



Office of the City Clerk

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Legislation Text

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City Council November 13, 2019

Ordinance Chicago Municipal Banking Act

WHEREAS, the City of Chicago (the "City") is a home rule unit of local government under Article VII, Section 6(a) of the 1970 Constitution of the State of Illinois; and,

WHEREAS, the City may regulate for the protection of the public health, safety, morals and welfare; license; tax; and incur debt; and,

WHEREAS, the Illinois Banking Act outlines the powers to bank, as well as the process to incorporate and operate a bank; and,

WHEREAS, the Illinois General Assembly filed HB0454, otherwise known as the Community Banking Act, to expand banking powers to include a public banking entity; and,

WHEREAS, public banking efforts are occurring across the United States, including California, where public banking was recently legalized; and,

WHEREAS, the City has unique banking and debt issuance needs in order to effectively provide infrastructure and services to its residents and businesses; and,

WHEREAS, maintaining the public health, safety, morals and welfare of the City requires robust financial investment, economic policy, and planning efforts; and,

WHEREAS, the City has a budgeting revenue base of more than \$10 billion, which provides substantial deposits for a banking institution; and,

WHEREAS, 2020 Budget hearings revealed that the City holds more than \$800 million in reserve; and,

WHEREAS, S & P Global General Obligation Ratings (March 14, 2019) stated that Chicago has very strong liquidity, "with total government available cash at 21.1% of total governmental fund expenditures and 1.9x governmental debt service in 2017" (page 8); and,

WHEREAS, the City has substantial need to issue bonds and other debt instruments in order to maintain the public health, safety, morals and welfare; and,

WHEREAS, the residents and businesses of the City have a vested interest in the sound economic and financial operation of the City; and,

WHEREAS, the residents and businesses of the City have an ability for democratic oversight of the economic and financial operation of the City; and,

WHEREAS, the residents and businesses of the City will obtain more substantial democratic oversight of economic and financial operation of the City through a public banking enterprise operated by the City; and,

WHEREAS, through establishing a public banking enterprise the City will achieve more efficient and cost-effective delivery of financial services, and secure sources of revenue effective for robust protection of public health, safety, welfare and morals; and,

WHEREAS, the City has substantial financial tools and powers to establish a well-operated banking enterprise to provide financial security and ensure economic flourishing of its residents and businesses.

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

Section 1: The above recitals are incorporated herein and made a part hereof.

Section 2: Section 2-32 of the Municipal Code of Chicago is hereby amended by adding a new chapter 2-32-045, as follows:

Chapter 2-32-045: Municipal Banking for doing the Business of the City of Chicago

A) Purpose: This chapter shall be known and may be cited as the "Chicago Municipal Banking Act," and it shall be liberally construed to achieve its purposes, which is to provide the tools necessary to administer the depository needs of the City of Chicago; the bond issuance needs of the City of Chicago; the development finance goals of the City of Chicago; and any other financial or economic purpose necessary for conducting business for the City of Chicago.

B) Definitions

"Bank" shall have the definition as assigned by the Illinois Banking Act.

City of Chicago positions below, including "Chief Financial Officer," "City Council," "Clerk," "Committee on Finance," "Comptroller," and "Treasurer," shall have the meaning assigned by the Municipal Code of Chicago.

"Community Bank" shall have the intended meaning assigned by the proposed Illinois Community Banking Act, or some substantially similar public-owned, State operated banking institution.

"Cooperative" shall have the meaning assigned by the International Cooperative Alliance, as a business operated and democratically controlled by its membership of Owners to meet their common

needs and aspirations, including principles of voluntary, open ownership; democratic owner control; owner economic participation; autonomy

and independence; education, training, and information; cooperation among cooperatives; and concern for the community.

"Economic base" shall refer to the primary establishments or industries operating within the City of Chicago, to employ residents of the City of Chicago and its surrounding metropolitan region, and to produce direct, indirect, and induced economic benefits for the City of Chicago and its surrounding metropolitan region.

"Home Rule" shall have the meaning as assigned by the State of Illinois Constitution.

Investment terms below - such as "bond," "commodity," "commodity future," "currency," "debt," "derivative," "equities," "investment," "mortgage-backed securities," "savings," or "stock market," etc. - shall have the proper definition established by the Municipal Code of Chicago, especially pertaining to Chapter 2-32. If such definition does not exist, they shall be defined according to their proper definition by the United States Securities and Exchange Commission, Internal Revenue Service, or other relevant regulatory institution, or colloquial meaning in common financial publications (e.g., The Wall Street Journal; The Economist; Bloomberg; etc.). Where contradictory definitions exist, a restrictive definition of the activity shall take precedence.

"Municipality" shall have the definition as assigned by the Illinois Banking Act.

"United States Federal Government Agencies" shall include the U.S. Treasury, Federal Reserve system, and any related or succeeding agencies that perform substantially similar activities pursuant to the U.S. Constitution.

