



Jim Holland
Mayor, Village of Frankfort
Executive Board Chairman

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Mayor, City of Chicago
Executive Board 1st Vice Chair

Robert J. Nunamaker
President, Village of Fox River Grove
Executive Board 2nd Vice Chair

Joseph Mancino
Mayor, Village of Hawthorn Woods
Executive Board Secretary

January 21, 2016

The Honorable Mark Kirk
United States Senator, State of Illinois
524 Hart Senate Office Building
Washington, DC 20510

Re: The Consumer Financial Choice and Capital Markets Presentation Act (S 1802/HR 4216)

Dear Senator Kirk:

The Member Mayors of the Metropolitan Mayors Caucus Executive Board respectfully urge you to support S 1802/HR 4216, which is currently pending before the Senate Banking, Housing and Urban Affairs Committee. This legislation will enable municipalities in Illinois and across the nation to fund public infrastructure projects needed to create or enhance local economic development.

Local governments use short-term debt to finance various capital and public works projects. Money market funds are significant purchasers of municipal obligations. Without S 1802/HR 4216, many money market fund managers will no longer purchase such debt after October 2016 when their underlying net asset value (NAV) moves from a fixed sum to a floating value because of a rule recently adopted by the Securities and Exchange Commission (SEC). The historically largest purchasers of local government debt have indicated they will get out of the market if money market funds are not permitted to retain a fixed NAV. This will significantly reduce competition and, thus, increase the borrowing costs for local governments and their taxpayers. This will no doubt result in fewer economy-stimulating public works projects being built.

A second costly impact, if the SEC rule is allowed to stand, is that a floating NAV would eliminate money market funds as a viable cash management tool. Many local governments use money market funds for a variety of cash management and investment purposes. Certain users may be unwilling or unable to conduct their cash management through an investment vehicle that does not offer stable value. Removing the stable NAV of money market funds will be a significant change for a multi-trillion dollar industry in which the stable \$1.00 share price has been a core feature. This will undoubtedly reduce overall investor demand for money market funds and thus diminish, if not completely eliminate their capacity to invest in the short-term securities of local governments. This will have a devastating impact on the ability of local governments to manage their cash flow needs. The passage of S 1802/HR 4216 will stop this from happening.

Thank you in advance for considering our position. We ask that you support S 1802/HR 4216 when it is called for a vote in the Senate Banking, Housing and Urban Affairs Committee.

Sincerely,

A handwritten signature in black ink that reads "Jim Holland".

Jim Holland
Executive Board Chairman
and Mayor, Village of Frankfort

City of Chicago • DuPage Mayors and Managers Conference • Lake County Municipal League • McHenry County Council of Governments
Metro West Council of Governments • Northwest Municipal Conference • South Suburban Mayors and Managers Association
Southwest Conference of Mayors • West Central Municipal Conference • Will County Governmental League

233 South Wacker Drive, Suite 800, Chicago, Illinois 60606
Tel: 312.258.4505 Fax: 312.454.1851

www.mayorscaucus.org