

Q1 2016 Earnings Call

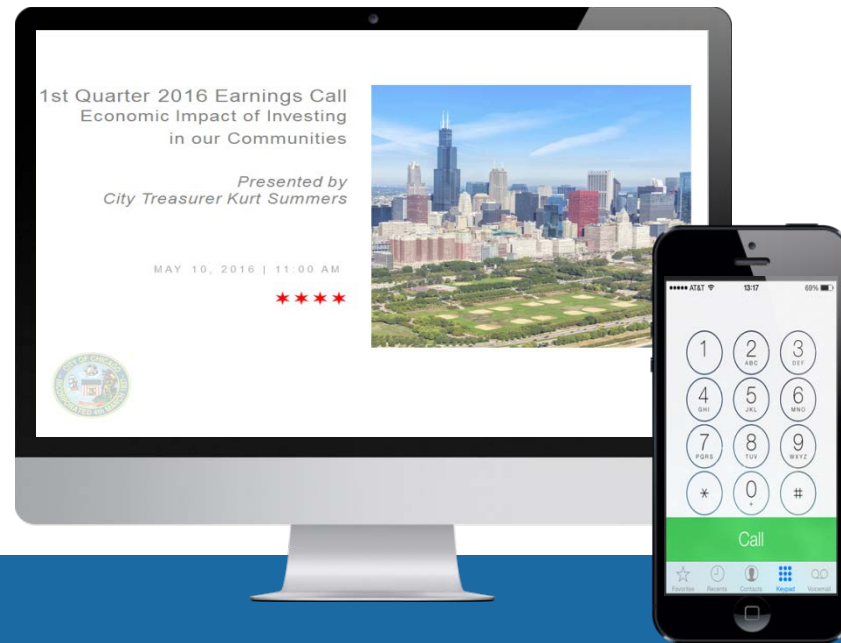
Economic Impact of Investing in our Communities

*Presented by
City Treasurer Kurt Summers*

MAY 10, 2016 | 11:00 AM



BEFORE WE GET STARTED...



AUDIO

Participants can hear the call through the computer or over the phone; you don't have to be on both to hear the presentation. You do need to be registered online to view the webcast.



NEED HELP?

If at any time during the call you need assistance, please call 773-710-3506 or email city.treasurer@cityofchicago.org.



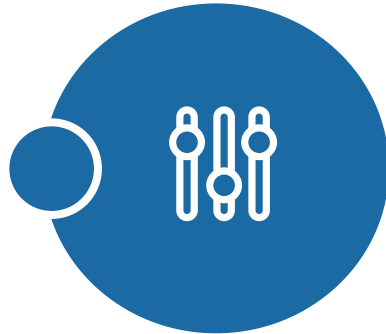
QUESTIONS

Have a question? At any time during the presentation, type in your question by clicking "Q&A" There will be time allotted for Q&A at the end of the call.

WELCOME & PURPOSE OF CALL

Status Quo

In the past, the Treasurer's Office has produced one annual and publicly available financial report which contained a simple overview of the City's investments over the previous year.



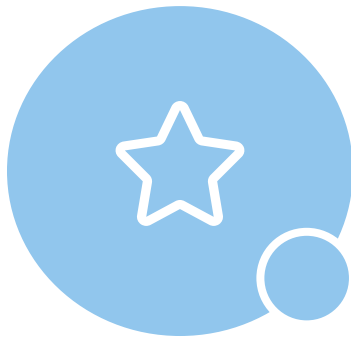
Transparency & Accountability

During the Treasurer's 77 visits to Chicago's 77 neighborhoods, the greatest recommendation by residents across the city was that their financial steward provide more transparency and accountability.



Best Practices

As the primary investment manager for the City of Chicago, the Treasurer seeks to be held as accountable as any other investment management firm is to their investors. This call is shaped after some reporting done by the nation's largest investment managers and public companies.



Action

This Quarterly Earnings Call for the City of Chicago is only one step in financial reporting and performance tracking of the City's investment portfolio. The call will provide an overview of the national economy as well as Chicago's current fiscal landscape and balance sheet and outline the economic impact of investing in our communities.



