



## ***Governmental Ethics and Campaign Financing Laws: A Guide for businesses that have or seek contracts or grants with the City of Chicago***

Chicago's Governmental Ethics Ordinance, Chapter 2-156 of the Municipal Code, restricts persons and business entities who are City contractors or vendors (or who seek City contracts) in their interactions with City employees or officials. This brochure summarizes these restrictions.

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*Note: This brochure contains only an overview intended to help persons or businesses that have or seek City contracts develop a basic understanding of their responsibilities under the Ordinance. To the extent this summary differs from the language of the Ordinance, the Ordinance controls. For authoritative guidance about specific situations, please seek an advisory opinion from the Board of Ethics. Advisory opinions are confidential, in accordance with the confidentiality provisions of the Ordinance.*

*Other City and state laws and policies apply to persons or business entities that have or seek contracts with the City of Chicago, including but not limited to the requirement to file Economic Disclosure Statements, the City's False Claims and Statements Ordinance (Chapter 1-21-010 et seq. of Chicago's Municipal Code), and Illinois Procurement Code. For more information, please contact the City's Departments of Law or Procurement Services. The provisions of the Governmental Ethics Ordinance do not limit the power of any other City agency to adopt more restrictive rules.*



## **Gifts and Favors to City employees and officials**

**No person, including any vendor, or potential vendor, or lobbyist may:**

- give any **anonymous gift to any City official, employee or candidate for elected City office**; or
- give or offer **anything of value to any City official, employee, contractor or candidate for elected City office based on an explicit or implicit mutual understanding** that the votes, official actions, decisions or judgments of the City official, employee or contractor concerning City business would be influenced by it; or
- give **any cash or give any items or services worth \$50 or more per year, directly or indirectly to any City employee or official**.
- There are limited exceptions, including gifts based on personal friendship, reasonable hosting for events related to official City business, and educational materials.

Note: the restrictions above apply to gifts or other items or services offered or given to a City employee's or official's spouse, domestic partner, or other immediate family members.

Note: any City department or agency may adopt rules that are stricter than these, such as a gift ban for its personnel.

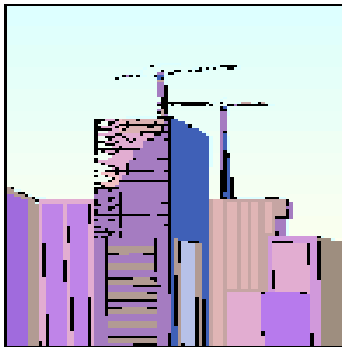
**No subcontractor or any person acting on a subcontractor's behalf, may make any payment, gratuity or offer of employment in connection with any City contract, to a prime contractor or higher-tier subcontractor or any associated person, as an inducement for the award of a subcontract or order (this prohibition is in every City contract and solicitation thereof).**

## Loans to City employees and officials

No City elected official or employee (or their spouse or domestic partner), or any entity in which any of them have a financial interest,\*\* may apply for, solicit, accept or receive any loan from any person doing business\*\* or seeking to do business\*\* with the City. Note: this does not prohibit market rate loans from financial lending institutions, if negotiated at arm's length and made in the ordinary course of the lender's business.

## Business relationships with elected City officials prohibited

No elected official or head of any City department or agency shall retain or hire as a City contractor any person with whom any elected official has any business relationship that creates a financial interest\*\* on the part of the official or department head.



## Hiring or retaining former City personnel

- A former City employee or official may not, **for one year after leaving City service**, assist or represent any person—like a new employer or client—on a transaction involving the City if he or she was personally and substantially involved in the subject matter of that transaction;
- A former employee or official who **exercised contract management authority\*\*** on a City contract may not assist or represent any person—like a new employer or client—**on that contract**;
- A former employee or official who was **counsel of record or personally and substantially involved in a judicial or quasi-judicial proceeding** involving the City may not assist or represent any person other than the City—like a new employer or client—in that proceeding;
- **A City employee or official may not negotiate the possibility of future employment** with any person, except with a government agency, that has a **matter currently pending before him or her**; and
- A former Mayoral staff member or department head may not lobby the City for 2 years after leaving City service; a former alderman may not lobby the City for 1 year after leaving City office; a former Shakman-exempt employee in the executive branch may not lobby his or her former department for 2 years after leaving City service.

## Duty to Report Corrupt Activity

Effective March 5, 2014, every City contractor must report to the City's Inspector General information concerning conduct known to involve corrupt activity†. Knowing failure to report such activity constitutes an event of default under the contract.

† Having been convicted or in custody, under parole or under any other non-custodial supervision resulting from a conviction for commission of a felony, or of a criminal offense of whatever degree, involving bribery, or attempted bribery, or its equivalent, of any public officer or employee of the City or any sister agency; or theft, fraud, forgery, perjury, dishonesty or deceit, or attempted theft, fraud, forgery, perjury, dishonesty or deceit, or its equivalent, against the City of Chicago or any sister agency; or conspiring to engage in any of those acts.

