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Legislation Details (With Text)

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File created:	6/22/2016	**In control:**	City Council
		Final action:	
Title:	Amendment of Municipal Code Section 2-32-520 and addition of Section 2-32-615 regarding authorized classes of securities for investment of City funds and required training policy		
Sponsors:	Emanuel, Rahm		
Indexes:	Ch. 32 Dept. of Finance		
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Date	Ver.	Action By	Action	Result
5/29/2019	1	City Council	Failed to Pass	
6/22/2016	1	City Council	Referred	

OFFICE OF THE MAYOR

CITY OF CHICAGO

RAHM EMANUEL
MAYOR

June 22, 2016

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

Ladies and Gentlemen:

At the request ofthe City Treasurer, I transmit herewith an ordinance amending Chapter 2-32 ofthe Municipal Code regarding investment policy.

Your favorable consideration of this ordinance will be appreciated.
Mayor

Very truly yours,

ORDINANCE

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

SECTION 1. Section 2-32-520 ofthe Municipal Code is amended by adding the underscored text and deleting the struck-thought text, 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 ofthe United States and the State of Illinois;

(b) United States treasury bills and other non-interest bearing general obligations of the United States or United States government agencies when offered for sale at a price below the face value of same, so as to afford the city a return on such investment in lieu of interest;

(c) Tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation issued by the City of Chicago, the Chicago Board of Education, the Chicago Housing Authority, the Chicago Park District, the Chicago Transit Authority, and the City Colleges of Chicago;

(d) Commercial paper which: (1) at the time of purchase, is rated in the two highest 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 if: (1) the term does not exceed 90 days; (2) 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;

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 ofthe 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; or (3) fully collateralized at least 102 percent by an irrevocable letter of credit issued in favor of the City of Chicago by the Federal Home Loan Bank, provided that the Federal Home Loan Bank's short-term debt obligations are rated in the highest rating category by at least one accredited ratings agency throughout the term ofthe certificate of deposit;

g) Bankers acceptance of banks whose senior obligations, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies;

h) Tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds ofthe 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 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;

(1) (1) Bonds of companies organized in the United States with assets exceeding ~~$500,000.000~~ $1.000,000.000 that, at the time of purchase, are rated not less than two classes above investment grade A-, or equivalent rating, by at least two accredited ratings agencies. Investments authorized by this subsection (1) shall, at the time of purchase, not exceed 30 2$ percent ofthe total holdings across all funds (with no more than 30 percent ofthe total portfolio authorized by this subsection (1)(1) invested in any one market sector, out of a total market sector pool consisting of finance, energy, technology, consumer products, manufacturing, healthcare and transportation) and the maturity shall not exceed 30 years;

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

(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 within 4 intermediate credit ratings of the United States^ 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 (m) shall, at the time of purchase, not exceed 10 percent ofthe 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 within 4 intermediate credit ratings of the United 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, and the maturity shall not exceed 30 years;

(o) In addition to debt issued by the governmental entities set forth in subsection (c) of this section, interest-bearing ~~Interest bearing~~ bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, ofthe 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 authorized by this subsection shall be rated, at the time of purchase, 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. 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 the Securities and Exchange Commission and for which the full faith and credit of the State of Israel is pledged for payment; 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, and the maturity shall not exceed 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;

(r) Asset-backed or agency mortgage-backed securities, any of which are rated at least investment grade by at least two accredited rating agencies, but no funds may be invested in: (1) obligations the payment of which represents the coupon payments on the outstanding principal balance ofthe underlying mortgage-backed security collateral that pays no principal (e.g., MBS Interest-Only Strips); (2) obligations the payment of which represents the principal balance repayments from the underlying mortgage-backed security collateral that pays no interest (e.g., MBS Principal-Only Strips); (3) collateralized mortgage obligations ("CMOs") that have a stated final maturity date of greater than 10 years; and (4) CMOs the interest rate of which is

determined in a manner that adjusts in the opposite direction to the changes in a market index (e.g.. Inverse Floating Rate CMOs). Investments in asset-backed or agency mortgage-backed securities shall not exceed 5 percent of the total holdings across all funds;

(s) [Investment instruments used to promote sustainable local economic growth]

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 30 years from the date of purchase.

Except as provided in subsection (r) and (1)(2), 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. The Municipal Code is amended by adding a new section 2-32-615 as follows: 2-32-615

Training.

Those persons under the supervision of the Treasurer who are authorized to execute investment transactions shall attend at least one investment training session within 12 months after assuming their duties and shall receive not less than 10 hours of instruction relating to investment responsibilities during a two-year period that begins on the first day of the City's fiscal year following the initial 10 hours of instruction and consists of the two consecutive fiscal years after that date. The Treasurer is authorized to engage an independent third party with no preexisting contractual relationship with the Treasurer's office to provide this training, which shall include education in investment controls, security risks, market risks, diversification of investment portfolio and compliance with applicable laws. Any failure to comply with this Section 2-32-615 shall not invalidate any investment transaction undertaken by any person under the supervision ofthe Treasurer.

SECTION 3. This ordinance shall be in force and effect upon its passage and approval.