



# Office of the City Clerk

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## Legislation Text

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### OFFICE OF THE MAYOR

CITY OF CHICAGO

RAHM EMANUEL  
MAYOR

July 26, 2017

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 terms of the Catalyst Fund.

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(r) of the Municipal Code of Chicago is hereby amended by deleting the language stricken through and by inserting the language underscored, as follows:

## 2-32-520 Authorized investments.

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 investments:

*(Omitted text is unaffected by this ordinance)*

(r) Interests in the CCCF as established by Section 2-32-6252 of this Code that inure to the benefit of neighborhood economic development ~~while generating~~ and which, in the aggregate, generate returns that are commensurate with the City's overall investment portfolio returns; provided that the amount of City funds invested in interests in the CCCF pursuant to this subsection shall not exceed the limits specified in Section 2-32-622(e) of this Code.

(1) For the purposes of this subsection, the following definitions shall apply:

"Annual Limit" shall mean the positive difference, if any, between the actual amount of investment earnings for the prior year on funds in the Corporate Fund not subject to Other Investment Restrictions and the budgeted amount of such investment earnings.

"Eligible Funds" shall mean: (1) any Gify funds in the Corporate Fund and/or in the Service Reserve and Concession Fund ~~the Treasurer is authorized to invest~~ which are not subject to Other Investment Restrictions as determined jointly by the Comptroller and the Treasurer; and (2) any funds in the Corporate Fund or in the Service Reserve and Concession Fund, in either case which are subject to Other Investment Restrictions but only to the extent permitted by the applicable Other Investment Restrictions. Eligible Funds shall not include any proceeds of City debt obligations or any monies in any City enterprise fund.

"Other Investment Restrictions" shall mean restrictions on eligible investments for City funds pursuant to federal law, state law, City ordinances (other than this section), or existing City contracts as determined jointly by the Comptroller and the Treasurer.

(2) Commencing in 204-920, in each year, Eligible Funds may be transferred to the CCCF from time to time, provided that the aggregate amount of such transfers during a year shall not exceed the Annual Limit for such year.

*(Omitted text is unaffected by this ordinance)*

SECTION 2. Section 2-32-622 of the Municipal Code of Chicago is hereby amended by deleting the language stricken through and by inserting the language underscored, as follows:

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## 2-32-622 Neighborhood economic development investments - Chicago Community Catalyst Fund.

a) Establishment. An investment vehicle is hereby established to be known as the Chicago Community Catalyst Fund (the "CCCF") into which City funds may be invested as described in Section 2-32-520(r) and this section.

i) The Treasurer, the Chief Financial Officer, the Comptroller, and the Corporation Counsel are each authorized and directed to take such steps, including the expenditure of duly appropriated funds, as may be necessary to provide organizational, governance, and administrative structure to the CCCF as a separate legal

entity and to register, to the extent required, the CCCF as a qualified investment vehicle for the receipt and investment of both City and private investment funds.

ii) The transfer of City funds to the CCCF shall be conditioned upon adherence to this section.

iii) Prior to the CCCF's initial investment of monies in any Investment Fund (as defined in subsection (f) below), the Treasurer shall issue a report to the City Council on the organizational and administrative structure of the CCCF.

iv) The CCCF shall not issue debt on behalf of the City.

b) Purpose. The purpose of the CCCF is:

i) To invest its funds in one or more Investment Funds which will in turn invest their funds in businesses or organizations ("Project Investments") to achieve one or more of the following goals in the 77 community areas designated in Section 1-14-010 of this Code (the "Community Areas"): (1) sustain local economic growth; (2) support improvements to public infrastructure; (3) stimulate job creation and development; (4) catalyze commercial, residential and industrial growth and development in economically underserved Community Areas; (5) increase attractiveness for job creation and retention; and (6) increase accessibility for Community Areas to capital funding.

ii) To enable investment funds from other investors ("Other Investors") to be invested in one pooled investment vehicle to increase the overall amount of capital available for economic development throughout the City.

(iii) To generate returns commensurate with the City's overall investment portfolio returns.

c) *Governance.*

(i) The CCCF shall be directed and administered by a Board of Directors (or managers) (the "Board") that consists of seven (7) voting members ("Voting Members") chaired by the Treasurer. The Voting Members shall include, ex-officio, the Treasurer, the Chief Financial Officer, and the Commissioner of Planning and Development (collectively, the "Ex Officio Voting Members").

