Office of the Chicago City Clerk

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City Council Document Tracking Sheet

Meeting Date:	9/8/2011
Sponsor(s):	Rahm Emanuel
Type:	Ordinance
Title:	Title 2-32-520 of Municipal Code regarding diversification of City investments
Committee(s) Assignment:	Committee on Finance

FIN.

OFFICE OF THE MAYOR

CITY OF CHICAGO

RAHM EMANUEL
MAYOR

September 8, 2011

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

Ladies and Gentlemen:

At the request of the Treasurer, I transmit herewith an ordinance amending Section 2-32-520 of the Municipal Code regarding diversification of City investments.

Your favorable consideration of this ordinance will be appreciated.

Very truly yours,

Rahm Emanuel

Mayor

ORDINANCE

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

SECTION 1. Section 2-32-520 of the Municipal Code of Chicago is hereby amended 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:

(a) Interest-bearing general obligations of the United States and the State of Illinois;

(Omitted text is unaffected by this ordinance)

(f) Certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance; provided that any amount of the deposit in excess of the federal deposit insurance shall be either: (1) fully collateralized at least 102 percent by: (i) marketable United States government securities marked to market at least monthly; (ii) bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States; or (iii) bonds, notes or other securities constituting a direct and general obligation 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 which are rated in either the AAA or AA rating categories by at least two accredited ratings agencies and maintaining such rating during the term of such investment; or (2) secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment;

(g) Bankers acceptance of banks ~~and commercial paper of banks~~ whose senior obligations, at the time of purchase, are rated in ~~the top two rating categories by two national rating agencies~~ either the AAA or AA rating categories by at least two accredited ratings agencies ~~and maintaining such rating during the term of such investment~~;

(h) Tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the city's tax-exempt debt obligations;

(i) Domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission; provided that such money market mutual funds' portfolios are limited to investments authorized by this section;

(j) Any other suitable investment instrument permitted by state laws governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds;

(k) Except where otherwise restricted or prohibited, a non-interest-bearing savings account, non-interest-bearing checking account or other non-interest bearing demand account established in a national or state bank, or a federal or state savings and loan association, when, in the determination of the treasurer, the placement of such funds in the non-interest bearing account is used as compensating balances to offset fees associated with that account that will result in cost savings to the city~~.~~;

(l) Bonds of companies organized in the United States with assets exceeding $500,000,000 that, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies. Investments authorized by this subsection (l) shall, at the time of purchase, not exceed 5% of the total holdings across all the funds, including principal and interest, and the maturity shall not exceed 10 years;

(m) Debt instruments of international financial institutions, including but not limited to the World Bank and the International Monetary Fund, that, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies. Investments authorized by this subsection (m) shall, at the time of purchase, not exceed 10% of the total holdings across all the funds, including principal and interest, and the maturity shall not exceed 10 years. For purposes of this subsection (m), an "international financial institution" means a financial institution that has been established or chartered by more than one country and the owners or shareholders are generally national governments or other international institutions such as the United Nations;

(n) United States dollar denominated debt instruments of foreign sovereignties that, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies. The investments authorized by this subsection (n) shall, at the time of purchase, not exceed five percent of the total holdings across all funds, including principal and interest and the maturity shall not exceed 10 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 the 5 highest rating categories 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 (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.

All securities so purchased, excepting the bonds authorized in subsection (o) and the 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 years from the date of purchase.

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.

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