Agenda



01 11:00 - 11:05
Introduction, Purpose of Call,
Agenda

02 11:05 – 11:10
National Economy

03 11:10 - 11:15
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04 11:15 – 11:20
CTO Investment Portfolio
Update

05 11:20 – 11:25
Economic Development and
Crime: Robert Weissbourd

06 11:35 – 11:40
CTO 2016 – Innovation &
Implementation

07 11:40 – 11:45
Q&A



NATIONAL ECONOMY

Unemployment

Jan 2016	Feb 2016	Mar 2016
4.9%	4.9%	5.0%

GDP (% Change)

Q3 2015	Q4 2015	Q1 2016 (adv.)
2.0%	1.4%	0.5%

Manufacturing Index PMI

Jan 2016	Feb 2016	Mar 2016
48.2	49.5	51.8

IMF Expected Growth Rates

	Previous 2016 Forecast	Updated 2016 Forecast	Previous 2017 Forecast	Updated 2017 Forecast
Global Economy	3.6%	3.4%	3.8%	3.6%
U.S. Economy	2.8%	2.6%	2.8%	2.6%
Advanced Economies	2.2%	2.1%	2.2%	2.1%
Emerging/ Developing Economies	4.5%	4.3%	4.9%	4.7%

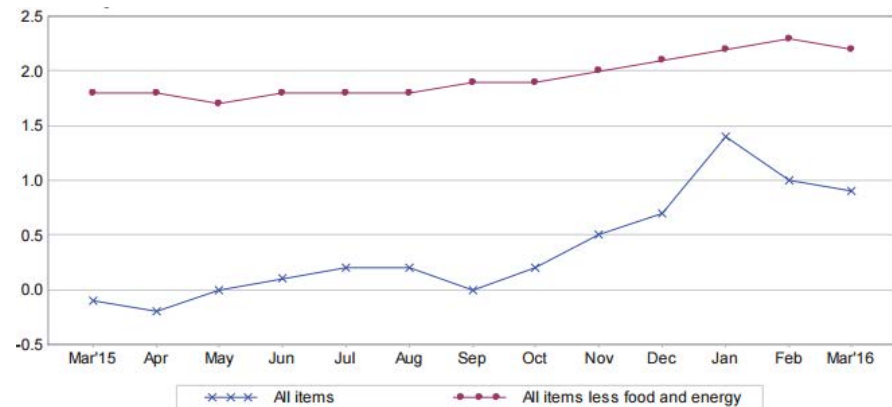
US International Trade

(\$bn, seasonally adjusted)	Dec 2016	Jan 2016	Feb 2016	Mar 2016 (adv.)
Balance	-61.4	-62.6	-63.4	-56.9
Exports (%)	-0.7	-3.4	1.6	-1.1
Imports (%)	0.2	-1.5	1.5	-4.3

CBN16 - Crude Oil Brent (ICE)



12-month percent change in CPI



Source: Bureau of Labor Statistics, Bureau of Economic Analysis, Institute for Supply Management, Organization for Economic Cooperation and Development, International Monetary Fund, NASDAQ, United States Census Bureau



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CHICAGO ECONOMY OVERVIEW

Chicago's unique characteristics foster the foundation for continued economic growth across its diversified economic landscape

Among Chicago's recent successes:

- **Growing opportunities**

- 1.7% YOY increase in private jobs *as of Jan. 2016*
- 1.7% YOY increase in wages

- **Burgeoning innovation**

- 19% YOY increase in number of new patents *as of Feb. 2016*

- **Global Transit Hub**

- 7.3% YOY increase in number of passengers served by O'Hare and Midway *as of Jan. 2016*

Source: World Business Chicago, PayScale



CHICAGO ECONOMY

Unemployment

	Q4 2015	Q1 2016	Q/Q (%)
National	5.0%	4.9%	-0.1%
Chicago	6.0%	6.4%	0.4%

Chicago Venture Capital Investment

	Q1 2015	Q1 2016	YOY (%)
Venture capital investment into Chicago companies	\$97.6M	\$177.5M	81.8%

Chicago Office Vacancy (% Total)

