old and new debt of $30,456,000 and an economic gain (present value of the difference in debt service cash flows payments) of $27,099,000. The defeased debt had a balance of zero as of December 31, 2019 and 2018.

The difference between the reacquisition price and the net carrying amount of the bonds refunded by the Capital Grant Receipts Revenue Bonds, Refunding Series 2017 of $4,929,000 was deferred and is being amortized over the next 9 years. The deferred amount ending balance for the years ended December 31, 2019 and 2018 was $2,902,000 and $3,719,000, respectively. Amortization of the deferred amount on the refunding was $817,000 and $854,000 for the years ended December 31, 2019 and 2018, respectively

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	2017 (5307)		2017 (5337)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ -	$ 4,527	$ 19,415	$ 5,781	$ 19,415	$ 10,308
2021	-	4,527	20,385	4,810	20,385	9,337
2022	16,385	4,527	21,405	3,791	37,790	8,318
2023	17,205	3,708	22,475	2,720	39,680	6,428
2024	18,065	2,848	10,130	1,597	28,195	4,445
2025	18,970	1,944	10,635	1,090	29,605	3,034
2026	19,915	996	11,165	558	31,080	1,554
Total	$ 90,540	$ 23,077	$ 115,610	$ 20,347	$ 206,150	$ 43,424

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

The total bond debt service requirements to maturity for all outstanding bonds are as follows (in thousands of dollars):

	Principal	Interest	Total
2020	$ 101,840	$ 239,451	$ 341,291
2021	129,780	233,597	363,377
2022	116,335	227,413	343,748
2023	123,035	220,694	343,729
2024	130,200	213,184	343,384
2025 - 2029	706,085	942,085	1,648,170
2030 - 2034	675,210	737,225	1,412,435
2035 - 2039	953,065	484,119	1,437,184
2040 - 2044	535,570	209,472	745,042
2045 - 2049	478,660	93,340	572,000
2050 - 2051	66,235	5,008	71,243
Total	$ 4,016,015	$ 3,605,588	$ 7,621,603

Future Revenue Pledges: The CTA has pledged the following future revenues to secure outstanding balances of bond issuances as of December 31, 2019 and 2018 in accordance with bond security requirements:

- Real Estate Transfer Tax (RETT) Receipts received from the City of Chicago are pledged to secure the Series 2008A and 2008B Sales and Transfer Tax Receipts Revenue Bonds; Sales Tax Receipts received from the Regional Transportation Authority (RTA) are pledged to secure remaining debt service unpaid by RETT receipts. Debt service for the bonds outstanding were $3,288,062,000 and $3,444,635,000 as of December 31, 2019 and 2018, respectively. Total real estate transfer tax funds were approximately $62,373,000 and $71,518,000 as of December 31, 2019 and 2018, respectively. The following principal and interest bond payments were made during December 31, 2019 and 2018 (in thousands of dollars):

	Principal	Interest
2019	$ 366,195	$ 119,878
2018	34,520	122,053

- Sales Tax Receipts are also pledged to secure the First Lien Series 2010A, 2010B, 2011, and 2014 as well as Second Lien Series 2017 Sales Tax Receipts Revenue Bonds and 2017 Tax-Exempt Note Purchase Agreement (NPA). Sales Tax Receipts secure balances due on the Second Lien Series 2017 Sales Tax Receipts Revenue Bonds and the 2017 Tax-Exempt Note NPA after satisfying balances due on First Lien Obligations. Debt service for the bonds outstanding were $3,748,233,000 and $3,858,755,000 as of December 31, 2019 and 2018, respectively. Total sales tax receipts funds were approximately $749,711,000 and $731,816,000 as of December 31, 2019 and 2018, respectively. The following principal and interest bond payments were made during December 31, 2019 and 2018 (in thousands of dollars):

	2010A		2010B		2011	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 10,915	$ 536	$ -	$ 30,798	$ -	$ 24,965
2018	10,415	1,034	-	30,798	-	24,965

	2014		2017	
	Principal	Interest	Principal	Interest
2019	$ -	$ 28,597	$ -	$ 14,711
2018	-	28,597	-	14,711

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

- Federal Transit Authority (FTA) Section 5307 Urbanized Area Formula funds received from the FTA are pledged to secure the Series 2010, 2011, 2015, and 2017 FTA Section 5307 Urbanized Area Formula Funds Capital Grant Receipts Revenue Bonds. Debt service for the bonds outstanding were $354,507,000 and $400,801,000 as of December 31, 2019 and 2018, respectively. Total Federal Transit Authority Section 5307 Urbanized Area Formula funds were approximately $160,330,000 and $132,469,000 as of December 31, 2019 and 2018, respectively. The following principal and interest bond payments were made during December 31, 2019 and 2018 (in thousands of dollars):

	2010		2011		2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ -	$ 3,195	$ -	$ 2,865	$ 31,275	$ 4,432
2018	-	3,195	-	2,865	27,000	5,889

	2017	
	Principal	Interest
2019	$ -	$ 4,527
2018	-	3,584

- MAP-21 restructured the Federal Transit Program in 2015 to end the FTA Section 5309 Formula Program and created a broader formula program in FTA Section 5337 that incorporates the rail modernization formula program formerly included in FTA Section 5309. Debt service for the bonds outstanding were $37,564,000 and $38,905,000 as of December 31, 2019 and 2018, respectively. Total Federal Transit Authority Section 5309 Fixed Guideway Modernization Formula funds were approximately $91,988,000 and $33,107,000 as of December 31, 2019 and 2018, respectively.
- As such, FTA Section 5337 State of Good Repair Federal Funds also received from the FTA are pledged to secure the Series 2008, 2008A, and 2010 FTA Section 5309 Fixed Guideway Modernization Capital Grant Receipts Revenue Bonds as well as the Series 2015 and 2017 FTA Section 5337 State of Good Repair Formula Funds Capital Grant Receipts Revenue Bonds. Debt service for the bonds outstanding were $193,237,000 and $220,999,000 as of December 31, 2019 and 2018, respectively. Total Federal Transit Authority Section 5337 State of Good Repair Formula funds were approximately $167,664,000 and $136,208,000 as of December 31, 2019 and 2018, respectively. The following principal and interest bond payments were made during December 31, 2019 and 2018 (in thousands of dollars):

	2008 (5309)		2008A (5309)		2010 (5309)	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ -	$ -	$ -	$ -	$ -	$ 1,341
2018	8,490	425	9,935	546	-	1,341

	2015 (5337)		2017 (5537)	
	Principal	Interest	Principal	Interest
2019	$ 305	$ 2,260	$ 18,670	$ 6,527
2018	290	2,275	975	5,183

- FTA receipts in excess of the annual required debt service must be used to fund FTA-eligible Capital projects, not for general purposes nor operations and maintenance (O&M) expenses.

(Continued)

NOTE 10 - CERTIFICATES OF PARTICIPATION

In August 2008, Certificates of Participation (COP) totaling $78,430,000 were issued on behalf of the CTA. The COPs were used to finance the purchase of 200 (40 ft.) New Flyer low floor buses and certain related parts and equipment. On August 1, 2008, the CTA entered into an installment purchase agreement. The obligation of the CTA to make installment payments is an unconditional obligation of the CTA and is payable from legally available funds. The installment agreement requires the CTA to make annual COP payments which are remitted to the COP holders. Scheduled maturity dates occur at various times through December 1, 2020. During 2013, CTA terminated the original 2008 agreement and entered into three new agreements with the same terms and reduced interest rates. The total principal and interest remaining to be paid on the COPs as of December 31, 2019, is $7,911,000. Principal and interest paid in 2019 and 2018 was approximately $7,912,000 and $7,911,000, respectively.

As of December 31, 2019, debt service requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2020	$ 7,751	$ 160	$ 7,911
Total	$ 7,751	$ 160	$ 7,911

NOTE 11 - FARE COLLECTION SYSTEM PURCHASE AGREEMENT

CTA entered into a purchase agreement to finance a fare collection system with a value of $102,900,000. Under the purchase agreement, the CTA will make monthly payments of approximately $1,067,600 over the ten-year term to finance the design, acquisition and installation of the open standards fare system. The present value of the future payments to be made by the CTA under the purchase agreement of approximately $46,717,000 is reflected in the accompanying December 31, 2019 Statements of Net Position as an other long-term liability.

As of September 2019, CTA has entered into another purchase agreement to replace the majority of the fare collection system equipment. No amounts are due and payable under the agreement for the new system until it is delivered and operational, which is not anticipated to occur for several years. The payment for such replacement system will be a separate capital cost to be paid in addition to the foregoing financed amounts.

The purchase agreement requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2020	$ 10,886	$ 1,925	$ 12,811
2021	11,399	1,412	12,811
2022	11,935	876	12,811
2023	12,497	314	12,811
	$ 46,717	$ 4,527	$ 51,244

(Continued)

NOTE 12 - TIFIA LOANS

2014 TIFIA Loan

On April 24, 2014, CTA entered into a definitive loan agreement with the United States Department of Transportation (USDOT), an agency of the United States of America, acting by and through the Federal Highway Administrator under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program to finance certain projects that are a part of the Authority's 95th Street Terminal Improvement Project.

This loan contains a provision that in the event of default, all obligations relating to the disbursement of undisbursed Loan amounts shall automatically be deemed terminated. The unpaid principal amount of the loan, together with all interest accrued, fees, costs, expenses, indemnities and other amounts payable under the loan shall automatically become immediately due and payable.

The principal amount of the TIFIA Loan shall not exceed $79,200,000; provided, the maximum principal amount of the TIFIA loan disbursed by the USDOT, together with the amount (excluding any interest that is capitalized) of any other credit assistance provided under TIFIA, cannot exceed thirty-three percent (33%) of reasonably anticipated eligible project costs. Further, total federal funding, inclusive of the TIFIA loans and all federal direct or indirect grants, cannot exceed eighty percent (80%) of reasonably anticipated eligible project costs.

As evidence of CTA's obligation to repay the TIFIA Loan, CTA has issued to the lender a registered fare box receipts revenue bonds in the amount of $79,200,000 dated April 24, 2014 with a maturity date of December 1, 2050 bearing an interest rate of 3.5%, with a loan amortization schedule.

CTA borrowed $79,200,000 in 2018 and is capitalizing interest through 2020. Total capitalized interest of $5,298,000 will be added to the principal repayments over the life of the loan. As of December 31, 2019 and 2018, CTA had accrued $4,083,000 and $1,243,000 of capitalized interest, respectively.

The TIFIA loan debt service requirements to maturity are as follows (in thousands of dollars):

	Principal*	Interest	Total
2020	$ 1,552	$ 1,479	$ 3,031
2021	1,607	2,903	4,510
2022	1,663	2,847	4,510
2023	1,721	2,789	4,510
2024	1,782	2,728	4,510
2025 - 2029	9,887	12,662	22,549
2030 - 2034	11,743	10,806	22,549
2035 - 2039	13,947	8,602	22,549
2040 - 2044	16,565	5,984	22,549
2045 - 2049	19,674	2,876	22,550
2050	4,357	153	4,510
Total	$ 84,498	$ 53,829	$ 138,327

* Includes capitalized interest

(Continued)

NOTE 12 – TIFIA LOANS (Continued)

2015 TIFIA Loan

On February 3, 2015, CTA entered into a definitive loan agreement with the United States Department of Transportation (USDOT), an agency of the United States of America, acting by and through the Federal Highway Administrator under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program to finance certain projects that are a part of the Authority's "Your New Blue" capital improvement program.

This loan contains a provision that in the event of default, all obligations relating to the disbursement of undisbursed Loan amounts shall automatically be deemed terminated. The unpaid principal amount of the loan, together with all interest accrued, fees, costs, expenses, indemnities and other amounts payable under the loan shall automatically become immediately due and payable.

The principal amount of the TIFIA Loan shall not exceed $120,000,000; provided the maximum principal amount of the TIFIA loan disbursed by the USDOT, together with the amount (excluding any interest that is capitalized) of any other credit assistance provided under TIFIA, cannot exceed thirty-three percent (33%) of reasonably anticipated eligible project costs. Further, total federal funding, inclusive of the TIFIA loans and all federal direct or indirect grants, cannot exceed eighty percent (80%) of reasonably anticipated eligible project costs.

As evidence of CTA's obligation to repay the TIFIA Loan, CTA has issued to the lender two fare box receipts revenue bonds in the amounts of $42,600,000 with a maturity date of December 1, 2029, bearing an interest rate of 2.02%, and $77,400,000 with a maturity date of December 1, 2052, bearing an interest rate of 2.31%.

As of December 31, 2019 no drawdown had occurred on the 2015 TIFIA loan. No balance is presented for this loan on the Statements of Net Position as of December 31, 2019 or 2018.

2016 TIFIA Loan

On March 30, 2016, CTA entered into a third definitive loan agreement with the United States Department of Transportation (USDOT), an agency of the United States of America, acting by and through the Federal Highway Administration under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program to finance certain projects that are part of the Authority's Rail Car Purchase Program.

This loan contains a provision that in the event of default, all obligations relating to the disbursement of undisbursed Loan amounts shall automatically be deemed terminated. The unpaid principal amount of the loan, together with all interest accrued, fees, costs, expenses, indemnities and other amounts payable under the loan shall automatically become immediately due and payable.

The aggregate principal amount of the loan shall not exceed $254,930,000, (excluding any interest that is capitalized in accordance with the terms of the loan); provided, however, in no event shall the maximum principal amount of the TIFIA loan disbursed by the USDOT, together with the amount (excluding any interest that is capitalized) of any other credit assistance provided under TIFIA Act, cannot exceed thirty-three percent (33%) of reasonable anticipated eligible project costs. Further, total federal funding, inclusive of the TIFIA loan and all federal direct or indirect grants, shall not exceed eighty percent (80%) of reasonably eligible project costs.

(Continued)

NOTE 12 - TIFIA LOANS (Continued)

As evidence of CTA's obligation to repay the TIFIA Loan, CTA has issued to the lender registered receipts revenue bonds in the aggregate principal amount not to exceed $254,930,000, comprising two (2) tranches in the principal amounts of $147,018,000 ("Tranche A-1") and $107,912,000 ("Tranche A-2") and bearing an interest rate of 2.64%, with corresponding loan amortization schedules for each tranche. The final maturity date for the Tranche A-1 is December 1, 2049 and the earlier of (a) the last semi-annual payment date occurring no later than thirty-four (34) years from the substantial completion date and (b) December 1, 2056.

As of December 31, 2019 no drawdown had occurred on the 2016 TIFIA loan. No balance is presented for this loan on the Statements of Net Position as of December 31, 2019 or 2018.

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES

GASB Statements No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and No.71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.*

General Information about the Retirement Plan for Chicago Transit Authority Employees

Plan Description. The CTA participates in a single employer defined benefit pension plan covering substantially all full-time permanent union and non-union employees. The Retirement Plan for Chicago Transit Authority Employees (the Employees' Plan) is governed by Illinois state statute (40 ILCS 5/22-101). Substantially all non-temporary, full-time employees who have completed one year of continuous service ("Service") participate in the Employees' Plan. The Employees' Plan issues a separate stand-alone financial report which is available at http://www.ctaretirement.org/index.asp.

Contributions. Prior to 2008, contribution requirements of the Employees' Plan were governed by collective bargaining agreements. After 2008, contribution requirements are governed by Illinois state statute (40 ILCS 5/22-101).

Actual contributions made to the Employees' Plan during the years ended December 31, 2019 and 2018 are as follows (in thousands of dollars):

	Employees' Plan	
	2019	2018
Employer contributions	$ 121,668	$ 117,115
Employee contributions	79,721	77,909
Total	$ 201,389	$ 195,024

	Employees' Plan	
	2019	2018
Employer contribution rate	18.019%	18.019%
Employee contribution rate	12.010%	12.010%

NOTE 13 – EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Benefit terms. Substantially all non-temporary, full-time employees who have completed one year of continuous service ("Service") participate in the Employee Plan. Employees are entitled to annual pension benefits upon normal retirement at age 65, in an amount generally based on a percentage, not to exceed 70%, of their average annual compensation in the highest four of the 10 preceding years. For employees retiring on or after January 1, 2001, the percentage is 2.15% multiplied by the employee's number of continuous years of participating service. The Employee Plan permits early retirement at age 55 with three years of service, generally with reduced benefits. However, in the event of early retirement by an employee who has 25 years or more of continuous service, regardless of their age, benefits will not be reduced. In accordance with Public Act 095-0708, for all employees hired on or after January 18, 2008, eligibility for an unreduced pension benefit has changed to age 64 with 25 years of service and early retirement is age 55 with 10 years of service. Benefits are paid monthly equal to one-twelfth of the annual benefit for the retiree's lifetime. Married employees can elect to receive their pension benefits in the form of a joint and survivor option. In addition to retirement benefits, the Employee Plan also provides disability and death benefits.

Employees covered by the benefit terms. The following participants were covered by the benefit terms as of January 1, 2018 and January 1, 2017:

	Employees' Plan
Participants as of January 1, 2018	
Retirees and beneficiaries currently receiving benefits	10,387
Terminated employees entitled to but not yet receiving benefits	106
Active plan members	8,192
Total	18,685
Participants as of January 1, 2017	
Retirees and beneficiaries currently receiving benefits	10,150
Terminated employees entitled to but not yet receiving benefits	105
Active plan members	8,129
Total	18,384

(Continued)

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Net Pension Liability

The CTA's net pension liability was measured as of December 31, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 and 2017.

Actuarial assumptions and calculations. The total pension liability was determined using the following actuarial assumptions, applied to the periods included in the measurement:

	Employee Plan
January 1, 2019 Actuarial Valuation	
Acturial valuation date	January 1, 2018
Measurement date	December 31, 2018. Census data was collected as of January 1, 2018. Liabilities measured as of the census date were projected to December 31, 2018, assuming no demographic gains or losses.
Investment return	8.25% per annum, compounded annually, including inflation, net of expenses
Inflation	3.10% per annum
Salary increases	Service graded table starting at 11% with 3.5% ultimate rate after 5 years of service
Future ad hoc benefit increases	None assumed
Mortality	SOA Public Mortality General Below Median generational with Improvement Scale MP-2018
Early retirement age	Employees hired before January 17, 2008, can retire at age 55 with reduced benefits. However,if the employee has 25 years or more of continuous service, regardless of age, the employee can retire with full benefits. Employees hired after January 17, 2008, are eligible for an unreduced pension benefit at age 64 with 25 years of service.
Normal retirement age	65
Actuarial cost method	Entry age normal - level percentage of pay
Asset valuation method	5-year smoothed actuarial value of assets
Experience study	The actuarial assumptions used were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2017.

(Continued)

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

	Employee Plan
January 1, 2018 Actuarial Valuation	
Acturial valuation date	January 1, 2017
Measurement date	December 31, 2017. Census data was collected as of January 1, 2017. Liabilities measured as of the census date were projected to December 31, 2017, assuming no demographic gains or losses.
Investment return	8.25% per annum, compounded annually, including inflation, net of expenses
Inflation	3.25% per annum
Salary increases	Service graded table starting at 9% with 4% ultimate rate after 5 years of service
Future ad hoc benefit increases	None assumed
Mortality	RP-2000 Blue Collar Table, generational from 2000 based on Scale BB and then fully generational.
Early retirement age	Employees hired before January 17, 2008, can retire at age 55 with reduced benefits. However,if the employee has 25 years or more of continuous service, regardless of age, the employee can retire with full benefits. Employees hired after January 17, 2008, are eligible for an unreduced pension benefit at age 64 with 25 years of service.
Normal retirement age	65
Actuarial cost method	Entry age normal - level percentage of pay
Asset valuation method	5-year smoothed actuarial value of assets
Experience study	The actuarial assumptions used were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2012.

