



OFFICE OF THE CITY TREASURER
MELISSA CONYEARS-ERVIN • TREASURER • CITY OF CHICAGO

**OPENING REMARKS FOR
FY2021 BUDGET PROPOSAL
October 27, 2020**

This year has been a challenge for all of us due to the pandemic, but the City Treasurer's Office's (CTO) primary mission of managing the City's cash flows and investment portfolio while adhering to investment objectives and policies has not changed. Our investment objectives are threefold. First and foremost, the Treasurer's Office aims to ensure the preservation of principal and, by doing so, avoids losing existing capital. Second, CTO strategically sets thresholds for maintaining adequate liquidity of cash flow, ensuring the City can pay its bills. Finally, we target obtaining the highest risk-adjusted return using all of the available tools in our financial toolbox, including all investments and strategies allowable under statute. While this year's ongoing public health pandemic and its abundance of accompanying issues has magnified the challenges ordinarily imposed on our Office, our three-pillared strategy remains the same. At the core of this strategy is one key principle: ensuring taxpayers' dollars are working for them.

Last year, I warned of a slowing national and global economy that would have a negative impact on the returns of the City's Investment Portfolio. At that time, the Federal Reserve had just completed two interest rate cuts and the target range for the Fed Funds Rate was set at 1.75% to 2.00%. The market indicated the probability for a recession was well over 50%. By February of this year, the world began to learn of the novel Coronavirus, a disease so catastrophic that it would soon be designated a global pandemic. Driven largely by the economic uncertainty caused by the virus, by March 23rd, the US Equity Market had dropped 37% from the high set on February 12th. Asset values in all market sectors had sold off to unprecedented levels and market liquidity was non-existent. Between March 3rd and March 16th, the Federal Reserve slashed interest rates to effectively zero and undertook a massive Quantitative Easing strategy. Congress and the Treasury Department provided \$3 trillion of liquidity through the CARES Act. The corresponding recovery in asset prices has been nothing short of breathtaking. US equities have recovered all but 3% of their losses.

As you might be aware, the CTO holds a high-quality, highly liquid, diversified fixed-income portfolio. The CTO has approximately \$8.5 billion in assets under management that require active daily management. With the recovery in credit spread across almost every sector, the Office's existing portfolio now holds an impressive unrealized gain. While the outlook for the Office's existing portfolio looks bright, the prospect of a continued low-interest rate environment into the foreseeable future will present unique challenges and headwinds as we look to earn interest income on the City's investment portfolio.

As the effects of the pandemic have lingered, the CTO has had to focus acutely on the liquidity needs of the City. Given the national economic shutdown we've experienced for

a significant portion of this year, the negative impact on local finances is not at all surprising. Active management of the City's investment portfolio through a pandemic imposes large and unusual expenses. Attentiveness, thoughtfulness, and foresight will be paramount as we look to anticipate and decipher signs of economic recovery. Only then will we be able to return to fully normalized conditions to implement our investment strategy. Although of course I wish our overall national and economic circumstances were better for this conversation, I'm happy to announce that despite the ongoing global pandemic, our Office's rapid and proactive response has allowed the CTO to earn a return on investment for taxpayers, at a moment when others have barely broken even. At this moment we are well on target meeting or exceeding 2017 and 2018 earnings.

Since I took office, the CTO has focused heavily on financial empowerment and issues of economic justice, as this is something that has proven to be important to residents across the City. As I constantly remind my staff, we can make money, but our real impact is the change we bring to our residents' lives.

During the 4th quarter of 2019, the CTO held its first ever **Broker Dealer Symposium**. The goal of the symposium was to introduce myself to the Broker Dealers who the CTO conducts business with and to set expectations related to diversity, equity, inclusion and corporate social responsibility for companies looking to partner with the office. After the initial meeting, the Office was able to approve 33 Broker Dealers for the 2020 calendar year who met standards set by what the office calls the CTO Broker Dealer Scorecard, which was constructed to measure company's efforts related to diversity, equity, inclusion and corporate social responsibility.

Out of the 33 selected Broker Dealers, 42% were owned by Minorities, Women, Veterans and People with Disabilities - a 9% increase from 33% in 2019. As a result of the increase in equity among Broker Dealers, the CTO is on track to exceed the trading volume conducted with minority firms compared to previous years and the Office is extremely proud of the work we did to make it happen.