## Hiring or retaining current City personnel

- A City official or employee (or his/her spouse, domestic partner or minor child) cannot solicit or accept anything of value (including but not limited to money, gifts, favors, services, or promises of future employment) in return for advice or assistance on matters concerning City business;
- A City employee or elected official cannot have a financial interest\*\* (meaning an ownership interest here) in his or her own name or in the name of another in any City contract, work or business, if the expense, price or consideration of the contract, work, business or sale is paid with funds belonging to or administered by the City, or is authorized by ordinance.

## Hiring Lobbyists

- **What's a lobbyist?** A lobbyist is any individual who, on behalf of any person other than her- or himself, or as any part of her or his duties as an another's employee, tries to influence any legislative\*\* or administrative action\*\*, such as, for example: i) the preparation of contract specifications; ii) the solicitation, award or administration of a contract; iii) the award or administration of a grant, loan, or other agreement involving the disbursement of public monies; or iv) any other determination made by an elected or appointed City official or employee of the City with respect to the procurement of goods, services or construction.
- **Lobbyists must register and report.** Lobbyists must register with the Board of Ethics by filing lobbyist registration statements by each January 20th, or within five business days of engaging in lobbying activities, and must amend their registrations to show material changes. They must file quarterly reports of their lobbying activity, including compensation, expenditures, gifts and political contributions. For most lobbyists, the annual fees are \$350 per individual lobbying and \$75 for each client after the first. Lobbyists must also complete annual ethics training.
- **Penalties.** Persons who hire unregistered lobbyists are subject to fines. Lobbyists are also subject to fines for failing to register or to file activity reports. Contracts or other actions entered into or made by the City can be cancelled or voided if they result from unregistered lobbying activity.



## Political contributions

### No person may give or offer anonymous contributions to:

- any candidate for elected office of City government;
- the candidate's spouse, domestic partner or minor child;
- the candidate's committee; or
- any person acting on behalf of the candidate or his/her committees

### Pseudonymous contributions prohibited: No person shall make or offer to make any contribution other than in the name of the true donor to:

- any candidate for elected office of City government
- the candidate's committees, or
- any person acting on behalf of the candidate or his/her committees

### Limitations or prohibitions on certain contributors:

- **Cash contributions** to any candidate in an amount over **\$250 are prohibited.**
- *By Mayoral Executive Order, City contractors and subcontractors and their owners and registered lobbyists may not make any political contributions to the Mayor or his political fundraising committee.*
- Certain persons may not contribute more than \$1500 in a calendar year to any elected City official, candidate for elected City office, or City employee or official seeking election to any other office. These persons are:
  - lobbyists registered with the Board of Ethics; or
  - persons who have done business\*\* with the City or its sister agencies in the preceding four years; or
  - persons seeking to do business\*\* with the City or its sister agencies

### Notes:

- Contributions to a candidate's authorized political committees are considered contributions to the candidate.
- An entity and its subsidiaries, parent or otherwise affiliated companies, and any of their employees, officers, directors and partners who make a political contribution for which they are reimbursed by the entity or its affiliates, are considered a single person for purposes of these contribution limitations.
- Additional restrictions on contributions are imposed by state law (the Illinois Election Code), as amended. Consultation with qualified counsel is recommended.

## **Compliance and Penalties**

- All City contracts must include a provision requiring compliance with the Ordinance;
- Contracts negotiated, entered into, or performed in violation of the Ordinance are voidable as to the City, including contracts entered into with any person who has retained or employed a non-registered lobbyist;
- Permits, licenses, rulings, determinations or other official actions of a City agency applied for or sought, obtained or undertaken in violation of the Ordinance are invalid and without any force or effect whatsoever;
- Employees who violate the Ordinance are subject to employment sanctions, including discharge;
- Officials who violate the Ordinance are subject to removal from office;
- Lobbyist who violate the Ordinance shall be fined \$1,000 for each violation;
- Persons who violate the Ordinance's gift restrictions are subject to fines between \$1,001 and \$5,000 for each violation;
- Persons who knowingly make, solicit or accept a political contribution in violation of the Ordinance are subject to a fine between \$1,000 and up to the higher of \$5,000 or three times the amount of an improper contribution;
- Persons who violate any other provision of this chapter are subject to a fine between \$500 and \$2,000 for each offense.

\*\* Definitions of terms in this brochure marked with an asterisk can be found in the Governmental Ethics Ordinance (Chapter 2-156 of the Municipal Code of Chicago).

### **FOR MORE INFORMATION:**

**[www.cityofchicago.org/ethics](http://www.cityofchicago.org/ethics)**

**email: [sberlin@cityofchicago.org](mailto:sberlin@cityofchicago.org)**

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