	Q1 2015	Q1 2016	YOY (%)
Office Space	13.3%	11.8%	-1.5%

Chicago Tourism Indicator

	Mar 2015	Mar 2016	YOY (%)
Hotel Room Demand	834,431	848,441	1.7%

Chicago Home Sales

	Feb 2015	Feb 2016	YOY (%)
Residential	1,497	1,528	2.1%

Chicago Median Home Sale Price

	Feb 2015	Feb 2016	YOY (%)
Residential	\$212,000	\$238,000	12.3%

Sources: Bureau of Labor Statistics, World Business Chicago, Illinois Department of Employment Security, Crain's Business Chicago, Illinois Association of Realtors, National Association of Realtors, U.S. Census Bureau



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CTO INVESTMENTS – PORTFOLIO OVERVIEW

	Q4 2015		Q1 2016	
Security Type	Amount	%	Amount	%
Corporate Bonds	\$ 948,343,350.93	15.9%	\$ 1,529,170,000.00	24.8%
Municipal Bonds	\$ 467,450,534.08	7.8%	\$ 661,825,000.00	10.7%
Agency Bonds	\$ 2,024,921,442.35	34.0%	\$ 1,858,227,000.00	30.2%
Commercial Paper	\$ 319,724,622.60	5.4%	\$ 708,280,000.00	11.5%
Treasury Notes	\$ 19,837,800.00	0.3%	\$ 36,804,000.00	0.6%
Certificates of Deposit	\$ -	0.0%	\$ 5,046,633.51	0.1%
Money Market Funds	\$ 1,525,285,001.89	25.6%	\$ 794,523,477.34	12.9%
Cash	\$ 652,729,413.04	11.0%	\$ 562,697,697.66	9.1%
Grand Total	\$ 5,958,292,164.89	100.0%	\$ 6,156,573,808.51	100.0%

	Q4 2015		Q1 2016	
	Current	Benchmark	Current	Benchmark
Yield	0.96%	0.93%	1.24%	1.15%
Duration	1.48		1.65	



Chart Source: Chicago City Treasurer's Office



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A TALE OF TWO CITIES

Published: January 3, 2013

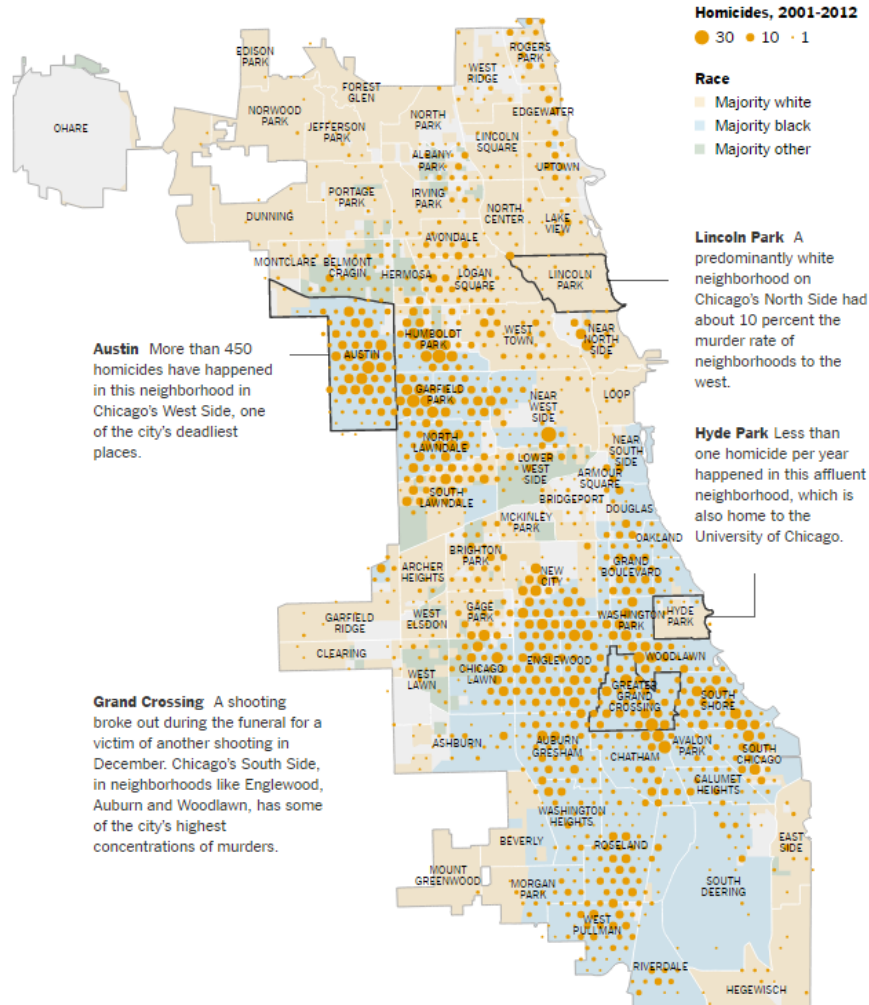
A Chicago Divided by Killings

Related Article »