From 2018 to 2019, the mortality tables changed from the RP-2000 Blue Collar Table, generational from 2000 based on Scale BB to the SOA Public Mortality General Below Median generational with Improvement Scale MP-2018. From 2017 to 2018, the mortality tables changed from the RP-2000 Blue Collar Table, generational to 2017 based on Scale BB to the RP-2000 Blue Collar Table, generational to 2000 based on Scale BB.

(Continued)

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Employees' Plan target asset allocation as of January 1, 2019 and 2018 are summarized in the following tables (note that the rates shown below include the inflation components):

	Employees' Plan		
	Target Allocation	**December 31, 2018 Estimate of expected long-term rate of return**	**December 31, 2017 Estimate of expected long-term rate of return**
Fixed income	17%	2.33%	1.31%
Domestic equities	28	8.77	9.41
International equities	21	7.77	8.37
Venture capital and partnerships	10	11.70	12.54
Real estate	12	4.60	6.91
Hedge funds	7	3.80	4.66
Infrastructure	5	5.66	6.72

The long-term expected rate of returns on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of returns by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate. The discount rate used to measure the total pension liability was 8.25% for both 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that Employees' Plan members and employer contributions will continue to follow the current funding policy. Based on those assumptions, the Employees' Plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Changes in Net Pension Liability (in thousands of dollars):

	Employees' Plan Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/16	$ 3,456,992	$ 1,736,369	$ 1,720,623
Change for the year:			
Service cost	50,433	-	50,433
Interest	278,184	-	278,184
Difference between expected and actual experience	13,679	-	13,679
Benefit payments	(276,485)	(276,485)	-
Contributions - Employer	-	104,523	(104,523)
Contributions - Employee	-	70,286	(70,286)
Net investment income, net of expenses	-	233,739	(233,739)
Administrative expenses	-	(2,531)	2,531
Net changes	65,811	129,532	(63,721)
Balance at 12/31/17	3,522,803	1,865,901	1,656,902
Change for the year:			
Service cost	54,814	-	54,814
Interest	283,757	-	283,757
Difference between expected and actual experience	7,455	-	7,455
Changes in assumptions	(24,727)	-	(24,727)
Benefit payments	(281,868)	(281,868)	-
Contributions - Employer	-	117,115	(117,115)
Contributions - Employee	-	78,340	(78,340)
Net investment income, net of expenses	-	(61,343)	61,343
Administrative expenses	-	(2,918)	2,918
Net changes	39,431	(150,674)	190,105
Balance at 12/31/18	$ 3,562,234	$ 1,715,227	$ 1,847,007

Plan fiduciary net position as a percentage of the total net pension liability - 12/31/18	48.15%
Plan fiduciary net position as a percentage of the total net pension liability - 12/31/17	52.97%

*Sensitivity of the net pension liability to changes in discount rate***.** The following presents the net pension liability of the Employees' Plan, calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25%) or 1-percentage-point higher (9.25%) than the current rate (in thousands of dollars):

	Employees' Plan 1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Employees' Plan net pension liability - 2019	$ 2,184,641	$ 1,847,007	$ 1,557,002
Employees' Plan net pension liability - 2018	1,997,031	1,656,902	$ 1,365,529

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued CTA Employees' Retirement Plan financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For the years ended December 31, 2019 and 2018, CTA recognized pension expense of $197,854,000 and $168,403,000, respectively. At December 31, 2019 and 2018, CTA reported net deferred outflows of resources related to pensions from the following sources:

	Employee Plan 2019 Deferred Outflow of Resources (in thousands)	Employee Plan 2019 Deferred Inflow of Resources (in thousands)	Employee Plan 2018 Deferred Outflow of Resources (in thousands)
Difference between projected and actual earnings on pension plan	$ 148,563	$ -	$ 8,344
Difference between expected and actual experience	31,871	-	43,554
Changes in assumptions	-	(19,170)	-
Employer contribution made after measurement date	121,668	-	117,115
Balance as of 12/31	$ 302,102	$ (19,170)	$ 169,013

CTA reported $121,668,000 and $117,115,000 as deferred outflows of resources related to pensions resulting from contributions paid subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the years ended December 31, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows:

Year Ended December 31:	Employees' Plan 2019 Amortization per year (in thousands)	Employees' Plan 2018 Amortization per year (in thousands)
2019	$ -	$ 46,578
2020	67,610	29,158
2021	32,254	(6,197)
2022	20,813	(17,641)
2023	40,587	-
Total Amortization	$ 161,264	$ 51,898

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES

GASB Statements No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and No.71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

General Information about the Supplemental Plans

Plan Description. The CTA also maintains separate single-employer, defined benefit pension plans for selected individuals. The supplemental retirement plans provide benefits to employees of the CTA in certain employment classifications. The supplemental retirement plans consist of the: (1) closed board member plan (Board) (2) closed (Non-Qualified) supplemental plan for members that retired or terminated employment before March 2005, including early retirement incentive, and (3) closed (Qualified) supplemental plan for active employees and members retiring after March 2005. All plans are closed to new entrants. CTA received qualification under Section 401(a) of the Internal Revenue Code for the supplemental plan and established a qualified trust during 2005 for members retiring after March 2005 (Qualified Supplemental Retirement Plan). The Qualified Supplemental Retirement Plan is reported in a fiduciary fund, whereas the activities for the Non-Qualified and Board plans are included in the financial statements of the CTA's business-type activities. There are no separate stand-alone financial reports issued for any of the Supplemental Plans.

Each of the Supplemental plans are administered by the Employee Retirement Review Committee (ERRC) of the CTA, whose members are appointed by the Board of Directors of the CTA, which retains oversight of the plan administration. The plans are each established by CTA ordinances, which grant the ERRC operational authority and can be modified by the CTA Board. The Board and Non-Qualified plans do not have assets accumulated in a trust.

Contributions. The Board and Non-Qualified plans are administered on a pay as you go basis. The CTA contributes to the Qualified plan based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

The CTA's annual pension cost for the current year and related information for fiscal years ended December 31, 2019 and 2018 for each plan are as follows (in thousands of dollars):

	Qualified Supplemental	Non-Qualified Supplemental	Board Plan
Actual 2019 contributions:			
CTA	$1,120	$2,340	$326
Plan members	$29	$0	$9
Actual 2018 contributions:			
CTA	$550	$2,500	$321
Plan members	$72	$0	$9

Benefit terms

Qualified and Non-Qualified Plans: Employees of the CTA in certain employment classifications established by Board ordinance are eligible to participate based on age and service credit, generally as follows: at age 65, at age 55 with three years of pensionable service or with twenty-five years of pensionable service. Disability and death benefits are provided to employees.

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Benefits are based on the highest average annual compensation ("AAC") over any four calendar years out of the final ten years prior to retirement. For normal retirement and disability retirees, the benefit is the lessor of 1% of AAC per year of service or the excess of 75% of AAC over the benefit payable under the Retirement Plan for CTA Employees. For early retirees, the benefit is the lessor of 1% of AAC per year of service or the excess of 75% of AAC multiplied by the ratio of service completed at early retirement to service projected to age 65 over the benefit payable under the Retirement Plan for CTA Employees, with this benefit commencing at age 65. Benefits can commence prior to age 65 under certain conditions, generally as follows: any time after age 55 with a 5% reduction for each year under age 65 or with twenty-five years of service with no reduction. A minimum benefit is payable to an employee under normal, early or disability retirement equal to one-sixth of 1% of AAC multiplied by years of service limited to a maximum of 5% of AAC, with the minimum benefit commencing at early retirement. Termination benefits available to employees who complete ten years of service are as follows: the lessor of 1% of AAC per year of service or the excess of 75% of AAC over the benefit payable under the Retirement Plan for CTA Employees, with the benefit commencing at age 65.

Qualified and Non-Qualified participants who retire on or after February 1, 1984 may receive credit for service with certain other governmental agencies, if satisfying certain conditions and making required application and contributions. In addition to the increased supplemental benefits attributable to such "bridged" service, the Supplemental Plan is responsible for paying any additional benefits that the employees would be eligible for under the Retirement Plan for CTA Employees had they received this additional bridged service under both plans.

<u>Board Plan</u>: Individuals appointed to the Chicago Transit Board are eligible to participate based on age and service credit, generally as follows: at age 65 with completion of two years of service or at age 50 with completion of five years of service.

Benefits are based, generally, on provisions of the Retirement Plan for CTA Employees and the Supplemental Plan, to provide benefits to members of the Board comparable to what they would receive if employees of the CTA participating in those plans – with certain additional conditions and provisions, including specified minimum benefits, intended to take into account the anticipated periods of service by individuals as members of the Board.

Participants in the Board Plan may receive credit for service with certain other governmental agencies, if satisfying certain conditions and making required application and contributions – generally on terms similar to those applying to Qualified and Non-Qualified Plan participants receiving credit for bridged service.

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Employees covered by the benefit terms. The following participants were covered by the benefit terms as of January 1, 2020 and January 1, 2019:

	Qualified	Non-Qualified	Board	Total
Participants as of January 1, 2020				
Retirees and beneficiaries currently receiving benefits	125	302	17	444
Terminated employees entitled to but not yet receiving benefits	9	3	5	17
Active plan members	8	-	2	10
Total	142	305	24	471
Participants as of January 1, 2019				
Retirees and beneficiaries currently receiving benefits	125	323	17	465
Terminated employees entitled to but not yet receiving benefits	11	3	6	20
Active plan members	8	-	2	10
Total	144	326	25	495

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Net Pension Liabilities

Actuarial assumptions and calculations. The total pension liabilities in the December 31, 2019 and 2018 actuarial valuation were determined using the following actuarial assumptions, applied to the periods included in the measurement:

2019 Actuarial Assumptions	
Acturial valuation date	December 31, 2019
Measurement date	December 31, 2019
Investment return	
Qualified	7.00% per year
Non-Qualified and Board	2.75%
Inflation	2.50%
Salary increases	3.50% per year
Future ad hoc benefit increases	0.00% per year
Mortality	RP-2014 Mortality projected to 2019 based on Scale MP2019
Early retirement age	
Qualified and Non-Qualified	55 with completion of three years of pensionable service. For employees hired before January 1, 2000, with 25 years of service, there is no age requirement.
Normal retirement age	
Qualified and Non-Qualified	65 with completion of three years of service
Board	65 with completion of two years of service or age 50 with completion of five years of service
Actuarial cost method	Entry Age Normal
2018 Actuarial Assumptions	
Acturial valuation date	December 31, 2018
Measurement date	December 31, 2018
Investment return	
Qualified	7.00% per year
Non-Qualified and Board	4.10%
Inflation	2.50%
Salary increases	3.50% per year
Future ad hoc benefit increases	0.00% per year
Mortality	RP-2014 Mortality projected to 2018 based on Scale MP2018
Early retirement age	
Qualified and Non-Qualified	55 with completion of three years of pensionable service. For employees hired before January 1, 2000, with 25 years of service, there is no age requirement.
Normal retirement age	
Qualified and Non-Qualified	65 with completion of three years of service
Board	65 with completion of two years of service or age 50 with completion of five years of service
Actuarial cost method	Entry Age Normal

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in assumptions from 2018-2019 include: investment return increase for the Non-Qualified and Board Plans from 4.10% to 2.75% and change in mortality table from RP-2014 mortality projected to 2018 based on Scale MP-2018 to RP-2014 mortality projected to 2019 based on Scale MP-2019.

Changes in assumptions from 2017-2018 include: investment return increase for the Non-Qualified and Board Plans from 3.44% to 4.10% and change in mortality table from RP-2000 mortality projected to 2017 based on Scale AA to RP-2014 mortality projected to 2018 based on Scale MP-2018.

Best estimates of arithmetic real rates of return for each major asset class included in the Supplemental Plans target asset allocation as of December 31, 2019 and 2018 are summarized in the following tables (note that the rates shown below include the inflation components):

	2019 Target Allocation	2019 Estimate of expected rate of return	2018 Target Allocation	2018 Estimate of expected rate of return
U.S. Large Size Company Equities	20.0%	7.2%	14.5%	7.4%
U.S. Mid Size Company Equities	5.0%	7.4%	12.5%	7.8%
U.S. Small Size Company Equities	5.0%	7.8%	11.0%	8.1%
Developed Non-U.S. Size Company Equities	15.0%	7.2%	10.0%	7.2%
Small Non-U.S. Size Company Equities	0.0%	0.0%	5.0%	8.0%
Emerging Markets Company Equities	5.0%	8.0%	7.0%	7.9%
Total Equities	50.0%		60.0%	
U.S. Fixed Income	30.0%	2.3%	20.0%	3.3%
Global Fixed Income	0.0%	0.0%	10.0%	2.2%
Total Fixed Income	30.0%		30.0%	
Real Estate	10.0%	6.0%	10.0%	7.2%
Total Real Estate	10.0%		10.0%	
Open-End Private Equity	10.0%	10.8%	0.0%	0.0%
Total Private Equity	10.0%		0.0%	
Total Assets	100.0%		100.0%	

NOTE 14 - SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected long-term future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected long-term future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate. The discount rates used to measure the total pension liabilities in 2019 were 7.0% for the Qualified and 2.75% for the Non-Qualified and Board. The Non-Qualified and Board discount rate of 2.75% is a change from 4.10% that was used to measure the total pension liabilities as of December 31, 2018. The projection of cash flows used to determine the discount rate assumed that the System's contributions will continue to follow the current funding policy. Based on those assumptions, the System's Qualified Plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

The discount rates used to measure the total pension liabilities in 2018 were 7.00% for the Qualified and 4.10% for the Non-Qualified and Board. The projection of cash flows used to determine the discount rate assumed that the System's contributions will continue to follow the current funding policy. Based on those assumptions, the System's Qualified Plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

(Continued)

NOTE 14 - SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Qualified			
Balance as of 12/31/17	$ 44,062	$ 40,250	$ 3,812
Change for the year:			
Service cost	60	-	60
Interest	2,929	-	2,929
Differences between expected and actual experience	(1,310)	-	(1,310)
Changes in assumptions	480	-	480
Benefit payments	(4,105)	(4,105)	-
Contributions - Employer	-	550	(550)
Contributions - Employee	-	72	(72)
Net investment income, net of expenses	-	(2,080)	2,080
Administrative expenses	-	(246)	246
Net changes	(1,946)	(5,809)	3,863
Balance as of 12/31/18	$ 42,116	$ 34,441	$ 7,675
Change for the year:			
Service cost	64	-	64
Interest	2,789	-	2,789
Differences between expected and actual experience	1,346	-	1,346
Changes in assumptions	(7)	-	(7)
Benefit payments	(4,192)	(4,192)	-
Contributions - Employer	-	1,120	(1,120)
Contributions - Employee	-	29	(29)
Net investment income, net of expenses	-	5,518	(5,518)
Administrative expenses	-	(229)	229
Net changes	-	2,246	(2,246)
Balance as of 12/31/19	$ 42,116	$ 36,687	$ 5,429

Plan fiduciary net position as a percentage of the total pension liability - 2019	87.11%
Plan fiduciary net position as a percentage of the total pension liability - 2018	81.78%

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Non-Qualified			
Balance as of 12/31/17	$ 24,380	$ -	$ 24,380
Change for the year:			
Service cost	-	-	-
Interest	792	-	792
Differences between expected and actual experience	141	-	141
Changes in assumptions	26	-	26
Benefit payments	(2,500)	(2,500)	-
Contributions - Employer	-	2,500	(2,500)
Contributions - Employee	-	-	-
Net investment income, net of expenses	-	-	-
Administrative expenses	-	-	-
Net changes	(1,541)	-	(1,541)
Balance as of 12/31/18	$ 22,839	$ -	$ 22,839
Change for the year:			
Service cost	-	-	-
Interest	884	-	884
Differences between expected and actual experience	(1,237)	-	(1,237)
Changes in assumptions	1,979	-	1,979
Benefit payments	(2,340)	(2,340)	-
Contributions - Employer	-	2,340	(2,340)
Contributions - Employee	-	-	-
Net investment income, net of expenses	-	-	-
Administrative expenses	-	-	-
Net changes	(714)	-	(714)
Balance as of 12/31/19	$ 22,125	$ -	$ 22,125

Plan fiduciary net position as a percentage of the total pension liability - 2019	0.00%
Plan fiduciary net position as a percentage of the total pension liability - 2018	0.00%

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Board			
Balance as of 12/31/17	$ 4,732	$ 88	$ 4,644
Change for the year:			
Service cost	34	-	34
Interest	157	-	157
Differences between expected and actual experience	(45)	-	(45)
Changes in assumptions	(202)	-	(202)
Benefit payments	(315)	(315)	-
Contributions - Employer	-	321	(321)
Contributions - Employee	-	9	(9)
Net investment income, net of expenses	-	-	-
Administrative expenses	-	-	-
Net changes	(371)	15	(386)
Balance as of 12/31/18	$ 4,361	$ 103	$ 4,258
Change for the year:			
Service cost	32	-	32
Interest	172	-	172
Differences between expected and actual experience	(221)	-	(221)
Changes in assumptions	571	-	571
Benefit payments	(326)	(326)	-
Contributions - Employer	-	326	(326)
Contributions - Employee	-	9	(9)
Net investment income, net of expenses	-	-	-
Administrative expenses	-	-	-
Net changes	228	9	219
Balance as of 12/31/19	$ 4,589	$ 112	$ 4,477

Plan fiduciary net position as a percentage of the total pension liability - 2019	2.42%
Plan fiduciary net position as a percentage of the total pension liability - 2018	2.34%

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Total			
Balance as of 12/31/17	$ 73,173	$ 40,337	$ 32,836
Change for the year:			
Service cost	94	-	94
Interest	3,878	-	3,878
Differences between expected and actual experience	(1,214)	-	(1,214)
Changes in assumptions	304	-	304
Benefit payments	(6,920)	(6,920)	-
Contributions - Employer	-	3,371	(3,371)
Contributions - Employee	-	81	(81)
Net investment income, net of expenses	-	(2,080)	2,080
Administrative expenses	-	(246)	246
Net changes	(3,858)	(5,794)	1,936
Balance as of 12/31/18	$ 69,315	$ 34,543	$ 34,772
Change for the year:			
Service cost	96	-	96
Interest	3,845	-	3,845
Differences between expected and actual experience	(112)	-	(112)
Changes in assumptions	2,543	-	2,543
Benefit payments	(6,858)	(6,858)	-
Contributions - Employer	-	3,786	(3,786)
Contributions - Employee	-	38	(38)
Net investment income, net of expenses	-	5,518	(5,518)
Administrative expenses	-	(229)	229
Net changes	(486)	2,255	(2,741)
Balance as of 12/31/19	$ 68,829	$ 36,798	$ 32,031

Plan fiduciary net position as a percentage of the total pension liability - 2019	53.46%
Plan fiduciary net position as a percentage of the total pension liability - 2018	49.83%

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

*Sensitivity of the net pension liability to changes in discount rate***.** The following presents the net pension liability of the Qualified, Non-qualified, and Board plans, calculated using the discount rates disclosed above for each plan, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate (in thousands of dollars):

Plan	1% Decrease	Current Discount Rate	1% Increase
Qualified Discount Rate			
Qualified Plan - 2019 - 7.00%	$ 8,997	$ 5,429	$ 2,348
Qualified Plan - 2018 - 7.00%	$ 11,379	$ 7,675	$ 4,494
Non-Qualified Discount Rate			
Non-Qualified Plan - 2019 - 2.75%	$ 23,867	$ 22,125	$ 20,602
Non-Qualified Plan - 2018 - 4.10%	$ 24,534	$ 22,839	$ 21,349
Board Discount Rate			
Board Plan - 2019 - 2.75%	$ 4,990	$ 4,477	$ 4,046
Board Plan - 2018 - 4.10%	$ 4,716	$ 4,258	$ 3,873

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For the years ended December 31, 2019 and 2018, CTA recognized pension expense and reported deferred outflows and inflows of resources related to pensions from the following sources (in thousands of dollars):

	December 31, 2019		
	Qualified	Non-Qualified	Board
Pension expense	$ 2,507	$ 1,626	$ 544
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan:	$ (924)	$ -	$ -
Total Deferred Inflows	$ (924)	$ -	$ -

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

	December 31, 2018		
	Qualified	**Non-Qualified**	**Board**
Pension expense	$ 703	$ 958	$ (65)
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan:	$ 2,709	$ -	$ -
Total Deferred Outflows	$ 2,709	$ -	$ -

CTA did not report a deferred outflow of resources related to pensions resulting from contributions paid subsequent to the measurement dates for any Supplemental Plan for December 31, 2019 and 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows for December 31, 2019 and 2018 (in thousands of dollars):

	December 31, 2019		
Year Ended December 31:	**Qualified**	**Non-Qualified**	**Board**
2020	$ (332)	$ -	$ -
2021	(255)	-	-
2022	308	-	-
2023	(645)	-	-
Total Amortization	$ (924)	$ -	$ -

	December 31, 2018		
Year Ended December 31:	**Qualified**	**Non-Qualified**	**Board**
2019	$ 1,055	$ -	$ -
2020	312	-	-
2021	389	-	-
2022	953	-	-
Total Amortization	$ 2,709	$ -	$ -

GASB Statements No. 67 *Financial Reporting for Pensions Plans—an amendment of GASB Statement No. 25*

Investments. The Board and Non-Qualified plans are administered on a pay as you go basis. The Non-Qualified plan does not have any associated assets. The Board plan has a limited reserve held in cash or cash equivalents, which is not actively managed or associated with an investment policy. The Qualified plan's investment policy is established and may be amended by the CTA's Employment Retirement Review Committee. The primary objective of the policy is to provide a documented structure for the implementation of investment strategies which suggests the highest probability of maximizing the level of investment return within acceptable parameters for the total Fund's volatility and risk.

