



OFFICE OF THE CITY TREASURER

MELISSA CONYEARS-ERVIN • TREASURER • CITY OF CHICAGO

OPENING REMARKS FOR FY2020 BUDGET PROPOSAL

October 29, 2019

Good Morning, Madam Chair Dowell, Vice Chairman Silverstein, members of the Committee, and members of the City Council, I am honored to be with you today for my first budget hearing address as Treasurer of the City of Chicago.

As you all are aware, our primary mission of the Office of the City Treasurer is to manage the City's cash flows and investment portfolios while adhering to our investment objectives and policies: first, ensuring the safety of the principal; second, maintaining adequate liquidity of cash flow; third, maximizing investment returns with the least amount of risk to the principal; and fourth, utilizing investments to promote economic development throughout the City of Chicago.

My Office manages a portfolio totaling over \$9.4 billion dollars, which includes the City's operating funds, reserve accounts, bond proceed funds, some funds for the City's pension funds, and assets belonging to the Chicago Public Schools. Reaping the benefits of a strong economy, attractive interest rates, and robust credit spreads, the Office was able to generate more than \$156 million in investment returns across the entire portfolio during the 2018 calendar year. In 2019, we have already earned in excess of \$168 million across the entire portfolio.

While this year's earnings will exceed the Office's earnings figures since the last recession, today's world market events signal a slowing National and Global Economy that will lead to reduced earnings expectations in the coming years. The escalating trade war with China has forced the Federal Reserve to ease monetary policy, cutting the Fed Funds Rate in August and again in September. Today's Fed Funds target range sits at 1.75-2.00%. Market indicators strongly suggest the Fed will cut another 25 basis points when they meet in October, and an increased likelihood the US Economy enters a recession in the next 12 months.

In accordance with CTO's dual goals of maximizing investment returns while protecting the safety of tax payer dollars, we are preparing for a downturn in the US Economy and an extended period of lower interest rates. In short, we have moved away from consumer cyclical credit, raised the portfolio's credit quality, adjusted our duration target, and ensured we can meet the City's expected outflows. To do so, our Investments Team has collaborated with the Comptroller's Office to improve the quality of the City's cash flow reporting. This enhanced visibility is crucial in understanding our liquidity needs to better design investment strategies.



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The Treasurer's Office also continues to leverage the City's portfolio to invest for impact. Alongside traditional financial metrics, over the last three years, the Office of the City Treasurer has worked to include environmental, social and governance (ESG) factors in our investment sustainability and risk considerations. In 2018, Chicago became the first major city in the US to achieve a carbon-neutral investment portfolio. Today's Investment Team continues to invest in industries and institutions that drive positive impact in ESG challenges faced by Chicago and the world, without sacrificing returns. In accordance with the Illinois Sustainable Investing Act, the Office of the City Treasurer shall introduce an amendment to the Municipal Code in the coming weeks in order to reflect the requirements of the Act which mandates cities to develop, publish, and implement sustainable investment policies applicable to the management of all public funds under our control.

The Office has a longstanding tradition of guiding our trading activity through Broker-Dealers making a difference within their own corporate cultures and in the underserved communities of the City of Chicago. While the Office's list of approved broker-dealers expanded significantly this year, we continue to strive to maintain at least half of our trade activity through Minority, Women and Disabled Veteran Owned Broker-Dealers. When I took office, our MBE, WBE, and DBE percentage of total trade volume was at 44%. Our goal by the end of the year is to exceed 50% of total trade volume for our MBE, WBE, and DBE Broker Dealers. My team is currently redrafting our Broker-Dealer RFI to ensure that our Office partners with institutions that are taking real steps to drive impact in diversity and inclusion. The RFI will go live within the next two days. We will also be developing a scorecard to monitor the related efforts of our broker-dealer firms. Last, but not least, my Office will be hosting our Inaugural Broker-Dealer Diversity & Corporate Social Responsibility Symposium tonight with the goal to bring the investment community together to discuss common goals and initiatives to advance meaningful change with diversity and inclusion.

While we see challenges ahead, we are confident we are positioned well to meet the City's liquidity needs while generating superior investment returns and, most importantly, safeguarding taxpayer dollars.

The Accounting Division of the Office of the City Treasurer is one of the main financial reporting/accounting divisions in the City. Among their many functions, this division currently: (1) manages and reconciles approximately 100 bank accounts on at least a daily basis; (2) produces City-wide financial reports, handles compliance; and (3) monitors banking fees and relationships.