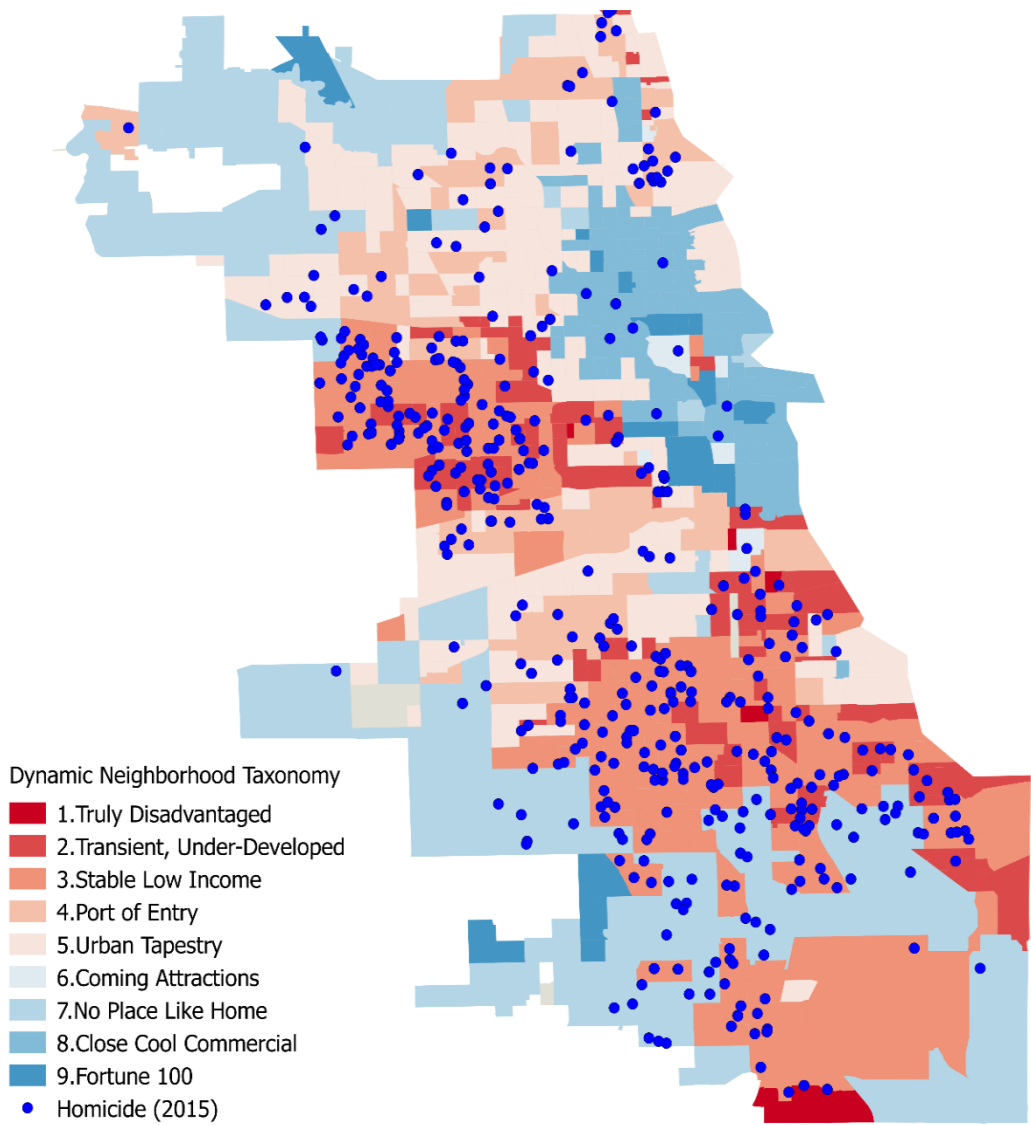
A New York Times analysis of homicides and census data in Chicago compared areas near murders to those that were not. Residents living near homicides in the last 12 years were much more likely to be black, earn less money and lack a college degree.