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

For the years ended December 31, 2019 and 2018, the annual money-weighted rate of return on Qualified plan assets, net of pension plan investment expense, was 16.12% and -5.85%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2019 and 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

	12/31/2019	12/31/2018
Inflation	2.50% per year	2.50% per year
Salary increases	3.50% per year	3.50% per year
Investment rate of return (Discount rate)		
Qualified Plan	7.00% per year	7.00% per year
Non-Qualified and Board Plan	2.75% per year	4.10% per year

Mortality rates were based on the RP-2014 Mortality projected to 2019 based on Scale MP2019 and the RP-2014 Mortality projected to 2018 based on Scale MP2018 for the years ended December 31, 2019 and 2018, respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 and 2018 (see the discussion of the pension plan's investment policy). The 2.75% and 4.10% rates used for the Non-qualified and Board plans represents the 20-year municipal bond rate as determined by the 20-year bond buyer index as of December 31, 2019 and 2018, respectively.

Summary (in thousands of dollars):

	December 31, 2019		
	Employees' Plan	Supplemental Plan	Total
Net Pension Liability	$ 1,847,007	$ 32,031	$ 1,879,038
Deferred Outflows of Resources	302,102	-	302,102
Deferred Inflows of Resources	19,170	924	20,094
Pension Expense	197,854	4,677	202,531

	December 31, 2018		
	Employees' Plan	Supplemental Plan	Total
Net Pension Liability	$ 1,656,902	$ 34,772	$ 1,691,674
Deferred Outflows of Resources	169,013	2,709	171,722
Deferred Inflows of Resources	-	-	-
Pension Expense	168,403	1,596	169,999

(Continued)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions – Other Postemployment Benefits (OPEB)

<u>Employees' Plan – Retiree Healthcare Benefits</u>: In accordance with Public Act 95-708, all retiree healthcare benefits are to be paid from the Retiree Health Care Trust (RHCT), a single employer defined benefit plan. The RHCT was established in May 2008 and began paying for all retiree healthcare benefits in February 2009. For financial reporting purposes, the postemployment healthcare benefits are considered, in substance, a postemployment healthcare plan administered by the RHCT. Members are eligible for health benefits based on their age and length of service with CTA. The legislation provides that CTA will have no future responsibility for retiree healthcare costs. The RHCT issues a separate stand-alone financial report which is available at http://www.ctaretirement.org/index.asp.

<u>Supplemental and Board Plans – Retiree Healthcare Benefits</u>: Employees of the CTA in certain employment classifications are eligible to participate in the supplemental retirement plan, a single employer defined benefit plan. Members of the Supplemental Plan with bridged service or service purchased through the Voluntary Termination Program are eligible for Supplemental Healthcare benefits if they retired under the Supplemental Plan and do not immediately qualify for healthcare benefits under the CTA RHCT. Supplemental Healthcare Plan benefits are administered through the CTA's healthcare program covering active members. Supplemental healthcare benefits cease when the member becomes eligible for healthcare coverage under the RHCT. Certain members not eligible for benefits under the RHCT will continue to receive benefits through the CTA's healthcare program covering active members. The benefits are dependent on the amount of bridged service and the amount of service at the CTA that is credited in the Employees Plan.

Chicago Transit Board members participate in a separate Board Member Retirement Plan, a single employer defined benefit plan, and a Supplemental Plan. Board members with greater than five years of service are eligible for healthcare benefits immediately after termination or retirement.

The Supplemental and Board Plans do not issue separate stand-alone financial reports and do not have assets accumulated in a trust.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

<u>Covered Participants</u> – The following participants were covered by the benefit terms as of January 1, 2020 and January 1, 2019:

	Supplemental & Board Plans
Participants as of January 1, 2020	
Retirees and beneficiaries currently receiving benefits	54
Terminated employees entitled to but not yet receiving benefits	7
Active plan members	5
Total	66
Participants as of January 1, 2019	
Retirees and beneficiaries currently receiving benefits	55
Terminated employees entitled to but not yet receiving benefits	9
Active plan members	5
Total	69

(Continued)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions – Funding for the Supplemental and Board Retiree Healthcare Plans are on a pay-as-you-go basis. CTA's contribution rate was 114.03% and 145.07% of covered employee payroll for the years ended December 31, 2019 and 2018, respectively. Retirees also make monthly contributions to the healthcare plan. Such contributions are determined annually by the plan administrator based on expected annual cost.

Total OPEB Liability – CTA's total OPEB liability was measured as of December 31, 2019 and 2018 and the total OPEB liability was determined by an actuarial valuation as of those dates.

Actuarial Assumptions – Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations were performed for the OPEB Plan as of December 31, 2019 and 2018. The following table shows a summary of significant actuarial assumptions:

2019 Actuarial Assumptions	
Acturial valuation date	December 31, 2019
Measurement date	December 31, 2019
Discount rate	2.75%
Inflation	2.50%
Salary increases	5.50%
Investment return	2.75%
Health care cost trend rate	Starts with 8.25% in year 2020 and goes down to 5.0% in year 2027 and after.
Mortality	RP-2014 base rates projected to 2019 using Scale MP2019
Future participation	For future eligible retirees, 100% are assumed to elect medical coverage.
Dependent coverage	75% of employees were assumed to have spouses. Females were assumed to be 3 years younger than males. Of those covered under the provisions providing single coverage at no cost with higher dependent premium rates, 62.5% are assumed to elect single coverage and 37.5% are assumed to elect single and dependent coverage. Of those covered under the VTP healthcare provisions, 15.0% are assumed to elect single coverage and 85.0% are assumed to elect single and dependent coverage. Supplemental deferred vested members are assumed to elect single and dependent coverage. 50% of Board deferred vested members are assumed to elect single coverage and 50% are assumed to elect single and dependent coverage. 50% of spouses covered under the healthcare plan during retirement are assumed to continue coverage after the death of the retiree.
Actuarial cost method	Entry Age Normal Actuarial Cost Method

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

2018 Actuarial Assumptions

Acturial valuation date	December 31, 2018
Measurement date	December 31, 2018
Discount rate	4.10%
Inflation	2.50%
Salary increases	5.50%
Investment return	4.10%
Health care cost trend rate	Starts with 8.25% in year 2018 and goes down to 5.0% in year 2025 and after.
Mortality	RP-2014 base rates projected to 2018 using Scale MP2018
Future participation	For future eligible retirees, 100% are assumed to elect medical coverage.
Dependent coverage	75% of employees were assumed to have spouses. Females were assumed to be 3 years younger than males. Of those covered under the provisions providing single coverage at no cost with higher dependent premium rates, 62.5% are assumed to elect single coverage and 37.5% are assumed to elect single and dependent coverage. Of those covered under the VTP healthcare provisions, 15.0% are assumed to elect single coverage and 85.0% are assumed to elect single and dependent coverage. Supplemental deferred vested members are assumed to elect single and dependent coverage. 50% of Board deferred vested members are assumed to elect single coverage and 50% are assumed to elect single and dependent coverage. 50% of spouses covered under the healthcare plan during retirement are assumed to continue coverage after the death of the retiree.
Actuarial cost method	Entry Age Normal Actuarial Cost Method

Changes in assumptions from 2018 to 2019 include: investment return decrease from 4.10% to 2.75%.

Discount rate. The discount rate used to measure the total OPEB liability in 2019 and 2018 was 2.75% and 4.10%, respectively. The single discount rate was determined by the 20-year municipal bonds rates based on an index of 20-year obligation bonds with an average AA credit rating. The contribution policy assumed for this valuation was pay-as-you-go.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Net OPEB Liability: The changes in the total OPEB liability for the plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	OPEB Liability (a) - (b)
Supplemental & Board Plans			
Balance as of 12/31/17	$ 11,649	$ -	$ 11,649
Change for the year:			
Service cost	54	-	54
Interest	390	-	390
Benefit changes	(478)	-	(478)
Differences between expected and actual experience	(606)	-	(606)
Changes in assumptions	(664)	-	(664)
Benefit payments	(594)	(594)	-
Contributions - Employer	-	594	(594)
Contributions - Employee	-	-	-
Net investment income, net of expenses	-	-	-
Administrative expenses	-	-	-
Net changes	(1,898)	-	(1,898)
Balance as of 12/31/18	$ 9,751	$ -	$ 9,751
Change for the year:			
Service cost	54	-	54
Interest	385	-	385
Benefit changes	-	-	-
Differences between expected and actual experience	(982)	-	(982)
Changes in assumptions	1,310	-	1,310
Benefit payments	(698)	(698)	-
Contributions - Employer	-	698	(698)
Contributions - Employee	-	-	-
Net investment income, net of expenses	-	-	-
Administrative expenses	-	-	-
Net changes	69	-	69
Balance as of 12/31/19	$ 9,820	$ -	$ 9,820

*Sensitivity of the total OPEB liability to changes in discount rate***.** The following presents the net OPEB liability of CTA as well as what CTA's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Plan	1% Decrease	Current Discount Rate	1% Increase
Supplemental & Board Plans - 2019 - 2.75%	$ 11,068	$ 9,820	$ 8,812
Supplemental & Board Plans - 2018 - 4.10%	$ 10,928	$ 9,751	$ 8,795

(Continued)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates. The following presents the total OPEB liability of CTA, as well as what the CTA's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.25% decreasing to 4.0) or 1-percentage-point higher (9.25% decreasing to 6.0) than the current healthcare cost trend rates:

Plan	1% Decrease (7.25% Decreasing to 4.0)	Current Trend Rates (8.25% Decreasing to 5.0)	1% Increase (9.25% Decreasing to 6.0)
Supplemental & Board Plans - 2019 - 8.25%	$ 8,865	$ 9,820	$ 10,972
Supplemental & Board Plans - 2018 - 8.25%	$ 8,836	$ 9,751	$ 10,853

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the years ended December 31, 2019 and 2018, CTA recognized OPEB expense of $767,000 and income of $1,303,000, respectively. At December 31, 2019 and 2018, CTA reported no deferred inflows/outflows of resources related to OPEB.

	December 31, 2019 Deferred Outflow of Resources (in thousands)	Deferred Inflow of Resources (in thousands)
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Employer contribution made after measurement date	-	-
Balance as of 12/31/19	$ -	$ -

	December 31, 2018 Deferred Outflow of Resources (in thousands)	Deferred Inflow of Resources (in thousands)
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Employer contribution made after measurement date	-	-
Balance as of 12/31/18	$ -	$ -

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the pension expense as follows:

Year Ended December 31:	2019 Amortization per year (in thousands)	2018 Amortization per year (in thousands)
2019	$ -	$ -
2020	-	-
2021	-	-
2022	-	-
2023	-	-
2024 and thereafter	-	-
Total Amortization	$ -	$ -

(Continued)

NOTE 16 - RISK MANAGEMENT

The CTA is exposed to various types of risk of loss, including torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; natural disasters; and environmental occurrences. Also included are risks of loss associated with providing health, dental, and life insurance benefits to employees.

The CTA provides health insurance benefits to employees through a self-insured comprehensive PPO plan. The CTA provides dental insurance benefits through an insured dental maintenance organization and a self-insured dental indemnity plan. The CTA does not purchase stop-loss insurance for its self-insured comprehensive PPO plan. The CTA provides life insurance benefits for active employees through an insured life insurance program.

CTA purchases property insurance for damage to CTA property including rolling stock. This insurance program is effective July 29, 2019 to July 29, 2020. Property limit of liability is $130,000,000 per occurrence, and is purchased in two layers. The first/primary layer provides a $25,000,000 limit. The excess layer provides the $105,000,000 limit excess and above the primary. The basic policy deductible is $250,000 per each occurrence, with some exceptions as defined more fully in the policy.

The CTA is also self-insured for general liability, workers' compensation, employee accidents, environmental, automotive liability losses, employment-related suits, including discrimination and sexual harassment, and management liability of board members, directors, and officers of the CTA.

The RTA provides excess liability insurance to protect the self-insurance programs for general liability and terrorism currently maintained by the CTA. There are three insurance policies in effect from June 15, 2019 to June 15, 2020. The first policy provides $15,000,000 in excess of the $15,000,000 self-insured retention and $30,000,000 in the aggregate. The second policy provides $20,000,000 in excess of the $30,000,000 and $40,000,000 in the aggregate. The third policy provides $50,000,000 in excess of $50,000,000 and $100,000,000 in the aggregate. In 2019 and 2018, no CTA claim existed that is expected to exceed the $15,000,000 self-insured retention under this insurance policy.

The CTA participates in a Joint Self-Insurance Fund (the Fund) with the RTA that permits the CTA to receive monies necessary to pay injury and damage claims in excess of $2,500,000 per occurrence up to the total balance in the Fund or a maximum of $47,500,000. The CTA is obligated to reimburse the Fund for the principal amount borrowed plus a floating interest rate. However, the CTA is not obligated to make reimbursement payments, including interest, in excess of $3,500,000 in any one year. No borrowings were made from the Fund in fiscal years 2019 or 2018.

Settlements did not exceed coverage for any of the past three years, and there has been no significant reduction in coverage during that period.

(Continued)

NOTE 16 - RISK MANAGEMENT (Continued**)**

Self-insured liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The estimate for injury and damage claims is adjusted for a current trend rate and discount factor of 3.6% and 3.0%, respectively. The estimate for workers' compensation claims is adjusted for a current trend rate and discount factor of 4.0% and 3.0%, respectively. Changes in the balance of claims liabilities during the past two years are as follows (in thousands of dollars):

	Injury and damage	Group health and dental	Workers' compensation	Total
Balance at January 1, 2017	$ 88,842	$ 19,962	$ 160,463	$ 269,267
Funded	3,167	151,765	55,752	210,684
Funding (excess)/deficiency per actuarial requirement	21,479	-	6,084	27,563
Payments	(38,591)	(152,771)	(55,752)	(247,114)
Balance at December 31, 2017	74,897	18,956	166,547	260,400
Funded	5,000	159,769	53,644	218,413
Funding (excess)/deficiency per actuarial requirement	30,648	-	(1,482)	29,166
Payments	(31,882)	(159,207)	(53,644)	(244,733)
Balance at December 31, 2018	78,663	19,518	165,065	263,246
Funded	7,500	98,924	51,938	158,362
Funding (excess)/deficiency per actuarial requirement	21,236	-	(6,165)	15,071
Payments	(22,112)	(106,102)	(51,938)	(180,152)
Balance at December 31, 2019	$ 85,287	$ 12,340	$ 158,900	$ 256,527

Chapter 70, Paragraph 3605/39 of the Illinois Compiled Statutes requires the CTA to establish an injury and damage reserve in order to provide for the adjustment, defense, and satisfaction of all suits, claims, and causes of action, and the payment and satisfaction of all judgments entered against the CTA for damages caused by injury to or death of any person and for damages to property resulting from the construction, maintenance, and operation of the transportation system. The statute also requires the CTA to separately fund the current year's budgeted provision for the injury and damage reserve. See Note 5 regarding cash and investment amounts maintained in this account.

NOTE 17 - LINE OF CREDIT – NOTE PURCHASE AGREEMENT

2018 Line of Credit

On July 10, 2018, the Chicago Transit Authority entered into a tax-exempt Note Purchase Agreement (NPA) with Bank of America, N.A. in a not-to-exceed amount of $150,000,000. The Notes are secured by a pledge of sales tax revenue receipts on parity with the existing Second Lien Sales Tax Receipts Revenue Bonds and the Intergovernmental Ground Transportation Tax Agreement (GTT IGA) dated January 25, 2018, and may be drawn upon at any time for Capital Projects, the payment of costs of issuance related to this Note, and to refund short-term obligations issued pursuant to this Note. Interest on the Notes is based upon the daily LIBOR rate. The Notes have an initial commitment expiration date of July 10, 2020.

This line of credit contains a provision that in the event of default the obligation is to become immediately due and payable in full as the result of acceleration as defined in the Events of Default section.

The principal of outstanding Notes was $89.2 million and $49.25 million as of December 31, 2019 and 2018, respectively. The unused line of credit was $60.8 million and $100.75 million as of December 31, 2019 and 2018, respectively.

2019 Line of Credit

On July 12, 2019, the Chicago Transit Authority entered into a tax-exempt Note Purchase Agreement (NPA) with PNC Bank, National Association in a not-to-exceed amount of $150,000,000. The Notes are secured by a pledge of sales tax revenue receipts on parity with the existing Second Lien Sales Tax Receipts Revenue Bonds and the Intergovernmental Ground Transportation Tax Agreement (GTT IGA) dated January 25, 2018, and may be drawn upon at any time for Capital Projects, the payment of costs of issuance related to this Note, and to refund short-term obligations issued pursuant to this Note. Interest on the Notes is based upon the daily LIBOR rate. The Notes have an initial commitment expiration date of July 11, 2022.

This line of credit contains a provision that in the event of default the obligation is to become immediately due and payable in full as the result of acceleration as defined in the Events of Default section.

The principal of outstanding Notes was $119.0 million as of December 31, 2019. The unused line of credit was $31.0 million as of December 31, 2019.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

Litigation: The CTA has been named as a defendant in various other legal proceedings arising in the normal course of operations. Although the ultimate outcome of these matters cannot be presently determined, it is the opinion of management of the CTA that resolution of these matters will not have a material adverse impact on the CTA's financial statements.

Defeased Debt: On October 26, 2006, the PBC issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $91,340,000. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The outstanding balance of the defeased debt as of December 31, 2019 and 2018 was $35,450,000 and $43,250,000, respectively.