Four (4) additional Voting Members shall be appointed as follows: the Treasurer shall submit a list often (10) recommended Board members to the Mayor. Such recommended Board members shall have substantial expertise and experience in one or more of the following areas:

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oversight and management of investments: asset management; community loan fund or microfinance investing; economic development: social impact investing; infrastructure; and transactional experience related to investing. The Mayor shall in his sole discretion identify and appoint the CCCF's four (4) additional Voting Members. In making his appointments, the Mayor shall not be limited to, but shall give due consideration to, the individuals on the list submitted by the Treasurer. The Mayor's appointments shall be subject to approval by the City Council.

The number of Voting Members may increase as necessary to include future Other Investors ("Investor Voting Members") of the CCCF as determined by the Board. Investor Voting Members shall be confirmed by a majority vote of the Voting Members which shall include any Investor Voting Members previously confirmed at a meeting in which a quorum is present as designated in the CCCF's bylaws. The total number of Voting Members may increase to a maximum of thirteen (13) to include such Investor Voting Members. Investor

Voting Members shall serve for the duration of their investment with the CCCF.

The Voting Members, excluding Ex Officio Voting Members and Investor Voting Members, initially appointed pursuant to this subsection (c) shall serve for the following terms as directed in the CCCF's bylaws: two members for a term commencing with the ~~incorporation of the CCCF~~ date of appointment of such members and ending on December 31, 2018; and two members for a term commencing with the ~~incorporation of the CCCF~~ date of appointment of such members ending on December 31, 2019. Thereafter, Voting Members, excluding Ex Officio Voting Members and Investor Voting members, shall serve for a term of three years. Voting Members, excluding Ex Officio Voting Members and Investor Voting Members, may be re-appointed by the Mayor but such re-appointment shall be approved by the City Council.

Each Voting Member appointed pursuant to this subsection (c) will serve until his or her successor is duly qualified and appointed. In the event of any vacancy in the position of any Voting Member (excluding Ex Officio Voting Members and Investor Voting Members), such vacancy shall be filled using the procedure described in the second paragraph of this subsection (c). Any appointment and associated City Council approval of Voting Members subsequent to the appointment of the initial Voting Members shall occur within one year of any vacancy created. Voting Members will not receive a salary for their service on the Board and will be compensated only for reasonable out-of-pocket expenses. Voting Members, excluding Ex Officio Voting Members and Investor Voting Members, will be subject to removal for cause by the Mayor.

(ii) A non-voting Advisory Board shall also be established that shall consist of seven (7) members (the "Advisory Board Members"). The Advisory Board shall consist of three (3) members of the City Council, selected by that body (the "City Council Advisory Board Members"), and four (4) other members, appointed by the Board by majority vote at a meeting in which a quorum of Voting Members is present.

The Advisory Board Members, excluding City Council Advisory Board Members, shall serve for the following terms as directed in the CCCF's bylaws: two members for a term commencing with the ~~incorporation of the CCCF~~ date of appointment of such members and ending on December 31, 2018; and two members for a term commencing with the ~~incorporation of the CCCF~~ date of appointment of such members and ending on December 31, 2019. Thereafter, Advisory Board Members, excluding City Council Advisory Board Members, shall

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serve for a term of three years. Each Advisory Board Member appointed pursuant to this subsection (c) will serve until his or her successor is duly qualified and appointed. In the event of any vacancy in the position of any Advisory Board Member (excluding City Council Advisory Board Members), such vacancy shall be filled using the procedure described in the immediately preceding paragraph above. If at any time any City Council Advisory Board Member shall cease to be a member of the City Council, his or her term as a City Council Advisory Board Member shall also cease and a member of the City Council shall be appointed to serve the remainder of such City Council Advisory Board Member's term.

The members of the Advisory Board shall be representative of the diversity of the Community Areas. The Advisory Board shall provide guidance to the Board to ensure that the CCCF's investment strategy remains aligned with its original purpose.