(C) Powers: The City of Chicago, under its home rule powers and relevant Municipal Code chapters and ordinances, shall form a corporation and procure necessary State charter to establish a municipal bank for any of the following purposes:

1. To serve as depository for the operating accounts of the City and its associated committees, subsidiaries, and additional City business.
2. To issue bonds for all purposes legally permitted by Municipal Code of Chicago.
3. To purchase City of Chicago bonds, and bonds from its sister agencies.
4. To issue bonds specifically for the purposes of capitalizing underfunded portions of the pensions of the City, and refinancing debt associated with those pensions.
5. To purchase debt or currency products as issued by United States Federal Government agencies.
6. To purchase debt products as issued by municipal or bond-issuing agencies within the United States.
7. To conduct any reasonable business pertaining to the duties assigned to the Treasurer, Chief Financial Officer, and Comptroller, or any subsequent positions assigned similar powers, as outlined in municipal code or ordinance. These powers shall be interpreted through 2-32-400 and 2-32-520, except where prohibited by section (D) below.

8. To issue sound savings or investment instruments for purchase or collective ownership by residents and businesses of the City of Chicago.
9. To finance affordable housing, violence prevention, mental health, and homelessness support and prevention programs, as issued through the Department of Housing, Department of Planning and Development, Department of Public Health, and any Departments with related goals.
10. To provide services to residents historically disadvantaged or underserved by traditional banks, or exploited by payday lending and other predatory practices.
11. To purchase underwater or foreclosed mortgages of Chicago residents facing financial crisis, to be placed into the Chicagoland Community Land Trust or other community land trusts operated by other non-profit entities, and remortgaged to residents at affordable rates congruent with the reasonable market value of such distressed assets or City of Chicago Area Median Income limits.
12. To hold deposits of cannabis-related industries that are not permitted at Federally insured institutions, and to produce marketable loans to those businesses.
13. To support other public banks, cooperative banking enterprises, credit unions, or related institutions operating within the City.
14. Any additional public banking, cooperative banking, or related function that supports community banks, private banks, credit unions, and other institutions throughout the City of Chicago, when necessary in the interest of the safety and health of the residents of the City.

D) Prohibitions: A municipal bank of the City of Chicago shall be precluded from engaging in speculative investment activity, including:

1. Equities as listed on stock markets. This shall not be construed to mean an S & P 500 Index Fund, or some other complete index fund providing diverse exposure to the entire stock market.
2. Commodities, commodity futures, and any other related commodity market products or products as listed on commodity markets.
3. Any derivative financial products, including mortgage-backed securities or related items.
4. Bitcoin, and any related alternative commodities.
5. Direct equity investment in any single business or collection of businesses.
6. Any additional financial product or practice that is not backed by the faith and credit of a government agency, that is not an investment in expanding the economic base of the City of Chicago, or that places the City of Chicago in an unduly leveraged or risky position.

E) Board Structure: A municipal bank of the City of Chicago shall be governed by a seven (7) person board comprising existing City positions and new elected positions:

1. The Board shall include the Treasurer of the City, or its succeeding similar position.
2. The Board shall include the Chief Financial Officer of the City, or its succeeding similar position.
3. The Board shall include the Comptroller of the City, or its succeeding similar position.
4. The Board shall include three additional at-large officials, to be selected by citywide elections governed by relevant laws.

5. The Board shall include a Chair, to be selected by citywide elections governed by relevant laws.

(F) Chief Officer: The Board of a municipal bank of the City of Chicago may hire a Chief Officer, who shall have the authority to hire employees, design organizational structure, and implement the powers outlined in (C) above. The selection of the Chief Officer shall be confirmed by the City Council of Chicago, through the Committee on Finance.

G) Fiduciary Responsibility: All Board members, executive officers, and employees of a municipal bank of the City shall have a fiduciary responsibility to the fiscal and economic outlook of the City, and all investment decisions made by these personnel shall bear this fiduciary responsibility.

H) Democratic Oversight Structure: The Board of a municipal bank of the City of Chicago shall host one quarterly public meeting, at City Council Chambers or some other free, civic venue by applicable notice. Additionally, the Board of a municipal bank of the City of Chicago shall place the following documents on File with the Clerk of the City of Chicago and the Chair of the Committee on Finance, or relevant succeeding organizations:

1. Quarterly financial reports
2. All necessary contracts, bond underwriting documents, and other financial agreements associated with the City budget.
3. An independent audit, conducted by a third party approved by Ordinance, conducted on a biennial basis.
4. Any additional contracts, underwriting documents, and other financial agreements enacted according to the powers of Section 2 of this Ordinance.

Section Three: Feasibility Study and Financial Planning: Upon submittal of this Ordinance, The Committee on Finance shall convene a hearing with Treasurer, Chief Financial Officer, and Comptroller of the City of Chicago, and any additional expert personnel necessary to testify on the feasibility of establishing a municipal bank for the City. If necessary, City Council shall determine proper course to obtain a feasibility study for a municipal bank for the City. Additionally, the Treasurer, Chief Financial Officer, and Comptroller offices may procure planning processes to publish informative public documents to educate residents and businesses about the purposes, benefits, and plans for a municipal bank of Chicago and its potential programming.

Daniel La Spata Alderman, 1st
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