

ORDINANCE

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

SECTION 1. CHAPTER 2-165 of the Municipal Code of Chicago is hereby amended by inserting the language underscored, and by deleting the language struck through, as follows:

DEBT TRANSACTIONS – TRANSPARENCY, ACCOUNTABILITY AND PERFORMANCE

2-165-010 Purpose and intent.

This chapter shall be known and may be cited as the "Debt Transactions Accountability Ordinance". It is the purpose of this chapter and the policy of the City: ~~(i) to subject proposed Debt Transactions, as defined herein, to more rigorous evaluation and more meaningful public scrutiny; (ii) to ensure that Chicagoans receive appropriate benefit from Debt Transactions; and (iii) to provide greater access to data reporting and other pertinent information regarding Debt Transactions.~~

(i) to ensure that the City Council receives timely, complete, and understandable information such as the amount, structure, cost, security, repayment source, risks, and uses of existing and proposed City debt accessible to participants in the municipal securities and bond markets;

(ii) to provide transparency concerning refundings, refinancings, restructurings, derivative transactions, guarantees, contingent obligations, and other arrangements that may create financial exposure for the City; and

(iii) to establish comprehensive tracking of Debt Proceeds and Debt Transactions from issuance through final expenditure, including identification of the projects, departments, wards, funds, and other authorized purposes benefiting from such proceeds, to ensure that debt-financed projects and uses of Debt Proceeds can be evaluated against the purposes, costs, schedules, and benefits presented to the City Council when the related Debt Transaction was authorized;

2-165-020 Definitions.

Whenever used in this chapter, the following words and phrases shall have the following meanings:

"CFO" means the Chief Financial Officer.

~~"Debt Transaction" means an issuance (i) by the City, acting in a non-conduit capacity, or by any corporation, trust, or other entity established by the City pursuant to an ordinance adopted by the City Council on October 11, 2017 and in accordance with Division 13 of Article 8 of the Illinois Municipal Code, codified at 65 ILCS 5/8-13-5, et seq., for the limited purpose of issuing obligations for the benefit of the City; of (ii) any bond, note or other debt instrument, with a maturity of longer than 271 days, that does not bear interest at a fixed rate for its entire term. For purposes of this definition, "Debt Transaction" shall not include tax anticipation warrants or notes, or letters or lines of credit (and related notes).~~

"Post" means to post in a prominent, readily locatable and viewable location on the City's website for public review.

"Registered Advisor" means an "independent registered municipal advisor" as defined under 17 C.F.R. 240.15Ba1-1(d)(3)(vi)(A) and retained by the CFO.

"Debt Obligation" means any bond, note or other debt instrument, with a maturity of longer than 271 days, that does not bear interest at a fixed rate for its entire term. For purposes of this definition, "Debt Transaction" shall not include tax anticipation warrants or notes.

"Debt Transaction" means an issuance by the City, acting in a non-conduit capacity, or by any corporation, trust, or other entity established by the City pursuant to an ordinance adopted by the City Council on October 11, 2017 and in accordance with Division 13 of Article 8 of the Illinois Municipal Code, codified at 65 ILCS 5/8-13-5, et seq., for the limited purpose of issuing obligations for the benefit of the City; of (ii) any bond, note or other debt instrument, with a maturity of longer than 271 days, that does not bear interest at a fixed rate for its entire term. For purposes of this definition, "Debt Transaction" shall not include tax anticipation warrants or notes;

"Debt Proceeds" means the proceeds of a Debt Transaction, including original issue premium, accrued interest, and other amounts received in connection with the issuance, less amounts properly attributable to issuance costs, underwriting discounts, reserves, escrow deposits, capitalized interest, and other authorized uses or deductions.

"Debt-Financed Project" means a capital project, program, acquisition, improvement, refinancing, reimbursement, or other authorized expenditure funded in whole or in part with Debt Proceeds.

"Debt Proceeds Dashboard" means the City's accounting and public reporting record tracking Debt Proceeds from receipt through allocation, encumbrance, expenditure, transfer, reimbursement, or other authorized disbursement.

"Material" means information, an event, change, variance, obligation, or circumstance that a reasonable municipal investor, financial professional, City Council member, or member of the public would consider important in evaluating the City's Debt Obligations, financial exposure, repayment capacity, or use of Debt Proceeds.