(Continued)

NOTE 18 - COMMITMENTS AND CONTINGENCIES (Continued)

Lease Transactions:

Green Line

During 1998, the CTA entered into three lease and leaseback transactions, 1998-NL, 1998-PB and 1998-JH with third party investors pertaining to certain property, railway tracks and train stations on the Green Line. The CTA's payments associated with these agreements were guaranteed by American International Group Inc. (AIG) as the "Debt Payment Undertaker." During 2008, AIG's credit rating was downgraded amid the U.S. mortgage meltdown and global economic crisis. This rating downgrade provided the third-party investors with the option under their respective agreements to require CTA to replace AIG as the Debt Payment Undertaker. In 2008, one of the three investors chose to unwind the transaction and the corresponding 1998-NL agreement was terminated. Another transaction, 1998-PB, was terminated on March 6, 2015. On December 27, 2017, the parties executed an Omnibus Termination Agreement under which the 1998-JH Green Line Sublease Agreement was terminated on January 3, 2018 and the 1998-JH Green Line Head Lease Agreement terminated on December 17, 2018.

NOTE 19 - SUBSEQUENT EVENTS

Line of Credit

On March 12, 2020, the CTA drew down $43,000,000 on the 2018 capital line of credit. Additional information on the capital lines of credit can be found in Note 17.

COVID-19 Pandemic

The United States and the State of Illinois declared a state of emergency in March 2020 due to the COVID-19 global pandemic. CTA anticipates a financial impact resulting from the effects of the COVID-19 outbreak and related stay-at-home orders on the national, state, and local economies, as well as ridership. During this evolving situation, CTA continues to analyze the impact on its financial position. As of April 29, 2020, CTA has been allocated and has applied for approximately $817.5 million in emergency funding under the Coronavirus Aid, Relief, and Economic Security (CARES) Act from the Federal Transit Administration. This compares to its $1.57B annual operating budget.

REQUIRED SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
Employees' Plan
Required Supplementary Information -
Schedules of Net Pension Liability and Related Ratios (Unaudited)
Year Ended December 31, 2019
(In thousands of dollars)
as required by GASB 68

	2019	2018	2017	2016	2015
Employees' Plan					
Total Pension Liability	$ 3,562,234	$ 3,522,803	$ 3,456,992	$ 3,352,031	$ 3,283,154
Plan Fiduciary Net Position	1,715,227	1,865,901	1,736,369	1,743,216	1,855,912
Plan's Net pension Liability	$ 1,847,007	$ 1,656,902	$ 1,720,623	$ 1,608,815	$ 1,427,242
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	48.15%	52.97%	50.23%	52.00%	56.53%
Covered Payroll	$ 623,037	$ 595,047	$ 575,444	$ 573,548	$ 564,828
Plan's Net pension Liability as a percentage of Covered Payroll	296.45%	278.45%	299.01%	280.50%	252.69%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

Note 1: 2016 used the RP Blue Collar Table, generational to 2016 based on Scale BB. Also the asset valuation changed to 5 year smoothed actuarial value of assets.
Note 2: 2017 used the RP Blue Collar Table, generational to 2017 based on Scale BB.
Note 3: 2018 used the RP Blue Collar Table, generational to 2000 based on Scale BB.
Note 4: 2019 used the SOA Public Mortality General Below Median generational with Improvement Scale MP-2018.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Net Pension Liability and Related Ratios (Unaudited)
Year Ended December 31, 2019
(In thousands of dollars)
as required by GASB 67/68

	2019	2018	2017	2016	2015	2014
Supplemental Qualified Plan						
Total Pension Liability	$ 42,116	$ 42,116	$ 44,062	$ 48,004	$ 49,335	$ 52,118
Plan Fiduciary Net Position	36,687	34,441	40,250	37,805	37,875	42,046
Plan's Net pension Liability	$ 5,429	$ 7,675	$ 3,812	$ 10,199	$ 11,460	$ 10,072
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	87.11%	81.78%	91.35%	78.75%	76.77%	80.67%
Covered Payroll	$ 1,225	$ 1,219	$ 1,098	$ 1,213	$ 1,355	$ 1,443
Plan's Net pension Liability as a percentage of Covered Payroll	443.34%	629.84%	347.13%	841.07%	845.71%	697.92%
Supplemental Non-Qualified Plan						
Total Pension Liability	$ 22,125	$ 22,839	$ 24,380	$ 25,274	$ 29,926	$ 28,105
Plan Fiduciary Net Position	-	-	-	-	-	-
Plan's Net pension Liability	$ 22,125	$ 22,839	$ 24,380	$ 25,274	$ 29,926	$ 28,105
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	0%	0%	0%	0%	0%	0%
Covered Payroll	-	-	-	-	-	-
Plan's Net pension Liability as a percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Board Member Plan						
Total Pension Liability	$ 4,589	$ 4,361	$ 4,732	$ 4,561	$ 4,481	$ 5,128
Plan Fiduciary Net Position	112	103	88	77	68	88
Plan's Net pension Liability	$ 4,477	$ 4,258	$ 4,644	$ 4,484	$ 4,413	$ 5,040
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	2.42%	2.34%	1.84%	1.69%	1.52%	1.72%
Covered Payroll	$ 78	$ 75	$ 75	$ 75	$ 75	$ 125
Plan's Net pension Liability as a percentage of Covered-Employee Payroll	5746.55%	5676.97%	6191.50%	5978.83%	5883.44%	4031.43%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Employees' Plan
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Employees' Retirement Plan (Unaudited)
Year Ended December 31, 2019
(In thousands of dollars)
as required by GASB 68

Employees' Plan	2019	2018	2017	2016	2015
Total Pension Liability					
Total Pension Liability - Beginning	$ 3,522,803	$ 3,456,992	$ 3,352,031	$ 3,283,154	$ 3,220,533
Service Cost	54,814	50,433	50,111	51,358	49,066
Interest	283,757	278,184	269,899	264,579	259,593
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	7,455	13,679	51,518	13,082	-
Changes of Assumptions	(24,727)	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(281,868)	(276,485)	(266,567)	(260,142)	(246,038)
Net Change in Total Pension Liability	39,431	65,811	104,961	68,877	62,621
Total Pension Liability - Ending	$ 3,562,234	$ 3,522,803	$ 3,456,992	$ 3,352,031	$ 3,283,154
Plan Fiduciary Net Position					
Plan Fiduciary Net Position - Beginning	$ 1,865,901	$ 1,736,369	$ 1,743,216	$ 1,855,912	$ 1,892,715
Contributions - Employer	117,115	104,523	83,855	82,800	82,268
Contributions - Member	78,340	70,286	59,561	58,993	58,566
Net Investment Income	(61,343)	233,739	118,613	8,230	71,524
Benefit Payments, Including Refunds of Member Contributions	(281,868)	(276,485)	(266,567)	(260,142)	(246,038)
Administrative Expense	(2,918)	(2,531)	(2,309)	(2,577)	(3,123)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	(150,674)	129,532	(6,847)	(112,696)	(36,803)
Plan Fiduciary Net Position - Ending	1,715,227	1,865,901	1,736,369	1,743,216	1,855,912
CTA Net Pension Liability - Ending	$ 1,847,007	$ 1,656,902	$ 1,720,623	$ 1,608,815	$ 1,427,242

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Qualified Supplemental Plan (Unaudited)
Year Ended December 31, 2019
(In thousands of dollars)
as required by GASB 67/68

Qualified	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Total Pension Liability - Beginning	$ 42,116	$ 44,062	$ 48,004	$ 49,335	$ 52,118	$ 53,464
Service Cost	64	60	60	56	52	61
Interest	2,789	2,929	3,204	3,296	3,488	3,578
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	1,346	(1,310)	(3,170)	(611)	(2,145)	(554)
Changes of Assumptions	(7)	480	62	71	67	-
Benefit Payments	(4,192)	(4,105)	(4,098)	(4,143)	(4,245)	(4,431)
Net Change in Total Pension Liability	-	(1,946)	(3,942)	(1,331)	(2,783)	(1,346)
Total Pension Liability - Ending	$ 42,116	$ 42,116	$ 44,062	$ 48,004	$ 49,335	$ 52,118
Plan Fiduciary Net Position						
Plan Fiduciary Net Position - Beginning	$ 34,441	$ 40,250	$ 37,805	$ 37,875	$ 42,046	$ 43,503
Contributions - Employer	1,120	550	1,300	1,380	1,164	1,130
Contributions - Member	29	72	-	8	34	82
Net Investment Income	5,518	(2,080)	5,357	2,942	(878)	2,073
Benefit Payments	(4,192)	(4,105)	(4,098)	(4,143)	(4,245)	(4,431)
Refunds of Member Contributions	-	-	-	(17)	-	-
Administrative Expense	(229)	(246)	(114)	(240)	(237)	(311)
Other	-	-	-	-	(9)	-
Net Change in Plan Fiduciary Net Position	2,246	(5,809)	2,445	(70)	(4,171)	(1,457)
Plan Fiduciary Net Position - Ending	36,687	34,441	40,250	37,805	37,875	42,046
CTA Net Pension Liability - Ending	$ 5,429	$ 7,675	$ 3,812	$ 10,199	$ 11,460	$ 10,072

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Non-Qualified Supplemental Plan (Unaudited)
Year Ended December 31, 2019
(In thousands of dollars)
as required by GASB 67/68

Non-Qualified	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Total Pension Liability - Beginning	$ 22,839	$ 24,380	$ 25,274	$ 26,926	$ 28,105	$ 27,205
Service Cost	-	-	-	-	-	-
Interest	884	792	903	911	949	1,209
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	(1,237)	141	90	369	498	341
Changes of Assumptions	1,979	26	655	(315)	57	2,373
Benefit Payments	(2,340)	(2,500)	(2,542)	(2,617)	(2,683)	(3,023)
Net Change in Total Pension Liability	(714)	(1,541)	(894)	(1,652)	(1,179)	900
Total Pension Liability - Ending	$ 22,125	$ 22,839	$ 24,380	$ 25,274	$ 26,926	$ 28,105
Plan Fiduciary Net Position						
Plan Fiduciary Net Position - Beginning	$ -	$ -	$ -	$ -	$ -	$ -
Contributions - Employer	2,340	2,500	2,542	2,617	2,683	3,023
Contributions - Member	-	-	-	-	-	-
Net Investment Income	-	-	-	-	-	-
Benefit Payments	(2,340)	(2,500)	(2,542)	(2,617)	(2,683)	(3,023)
Administrative Expense	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	-	-	-	-	-	-
Plan Fiduciary Net Position - Ending	-	-	-	-	-	-
CTA Net Pension Liability - Ending	$ 22,125	$ 22,839	$ 24,380	$ 25,274	$ 26,926	$ 28,105

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Board Supplemental Plan (Unaudited)
Year Ended December 31, 2019
(In thousands of dollars)
as required by GASB 67/68

Board	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Total Pension Liability - Beginning	$ 4,361	$ 4,732	$ 4,561	$ 4,481	$ 5,128	$ 4,698
Service Cost	32	34	33	33	46	45
Interest	172	157	166	153	176	216
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	(221)	(45)	125	310	(514)	(64)
Changes of Assumptions	571	(202)	166	(90)	3	566
Benefit Payments	(326)	(315)	(319)	(326)	(358)	(333)
Net Change in Total Pension Liability	228	(371)	171	80	(647)	430
Total Pension Liability - Ending	$ 4,589	$ 4,361	$ 4,732	$ 4,561	$ 4,481	$ 5,128
Plan Fiduciary Net Position						
Plan Fiduciary Net Position - Beginning	$ 103	$ 88	$ 77	$ 68	$ 88	$ 75
Contributions - Employer	326	321	321	327	328	334
Contributions - Member	9	9	9	8	10	12
Net Investment Income	-	-	-	-	-	-
Benefit Payments	(326)	(315)	(319)	(326)	(358)	(333)
Administrative Expense	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	9	15	11	9	(20)	13
Plan Fiduciary Net Position - Ending	112	103	88	77	68	88
CTA Net Pension Liability - Ending	$ 4,477	$ 4,258	$ 4,644	$ 4,484	$ 4,413	$ 5,040

Note 1: 2016 used the mortality table from RP-2000 projected to 2016 based on Scale AA.
Note 2: 2017 used the mortality table from RP-2000 projected to 2017 based on Scale AA.
Note 3: 2018 used the mortality table from RP-2014 projected to 2018 based on Scale MP 2018.
Note 4: 2019 used the mortality table from RP-2014 projected to 2019 based on Scale MP 2019.
Note 5: The investment return was the following for the Board and Non-Qualified Plan:

2019 - 2.75%
2018 - 4.10%
2017 - 3.44%
2016 - 3.78%

There are no assets accumulated in a trust to pay related benefits for the Non-Qualified and Board Plans.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Employees' Plan
Required Supplementary Information -
Schedules of Statutorily Determined Contributions (Unaudited)
Year Ended December 31, 2019
(In thousands of dollars)
as required by GASB 68

Employees' Plan

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily determined	N/A *	$ 112,265	$ 106,662	$ 82,001	$ 81,731	$ 80,488	$ 102,800	$ 61,982	$ 55,976	$ 56,474
Contributions in relation to the statutorily determined	121,668	117,115	104,523	83,855	82,800	82,268	79,518	62,788	60,318	56,216
Contribution deficiency (excess)	N/A *	$ (4,850)	$ 2,139	$ (1,854)	$ (1,069)	$ (1,780)	$ 23,282	$ (806)	$ (4,342)	$ 258
Covered payroll	N/A *	$ 623,037	$ 595,047	$ 575,444	$ 573,548	$ 564,827	$ 550,616	$ 548,515	$ 541,354	$ 528,288
Contributions as a percentage of covered payroll	N/A *	18.02%	17.93%	14.25%	14.25%	14.25%	18.67%	11.30%	10.34%	10.69%

N/A * - Information not available

Notes to Schedule

Valuation date: January 1, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal - Level Percentage of Pay
Amortization method	For pension expense; the difference between expected and actual liability experience and changes of assumptions are amortized over the average of the expected remaining service lives of all members. The difference between projected and actual earnings is amortized over a closed period of five years.
Remaining amortization period	5 Years - Closed
Asset valuation method	5-year Smoothed Actuarial Value of Assets
Inflation	3.10%
Salary increases	11% for 1 year of service, 12% for 2 years of service, 16% for 3 years of service, 8% for 4 years of service, and 3.5% thereafter.
Investment rate of return	8.25%

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Actuarilly Determined Contributions (Unaudited)
Year Ended December 31, 2019
(In thousands of dollars)
as required by GASB 67/68

Qualified Plan

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	$ 1,118	$ 550	$ 1,299	$ 1,380	$ 1,164	$ 1,130	$ 1,926	$ 2,267	$ 2,207	$ 2,577
Contributions in relation to the actuarially determined contribution	1,120	550	1,300	1,380	1,164	1,130	1,927	2,267	2,210	2,600
Contribution deficiency (excess)	$ (2)	$ -	$ (1)	$ -	$ -	$ -	$ (1)	$ -	$ (3)	$ (23)
Covered payroll	$ 1,225	$ 1,219	$ 1,098	$ 1,213	$ 1,355	$ 1,443	$ 1,647	$ 2,282	$ 2,486	$ 4,259
Contributions as a percentage of covered payroll	91.46%	45.13%	118.37%	113.81%	85.90%	78.30%	117.02%	99.33%	88.90%	61.05%

Non-qualified Plan

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	$ 2,430	$ 2,501	$ 2,542	$ 2,571	$ 2,678	$ 4,595	$ 4,295	$ 4,116	$ 4,041	$ 3,771
Contributions in relation to the actuarially determined contribution	2,340	2,500	2,542	2,617	2,683	3,023	3,114	3,299	3,447	3,260
Contribution deficiency (excess)	$ 90	$ 1	$ -	$ (46)	$ (5)	$ 1,572	$ 1,181	$ 817	$ 594	$ 511
Covered-employee payroll	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Actuarilly Determined Contributions (Unaudited)
Year Ended December 31, 2019
(In thousands of dollars)
as required by GASB 67/68

Board Member Plan

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	$ 348	$ 360	$ 358	$ 323	$ 379	$ 324	$ 331	$ 348	$ 372	$ 361
Contributions in relation to the actuarially determined contribution	326	321	321	327	328	333	338	323	323	323
Contribution deficiency (excess)	$ 22	$ 39	$ 37	$ (4)	$ 51	$ (9)	$ (7)	$ 25	$ 49	$ 38
Covered payroll	$ 78	$ 75	$ 75	$ 75	$ 75	$ 125	$ 139	$ 150	$ 175	$ 200
Contributions as a percentage of covered payroll	418.52%	427.63%	427.63%	436.37%	437.23%	266.66%	242.12%	215.19%	184.45%	161.39%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of December 31, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Method
Amortization method	Level Dollar
Remaining amortization period	20 year level dollar closed period (effective January 1, 2009) Qualified: 10 Years remaining as of January 1, 2019 - Closed Qualified: 9 Years remaining as of December 31, 2019 - Closed
Asset valuation method	Market Value
Inflation	2.5%
Salary increases	3.5% per year
Investment rate of return	Qualified: 7.0% per year Non-qualified: 2.75% per year Board: 2.75% per year

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedule of Investment Returns (Unaudited)
Year Ended December 31, 2019

	Year	Qualified Supplemental Plan
Annual Money-Weighted Rate of Return, Net of Investment Expense	2019	16.12%
	2018	-5.85%
	2017	14.40%
	2016	7.38%
	2015	-2.69%
	2014	4.20%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Other Postemployment Benefits
Required Supplementary Information -
Schedules of Changes in the Total OPEB Liability (Unaudited)
Year Ended December 31, 2019
(In thousands of dollars)
as required by GASB 75

Total OPEB Plan	2019	2018
Total OPEB Liability		
Total OPEB Liability - Beginning	$ 9,751	$ 11,649
Service Cost	54	54
Interest	385	390
Changes of Benefit Terms	-	(478)
Differences Between Expected and Actual Experience	(982)	(606)
Changes of Assumptions	1,310	(664)
Benefit Payments, Including Refunds of Member Contributions	(698)	(594)
Net Change in Total OPEB Liability	69	(1,898)
Total OPEB Liability - Ending	$ 9,820	$ 9,751
Covered-employee payroll	612	410
The total OPEB liability as a percentage of covered-employee payroll	1604.58%	2378.29%

Note: There is no separate Trust established for OPEB benefits.
Note: The discount rate is 2.75% for December 31, 2019. The discount rate in the prior measurement period was 4.10%, this represents a decrease of 1.35%.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Other Postemployment Benefits
Required Supplementary Information -
Schedules of Statutorily Determined Contributions (Unaudited)
Year Ended December 31, 2019
(In thousands of dollars)
as required by GASB 75

Total OPEB Plan

	2019	2018
Actuarially determined contribution	$ 698	$ 594
Contributions in relation to the actuarially determined contribution	698	594
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 612	$ 410
Contributions as a percentage of covered-employee payroll	114.03%	145.07%