(iii) The Board shall adopt bylaws setting forth the CCCF's governance and administration by majority vote of the Voting Members at a meeting in which a quorum is present.

d) *Conflict of interest.*

i) Any Voting Member or Advisory Board Member who has a Financial Interest in any entity (an "Affiliated Entity") that is being considered by the CCCF ~~to perform work for the CCCF~~, to receive funds from the CCCF (whether directly as an Investment Fund or indirectly as a Project Investment), shall recuse himself or herself from any vote or debate of the Board regarding ~~said entity~~ such Affiliated Entity. For purposes of this section, the term "Financial Interest" shall be defined as ~~provided in Chapter 2-156 of this Code~~ an interest held in an Affiliated Entity by such Voting Member or Advisory Board Member that is valued or capable of valuation in monetary terms with a current value of more than \$1,000. All Voting Members and Advisory Board Members owe the CCCF a fiduciary duty (with the Ex Officio Voting Members having a primary fiduciary duty to the City), and accordingly are strictly prohibited from making decisions or recommendations on behalf of the CCCF for personal financial gain; provided, however, that this prohibition shall not apply to any personal financial gain of an Investor Voting Member arising from the investment in the CCCF of the funds of such Investor Voting Member or of an Other Investor whose investment of funds in the CCCF is represented on the Board by such Investor Voting Member.

ii) No Investment Fund shall invest in any Project Investment in which, to the knowledge of the Investment Fund, any Voting Member or Advisory Board Member has a Financial Interest; provided, however, that this prohibition shall not apply to any personal financial gain of an Investor Voting Member arising from the investment in the CCCF of the funds of such Investor Voting Member or of an Other Investor whose investment of funds in the CCCF is represented on the Board by such Investor Voting Member.

(iii) No Other Investor, Voting Member or Advisory Board Member shall be retained by the CCCF to perform work for the CCCF.

e) Funding. Eligible Funds (as defined in Section 2-32-520(r) of this Code) may be transferred to the CCCF in amounts and at times as follows:

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(i) Initial funding period. During, the period commencing on the effective date of this section and ending December 31, 201&9 ~~(the "Initial Funding Period")~~, amounts of Eligible Funds may be transferred to the CCCF as follows:

A) In fiscal year 20167, or as soon as practicable thereafter, the Treasurer may transfer Eligible Funds ~~from the Corporate Fund~~ to the CCCF in an amount up to ~~the sum of (4)>\$3550,000,000 plus (2) the Annual Limit (as defined in Section 2-32-520(r) of this Code) for 2016.~~

B) In fiscal year 20178, the Treasurer may transfer Eligible Funds (which may include, subject to subsection (e)(iii) below, up to \$37,500,000 of funds in the Service Concession and Reserve Fund) to the CCCF in an amount up to the greater of (1) \$3425,000,000 or (2) the Annual Limit for 20178.

C) In fiscal year 201&9, the Treasurer may transfer Eligible Funds (which may include, subject to subsection (e)(iii) below, up to \$37,500,000 of funds in the Service Concession and Reserve Fund) to the CCCF in an amount up to the greater of (1) \$5025,000,000 or (2) the Annual Limit for 201\*9.

ii) Ongoing funding. In fiscal year 204-920 and thereafter, the Treasurer may transfer to the CCCF in each year Eligible Funds to the CCCF in an amount up to the Annual Limit for such year.

iii) Maximum limit on use of funds in the Service Concession and Reserve Fund. The aggregate amount of funds transferred from the Service Concession and Reserve Fund to the CCCF ~~pursuant to subsection (e)(i) or (e)(ii) above~~ may not exceed \$37,500,000.

iv) Returns. At the discretion of the Treasurer, investment earnings on Eligible Funds previously transferred to the CCCF may be reinvested by the Treasurer in the CCCF.

v) Limit for expenses. Up to five percent (5%) of each transfer of Eligible Funds pursuant to this subsection (e) may be expended on the costs of CCCF's initial organization, governance and administration.

(!) Authorized investments. The CCCF shall adopt a fund-of-funds investment strategy by investing CCCF assets with persons or entities (each, an "Investment Fund") with proven track records and qualified as one or more of the following: (1) an investment manager duly registered with the Securities and Exchange Commission; (2) a registered investment adviser under the Illinois Securities Law of 1953; (C) a community development financial institution certified by the United States Department of the Treasury; (D) a bank, as defined in the Investment Advisers Act of 1940; or (E) a manager of assets pursuant to the terms of an agreement with a limited liability company, limited liability partnership, commingled investment fund, collective investment fund, or such other similar investment vehicle, provided that the investment manager of such investment vehicle qualifies under (A) through (D) of the above. Each Investment Fund shall invest its funds in Project Investments, which may include debt or equity, and shall administer its investments. The CCCF's bylaws shall set forth a process for selecting Investment Funds. The CCCF shall invest its funds in Investment Funds in accordance with the following:

(i) All Project Investments by Investment Funds shall be made within one or more of the Community Areas, with priority given to Investment Funds that will make direct investments in

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Project Investments located in census tracts that are eligible for Community Reinvestment Act credit.

ii) No investment of CCCF funds in any Investment Fund shall be made without the affirmative vote of a majority of the Voting Members present at a meeting of the Board in which a quorum is present.

iii) Investments of CCCF funds shall be made in Investment Funds focused on real estate, infrastructure improvements, commercial developments, or small business investments in one or more of the Community Areas.

iv) In total, no more than twenty percent (20%) of the Eligible Funds transferred to the CCCF may be invested by the CCCF in any single Investment Fund.

v) No single Project Investment may receive an amount exceeding twenty percent (20%) of one Investment Fund's investment allocation from the CCCF.

### g) *Reporting.*

i) Investment Funds which receive CCCF investment capital shall make a quarterly report to the Board detailing investment performance.

ii) The Treasurer shall report on the CCCF's performance (including a description of (1) amounts of

Eligible Funds transferred by the Treasurer to the CCCF, (2) names of Other Investors and the amounts of such Other Investors' investments therein, (3) identity of Investment Funds receiving CCCF funds and amounts so invested therein, and (4) identity of Project Investments made by Investment Funds and amounts invested by the Investment Funds therein) to the City Council on an annual basis and such report shall be published.

h) Administration. In furtherance of organizing and administering the CCCF, the Board may retain staff and enter into and execute service agreements with outside providers for legal, investment management, accounting, audit and consultant expertise, including the expenditure of funds as shall be necessary or advisable in connection with such retention and execution. The Board is authorized to enter into investment agreements with Other Investors and with Investment Funds.

(i) Conditions to receipt of CCCF investment capital. As a condition to the execution and delivery of any agreements authorized by this Section 2-32-62-52, such agreements will provide for the following:

i) The Board will, consistent with the purposes and objectives as described in this section, establish criteria for all investments received and made by the CCCF.

ii) The Board shall have no power to pledge the full faith and credit of the City nor shall any obligation issued by the CCCF in connection with any investment be a general obligation of the City.

(iii) The Board will require Investment Funds to provide information satisfactory to the Board regarding Project Investments and investment strategies.

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iv) The Board will be responsible for overseeing preparation and auditing of its financial statements, including full compliance with applicable generally accepted accounting principles.

v) The CCCF shall indemnify and hold harmless the Voting Members and the Advisory Board Members from and against all claims, demands, actions, suits, damages, liabilities, losses, settlements, judgments, costs and expenses (collectively, "Claims"), whether or not involving a third party claim, which arise out of or relate to their service on the Board, other than any Claim arising from the gross negligence or willful misconduct of any such Voting Member or Advisory Board Member.

(j) City Decisions and Actions. The City shall make decisions and take actions as an owner or member of the CCCF as follows:

i) amendments to the CCCF's articles of incorporation (or organization) shall be approved by a majority of the Ex Officio Voting Members;

ii) determinations, within the parameters set by Section 2-32-622(e)(i)-(iv), of the amount and timing of the transfers of Eligible Funds to the CCCF shall be made by the Mayor;

iii) the liquidation, bankruptcy, merger, or sale of all or a substantial portion of the assets of the CCCF shall be subject to City Council approval;

iv) any transfer of a portion of the City's ownership or membership interests in the CCCF shall be approved by a majority of the Ex Officio Voting Members; provided, however, notwithstanding the foregoing, any transfer of the City's entire ownership or membership interests in the CCCF shall be subject to City Council approval;

v) the withdrawal of the City as an owner or member of the CCCF shall be subject to City Council approval;

vi) the determination of where the CCCF's books and records are to be located shall be approved by a majority of the Ex Officio Voting Members; and.

vii) except as otherwise specified in this Section, any decision to be made by the City as an owner or member of the CCCF shall be done by a majority vote of the Ex Officio Voting Members.

SECTION 3. To the extent that any ordinance, resolution, rule, order or provision of the Municipal Code of Chicago, or part thereof, is in conflict with the provisions of this ordinance, the provisions of this ordinance shall control. If any section, paragraph, clause or provision of this ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this ordinance.

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SECTION 4. This ordinance takes effect upon passage and approval.