"Refunding" means a Debt Transaction undertaken to refinance, defease, redeem, retire, or replace all or a portion of an outstanding Debt Obligation.

"Refinancing" means a Debt Transaction undertaken to replace or modify existing financing, whether or not undertaken for the purpose of reducing interest costs.

"Restructuring" means a material modification to the payment schedule, interest rate, maturity, security, covenants, repayment source, or other material terms of an outstanding Debt Obligation.

2-165-030 Debt transaction requirements; disclosure package.

The City shall not enter into any Debt Transaction unless and until all of the following conditions have been met:

(a) The CFO shall direct the Registered Advisor to prepare a report assessing the proposed Debt Transaction. The report shall evaluate: (i) whether the proposed Debt Transaction is in the best interests of the City and its residents; and (ii) what risk exists to the City and taxpayers should the Debt Transaction be completed. In preparing the report, the Registered Advisor shall provide the following information on the cost of the Debt Transaction as compared to standard fixed rate debt for the same revenue sources, and the potential financial risks associated with the Debt Transaction:

(b) The City Council Office of Financial Analysis shall prepare a report on the Debt Transaction. The report shall be distributed to the members of the City Council and posted at least seven days before the Committee on Finance holds the hearing required by Section 2-165-040(b). The report shall evaluate: (i) whether the proposed Debt Transaction is in the best interests of the City and its residents; and (ii) what risk exists to the City and taxpayers should the Debt Transaction be completed.

(c) As soon as such information is available, the CFO shall also prepare or cause to be prepared a Debt Transaction Disclosure Package containing sufficient information for the City Council and public to understand the proposed Debt Transaction all investor communications and prospectus documents outlining the details of the proposed Debt Transaction. The Disclosure Package shall include, but is not limited to:

(1) issuer, transaction name, series, principal amount, proposed issue and closing dates, tax status, sale method, and intended Bond Trustee;

(2) debt structure and interest-rate provisions over lifetime of debt instrument;

(3) identity and compensation of material professional and financial participants in the transaction, including bond counsel, disclosure counsel, underwriters, co-underwriters, the Registered Advisor, swap advisors, counterparties, trustees, paying agents, escrow or verification agents, rating agencies, bond insurers, liquidity providers, and other compensated financial institutions, to the extent such information is available to the City.

(4) maturity, average life, weighted average maturity, redemption and call provisions;

(5) sinking funds, tender rights, acceleration rights, events of default, remedies, additional-bond provisions, rate covenants, reserve requirements, and restrictions on future borrowing;

(6) projected annual debt service before and after the proposed transaction;

(7) all material issuance costs and compensation including fees and fee payment schedules;

(8) ratings, outlooks, rating history, and relevant rating-agency reports;

(9) pledged revenues, projected revenues, coverage ratios, reserves, and liquidity;

(10) material financial risks and sensitivity analyses;

- (11) anticipated use of Debt Proceeds by Project Category, Project, Department, and Ward; and
- (12) any other information necessary for the City Council to evaluate the transaction.

For any Refunding, Refinancing, or Restructuring, the Disclosure Package shall additionally include:

- (1) original and current principal;
- (2) existing interest rates and maturities;
- (3) remaining annual and aggregate debt service;
- (4) proposed replacement debt and resulting debt service;
- (5) transaction costs and any redemption, tender, escrow, or derivative termination costs;
- (6) nominal and present-value savings or costs;
- (7) savings as a percentage of refunded principal, where applicable;
- (8) break-even date, where applicable;
- (9) changes in maturity, average life, debt service, interest-rate exposure, liquidity, refinancing exposure, ratings, covenants, and debt capacity;
- (10) alternatives considered; and
- (11) material reasons for selecting the proposed structure.

For a Refunding involving an escrow, the package shall include the projected escrow cash flows and the securities or investments proposed to fund the escrow.

(e) If material information changes after the Disclosure Package has been distributed but before the City Council vote, the CFO shall promptly issue a supplemental disclosure identifying the change and its effect on the proposed transaction.

2-165-040 City Council process; approval required.