N/A * - Information not available

Notes to Schedule

Valuation date:	December 31, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Actuarial Cost Method
Discount rate	2.75%
Inflation	2.50%
Salary increases	5.50%
Investment return	2.75%
Health care cost trend rate	Starts with 8.25% in year 2020 and goes down to 5.0% in year 2027 and after.
Mortality	RP-2014 base rates projected to 2019 using Scale MP2019
Future participation	For future eligible retirees, 100% are assumed to elect medical coverage.
Dependent coverage	75% of employees were assumed to have spouses. Females were assumed to be 3 years younger than males. Of those covered under the provisions providing single coverage at no cost with higher dependent premium rates, 62.5% are assumed to elect single coverage and 37.5% are assumed to elect single and dependent coverage. Of those covered under the VTP healthcare provisions, 15.0% are assumed to elect single coverage and 85.0% are assumed to elect single and dependent coverage. Supplemental deferred vested members are assumed to elect single and dependent coverage. 50% of Board deferred vested members are assumed to elect single coverage and 50% are assumed to elect single and dependent coverage. 50% of spouses covered under the healthcare plan during retirement are assumed to continue coverage after the death of the retiree.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SUPPLEMENTARY SCHEDULES

CHICAGO TRANSIT AUTHORITY
Schedule of Expenses and Revenues –
Budget and Actual – Budgetary Basis
Year ended December 31, 2019
(In thousands of dollars)

	Original budget	Actual – budgetary basis	Variance favorable (unfavorable)
Operating expenses:			
Labor and fringe benefits	$ 1,084,100	$ 1,093,922	$ (9,822)
Materials and supplies	80,064	67,652	12,412
Fuel	44,084	40,396	3,688
Electric power	34,372	31,560	2,812
Purchase of security services	19,307	14,920	4,387
Other	282,685	259,438	23,247
Provision for injuries and damages	7,500	7,500	-
Total operating expenses	1,552,112	1,515,388	36,724
System-generated revenues:			
Fares and passes	588,012	585,297	(2,715)
Reduced-fare subsidies	28,321	14,606	(13,715)
Advertising and concessions	38,758	38,987	229
Investment income	2,100	3,822	1,722
Contributions from local governmental units	5,000	5,000	-
Other revenue	45,555	49,465	3,910
Total system-generated revenues	707,746	697,177	(10,569)
Operating expenses in excess of system-generated revenues	844,366	818,211	26,155
Public funding from the RTA:			
Operating assistance	844,366	818,211	(26,155)
	844,366	818,211	(26,155)
Change in net position – budgetary basis	$ -	-	$ -
Reconciliation of budgetary basis to GAAP basis:			
Provision for depreciation		(495,532)	
Pension expense in excess of pension contributions		(38,185)	
Supplemental Retirement		(1,391)	
Incentive Retirement		499	
Workers Compensation		6,165	
Provision for injuries and damages		(21,236)	
Interest expense on bond transactions		(73,934)	
Interest revenue on bond transactions		9,361	
Interest expense from sale/leaseback		(3,193)	
Capital contributions		502,238	
Change in net position – GAAP basis		$ (115,208)	
CTA recovery ratio:			
Total operating expenses		$ 1,515,388	
Less mandated security costs		(14,920)	
Less security camera contracts		(2,617)	
Less CSA Labor		(20,579)	
Less CTA security department costs		(1,374)	
Less ICE operating funds		(6,206)	
Less depreciation expense		(4,943)	
Less Pension Obligation Bond debt service		(156,576)	
Plus City of Chicago in-kind services		22,000	
Total operating expenses for recovery ratio calculation (B)		1,330,173	
Total system-generated revenues		$ 697,177	
Plus Senior Free Rides		29,212	
Plus City of Chicago in-kind services		22,000	
Total system-generated revenues for recovery ratio calculation (A)		$ 748,389	
Recovery ratio (A/B)		56.26%	

CHICAGO TRANSIT AUTHORITY
Schedule of Expenses and Revenues –
Budget and Actual – Budgetary Basis
Year ended December 31, 2018
(In thousands of dollars)

	Original budget	Actual – budgetary basis	Variance favorable (unfavorable)
Operating expenses:			
Labor and fringe benefits	$ 1,046,059	$ 1,070,458	$ (24,399)
Materials and supplies	92,425	90,474	1,951
Fuel	33,576	32,079	1,497
Electric power	31,369	31,162	207
Purchase of security services	17,804	17,502	302
Other	288,262	251,535	36,727
Provision for injuries and damages	5,000	5,000	-
Total operating expenses	1,514,495	1,498,210	16,285
System-generated revenues:			
Fares and passes	583,105	588,791	5,686
Reduced-fare subsidies	28,322	13,876	(14,446)
Advertising and concessions	38,347	37,844	(503)
Investment income	1,600	3,483	1,883
Contributions from local governmental units	5,000	5,000	-
Other revenue	51,202	48,339	(2,863)
Total system-generated revenues	707,576	697,333	(10,243)
Operating expenses in excess of system-generated revenues	806,919	800,877	6,042
Public funding from the RTA:			
Operating assistance	806,919	809,352	2,433
	806,919	809,352	2,433
Change in net position – budgetary basis	$ -	8,475	$ 8,475
Reconciliation of budgetary basis to GAAP basis:			
Provision for depreciation		(454,644)	
Pension expense in excess of pension contributions		(14,790)	
Supplemental Retirement		1,442	
Incentive Retirement		332	
Workers Compensation		1,482	
Provision for injuries and damages		(30,648)	
Interest expense on bond transactions		(92,556)	
Interest revenue on bond transactions		7,943	
Interest expense from sale/leaseback		(5,843)	
Capital contributions		441,162	
Change in net position – GAAP basis		$ (137,645)	
CTA recovery ratio:			
Total operating expenses		$ 1,498,210	
Less mandated security costs		(17,502)	
Less security camera contracts		(1,827)	
Less CSA Labor		(21,805)	
Less CTA security department costs		(1,237)	
Less ICE operating funds		(6,018)	
Less depreciation expense		(4,802)	
Less Pension Obligation Bond debt service		(156,576)	
Plus City of Chicago in-kind services		22,000	
Total operating expenses for recovery ratio calculation (B)		1,310,443	
Total system-generated revenues		$ 697,333	
Plus Senior Free Rides		29,040	
Plus City of Chicago in-kind services		22,000	
Total system-generated revenues for recovery ratio calculation (A)		$ 748,373	
Recovery ratio (A/B)		57.11%	

See accompanying independent auditor's report.

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (B)(5) OF RULE 15C2-12

This Continuing Disclosure Undertaking (the "Agreement") is executed and delivered by the Chicago Transit Authority (the "Authority") in connection with the issuance of its $534,005,000 Sales Tax Receipts Revenue Refunding Bonds, Series 2020B (Taxable) (the "Series 2020B Refunding Bonds"). The Series 2020B Refunding Bonds, are being issued pursuant to a Trust Indenture dated as of March 1, 2010 (the "2010 Indenture") by and between the Authority and U.S. Bank National Association, Chicago, Illinois, as trustee (the "Trustee"), as supplemented and amended to the date hereof, and as further supplemented by a Fourth Supplemental Trust Indenture, dated as of September 1, 2020, by and between the Authority and the Trustee (the "Fourth Supplemental Indenture," and the 2010 Indenture as so supplemented and amended, the "Indenture").

In consideration of the issuance of the Series 2020B Refunding Bonds by the Authority and the purchase of such Series 2020B Refunding Bonds by the beneficial owners thereof, the Authority covenants and agrees as follows:

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the Authority as of the date set forth below, for the benefit of the beneficial owners of the Series 2020B Refunding Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The Authority represents that it will be the only obligated person with respect to the Series 2020B Refunding Bonds at the time the Series 2020B Refunding Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Series 2020B Refunding Bonds.

2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

"Annual Financial Information" means financial information and operating data described in Exhibit I hereto.

"Annual Financial Information Disclosure" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4 herein.

"Audited Financial Statements" means the audited financial statements of the Authority as described in Exhibit I hereto.

"EMMA" means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

"Event" means the occurrence of any of the events set forth in Exhibit II hereto.

"Events Disclosure" means dissemination of a notice of an Event as set forth in Section 5 hereof.

"*Financial Obligation*" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; provided however, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"MSRB" means the Municipal Securities Rulemaking Board.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Participating Underwriter" means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series 2020B Refunding Bonds as defined in the Rule.

"Rule" means Rule 15c2-12 adopted by the SEC under the 1934 Act, as the same may be amended from time to time.

"SEC" means the Securities and Exchange Commission.

"State" means the State of Illinois.

"Undertaking" means the obligations of the Authority pursuant to Sections 4 and 5 hereof.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Series 2020B Refunding Bonds are as set forth in Exhibit III hereto. The Official Statement relating to the Series 2020B Refunding Bonds dated August 27, 2020 is referred to herein as the *"Final Official Statement."*

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 9 of this Agreement, the Authority hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in Exhibit I hereto) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the SEC at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. To the extent that the Annual Financial Information is included in the Authority's Audited Financial Statements, it need not be separately delivered.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Authority shall disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. EVENTS DISCLOSURE. Subject to Section 9 of this Agreement, the Authority hereby covenants that it will disseminate in a timely manner, not in excess of ten business days after the occurrence of the Event, notice of the occurrence of an Event to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the SEC at the time of delivery

of such information. MSRB Rule G-32 requires all EMMA filings to be in word searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series 2020B Refunding Bonds or defeasance of any Series 2020B Refunding Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders under the Indenture.

6. DUTY TO UPDATE THE PROCEDURES. The Authority shall determine, in the manner it deems appropriate, the proper procedures for disseminating such information required to be disseminated under the Rule each time it is required to file such information with EMMA.

7. CONSEQUENCES OF FAILURE OF THE AUTHORITY TO PROVIDE INFORMATION. The Authority shall give notice in a timely manner to EMMA in the manner and format described in Section 5 above of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Authority to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order to cause the Authority to comply with its obligations under this Agreement. Any court action to enforce this Agreement must be initiated in the Circuit Court of Cook County, Illinois. A default under this Agreement shall not be deemed a default under the Series 2020B Refunding Bonds, the Indenture, and the sole remedy under this Agreement in the event of any failure of the Authority to comply with this Agreement shall be an action to compel performance.

8. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the Authorized Officers (as defined in the Indenture), pursuant to authorization granted in the Indenture, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a)(i) the amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Authority or type of business conducted;

(ii) this Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2020B Refunding Bonds, as determined by parties unaffiliated with the Authority (such as the Trustee), or by approving vote of the beneficial owners of the Series 2020B Refunding Bonds pursuant to the terms of the Indenture at the time of the amendment; or

(b) the amendment or waiver is otherwise permitted by the Rule.

9. TERMINATION OF UNDERTAKING. The Undertaking of the Authority shall be terminated hereunder if the Authority shall no longer have any legal liability for any obligation on or relating to repayment of the Series 2020B Refunding Bonds under the Indenture.

10. DISSEMINATION AGENT. The Authority may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Agreement, and may discharge any such agent, with or without appointing a successor dissemination agent.

11. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or Event Disclosure, in addition to that which is required by this Agreement. If the Authority chooses to include any other information in any Annual Financial Information Disclosure or Event Disclosure in addition to that which is specifically required by this Agreement, the Authority shall have no obligation under this Agreement to update such other information or include it in any future Annual Financial Information Disclosure or Event Disclosure.

12. BENEFICIARIES. This Agreement has been executed to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Authority and the beneficial owners of the Series 2020B Refunding Bonds, and shall create no rights in any other person or entity.

13. ASSIGNMENT. The Authority shall not transfer its obligations under the Indenture unless the transferee agrees to assume all obligations of the Authority under this Agreement or to execute a continuing disclosure undertaking under the Rule.

14. GOVERNING LAW. This Agreement shall be governed by the laws of the State of Illinois, without giving effect to the conflict of laws provisions thereof.

IN WITNESS WHEREOF, the party hereto has caused this Continuing Disclosure Undertaking in connection with the Series 2020B Refunding Bonds to be executed by its duly Authorized Officer as of the date below written.

Chicago Transit Authority

By: ___________________________
Name:_________________________
Title: _________________________

Chicago Transit Authority
567 W. Lake St.
Chicago, IL 60661

Dated: September 3, 2020

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

Annual Financial Information means the financial information and operating data as set forth below. All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be set forth in other documents, including other official statements, which have been transmitted to EMMA, or may be included by specific reference to documents available to the public on the MSRB's internet website or filed with the SEC.

I. Annual Financial Information:

(a) Financial information and operating data (exclusive of Audited Financial Statements) generally consistent with that contained in the Final Official Statement under the tables captioned "RTA Percentage Funding Allocations Among the Service Boards in 2019", "RTA Funding Allocations Among the Service Boards in 2019" and "Sales Tax Receipts Distributed to the Authority" under the heading "SALES TAX RECEIPTS," the table captioned "Debt Service Coverage" under the heading "DEBT SERVICE COVERAGE," and the tables captioned "RTA Sales Tax" and "State Sales Tax" in APPENDIX B—"SALES TAX RECEIPTS."

(b) The Authority's Annual Financial Information (exclusive of Audited Financial Statements) will be provided to EMMA, not more than 210 days after the last day of the Authority's fiscal year, which currently is December 31.

(c) Audited Financial Statements as described in Part II are expected to be filed at the same time as the Annual Financial Information described in this Part I. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be filed when available.

II. Audited Financial Statements:

(a) Audited Financial Statements will be prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time.

(b) Audited Financial Statements will be provided to EMMA within 30 days after availability to the Authority.

EXHIBIT II

EVENTS WITH RESPECT TO THE SERIES 2020B REFUNDING BONDS FOR WHICH EVENTS DISCLOSURE IS REQUIRED

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(g) modifications to rights of Bondholders, if material;

(h) bond calls, if material, and tender offers (other than scheduled mandatory redemptions);

(i) defeasances;

(j) release, substitution or sale of property securing repayment of the securities, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Authority (such an event will be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if the jurisdiction of the Authority has been assumed by leaving the Chicago Transit Board and the Authority's officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority);

(m) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(o) incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect Bondholders, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

EXHIBIT III

CUSIP NUMBERS

YEAR OF MATURITY (DECEMBER 1)	CUSIP NUMBER (16772P)
2022	CH7
2023	CJ3
2024	CK0
2025	CL8
2026	CM6
2027	CN4
2028	CP9
2029	CQ7
2030	CR5
2031	CS3
2032	CT1
2033	CU8
2034	CV6
2035	CW4
2040	CX2

APPENDIX F

PENSION PLANS AND POST- EMPLOYMENT HEALTHCARE

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PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE

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PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE

General Overview

Retirement Plan. The Authority contributes to the Retirement Plan for Chicago Transit Authority Employees, a trusted, single-employer defined benefit pension plan covering substantially all full-time permanent union and non-union Authority employees (the "Retirement Plan"). The Retirement Plan was first established by an agreement between the Authority and its collective bargaining units in 1949 ("Plan Agreement"), which has since been amended and is currently governed by Section 22-101 of the Illinois Pension Code (40 ILCS 5/22-101) (the "Pension Code"). The Authority's contributions to the Retirement Plan and benefits for participants in the Retirement Plan are governed by the Plan Agreement and the Pension Code. This appendix describes, among other things, the current provisions of the Pension Code applicable to the Authority's funding of the Retirement Plan; however, no assurance can be made that the Pension Code will not be amended in the future by the General Assembly.

The Retirement Plan is governed by an 11-member Board of Trustees (the "Retirement Board") established under the Pension Code, which is separate and distinct from the Chicago Transit Board and the RTA Board. More information about the Retirement Board can be found below under the heading "Background Information Regarding the Retirement Plan" below.

The Retirement Plan's primary sources of funding come from the Authority's contributions, the employees' contributions, and investment income on the Retirement Plan's assets. The amount of benefits payable to participating employees under the Retirement Plan and the calculation of the Authority and employee contribution amounts and certain other provisions of the Retirement Plan are established under and governed by the Plan Agreement and the Pension Code. The Authority's minimum contributions and the employee contributions, determined pursuant to statutorily prescribed formulas under the Pension Code, do not equal the Annual Required Contribution (or "ARC," as defined below) as determined by the independent actuary engaged by the Retirement Plan. As of the January 1, 2020 Actuarial Valuation (the "2020 Actuarial Evaluation"), the contributions made by the Authority and its employees have been in compliance with the Pension Code, but the Pension Code's contribution requirements are at a level below the actuarially determined ARC and have resulted in an Unfunded Actuarial Accrued Liability (or "UAAL," as defined below) of $1.70 billion and a Funded Ratio (as defined below) of 52.55%. (*See* "Determination of Authority's Contributions," "The Actuarial Valuation – Authority's Contributions Not Related to GASB Standards" and "Funded Status" below.)

Under the Pension Code, the funding of the Retirement Plan is subject to the following requirements:

- For each year through 2039, the estimated "Funded Ratio" of the Retirement Plan, which is the actuarial value of assets divided by the actuarial accrued liability, expressed as a percentage, must be at least 60%. If the Funded Ratio is projected to decline below 60% in any year before 2040, increased contributions will be required each year as a level percentage of payroll over the years remaining until 2040 so that the Funded Ratio does not decline below 60%.

- If the Funded Ratio actually declines below 60% in any year prior to 2040, increased contributions will be required each year as a level percentage of payroll during the years after the then current year so that the Funded Ratio is projected to reach at least 60% no later than 10 years after the then current year.

- Beginning in 2040, the minimum annual contribution to the Retirement Plan must be sufficient to bring the Funded Ratio to 90% by the end of 2059.

- Beginning in 2060, the minimum contribution must be an amount necessary to maintain the Funded Ratio at 90%.

- Each year the Retirement Board must submit its actuarial valuation and determination of contribution rates to the Office of the Auditor General of the State of Illinois for a determination as to whether the rates and assumptions are not unreasonable in the aggregate.

- Two-thirds of required contributions are paid by the Authority and one-third by participating employees. The Authority's contributions are reduced by debt service on pension obligation bonds issued in 2008, up to maximum of six percent. (*See* "Pension Bonds" below.)

Supplemental Pension Plans. The Authority also maintains three other separate, non-statutory, single-employer defined benefit pension plans for a limited number of selected employees (collectively, the "Supplemental Pension Plans"): (i) a Chicago Transit Board member plan (the "Board Plan") for Chicago Transit Board members; (ii) a supplemental pension plan for certain employees who retired or terminated employment prior to March 2005 (the "Supplemental Non-Qualified Plan"); and (iii) a supplemental pension plan for certain employees retiring after March 2005 (the "Supplemental Qualified Plan"). The Board Plan and the Supplemental Non-Qualified Plan are funded on a pay-as-you-go basis. The Supplemental Qualified Plan is a trusted plan funded on an actuarially determined basis.

It should be noted that pursuant to legislation in 2008 (*see* "Legislative Changes Impacting the Retirement Plan" below), the Retirement Plan is the sole pension plan for Authority employees and all supplemental pension plans were closed to any new participants. In 2013, the Authority, although not required to by state law, closed the Board Plan to any new participants and the members subsequently appointed to the Chicago Transit Board have accordingly been informed that they will not be eligible to join the Board Plan. However, the Authority could in the future reverse or modify its decision to close the Board Plan. Additional information with respect to the Supplemental Pension Plans is presented below under the heading "Supplemental Pension Plans."

Retiree Health Care Trust. Prior to 2009, health care benefits for retirees and their dependents were administered by the Retirement Plan. Pursuant to amendments to the Pension Code enacted in 2008, the retiree health care benefits formerly administered by the Retirement Plan were transferred to a separate and newly created Retiree Health Care Trust ("RHCT"). The Authority does not have any obligation to provide or fund health care benefits for current or future retirees. However, Authority employees are required to contribute no less than three percent annually to the RHCT, which contributions are deducted from their paychecks and remitted by the Authority to the RHCT. Additional information with respect to the RHCT is presented below under the heading "Retiree Health Care Trust."

