



City of Chicago



O2015-5347

Office of the City Clerk

Document Tracking Sheet

Meeting Date:	7/29/2015
Sponsor(s):	Emanuel (Mayor)
Type:	Ordinance
Title:	Amendment of Municipal Code Chapter 2-32 by modifying Section 520 and adding Sections 525 and 610 regarding investment policy
Committee(s) Assignment:	Committee on Finance

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OFFICE OF THE MAYOR
CITY OF CHICAGO

RAHM EMANUEL
MAYOR

July 29, 2015

TO THE HONORABLE, THE CITY COUNCIL
OF THE CITY OF CHICAGO

Ladies and Gentlemen:

At the request of the City Treasurer, I transmit herewith an ordinance amending various provisions of the Municipal Code regarding investment policy.

Your favorable consideration of this ordinance will be appreciated.

Very truly yours,

Mayor

ORDINANCE

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

SECTION 1. Chapter 2-32 of the Municipal Code of Chicago is hereby amended by adding sections 2-32-525 and 2-32-610, by adding the language underscored and by deleting the language struck through, as follows:

2-32-520 Authorized classes of securities.

The comptroller and treasurer jointly shall have authority to use any and all funds in the city treasury which are set aside for use for particular purposes and not immediately necessary for such purposes, for the purchase of the following classes of securities:

(Omitted text is unaffected by this ordinance)

(d) Commercial paper which: (1) at the time of purchase is rated in the two highest classification classifications by at least two accredited ratings agencies; and (2) matures not more than 270 days after the date of purchase;

(e) Reverse repurchase agreement agreements if: (1) the term does not exceed 90 days; (2) ~~and~~ the maturity of the investment acquired with the proceeds of the reverse repurchase agreement does not exceed the expiration date of the reverse repurchase agreement; and (3) at the time of purchase, the total amount of the reverse repurchase agreements held in all funds does not exceed 5 percent of the total holdings across all funds. Reverse repurchase agreements may be transacted with primary dealers and financial institutions, provided that the city has on file a master repurchase agreement;

(Omitted text is unaffected by this ordinance)

(l) (1) Bonds of companies organized in the United States with assets exceeding \$500,000,000 that, at the time of purchase, are rated not less than A-, or equivalent rating, ~~within 4 intermediate credit ratings of the United States's sovereign credit rating~~ by at least two accredited ratings agencies, ~~but not less than an A-rating, or equivalent rating.~~ Investments authorized by this subsection (l) shall, at the time of purchase, not exceed ~~45~~ 25 percent of the total holdings across all the funds, ~~including principal and interest,~~ and the maturity shall not exceed ~~40~~ 30 years;

(2) Bonds authorized by subsection (l)(1) where the principal is guaranteed with underlying assets such as bonds, currencies, and commodities. Bonds authorized by this subsection (l)(2) shall, at the time of purchase, not exceed 5 percent of the total holdings across all funds;

(Omitted text is unaffected by this ordinance)

(n) United States dollar denominated debt instruments of foreign sovereignties that, at the time of purchase, are rated within 4 intermediate credit ratings of the ~~United States's~~ States sovereign credit rating by at least two accredited ratings agencies, but not less than an A-rating or equivalent rating. The investments authorized by this subsection (n) shall, at the time of purchase, not exceed 5 percent of the total holdings across all funds, ~~including principal and interest~~ and the maturity shall not exceed ~~40~~ 30 years;

(o) 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 city or held under a custodial agreement at a bank. The bonds shall be rated, at the time of purchase, ~~within 4 intermediate credit ratings of the United States's sovereign credit rating~~ not less than A-, or equivalent rating, by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions, ~~but not less than an A-rating or equivalent rating~~. The maturity of the bonds authorized by this subsection (o) shall, at the time of purchase, ~~not exceed 10 years; provided that a longer maturity is authorized if the city has a put option to tender the bonds within 10 years from the date of purchase.~~ The bonds authorized by this subsection shall, at the time of purchase: (1) not have a maturity of more than 30 years from the date of purchase; and (2) not exceed 25 percent of the total holdings across all funds; provided that bonds linked to infrastructure projects shall not exceed 5 percent of the total holdings across all funds;

(p) Bonds registered and regulated by ~~Security~~ the Securities and Exchange Commission and for which the full faith and credit of the State of Israel is pledged for payment of ~~principal and interest~~; provided that the bonds have an A-rating or above or equivalent rating by at least two accredited ratings agencies. The bonds authorized by this subsection (p) shall, at the time of purchase, not exceed 1 percent of the total holdings across all funds, ~~including principal and interest~~, and the maturity shall not exceed ~~10~~ 30 years;

(q) Bonds, notes, debentures, or other similar obligations of agencies of the United States rated, at the time of purchase, no less than AAA by at least two accredited rating agencies.

All securities so purchased, excepting the bonds authorized in subsection (o) and tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation of the city purchased under subsection (c), shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within ~~ten~~ 30 years from the date of purchase.

Except as provided in subsection (l)(2), neither ~~Neither~~ the comptroller nor treasurer shall have authority, without the approval of the city council, to (i) invest in financial agreements whose returns are linked to or derived from the performance of some underlying asset such as bonds, currencies or commodities, or (ii) borrow against or otherwise obligate city investments for the purpose of investment, other than for purposes of a security lending transaction conducted under Section 2-32-575.

2-32-525 Minimum Credit Quality

The total holdings across all funds held by the treasurer shall have no less than an overall average rating of Aa1 on a quarterly basis, as rated by two accredited rating agencies.

2-32-610 Treasurer's Reviews and Reports Reserved.

(a) The treasurer shall conduct a review on a monthly basis of the current total holdings across all funds, including cash positions; portfolios, mark to market valuations; credit quality for each security; and additional compliance issues.

(b) The treasurer shall, on or before the first day of February of each year, submit a report to the city council that details the performance of the total holdings across all funds held by the treasurer's office, including asset allocation, cash position and overall credit quality as of December 31 of the preceding year.

(c) The treasurer shall, on or before the first day of February of each year, submit a report to the city council on the written investment policy for compliance as of December 31 of the preceding year, and present any recommendations for changes.

SECTION 2. This ordinance shall take effect upon its passage and approval.