	NEAR HOMICIDES	NOT NEAR HOMICIDES
Population	1.3 mil.	1.4 mil.
Income	\$38,318	\$61,175
No high school	27%	15%
High school	28%	20%
Bachelor's +	19%	43%
Pct. white	24%	61%
Pct. black	55%	14%
Pct. Asian	3%	8%
Under age 18	28%	20%

The New York Times



HOMICIDES (2015) BY NEIGHBORHOOD TYPE



Source: RW Ventures LLC, Robert Weissbourd

A FEW OBSERVATIONS

“Policing, though essential, only temporarily stops the bleeding.”

“There is no immediate causal relationship between poverty and crime...This is because most poor people are not criminals and never will be.”



Three key factors emerge:

- 1 Individual Opportunity
- 2 Community Efficacy
- 3 Family Success



“Homeowners, businesses, others with a stake in the neighborhood are the key to preventing social disorder and crime.”

Healthy and Wealthy Communities are Safe Communities



DRIVERS AND CYCLES



Focus on Driving Economic Opportunity



THE OPPORTUNITY: “BUILDING OUR WAY OUT OF CRIME”*

The Next Economy: “Creative Destruction” has Upsides for Lower Income Neighborhoods

- New markets & value creation
- New industries, supply chains & entrepreneurship
- People & firms moving back towards job centers and density – to urban neighborhoods
- New jobs & workforce demands for changing demographics

Drive a “Virtuous Cycle” by Investing to Connect Communities to Growing Regional Markets

Build Communities of Opportunity, connecting:

- People to jobs
- Firms to growing supply chains
- Commercial & industrial real estate to regional industries

...that become Communities of Choice, where new investment & income drive:

- Quality housing
- Retail amenities
- Quality of life
- **Safety!**

Strategic, Mutually Reinforcing Investments in
Firms, People & Place



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LOCAL INVESTMENT FUND

- Currently in development, the Local Investment Fund (“LIF”) will promote significant capital investment and economic development in Chicago’s underserved and economically disadvantaged neighborhoods.
- Targeted at an initial size of \$100m+, the LIF will be a free-standing, independent non-profit investment vehicle comprised of capital from a variety of sources including institutional investors.
- LIF will provide capital to real estate development projects and small businesses in Chicago neighborhoods that will stimulate job creation and economic growth.



Home Buyer Assistance Program



WHO QUALIFIES?	Anyone who meets the income and credit score requirements is eligible for the program. There are two categories of loans available, each with their own requirements.
DO I NEED TO BE A FIRST-TIME HOME BUYER?	No
HOW MUCH GRANT MONEY COULD I RECEIVE?	Qualified borrowers may receive a grant for up to 7% of the total loan amount based on income. For example, for loan amount of \$250,000, a borrower could receive a grant of no more than \$17,500 to cover down payment and closing costs.
WILL I BE REQUIRED TO USE MY OWN FUNDS?	Qualified borrowers will be required to contribute the lesser of \$1,000 or 1% of home purchase price at the closing.
CAN THIS PROGRAM HELP ME REFINANCE MY HOME?	Yes, as long as there is no cash back to the borrower.

To learn more about the Home Buyer Assistance Program and a complete list of approved lenders, please visit www.cityofchicago.org/homebuyer or www.chicagoinfrastructure.org



2016: INNOVATION & IMPLEMENTATION

DRIVING VALUE TO CHICAGO'S COMMUNITIES THROUGH ACTION



PENSION FEE
SAVINGS PLAN



PREDATORY
LENDING



SMART LIGHTING
PROJECT



HOME BUYER
ASSISTANCE
PROGRAM

IMPACT

Save more than **\$25-\$50 million** a year,
\$1 billion over the lifetime
of the plans

IMPACT

Small Business Lending
Act of 2016 (SB 2865)
passed Senate Committee
on Financial Institutions
on 04/13

IMPACT

Enhancing lighting in 85%
of neighborhoods. The
Request for Qualifications
(RFQ) is currently open.

IMPACT

Increasing home
ownership through down
payment and refinancing
assistance.



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DEBRIEF AND CLOSING



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Thank You For Joining



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