Pension Bonds. On August 6, 2008, the Authority issued its Pension and Retirement Debt Obligations ("Pension Bonds") in two series in an aggregate amount of $1,936.9 million. Proceeds of the Pension Bonds in the amount of approximately $1,110.5 million were deposited in the Retirement Plan, and proceeds in the amount of approximately $529.0 million were deposited into the RHCT. As a result of 2008 amendments to the Pension Code, the Authority's required annual contributions to the Retirement Plan are reduced by the amount of yearly debt service paid on the Pension and Retirement Debt Obligations up to a maximum of 6% of total employee compensation paid by the Authority for the year.

Sources of Information

Much of the information presented in this appendix regarding the Retirement Plan and the RHCT comes from and is prepared in reliance on public information made available by the Retirement Plan and the RHCT; documents produced by the Retirement Plan and the RHCT, including their respective actuarial valuations (the "Actuarial Valuations") prepared by independent actuaries (the "Actuary" or "Actuaries") and their respective financial statements (the "Financial Statements") prepared by independent auditors; and the 2019 Annual Review by the State of Illinois Office of Auditor General's "2019 Annual Review of Information Submitted by the Retirement Plan for the CTA Employees" and its "2019 Annual Review of Information Submitted by the Retiree Health Care Trust."

Much of the information presented in this Appendix regarding the Supplemental Pension Plans comes from and is prepared in reliance on information contained in the Authority's audited financial statements for the years ended December 31, 2018 and 2019.

Such information is referred to collectively as the "Source Information." With the exception of the Authority's own financial statements, the Authority has not independently verified the Source Information and makes no representations nor expresses any opinion as to the accuracy or completeness of the Source Information, and such Source Information is not incorporated herein by reference. Any discussion herein with respect to actuarial assumptions, methodology, results or projections are strictly from the sources cited and should not be construed as statements or information from the Authority. To the Authority's knowledge, the Financial Statements for the Retirement Plan for the year ended December 31, 2018 and the Actuarial Valuations as of January 1, 2020 and the RHCT for the year ended December 31, 2018 and December 31, 2019 and the Actuarial Valuations as of January 1, 2020, are the most recent financial statements and actuarial valuations available.

Cautionary Statement

Certain information included in this Appendix, including information under the heading "Projection of Funded Status," relies on Source Information produced by the Actuaries. Actuarial assessments are "forward-looking" information that reflects the judgment of the Actuaries. When used in this Appendix, the words "estimate," "expect," "project," "intend," "anticipate," "believe," "may," "will," "continue" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Some assumptions used to develop forward-looking statements will not be realized, or unanticipated events and circumstances may occur. Actuarial assessments are based upon a variety of assumptions, some of which may prove to be inaccurate or changed in the future. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results, and that those differences could be material.

As stated above, the Retirement Plan is governed by the Plan Agreement and the Pension Code. Certain aspects of the Retirement Plan, including the level of benefits for participants and required funding levels, are established pursuant to the Pension Code, including the 2008 Pension Reform (as defined below). *See* "Legislative Changes Impacting the Retirement Plan" below. Subsequent to 2008, various amendments to the Pension Code that could have impacted the Retirement Plan or the RHCT have been introduced. CTA is not aware of any currently proposed amendments. It cannot be predicted whether other amendments may be subsequently introduced or enacted and the economic impact of such amendments on the Retirement Plan, the RHCT or the Authority cannot be predicted and may be material.

Legislative Changes Impacting the Retirement Plan

2006 Pension Reform. On June 6, 2006, Public Act 094-0839 (the "2006 Pension Reform") was signed into law. The 2006 Pension Reform established a requirement that the Funded Ratio of the Retirement Plan reach 90% by the end of fiscal year 2058. The 2006 Pension Reform also required the RTA to begin monitoring the Authority's payment of the required contributions and, starting January 1, 2009, to make payments to the Retirement Plan if the Authority failed to do so.

2008 Pension Reform. On January 18, 2008, the Governor signed Public Act 095-0708 (the "2008 Pension Reform") into law. The 2008 Pension Reform made several significant changes to the Authority's pension and retiree healthcare benefits, including, among other things:

- established the Retirement Plan as the exclusive retirement plan, other than employee self-funded deferred compensation plans, for Authority employees hired after the effective date of the 2008 Pension Reform, thereby closing the Supplemental Qualified Plan to new participants;

- established the RHCT as a separate entity and provided that the Authority shall have no responsibility to make contributions to the RHCT after the issuance of the Pension and Retirement Debt Obligations (defined below);

- established minimum contribution requirements to the Retirement Plan for the Authority and participating employees of 12% (subject to a reduction of up to 6% for debt service paid on outstanding pension funding bonds) and 6% of employee compensation, respectively;

- requires that the Funded Ratio of the Retirement Plan be at least 60% by the end of fiscal year 2009 through 2039, with adjustments in Authority and employee contribution levels as may be necessary to achieve 60% within ten years in the event that the Funded Ratio falls below 60% in a given year;

- changed the requirement that the Retirement Plan's Funded Ratio be at least 90% from the end of fiscal year 2058 to the end of fiscal year 2059;

- established new minimum eligibility requirements for employees hired after the effective date of the 2008 Pension Reform to receive benefits under the Retirement Plan; and

- requires a Funded Ratio of at least 80% for any future early retirement incentive program.

2013 Pension Reform. In 2013, the General Assembly passed legislation known as Public Act 098-0599 (the "2013 Pension Reform") that provided for a series of changes to pension benefits and contributions affecting four pension plans covering employees of the State of Illinois. Section 5 of Article XIII of the Illinois Constitution (the "Pension Protection Clause") provides as follows: "Membership in any pension retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired." Several groups filed lawsuits (the "2013 Pension Reform Lawsuits") challenging the constitutionality of the 2013 Pension Reform, including on the basis that it violated the Pension Protection Clause. The 2008 Pension Reform was not the subject of these lawsuits. *See* "Litigation, Investigation and Labor Relations - Litigation" below. Ultimately, a circuit court entered a decision declaring Public Act 098-0599 to be unconstitutional and permanently enjoining its enforcement, which decision was later affirmed on appeal to the Illinois Supreme Court.

Background Information Regarding the Retirement Plan

General. As stated in General Overview above, the Retirement Plan is a single-employer defined benefit retirement plan. "Single-employer" means that there is only one employer whose employees are eligible to participate in the plan. In this case, the Authority is the "single–employer." "Defined benefit" refers to the fact that the Retirement Plan pays a periodic benefit to retired employees (and upon their death to their surviving spouses and, in certain instances, their children) in an amount determined pursuant to a statutory formula on the basis of the employees' service credits and salary. Members have no segregated individual accounts in a defined benefit plan, and the amount of their benefits is not dependent on the investment performance of the plan assets. The Retirement Plan's fiscal year runs from January 1 to December 31. Each year, the Retirement Plan issues a separate, stand-alone Financial Statement.

As described in "Benefits and Membership" below, the benefits payable under the Retirement Plan accrue throughout the time a member is employed by the Authority. Although benefits accrue during employment, a member must satisfy certain age and service requirements in order for the member or a survivor to receive periodic retirement benefit payments upon the member's retirement or termination from the Authority's employ.

To fund the Retirement Plan, both employees and the employer make contributions to the Retirement Plan. Both the employees' contributions and the Authority's contributions are established and calculated in accordance with the Pension Code, which can only be amended by the General Assembly. *See* "Determination of Employees' Contribution" and "Determination of Authority's Contribution" below.

Benefits and Membership. Employees are entitled to annual pension benefits upon normal retirement at age 65, in an amount generally based on a percentage, multiplied by the number of years of continuous participating service, of their average annual compensation in the highest four of the 10 calendar years prior to retirement. As discussed below, the multiplier has been raised from time to time and ranges from 1.65% to 2.40% depending on the year in which individual participants retired. For employees retiring before December 1, 1987, the multiplier percentage was 1.65%. An amendment to the Plan Agreement between the Authority and its unions, signed September 1987, raised the multiplier percentage to 1.70% and 1.75% for retirements on or after December 1, 1987 and 1989, respectively. Another amendment to the Plan Agreement between the Authority and its unions, signed August 1993, raised the multiplier percentage to 1.80% and 1.85% for retirements on or after January 1, 1993 and January 1, 1995, respectively. The Arbitration Award of November 12, 2003, increased the multiplier percentage for service after June 1, 1949, to 2.00% from 1.85% for employees retiring from January 1, 2000 to December 31, 2000, and to 2.15% for employees retiring on and after January 1, 2001. The multiplier percentage for employees retiring before January 1, 2000 remained at 1.85%. During 1995, a Voluntary Early Retirement Incentive Program was offered, which provided a multiplier percentage of 2.05% for employees retiring after January 1, 1994. During 1997, the Retirement Plan offered a Voluntary Early Retirement Program to eligible employees who had 25 years of continuous service on or before December 31, 1999, and had not retired prior to January 1, 1997, in the form of a multiplier percentage of 2.40% for each year of continuous service, with a maximum retirement payment of 70% of the employee's annual compensation. All eligible employees who elected to participate were allowed to retire as soon as possible but no later than December 31, 1999. As stated above, the 2008 Pension Reform now requires a Funded Ratio of at least 80% for any future early retirement incentive program.

The Retirement Plan also permits early retirement for certain participants at age 55, generally with reduced benefits. The early retirement benefit of an employee hired before January 17, 2008, who has 25 years or more of continuous service, regardless of age, is not reduced; however, in accordance with the 2008 Pension Reform, for all employees hired after January 17, 2008, eligibility for an unreduced pension benefit has changed to age 64 with 25 years of service. Participants with at least ten years of continuous participation in the Retirement Plan who retire or leave employment with the Authority before age 65 are eligible to defer payment of pension benefits until they reach age 65. Participants who leave the Authority prior to vesting for benefits receive a refund of their contributions with 3% interest, but they receive no refund of the Authority's contributions made on their behalf. Married employees can elect to receive their pension benefits in the form of a joint and survivor annuity. Pension benefits are paid in monthly installments. The Retirement Plan also provides lump-sum death benefits ranging from $2,000 to $8,000, based on age and years of service. In addition, any excess of the employee's contributions, plus interest, on such contributions over the amount of pension benefits paid by the Retirement Plan to the retiree prior to death (and the death of the spouse in case of a survivorship option) is paid to the designated beneficiary.

Employees satisfying certain eligibility requirements are eligible for a disability allowance based on compensation and service to date of disability with a minimum benefit of $400 per month.

The following Table 1 provides membership information for the Retirement Plan as of January 1, 2020, the date of the latest Actuarial Valuation.

TABLE 1
Membership of Retirement Plan

Active Members	Inactive/ Entitled to Benefits	Retirees and Beneficiaries	Total
8,057	151	9,257	17,465

Source: Actuarial Valuation Report as of January 1, 2020 prepared by Buck Consultants, LLC.

Governance. The Retirement Plan is governed by the 11-member Retirement Board appointed as follows: (i) five trustees are appointed by the Chicago Transit Board; (ii) three trustees are appointed by Amalgamated Transit Union, Local 241; (iii) one trustee is appointed by Amalgamated Transit Union, Local 308; (iv) one trustee is appointed by the recognized coalition of representatives of participants who are not represented by the Amalgamated Transit Union; and (v) one trustee is selected by the RTA Board. Trustees serve on the Retirement Board until a successor has been appointed, or until resignation, death, incapacity or disqualification. Under the Pension Code, each trustee casts individual votes and a simple majority vote is required for action by the Retirement Board, provided that the Retirement Board may require a supermajority vote with respect to the investment of assets of the Retirement Plan. All trustees have alternates who are authorized to vote on their behalf if they are unavailable for a meeting.

Investments. The Retirement Board manages the investments of the Retirement Plan. The Pension Code regulates the types of investments in which the Retirement Plan's assets may be invested. Retirement Board members are fiduciaries of the Retirement Plan and must discharge their duties with the care, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation. In carrying out its investment duty, the Retirement Board may appoint investment managers with a discretionary authority to manage, in a fiduciary capacity, all or a portion of the Retirement Plan's assets.

The Retirement Board has adopted a formal investment policy for the Retirement Plan. This investment policy is separate from the investment policy adopted for the RHCT. According to Note 3 of the Financial Statements for the Retirement Plan for the year ended December 31, 2018 the primary objective of the Retirement Plan's investment policy is to provide a structured approach in implementing the Plan's investment strategies to achieve above average returns consistent with prudent risk and investment volatility. Any discussion herein with respect to assumptions, methodology, results or projections are strictly from the sources cited and should not be construed as statements or information from the Authority. The Retirement Plan's assumed rate of return is currently 8.25%. According to the Auditor General's Report released November 2019, the State of Illinois Office of the Auditor General (the "Auditor General") concluded that, although the Plan's assumptions, including the interest rate, are "not unreasonable in the aggregate," the assumed rate of return and assumed rate of inflation "should continue to be monitored and justified on an annual basis."

The following Table 2 provides information on the actual investment returns experienced by the Retirement Plan for the period 2009 through 2018.

TABLE 2
Historical Investment Returns

Fiscal Year	Total Rate of Return
2009	8.6
2010	12.6
2011	3.5[(1)]
2012	11.3
2013	19.5
2014	5.2
2015	(0.2)
2016	7.2
2017	14.9
2018	(3.2)

Source: The Retirement Plan's audited financial statements for the years ended December 31, 2009 through 2018.

(1) Amended to conform to the Retirement Plan's audited financial statements for the years ended December 31, 2011 and 2012.

Determination of Employee Contributions. Authority employees who are members of the Retirement Plan are required to contribute to the Retirement Plan as provided in the Pension Code. The Pension Code requires participating employees to contribute 6% of compensation, subject to adjustment as described in the "Determination of Authority's and Employees' Contributions" below. Beginning January 1, 2020, the employee contribution rate was 13.324% of compensation. In the 2020 Actuarial Report, the Actuaries stated that the Funded Ratio has met the standards set forth in ILCS 5/22-101(e) and that there was no need to increase the employee contribution rate, which shall remain at 13.324%, beginning January 1, 2021.

Determination of Authority's Contributions. Contributions from the Authority to the Retirement Plan are based on requirements under the Pension Code. Under the Pension Code, the Authority's required contributions are reduced by a credit of up to 6% for debt service on bonds issued by the Authority for the purposes of funding contributions to the Retirement Plan. Beginning January 1, 2020, the Authority contribution rate was 26.647% of compensation, less a 6% credit for debt service on Pension Bonds, for a net contribution rate of 20.647%. The dollar amounts contributed by the Authority for the years ended December 31, 2016, 2017, 2018 and 2019 were $83,855,000, $104,523,000, $117,115,000 and 121,668,000, respectively. Table 3 provides information on the annual contributions made by the Authority to the Retirement Plan for the period 2009 through 2019.

In the 2020 Actuarial Report, the Actuaries state that the Funded Ratio has met the standards set forth in ILCS 5/22-101(e) and that there is no need to increase the Authority's required contributions, which will remain at 26.647% or 20.647% after taking into account the 6% credit, beginning January 1, 2021.

Under the Pension Code, by September 15 of each year for the years 2009 through 2039, the Retirement Board is required to determine the estimated Funded Ratio of the Retirement Plan. If the Funded Ratio is projected to decline below 60% in any year before 2040, the Retirement Board is required to determine the increased contribution required each year as a level percentage of payroll over the years remaining until 2040 so that the Funded Ratio does not decline below 60%. If the Funded Ratio actually declines below 60% in any year prior to 2040, the Retirement Board must also determine the increased contribution required each year as a level percentage of payroll during the years after the then current year so that the Funded Ratio is projected to reach at least 60% no later than 10 years after the then current year.

As of the January 1, 2020 Actuarial Valuation, the Funded Ratio meets the standard set forth in ILCS 5/22-101€. Therefore, the Retirement Board determined that there is no need to increase the Authority's required contribution rates to comply with the requirements under the Pension Code as described in the previous paragraph. The current contribution rates adopted by the Retirement Board pursuant to its ten-year plan now exceed the minimum requirements under the Pension Code to restore the Funded Ratio to 60%; however, the contribution rates are still less than the actuarially determined Annual Required Contribution.

Further, the Pension Code requires that, beginning in 2040, the minimum annual contribution to the Retirement Plan must be sufficient to bring the Funded Ratio to 90% by the end of 2059, and beginning in 2060, the minimum contribution must be an amount necessary to maintain the 90% Funded Ratio. Under the Pension Code, increased contributions necessary to meet these funding requirements during both of these periods will be funded two-thirds by the Authority and one-third by participating employees.

Under the Pension Code, the Retirement Board is required to file a report to the Authority, the representatives of its participating employees, the Auditor General and the RTA containing the determination of the Funded Ratio (see "The Actuarial Valuation – General" below). If the Auditor General finds that the determination of the Funded Ratio and the assumptions on which it is based are unreasonable, the Auditor General is authorized to issue a new determination of the Funded Ratio and establish increased contribution requirements.

Under provisions of the RTA Act, the RTA is required to continually review the Authority's payment of the required contributions to the Retirement Plan. If the RTA determines that the Authority's payment of any portion of the required contributions to the Retirement Plan is more than one month overdue, the RTA is required to pay, upon notice to the Authority, the Mayor, the Governor, the Auditor General and the General Assembly, those overdue contributions to the Retirement Board out of moneys otherwise payable to the Authority. Any such payments by the RTA will reduce the amount of Sales Tax Receipts otherwise available to the Authority to pay debt service on the Bonds. To date, the RTA has not taken any of the foregoing actions.

The Actuarial Valuation

General. In addition to the process outlined above, the Pension Code requires that the Retirement Board annually submit to the Governor, General Assembly, the Auditor General, the Board of the Regional Transportation Authority and the Authority the amount of the required contributions for the next retirement system fiscal year and a copy of the Actuarial Valuation. The Actuarial Valuation measures the financial position and determines the Annual Required Contribution of the Retirement Plan for reporting purposes pursuant to GASB Statement No. 67 ("GASB 67"), which is applicable for the fiscal years ending 2014 and later and GASB Statement No. 68 ("GASB 68") which is applicable for fiscal years beginning after 2014. GASB 67 replaces GASB 25 which is applicable for fiscal years ending prior to 2014. GASB 68 replaces GASB 27 which is applicable for fiscal years ending prior to 2015.

Additionally, the Illinois State Auditing Act requires the Retirement Board to annually submit to the Auditor General the most recent audit and the Actuarial Valuation of the Retirement Plan by September 30. The Auditor General is required to examine the information submitted by the Retirement Board and submit a report to the Illinois General Assembly regarding the Retirement Plan (the "Auditor General's Report").

A description of the calculations performed by the Retirement Plan's Actuary in the Actuarial Valuations follows below. This information was derived from the Source Information.

GASB, which is part of a private non-profit corporation known as the Financial Accounting Foundation, promulgates standards regarding accounting and financial reporting for governmental entities. These principles have no legal effect and do not impose any legal liability on the Authority. The references to GASB principles in this section do not suggest and should not be construed to suggest otherwise.

Actuaries and the Actuarial Process. GASB standards require disclosure of an "Annual Required Contribution," which is the annual contribution amount that GASB standards would calculate is needed to fully fund the Retirement Plan over time. The Annual Required Contribution is a financial reporting requirement, but the Pension Code does not require contribution of the Annual Required Contribution level.

The Annual Required Contribution of the Retirement Plan consists of two components: (1) that portion of the present value of pension plan benefits which is allocated to the valuation year by the projected unit credit cost method (as described in "Actuarial Methods – Actuarial Accrued Liability" below), termed the "Normal Cost"; and (2) an amortized portion of any Unfunded Actuarial Accrued Liability.