The CTO also managed to pivot to holding events virtually that were held in person in early 2020. In the first quarter of the year, the Office held a series of first of its kind **Town Halls** throughout the City to educate and update residents of Chicago on the workings of the City Treasurer's Office and provide resources for their businesses. The Office is continuing to provide this resource in a virtual format through **Money Mondays with Melissa**. Money Mondays is a webinar series that provides resources that are available through local, state and federal governments, in addition to local non-profits. Over the last several months, the Office has seen increased interest in the series which is now produced monthly. The CTO is hopeful that we will continue in-person town halls in 2021 in addition to the Money Mondays webinar series.

As a complement to Money Mondays, the CTO sends out a bi-weekly newsletter, which also offers resources and information for the residents of Chicago to protect their financial health.

Our Office is also extremely proud of the **Chicago Community Catalyst Fund** and its impact on the lives of Chicago's small business owners. Working hand-in-hand with

Mayor Lightfoot's administration, the Catalyst Fund has already undertaken a number of exciting initiatives to benefit our residents. Following City Council's confirmation of our new board members this spring, the Catalyst Fund swiftly approved an investment of up to \$50 million into the Chicago Small Business Resiliency Fund. The Resiliency Fund was created to provide loans to small businesses throughout Chicago as a source of emergency cash flow during the pandemic. From the start, equity has been the North Star of the Resiliency Fund. With an eye towards filling the gaps of available loan capital left by federal programs like PPP and with painstaking care, we've aimed to primarily lend to historically underinvested and under-resourced areas of our City. An estimated 1,000 businesses will receive loans by the end of the year with more than 50% going to businesses in low- to moderate-income neighborhoods and we're looking to continue to assisting small businesses in 2021. Finally, the Catalyst Fund issued an RFI this month to solicit investment opportunities and we look forward to making impactful investments in the City of Chicago in 2021.

To show the impact of that investment, the Office has created a bi-weekly **CTO Small Business Series** that tells the stories of small business owners who have benefitted from the Catalyst Fund investment that's featured on the Treasurer's Office website. One of the stories highlights Nicole Jordan. Jordan is the owner of her own catering company, which had been growing at a rate of 40% every year since 2016. But when the pandemic hit, everything stopped, and Nicole Jordan, the owner, found herself in a dire situation. Nicole applied to the Small Business Resiliency Loan Fund and received \$30,000 that helped pay rent, maintain her insurance, create a new website, and gave Nicole and her team the space to pivot her business model towards prepared meal delivery. Nicole said the loan was a godsend—but you have to understand that businesses like Nicole's are a godsend to the communities where they operate and employ people. They worked hard to get where they are, and the CTO feels a responsibility to its communities to help ensure that they can weather this storm.

The CTO is also continuing to look at how traditional banking practices and policies affect Black and Brown Americans, which is why the office is working with State Treasurer Frerichs on the **Advancing Equity in Banking Commission**. Through that commission, the Office has brought together CEOs from financial institutions across the state to discuss solutions to address structural and systemic racism in the banking industry. These financial institutions are examining everything from lending practices to their own hiring and career development practices, and when they have completed their assessments next year, State Treasurer Frerichs and I look forward to sharing the findings with the Council—along with the specific commitments from the CEOs of these banks.

In 2019, the CTO held the first ever 2019 Women's Small Business Expo which was very successful. With 140 vendors and over 900 attendees, CTO received positive feedback from attendees and vendors on their experiences at the Expo. Considering the response, the Office will continue this year by hosting a **2020 Virtual Financial Education Expo** for families, individuals and small business owners. This Expo will promote our financial education programming with Operation Hope, while highlighting

financial education youth programs in the City, and providing small business owners with additional resources.

While our Office is adapting to the Global Pandemic that hit the world in 2020, we are planning for what's to come in 2021; still keeping financial empowerment at the forefront. As we learned in 2020, being financially healthy is important for our residents and small business owners. The Office is planning to target business owners in 2021 through a partnership with the **Community Reinvestment Fund** and InUrban Strategies that will bring increased access to capital to small businesses in underserved neighborhoods that have been hardest hit by the impacts of COVID-19.

Lastly, the CTO's **Compete to Wall Street** program, which was cancelled for this year due to the pandemic, is looking to move forward in 2021. In the spring of 2021, the CTO will once again look to collaborate with the Chicago Urban League, the YWCA and Chicago Housing Authority to provide a 5-day financial education and empowerment program for elementary school students in underserved communities. The program will feature interactive financial education lessons, opportunities to network with financial professionals and experience real life trading, in addition to potentially winning a trip with the City Treasurer to Wall Street through an online stock market investment competition if we're able to travel by that time. We will continue to look for ways to hold this program if we're still dealing with the effects of the pandemic.

The CTO looks forward to working with all of you and the people of Chicago in the years ahead as we invest in our communities.

Thank you.