In addition to our investment and accounting functions, my Office has the authority to research and conduct educational programs regarding financial education and literacy, access to banking and small business support. Once I completed hiring my staff in late July, I



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charged my Economic and Development Team with hosting a free **Women's Small Business & Entrepreneur Expo** this fall. They went straight to work and I am happy to report that the date of our Expo is Saturday, November 16th to be held at the UIC Dorin Forum located at 725 West Roosevelt. This expo is designed to inform and educate women business owners about important resources and programs available to help grow and sustain their businesses. Data shows that despite women being more than 50% of the population, they still only comprise approximately 40% of business owners. Women business owners are also less likely to apply for funding from financial institutions to help grow their businesses. Furthermore, we also know that despite the number of companies that are qualified as Women Business Enterprises, very few of these women businesses are awarded government contracts. This event will hopefully close the gaps in financing opportunities and increase the access to government contracts. Please note that this event is open to all small business owners, not just woman owned businesses. It is also open to those that desire to be small business owners.

We will have 11 break-out sessions on a wide variety of subjects, including: how to get government contracts, where to find financing and best practices for marketing your business. The Expo will feature Marianne Markowitz, CEO and one of the founders of the Women's Bank of Chicago at the Fireside Chat, who will discuss the challenges and opportunities of starting a new bank and the importance of increasing the number of women in the finance industry. Additionally, we will have a Women in Leadership Panel with Chicago business leaders to share their experiences and advice with attendees. This panel will include Karen Sauder, Vice President of Sales at Google, Nykia Wright, CEO of Sun-Times Media, Deputy Governor Sol Flores, and Lisa Ruiz, Latin America Area Head, Regulatory Affairs at AbbVie. We will also be hosting a Procurement Panel to answer business owners' questions about doing business with government agencies. This panel will include: Jamie Rhee, Commissioner, Chicago Department of Aviation; Shannon Andrews, Chief Procurement Officer, Department of Procurement Services; Sis Killen, Cook County Assistant Superintendent, Department of Transportation; and Highways and Dale Morrison, Assistant Director of Procurement Diversity at UIC.

As of October 24, we have over 111 vendors registered ranging from governmental agencies, banking institutions, accounting firms, marketing firms, insurance and tech companies, finance companies and incubators, to name a few, ready to assist all attendees. It is simple to register, by going to tinyurl.com/TreasurerExpo2019. Our goal is to have well over 1000 people attend this event. We hope that your offices will help us advertise this event through your social media accounts, email, and other communication channels.



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In 2020, my Office will host a **Financial Wealth Building Expo**. This expo will provide resources to help people improve their credit scores, take advantage of banking services (getting more people “banked”), learn about continuing education programs and more ways to increase their financial wealth. Improving an individual’s and family’s personal finances is the foundation to begin building financial wealth one city resident at a time.

Providing financial education is not just for adults it is also vital for our children to learn about money, savings and investing. In conjunction with Chicago Public Schools, we will conduct financial literacy programs for children in schools across the City. These students will learn the importance of saving money for their future and that making smart money decisions are the key to financial stability. Starting small and building up how much you save, is the key to long term savings.

As an expansion of our financial education programs, in April of 2020, my Office will partner with the Federal Reserve Bank, Chicago Public Libraries, and Community Organizations for **Smart Money Week** to host programs for children and adults at various locations all over the City to show them how to make financial choices that will strengthen their financial stability.

The Office of the City Treasurer will continue to work with our local partners in the City, as well as make strides on a state-wide basis to ensure that all residents know where they can access affordable banking services. A recent study showed that Cook County has a combined unbanked and under-banked rate of nearly 30 percent. As a member of the **Illinois Bank On Commission**, it is my hope that all Chicagoans and residents of Illinois have access to banking services in order to break the cycle of poverty reliance on predatory pay-day lenders that squeeze wealth from many of our communities.

As Chairman of the Board of the Chicago Community Catalyst Fund, I recommended a list of ten highly qualified people to the Mayor as possible appointees to the Catalyst Fund Board of Directors at the end of August. We look forward to the appointment of four new members so the Catalyst Fund can begin to serve its purpose and drive economic development in the 77 communities of the City of Chicago. In 2020, the CTO expects the Chicago Catalyst Fund (Fund) to continue to seek opportunities to invest in neighborhoods throughout the City to increase economic development particularly in underserved areas on the South and West sides.



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As part of the Fund's 2020 Initiative, a Task Force has been created within the City Treasurer's Office to examine the programs and look for ways to connect with Chicago's business leaders to better position the Fund to identify real and meaningful opportunities to make a positive economic impact for residents. The Fund will seek to raise awareness of its purpose and goals through neighborhood and community outreach.

Finally, as we move forward with our economic development initiatives, my Office will launch an Economic Development & Investment Advisory Committee in order to gain insight from residents from across the City that will help ensure our residents' needs are being met. Three advisory committees will be formed for: 1) youth; 2) small businesses; and 3) Chambers of Commerce. We look forward to working with all of you and the people of Chicago in the years ahead as we invest in our communities.

I would like to thank all of you for your time and for the opportunity to present our 2020 Budget Proposal. I am happy to take any questions. Thank you.