In producing the Actuarial Valuations, the Retirement Plan's Actuary uses demographic data (including employee age, salary and service credits), economic assumptions (including estimated future salary and interest rates), and decrement assumptions (including employee turnover, mortality and retirement rates) to calculate, as of the valuation date, the Normal Cost, the Actuarial Accrued Liability, the Actuarial Value of Assets (defined below), and the actuarial present values for the Retirement Plan. The Retirement Plan's Actuary uses this data to determine the following fiscal year's Annual Required Contribution.

The Actuarial Accrued Liability is an estimate of the present value of the benefits the Retirement Plan must pay as a result of current and retired employees past employment with the Authority and participation in the Retirement Plan. The Actuarial Accrued Liability is calculated by use of a variety of demographic and other data (such as employee age, salary and service credits) and various assumptions (such as estimated salary increases, interest rates, employee turnover, retirement date and age, mortality and disability rates). The Actuarial Value of Assets reflects the value of the investments and other assets held by the Retirement Plan. Various methods exist for calculating the Actuarial Value of Assets and the Actuarial Accrued Liability. For a discussion of the methods and assumptions used to calculate the Retirement Plan's Actuarial Accrued Liability and Actuarial Value of Assets, see "Actuarial Methods" and "Actuarial Assumptions" below.

Any shortfall between the Actuarial Value of Assets and the Actuarial Accrued Liability is referred to as the "Unfunded Actuarial Accrued Liability" or "UAAL." The UAAL represents the present value of benefits attributed to past service that are in excess of plan assets. In addition, the actuary will compute the "Funded Ratio," which is the Actuarial Value of Assets divided by the Actuarial Accrued Liability, expressed as a percentage. The Funded Ratio and the UAAL provide one way of measuring the financial health of a pension plan. As described above, the Pension Code requires the Retirement Plan to maintain a Funded Ratio of 60% until 2039 and to achieve a Funded Ratio of 90% by 2059.

Authority's Contributions Not Related to GASB Standards. The Authority's contributions to the Retirement Plan are not based on the Annual Required Contribution calculated pursuant to the Actuarial Valuation. Instead, the Authority's contributions are based on the formulas and amounts established in the Pension Code, as described in "Determination of Authority's Contributions" above. The Retirement Plan's Actuary has recommended that the Retirement Board consider, as appropriate, moving towards a contribution of the Annual Required Contribution over the next several years. The contribution rates adopted by the Retirement Board pursuant to its ten-year plan are higher than the minimum required by the Pension Code. The Retirement Board anticipates an annual review of contribution rates during the ten-year period.

A comparison of the actual contributions and the Annual Required Contribution (as calculated by the Actuary) for the past ten fiscal years is shown under the heading "Funded Status" below. The Retirement Plan's Annual Required Contribution is equal to its Normal Cost plus an amortization of the Retirement Plan's UAAL over a 30-year period. The Retirement Plan amortizes the UAAL on a level dollar basis.

GASB Statements 67 and 68. In June, 2012, GASB issued GASB Statement No. 67 and GASB Statement No. 68 (together, the "Statements"), which promulgate new standards for employee pension accounting and financial reporting by state and local governments. The two new Statements replace some of the requirements of previous GASB statements (GASB Statements Nos. 25, 27 and 50) related to pension plans. The new Statements have been adopted by the Authority.

Some of the key changes imposed by the new Statements include: (1) requiring governments for the first time to recognize the difference between the total pension liability (i.e., the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) as a liability of the employer; (2) immediate recognition of annual service cost and interest on the pension liability and immediate recognition of the effect on the net pension liability of changes in benefit terms; (3) the effects on the net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed 5-year period (previously 15-30-year period); (4) with respect to benefits not covered by projected plan assets, the use of a discount rate based on a yield or index rate on tax-exempt 20-year, AA-or-higher rated municipal bonds rather than the expected rate of return on plan investments; and (5) revising the presentation of pension liabilities in a government's financial statements.

Actuarial Methods

The Retirement Plan's Actuary employs a variety of actuarial methods to arrive at the Actuarial Value of Assets and the Actuarial Accrued Liability.

Actuarial Value of Assets. The Retirement Plan calculates its Actuarial Value of Assets by using the smoothing method which smooths investment gains and losses over a period of five years.

The 2020 Actuarial Valuation for the year ended December 31, 2019 states that the Funded Ratio of the Retirement Plan decreased from 52.62% at December 31, 2018 to 52.55% at December 31, 2019. See "Funded Status" below.

Actuarial Accrued Liability. As the final step in the Actuarial Valuation, the Actuary applies a cost method to allocate the total value of benefits to past, present and future periods of employee service. This allocation is accomplished by the development of the Actuarial Accrued Liability and the Normal Cost. Currently, the Retirement Plan uses projected unit credit cost method (the "PUCC Method"). The PUCC Method is a GASB-approved actuarial cost method. Under the PUCC Method, the Normal Cost is computed as the present value of the unit of benefit attributable to that year for each active plan member. Under this method, the Actuarial Accrued Liability equals the actuarial present value of that portion of a member's projected benefit that is attributable to service to date, again, on the basis of future compensation projected to retirement.

The PUCC Method, as compared to the entry age normal method, which is another commonly used actuarial cost method, will produce a more back-loaded growth in liabilities because the PUCC Method allocates a higher portion of retirement costs closer to the time of retirement. Therefore, the PUCC Method results in a slower accumulation of assets, which in turn requires smaller initial, and larger future, contributions. Deferring contributions in this manner increases the cost of the liabilities and the associated financial risks for the Retirement Plan.

Actuarial Assumptions. The Actuarial Valuation of the Retirement Plan uses a variety of assumptions in order to calculate the Actuarial Accrued Liability and the Actuarial Value of Assets. The assumptions are based on past and anticipated future experience. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Retirement Plan. Variances between the assumptions and actual results may cause an increase or decrease in the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL, the Funded Ratio or the Annual Required Contribution. Additional information on the Retirement Plan's actuarial assumptions is available in the 2020 Actuarial Valuation. See "Source Information" above.

The actuarial assumptions used by the Retirement Plan are determined by the Retirement Board. The Retirement Plan periodically has an experience study performed to evaluate the actuarial assumptions in use. The purpose of an experience study is to validate that the actuarial assumptions used in the Actuarial Valuation continue to reasonably estimate the actual experience of a pension plan or, if necessary, to develop recommendations for modifications to the actuarial assumptions to ensure their continuing appropriateness. Traditionally, the Retirement Plan has commissioned an experience study once in every five year period. The Retirement Plan's most recent experience study was based on the period from January 1, 2013 to December 31, 2017 and was first used with the January 1, 2019 Actuarial Valuation (the "2019 Actuarial Valuation"). In the 2020 Actuarial Valuation, the Actuary stated that the actuarial assumptions developed are, in the aggregate, reasonable and appropriate and that assumptions and methods used for financial reporting purposes fulfill the requirements of GASB 67 and GASB 68. Any changes in assumptions as a result of future experience studies may have an effect on the Annual Required Contribution, Actuarial Accrued Liability, UAAL and Funded Ratio, as well as the Projections (as defined below) and such effects may be material.

Assumed Investment Rate of Return. As described under the heading "Background Information Regarding the Retirement Plan – Investments" above, the Actuarial Valuation assumes an investment rate of return on the assets of the Retirement Plan. The assumed investment rate of return is used by the Retirement Plan's Actuary as the discount rate to determine the present value of future payments to the Retirement Plan's members. Such a determination is part of the Actuary's process to develop the Actuarial Accrued Liability. The Retirement Plan assumes an average long-term investment rate of return of 8.25%. There can be no assurance that the actual rate of return earned by the Retirement Plan on its assets in any year will not be lower than the assumed rate of return. As shown in the table under the heading "Background Information Regarding the Retirement Plan – Investments" above, actual investment rates of return have varied substantially over the previous ten years. Changes in the Retirement Plan's assets as a result of market performance will lead to an increase or decrease in the UAAL and the Funded Ratio.

The Retirement Plan's assumed rate of return has been reduced by the Retirement Board in recent years. The assumed investment rate of return was 8.50% prior to January 1, 2013, 8.75% prior to January 1, 2011 and was 9% prior to January 1, 2008. A reduction in the assumed investment rate of return, independent of other changes, produces a larger Actuarial Accrued Liability, which, independent of other changes, increases the UAAL, decreases the Funded Ratio and increases the Annual Required Contribution. Any future decreases in the Retirement Plan's assumed rate of return may increase the UAAL, decrease the Funded Ratio and increase the Annual Required Contribution, which may require the Authority to increase its contributions to the Retirement Plan under the Pension Code, which could put additional financial strain on the Authority.

Funded Status

UAAL and Funded Ratio. The fact that the contributions received from all sources by the Retirement Plan have historically been less than the Annual Required Contribution, in conjunction with other factors, has had the effect of increasing the Retirement Plan's UAAL over recent years.

According to the 2020 Actuarial Valuation, the Retirement Plan had a UAAL of approximately $1.70 billion as of January 1, 2020. The 2020 Actuarial Valuation shows that the UAAL as of January 1, 2020 increased by approximately $47.3 million from the UAAL as of January 1, 2019. The 2020 Actuarial Valuation states that the Funded Ratio of the Retirement Plan decreased by .07% during this time.

The following Tables 3, 4, and 5, which were produced from information provided in the Financial Statements and the Actuarial Valuations of the Retirement Plan, summarize the current financial condition and the funding progress of the Retirement Plan.

TABLE 3
Annual Employer Contribution Status
($ in thousands)

Fiscal Year Ended December 31	Annual Employer Required Contribution	Actual Employer Contribution	Percentage of Annual Employer Required Contribution Contributed
2009	34,030	41,448	121.8%
2010	56,474	56,216	99.5
2011	55,976	60,318	107.8
2012	61,982	62,788	101.3
2013	76,899	79,518	103.4
2014	80,488	82,268	102.2
2015	81,731	82,800	101.3
2016	82,001	83,855	102.3
2017	106,662	104,523	98.0
2018	112,265	117,115	104.3
2019	116,367	121,668	104.6

Source: The Retirement Plan's audited financial statements for the years ended December 31, 2009 through 2018 and the Retirement Plan's 2020 Actuarial Valuation, prepared by Buck Consultants, LLC.

TABLE 4
Historical Funding Progress
($ in thousands)

January 1	Actuarial Accrued Liability	Actuarial Value of Assets	UAAL	Funded Ratio
2009	2,632,356	1,995,953	636,403	76.82%
2010	2,588,462	1,936,849	651,613	74.83
2011(1)	2,724,191	1,909,967	814,224	70.11
2012(2)	2,808,184	1,662,196	1,145,988	59.19
2013(3)	2,867,335	1,702,788	1,164,547	59.39
2014	3,105,567	1,892,714	1,212,853	60.95
2015	3,186,187	1,855,912	1,330,275	58.25
2016	3,267,121	1,743,216	1,523,904	53.36
2017(4)	3,338,641	1,752,473	1,586,168	52.49
2018	3,423,218	1,802,216	1,621,002	52.65
2019	3,488,955	1,835,792	1,653,163	52.62
2020	3,583,859	1,883,411	1,700,448	52.55

Source: The Retirement Plan's 2020 Actuarial Valuation, prepared by Buck Consultants, LLC and The Retirement Plan's audited financial statements for the years ended December 31, 2009 through 2018.

(1) Effective January 1, 2011, the assumed investment rate of return was changed from 8.75% to 8.50%.

(2) Effective January 1, 2012, the actuarial value of assets was changed from being valued using the Asset Smoothing Method to using the market value method.

(3) Effective January 1, 2013, the assumed investment rate of return was changed from 8.50% to 8.25%.

(4) Effective January 1, 2017, the actuarial value of assets was changed from being valued using the market value method to using the Asset Smoothing Method.

A variety of factors impact the Retirement Plan's UAAL and Funded Ratio. All other factors being equal, a lower return on investment than that assumed by the Retirement Plan's Actuary, and insufficient contributions when compared to the Annual Required Contribution will cause an increase in the UAAL and a decrease in the Funded Ratio. Conversely, all other factors being equal, higher returns on investment than assumed, and contributions in excess of the Annual Required Contribution will decrease the UAAL and increase the Funded Ratio. In addition, legislative amendments, changes in actuarial assumptions and certain other factors (including, but not limited to, higher or lower incidences of retirement, disability, in-service mortality, retiree mortality or terminations than assumed) will have an impact on the UAAL and the Funded Ratio.

As stated in the 2020 Actuarial Valuation, the Funded Ratio decreased slightly from fiscal year 2019 to fiscal year 2020 for two reasons: (i) the rate of return on the actuarial value of plan assets of 7.57% being less than the assumed rate of return of 8.25%, and (ii) demographic experience.

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TABLE 5
Statements of Changes in Fiduciary Net Positions
For years ended December 31
($ in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Beginning Net Assets	$1,743,266	$1,716,317	$1,794,742	$1,662,196	$1,702,789	$1,892,714	$1,855,912	$1,743,216	$1,736,369	$1,865,900
Additions										
Net Investment income (loss)	$113,250	$197,317	$(13,018)	$168,193	$299,510	$78,661	$ 8,230	$118,613	$ 233,738	$ (61,343)
Employer contributions	41,448	56,216	60,318	62,788	79,518	82,269	82,800	83,855	104,523	117,115
Employee contributions.......	25,666	45,212	47,169	48,342	56,792	58,566	58,993	59,560	70,286	78,340
Other income	–	–	4	–	–	–	–	–	–	–
Total Additions	$ 180,364	$ 298,745	$ 94,473	$ 279,323	$ 435,820	$ 219,496	$ 150,023	$ 262,028	$408,547	$134,112
Deductions										
Benefit payments................	$ 203,109	$ 216,164	$ 221,732	$ 232,433	$ 238,539	$ 245,746	$ 253,436	$ 261,389	$ 269,141	274,465
Contribution refunds, including interest	2,051	2,128	2,879	4,022	4,932	7,137	6,354	4,840	7,344	7,402
Administrative expenses......	2,153	2,028	2,408	2,275	2,424	3,415	2,929	2,646	2,531	2,918
Total	$ 207,313	$ 220,320	$ 227,019	$ 238,730	$ 245,895	$ 256,298	$ 262,719	$ 268,875	$ 279,016	$ 284,785
Net Increase (Decrease).......	(26,949)	78,425	(132,546)	40,593	189,925	(36,802)	(112,696)	(6,847)	129,531	(150,673)
Ending Net Assets	$1,716,317	$1,794,742	$1,662,196	$1,702,789	$1,892,714	$1,855,912	$1,743,216	$1,736,369	$1,865,900	$1,715,227

Source: The Retirement Plan's audited financial statements for the years ended December 31, 2009 through 2018. Amounts in the table above may not sum due to rounding.

Note: Only amounts pertaining to the pension benefits under the Retirement Plan are shown in the table above. Changes to the Retirement Plan due to Public Act 94-839 and Public Act 95-708 effectively removed liability for retiree healthcare benefits from the Retirement Plan, effective January 1, 2009. See "OTHER POST-EMPLOYMENT BENEFITS" below.

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Projection of Funded Status. The following Table 6 contains projections regarding the funding of the Retirement Plan (the "Projections") that are based upon numerous variables that are subject to change. The Projections are forward-looking statements regarding future events based on the Retirement Plan's actuarial assumptions and assumptions made regarding such future events, including that there are no changes to the current legislative structure and that all projected contributions to the Retirement Plan are made as required. *See* "Cautionary Statement" above. The Projections also assume stable membership and assume that all actuarial assumptions described in the 2020 Actuarial Valuation are exactly realized each year. No representation or assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented in this subsection. Further, the benefits provided under the Retirement Plan and the minimum funding requirements of the Retirement Plan are established under the Pension Code, which statutory provisions are subject to change by the State legislature.

The Projections rely on information produced by the Retirement Plan's Actuary and were not independently verified by the Authority as to their validity, accuracy or conformance to any acceptable accounting, actuarial or reporting standards. The Projections should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the Projections. Neither the Authority, the Authority's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained in the Projections, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Projections.

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The following table sets forth the projected funded status of the Retirement Plan based on the 2020 Actuarial Valuation.

TABLE 6
Projected Actuarial Results

	Board Adopted Contribution Rates			Board Adopted Contributions					
Fiscal Year	**Employee Contribution Percent**	**Employer Contribution Percent**	**Total Percent**	**Employee Contribution**	**Employer Contribution**	**Total Contribution**	**Actuarial Accrued Liability**	**Actuarial Value of Assets**	**Funded Ratio**
	%	%	%	$	$	$	$	$	%
2020	13.324	20.647	33.971	84,127,661	130,370,609	214,498,270	3,583,859,014	1,883,410,704	52.55
2021	13.324	20.647	33.971	85,006,468	131,732,476	216,738,944	3,640,306,618	1,947,749,639	53.51
2022	13.324	20.647	33.971	86,050,306	133,350,087	219,400,393	3,694,780,137	2,015,473,131	54.55
2023	13.324	20.647	33.971	87,511,905	135,615,091	223,126,996	3,744,568,732	2,062,945,726	55.09
2024	13.324	20.647	33.971	89,574,705	138,811,267	228,385,652	3,790,422,634	2,153,475,246	56.81
2025	13.324	20.647	33.971	91,903,789	142,421,088	234,324,877	3,832,569,381	2,221,662,184	57.97
2026	13.324	20.647	33.971	94,310,894	146,151,321	240,462,215	3,871,012,218	2,293,599,281	59.25
2027	13.324	20.647	33.971	96,764,212	149,953,169	246,717,381	3,905,434,815	2,369,795,816	60.68
2028	13.324	20.647	33.971	99,325,635	153,922,544	253,248,179	3,936,783,871	2,452,050,056	62.69
2029	13.324	20.647	33.971	102,181,033	158,347,485	260,528,518	3,964,173,507	2,540,483,378	64.09
2030	13.324	20.647	33.971	105,254,765	163,110,775	268,365,540	3,987,560,524	2,636,581,078	66.12
2031	13.324	20.647	33.971	108,594,937	168,286,959	276,881,896	4,009,398,779	2,743,894,419	68.44
2032	13.324	20.647	33.971	112,127,493	173,761,276	285,888,769	4,031,182,458	2,865,386,468	71.08
2033	13.324	20.647	33.971	115,712,325	179,316,603	295,028,928	4,054,139,392	3,003,589,917	74.09
2034	13.324	20.647	33.971	119,442,037	185,096,448	304,538,485	4,079,226,933	3,160,585,917	77.48
2035	13.324	20.647	33.971	123,352,925	191,157,057	314,509,982	4,107,813,191	3,339,198,529	81.29
2036	13.324	20.647	33.971	127,477,280	197,548,470	325,025,750	4,141,890,652	3,542,836,230	85.54
2037	13.324	20.647	33.971	131,761,806	204,188,097	335,949,903	4,183,414,734	3,755,143,959	90.24
2038	13.324	20.647	33.971	136,162,921	211,008,400	347,171,321	4,234,126,160	4,039,537,459	95.40
2039	13.324	20.647	33.971	140,590,004	217,868,943	358,458,947	4,295,025,505	4,338,962,574	101.02
2040	13.324	20.647	33.971	145,114,290	224,880,121	369,994,411	4,366,969,756	4,676,178,720	107.08

Source: The Retirement Plan’s 2020 Actuarial Valuation, prepared by Buck Consultants, LLC.

As shown in Table 6 above, the Actuary is projecting that Funded Ratio of the Retirement Plan will reach 107.1% by 2040 based on current assumptions, which include the assumption that the Authority will make contributions to the Retirement Plan equal to 20.647% from 2020 to 2040, which is higher than the minimum required by the Pension Code. As discussed above, under the Pension Code, the Retirement Plan is required to be at least 60% funded by 2040 and at least 90% funded by 2060 (see "Determination of Authority's Contributions" above).