Each Debt Transaction shall require approval by a vote of the City Council, and shall be subject to the following public review schedule:

(a) At the time the CFO determines to engage in a Debt Transaction, he or she shall notify the members of the City Council. The notice must come at least 45 days prior to the City Council vote on an ordinance approving a proposed Debt Transaction. The notice shall contain a plain-English summary of the proposed Debt Transaction, which shall include a description of the proposed Debt Transaction's purpose and potential public benefits and risks.

(b) At least seven days prior to the City Council vote on an ordinance approving a proposed Debt Transaction, the Committee on Finance shall hold a hearing on the proposed Debt

Transaction. At least 23 days before that committee hearing takes place: (i) the CFO shall provide to the committee and post the report prepared pursuant to Section 2-165-030(a) and (c) and shall post a notice that includes: (1) a brief description of the public purpose(s) for the Debt Transaction; (2) an explanation of the risks underlying the Debt Transaction; (3) a summary of the report required by Section 2-165-030(a) and (c), as well as a link to ~~that~~ posted reports; and (4) an estimated time line for the execution and closing of the Debt Transaction; and (ii) except with regard to Debt Transactions intended for refunding purposes, the Budget Director shall provide to the committee a document indicating, with as much specificity as practicable, the anticipated use of the funds to be received by the City from the Debt Transaction.

At such hearing, the CFO, the Registered Advisor and the Council Financial Analyst shall be present to answer questions from City Council members. City Council members may also, with 72 hours' notice to the chairman of the Committee on Finance, present expert testimony at the hearing.

(c) Before the required City Council vote, in addition to the Committee on Finance hearing specified in subsection (b) of this section, the City shall convene a meeting at which interested members of the public can comment on the proposed Debt Transaction. This public meeting may be a committee meeting convened by the Committee on Finance, and may take place either directly before or directly after a regular meeting of that committee, including the meeting specified in subsection (b), and may consider more than one proposed Debt Transaction, so long as each such Transaction is separately noticed and addressed.

2-165-041 Debt Proceeds Dashboard.

(a) The CFO, in coordination with the Comptroller, Budget Director, and each responsible Department, shall maintain a Debt Proceeds Dashboard, for each Debt Transaction to reflect the City's total debt load. The dashboard shall be available to the public online, readily available to download.

(b) The Dashboard shall track, at minimum:

(1) gross and net proceeds;

(2) original interest rate and changes over time plus original bond rating and changes over time;

(3) accrued and paid interest;

(4) issuance costs including fees;

(5) name of Bond Trustee;

(6) remaining debt service, including the schedule of July 1 and January 1 payments for each series of a debt transaction;

(7) if Refunding, Refinancing, or Restructuring, the percentage of the bond proceeds to be used for such;

(8) CUSIP or any bond identification including series name;

(9) link to bond ordinance;

(10) use of Debt Proceeds by Project Category, Project, Department, and Ward;

(11) amounts authorized, budgeted, allocated, encumbered, expended, reimbursed, transferred, and remaining;

(12) expenditure dates;

(13) original and current project cost;

(14) other funding sources;

(15) percentage and dollar amount financed with Debt Proceeds; and

(16) material cost, schedule, scope, funding, or other variances.

2-165-050 Indemnification limitations.

The City shall not indemnify any party to a Debt Transaction with regard to gross negligence, illegal acts, fraud, bad faith breach or willful misconduct.

2-165-060 Annual Performance reports.

(a) On or before December 31 of each year, the CFO shall post a report that describes the financial performance of each Debt Transaction over the past year, as well as over the elapsed life of the Debt Transaction, and how that performance compares to the anticipated benefits and risks of the Debt Transaction. The reports required by this subsection (a) shall render information fully searchable and machine-readable, and shall be nonproprietary.

(b) The CFO shall post all standard federally required reports pertinent to each Debt Transaction at the time the reports are filed, except as otherwise prohibited by, and subject to such exclusions from disclosure as are contained in, federal or state law (e.g. FOIA).

(c) By the first day of April, July, October, and January, the CFO shall place on file with the City Clerk a summary of the City's general obligation bonds and lines of credit, including the amount of the most recent payment made; the forthcoming July 1 and January 1 principal and interest payments required for the next two years; a summary of all new funds delivered to or received by general obligation bond trustees; a summary balance of all general obligation bond proceeds held in investments; and, the current balance on general obligation lines of credit and the corresponding expenditures for the current period.

Yours In Service,



Andre Vasquez
Alderpersion, 40th Ward