Supplemental Pension Plans

As described under the heading "General Overview" above, in addition to the Retirement Plan, the Authority maintains three separate single-employer, defined benefit supplemental pension plans for a limited number of participants, and all three plans are currently closed to new participants. Information related to the Supplemental Pension Plans is presented in the Authority's audited financial statements. This section summarizes the Supplemental Pension Plans based on the information in the Authority's financial statements for the year ended December 31, 2019. The Supplemental Pension Plans do not issue separate stand-alone financial reports. Additional information related to the Supplemental Pension Plans is available in the Authority's audited financial statements. See "Sources of Information" above.

The Supplemental Pension Plans provide benefits to employees of the Authority in certain employment classifications. Employees of the applicable employment classifications are eligible for retirement benefits under the Supplemental Pension Plans based on age and years of service. Except in limited circumstances, as further described in the Authority's audited financial statements, participants in the Supplemental Pension Plans are not required to contribute to the Supplemental Pension Plans.

The following Table 7 shows the membership in the Supplemental Pension Plans as of January 1, 2020 and January 1, 2019:

TABLE 7
Membership of Supplemental Pension Plans

	Qualified	Non-Qualified	Board	Total
Participants as of January 1, 2020				
Retirees and beneficiaries currently receiving benefits	125	302	17	444
Terminated employees entitled to but not yet receiving benefits	9	3	5	17
Active plan members	8	0	2	10
Total	142	305	24	471
Participants as of January 1, 2019				
Retirees and beneficiaries currently receiving benefits	125	323	17	465
Terminated employees entitled to but not yet receiving benefits	11	3	6	20
Active plan members	8	0	2	10
Total	144	326	25	495

Source: Financial Statements of the Authority for the years ended December 31, 2018 and December 31, 2019.

The Authority funds the Supplemental Pension Plans on a "pay-as-you-go" basis.

The following table shows the actual Authority contribution levels for the Supplemental Pension Plans for the years ended December 31, 2017 through 2019:

TABLE 8
Annual Employer Contribution
($ in thousands)

Pension Plan	**Year Ended December 31**	**Annual Employer Contribution**
Supplemental Qualified Plan	2017	$1,300
	2018	550
	2019	1,120
Supplemental Non-Qualified Plan	2017	2,542
	2018	2,500
	2019	2,340
Board	2017	321
	2018	321
	2019	326

Source: Financial Statements of the Authority for the years ended December 31, 2017 through 2019.

The following table shows the funding progress of the Supplemental Pension Plans for the previous six years:

TABLE 9
Funding Progress of the Supplemental Plans
($ in thousands)

Pension Plan	Valuation Date December 31	Actuarial Accrued Liability	Actuarial Value of Assets	UAAL	Funded Ratio
Supplemental Qualified Plan	2014	52,118	42,046	10,072	80.67%
	2015	49,335	37,875	11,460	76.77
	2016	48,004	37,805	10,199	78.75
	2017	44,062	40,250	3,812	91.35
	2018	42,116	34,441	7,675	81.78
	2019	42,116	36,687	5,429	87.11
Supplemental Non-Qualified Plan	2014	27,167	0	27,167	0
	2015	26,926	0	26,926	0
	2016	25,274	0	25,274	0
	2017	24,380	0	24,380	0
	2018	22,839	0	22,839	0
	2019	22,125	0	22,125	0
Board	2014	5,128	88	5,040	1.72
	2015	4,481	68	4,413	1.52
	2016	4,561	77	4,484	1.69
	2017	4,732	88	4,644	1.84
	2018	4,361	103	4,258	2.34
	2019	4,589	112	4,477	2.42

Source: Financial Statements of the Authority for the years ended December 31, 2018 and December 31, 2019.

Retiree Health Care Trust

As discussed in "General Overview" above, prior to 2009, retiree healthcare benefits were included as part of the Retirement Plan. The 2006 Pension Reform required the Authority to separate the funding of retiree healthcare benefits from the funding of its pension system by no later than January 1, 2009. The 2008 Pension Reform provided for the establishment of the RHCT, which is solely responsible for providing health care benefits to eligible Authority retirees and their dependents and survivors. The RHCT is established and administered under Section 22-101B of the Illinois Pension Code (40 ILCS 5/22-101B).

As discussed above, on August 6, 2008, the Authority issued the Pension Bonds and used $528.8 million of the proceeds to fund the RHCT. Under the Pension Code, the RHCT was required to assume financial responsibility for health care benefits of retirees (and the dependents and survivors of retirees) no later than July 1, 2009. Further, the Pension Code provides that, after the issuance of the Pension Bonds, the Authority has no further obligation to provide or fund health care benefits for current or future retirees, dependents and survivors. As noted in General Overview above, Authority employees are required to contribute not less than three percent of their compensation to the RHCT. The most recent Actuarial Valuation Report dated January 1, 2020 and Financial Statements for the RHCT dated December 31, 2018 show a Funded Ratio well exceeding 100% for each of the past two years. Due to the Authority having no financial obligation to the RHCT under the Pension Code, no additional information is presented in this Official Statement regarding the RHCT. See, however, "Cautionary Statement" above, regarding possible future changes in legislation affecting the Pension Code.

Other Post-Employment Benefits

Certain participants in the Supplemental Pension Plans may not be eligible for healthcare coverage under the RHCT upon retirement. Such participants may be eligible to participate in a healthcare plan administered and funded by the Authority (the "OPEB Plan"). The paragraphs below detail the benefits, funding history and funded status of the OPEB Plan.

Benefits under the OPEB Plan are available for certain participants in the Supplemental Pension Plans with bridged service or service purchased through the Authority's Voluntary Termination Program who are not yet, or might not be, eligible for healthcare benefits under the RHCT. Benefits under the OPEB Plan cease once the member becomes eligible for coverage under the RHCT or may continue, depending on the amount of service by the participant, for members who do not become eligible for benefits under RHCT. Members of the Chicago Transit Board are eligible for benefits under the OPEB Plan after five years of service. OPEB Plan benefits are administered through the Authority's healthcare program for employees and, as such, the Authority funds the OPEB Plan on a self-insured "pay-as-you-go" basis. As of January 1, 2016, the OPEB Plan was not funded, resulting in a UAAL of $12.1 million and no Funded Ratio.

Information related to the OPEB Plan is presented in the Authority's audited financial statements. The OPEB Plan does not issue separate stand-alone financial reports. This section summarizes the OPEB Plan based on the information in the Authority's audited financial statements for the year ended December 31, 2019. Additional information related to the OPEB Plan is available in the Authority's audited financial statements. *See* "Sources of Information" above.

The following Table 10 shows the actuarially determined Annual Required Contribution and actual Authority contribution levels for the OPEB Plan for the years ended December 31, 2013 through 2019:

TABLE 10
Annual Employer Contribution
($ in thousands)

Year Ended December 31	Annual Required Contribution	Actual Employer Contribution	Percentage of Annual Required Contribution Contributed
2013	$1,141	$810	71.0%
2014	1,061	802	75.7
2015	1,138	521	45.7
2016	1,101	450	40.9
2017	1,119	703	62.8
2018	594	594	100.0
2019	698	698	100.0

Source: Financial Statements of the Authority for the years ended December 31, 2013 through 2019.

Litigation, Investigations and Labor Relations

Litigation. In 2013, the Retirement Plan filed a claim against the Authority in the Chancery Division of the Circuit Court of Cook County, Illinois, seeking an accounting and damages of approximately $7 million. (*Retirement Plan for Chicago Transit Authority Employees v. The Chicago Transit Authority*, Case No. 13 CH 14414). The Retirement Plan claimed that, for a period of time prior to the establishment of the RHCT, the Authority administered the prescription drug program for retirees and that the Authority billed the Retirement Plan for the costs of the drugs but did not share in rebates from the prescription drug providers. The Retirement Plan later amended its complaint to seek additional damages in excess of $1 million based on its claim that the Authority had billed the Retirement Plan for healthcare costs of certain ineligible individuals. On June 1, 2016, the Authority filed a motion for summary judgment, that was granted in part and denied in part and in August 2018, the circuit court held a four-day bench trial on the remaining claims. On November 2, 2018, the circuit court issued its trial order entering judgment in favor of the Authority that the Retirement Plan has appealed. On March 30, 2020, the First District of the Illinois Appellate Court issued a published opinion affirming the judgment in favor of the Authority. The Retirement Plan has not sought to appeal the appellate court's decision, and the deadline for further appeal has lapsed.

In addition to the lawsuit described above, in 2017, the Retirement Plan filed a claim against three former trustees, and one former alternate trustee, of the Plan in the Chancery Division of the Circuit Court of Cook County, Illinois, seeking damages of approximately $7 million. *(Retirement Plan for Chicago Transit Authority Employees v. Dorval Carter, et. al.,* Case No. 17 CH 08090). The Retirement Plan claimed that, the Defendants failed to inform the Retirement Plan that the Authority received prescription drug rebates which it did not share with the Retirement Plan. In October, 2019, the parties filed cross-motions for summary judgment. On February 10, 2020, the Court entered judgment in favor of the Defendants. The Retirement Plan has filed an appeal, which is currently pending. The Authority may have an obligation to indemnify some of the defendants if there is a judgement against the defendants.

Health Care Benefits. Prior to 2008, retiree health care benefits were administered by the Retirement Plan pursuant to collective bargaining agreements ("CBAs") between the Authority and the labor unions representing Authority employees ("Unions"). In 2007, the Authority and its Unions agreed as part of an interest arbitration award (the "2007 CBA") that the responsibility for retiree health care benefits would be transferred to a separate and newly-created Retiree Health Care Trust. This agreement was codified in 2008 amendments to the Pension Code. As required by the parties' agreement, the Authority contributed $529.0 million in seed money to the RHTC from proceeds of the Pension Bonds, and the parties to the 2007 CBA confirmed that the obligation of the Authority and the Retirement Plan to provide or fund retiree health care benefits was terminated. Thereafter, the RHCT required subsidy of healthcare premiums from retirees. In *Williams et al. v. Chicago Transit Authority et al.*, 11 CH 15446 (2014), a group of retirees and Authority employees claimed that, due to changes in retiree healthcare arising under the 2007 CBA, the Authority, the Retirement Plan and the RHCT breached certain contractual and constitutional obligations to provide retiree healthcare benefits. In May 2015, the parties argued all issues in the case before the Illinois Supreme Court, which issued its opinion on May 5, 2016 holding that Class I retirees (hired before September 5, 2001 and retired before January 1, 2007) have standing to challenge the enforceability of the 2007 CBA as it relates to retiree healthcare benefits but that other employees lacked such standing. The Court dismissed any remaining claims against the Authority, while the claims against the Retirement Plan and RHCT were remanded to the Circuit Court for further proceedings. Any judgment against the RHCT would have no impact against the Authority. The Circuit Court recently ruled that the RHCT must fully indemnify the Retirement Plan for any losses related to the litigation, including the Retirement Plan's attorneys' fees. *See* "—Background Information Regarding the Retirement Plan—*Determination of Authority's Contributions*."

Investigations. There are currently no known material investigations involving the Retirement Plan or the RHTC. Routine audits are in process.

Labor Relations. There are currently no known labor relations matters that would impact the Retirement Plan or the RHCT.

APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following information concerning DTC has been furnished by DTC for use in this Official Statement. Neither the Authority nor the Underwriters are responsible for its accuracy or completeness.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2020B Refunding Bonds. The Series 2020B Refunding Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Refunding Bond certificate will be issued for each maturity of the Series 2020B Refunding Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com*.

Purchases of Series 2020B Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020B Refunding Bonds on DTC's records. The ownership interest of each actual purchaser of each Refunding Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020B Refunding Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2020B Refunding Bonds, except in the event that use of the book-entry system for the Series 2020B Refunding Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020B Refunding Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020B Refunding Bonds with DTC and their registration in the name of Cede & Co. or such other DTC Nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020B Refunding Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020B Refunding Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2020B Refunding Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020B Refunding Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Refunding Bond documents. For example, Beneficial Owners of Series 2020B Refunding Bonds may wish to ascertain that the nominee holding the Series 2020B Refunding Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2020B Refunding Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2020B Refunding Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2020B Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2020B Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Authority or the Trustee, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2020B Refunding Bonds purchased or tendered, through its Participant, to the tender agent, and shall effect delivery of such Series 2020B Refunding Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2020B Refunding Bonds, on DTC's records, to the tender agent. The requirement for physical delivery of Series 2020B Refunding Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2020B Refunding Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2020B Refunding Bonds to the tender agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2020B Refunding Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2020B Refunding Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Refunding Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO. OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR PURCHASE PRICE OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2020B REFUNDING BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BENEFICIAL OWNERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2020B REFUNDING BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

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APPENDIX H

PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL

FORM OF OPINIONS OF CO-BOND COUNSEL
$534,005,000 CHICAGO TRANSIT AUTHORITY
SALES TAX RECEIPTS REVENUE BONDS, SERIES 2020B (TAXABLE)

September 3, 2020

The Chicago Transit Board of the Chicago Transit Authority
Chicago, Illinois

U.S. Bank, National Association
Chicago, Illinois

Re: $534,005,000 Chicago Transit Authority
Sales Tax Receipts Revenue Refunding Bonds, Series 2020B (Taxable)

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $534,005,000 aggregate principal amount of Sales Tax Receipts Revenue Refunding Bonds, Series 2020B (Taxable) (the "*Bonds*") of the Chicago Transit Authority, a political subdivision, body politic and municipal corporation of the State of Illinois (the "*Authority*") duly organized and existing under the Metropolitan Transit Authority Act, 70 Illinois Compiled Statutes 3605 (the "*Act*"). The Bonds are authorized and issued under and pursuant to the Act and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of Ordinance Number 020-028 adopted by the Chicago Transit Board on April 8, 2020 (the "*Bond Ordinance*"). The Bonds are issued and secured under the a Trust Indenture dated as of March 1, 2010 (the "*2010 Indenture*") with U.S. Bank National Association, Chicago, Illinois, as trustee (the "Trustee") and a Fourth Supplemental Trust Indenture, dated as of September 1, 2020 (the "Fourth Supplemental Indenture," and together with the 2010 Indenture, the "Indenture"). The Bonds are First Lien Bonds and First Lien Parity Obligations under the Indenture.

The Bonds are dated September 3, 2020 and bear interest from their date payable on December 1, 2020 and semiannually thereafter on each June 1 and December 1. The Bonds mature on December 1 in each of the following years in the respective principal amount set opposite each such year in the following table and bear interest at the respective rate of interest per annum set forth opposite such principal amount:

Year	Principal Amount ($)	Interest Rate (%)
2022	21,795,000	1.708
2023	22,170,000	1.838
2024	22,590,000	2.064
2025	23,060,000	2.214
2026	23,565,000	2.481
2027	24,160,000	2.731
2028	24,825,000	2.952
2029	25,560,000	3.052
2030	26,345,000	3.102
2031	27,175,000	3.302
2032	28,075,000	3.402
2033	29,030,000	3.502
2034	30,055,000	3.552
2035	31,130,000	3.602
2040	174,470,000	3.912

The Bonds are subject to redemption prior to maturity at the option of the Authority, on any business day, in whole or in part, and if in part from such maturities and interest rates as shall be determined by the Authority at a "make-whole optional redemption price" calculated pursuant to, and otherwise in the manner as set forth in, the Fourth Supplemental Indenture.

The Bonds maturing on December 1, 2040 in the original principal amount of $174,470,000 are term bonds subject to mandatory redemption in accordance with the provisions of the Indenture and the Fourth Supplemental Indenture, in part and pro rata, at a redemption price equal to the principal amount thereof to be redeemed, by the application of annual sinking fund installments on December 1 of the years and in the principal amounts set forth in the following tables:

2040 Term Bonds

Year	Principal Amount
2036	$32,255,000
2037	$33,525,000
2038	$34,845,000
2039	$36,210,000
2040*	$37,635,000

Pursuant to the Indenture the Authority has previously issued bonds (the "*Outstanding Bonds*") that are Parity Obligations. The Bonds, the Outstanding Bonds and all other Parity Obligations hereafter issued or incurred under the Indenture are ratably and equally entitled to the benefits and security of the Indenture, including the pledge of the Trust Estate under the Indenture. The Trust Estate includes (a) the Sales Tax Receipts Fund held by the Authority, subject however to the PBC Parity Rights Pledge (as defined in the Indenture) and the parity pledge and lien created with respect to the Pension and Retirement Debt Obligations (as defined in the Indenture); and (b) the Debt Service Fund held by the Trustee under the Indenture, subject to the allocation of the Debt Service Fund into dedicated sub-funds, including the Series 2020B Dedicated Sub-Fund established and maintained for the benefit of the Bonds under the Fourth Supplemental Indenture.

The Act provides that the Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois or any political subdivision of the State (other than the Authority) or of any municipality within the State, nor shall any Bond be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision.

Based upon our examination of said record of proceedings, we are of the opinion that:

1. The Authority has all requisite power and authority under the Constitution and the laws of the State of Illinois to adopt the Bond Ordinance, to enter into the Indenture and the Fourth Supplemental Indenture, to issue the Bonds thereunder, and to perform all of its obligations under the Bond Ordinance, the Indenture and the Fourth Supplemental Indenture in those respects.

2. The Bond Ordinance has been duly adopted by the Chicago Transit Board and is in full force and effect.

3. The Indenture and the Fourth Supplemental Indenture have been duly authorized, executed and delivered by the Authority and constitute valid and binding contractual obligations of the Authority enforceable in accordance with their terms.

4. The Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the Authority payable from the Series 2020B Dedicated Sub-Fund, are entitled to the benefits and security of the Indenture and the Fourth Supplemental Indenture, and are enforceable in accordance with their terms.

5. All First Lien Parity Obligations, including the Bonds, are ratably and equally secured under the Indenture by the pledges and assignments created by the Indenture, including the pledge of the Trust Estate. The Indenture creates a valid pledge of and lien on the Trust Estate for the benefit and security of all First Lien Parity Obligations, subject to application of the Trust Estate in accordance with the terms of the Indenture, including periodic withdrawals of moneys free from the lien of the Indenture.

6. Interest on the Bonds is not exempt from federal income taxes.

7. Interest on the Bonds is not exempt from Illinois income taxes.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Bonds, the Indenture and the Fourth Supplemental Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Very truly yours,

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APPENDIX I

REFUNDED BONDS

Series	CUSIP	Maturity	Coupon	Refunded Par	Call Date	Call Price
2011	16772PAR7	12/01/2021	5.00%	$14,090,000	-	
2011	16772PAS5	12/01/2022	5.00%	14,800,000	12/01/2021	100
2011	16772PAT3	12/01/2023	5.25%	15,540,000	12/01/2021	100
2011	16772PAU0	12/01/2024	5.25%	16,360,000	12/01/2021	100
2011	16772PAV8	12/01/2025	5.25%	17,220,000	12/01/2021	100
2011	16772PAW6	12/01/2026	5.25%	18,120,000	12/01/2021	100
2011	16772PAX4	12/01/2027	5.25%	19,075,000	12/01/2021	100
2011	16772PAY2	12/01/2028	5.25%	20,080,000	12/01/2021	100
2011	16772PAZ9	12/01/2029	5.25%	21,135,000	12/01/2021	100
2011	16772PBA3	12/01/2030	5.25%	22,250,000	12/01/2021	100
2011	16772PBB1	12/01/2031	5.25%	23,425,000	12/01/2021	100
2011	16772PBC9	12/01/2036	5.25%	136,940,000	12/01/2021	100
2011	16772PBD7	12/01/2040	5.25%	137,870,000	12/01/2021	100

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CHICAGO TRANSIT AUTHORITY • SALES TAX RECEIPTS REVENUE REFUNDING BONDS, SERIES 2020B (TAXABLE)

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