



Office of the City Manager

ACTION CALENDAR  
July 16, 2019  
(Continued from July 9, 2019)

To: Honorable Mayor and Members of the City Council  
From: Dee Williams-Ridley, City Manager  
Submitted by: David White, Deputy City Manager  
Subject: Companion Report to Peace and Justice Commission's Resolution Asking to be Assigned an Advisory Role in Consulting on Socially Responsible Investments and Procurement

RECOMMENDATION

Continue to allow the City Council Budget and Finance Committee to provide investment policy oversight.

FISCAL IMPACT OF RECOMMENDATION

Staff time from the Department of Finance.

CURRENT SITUATION AND ITS EFFECTS

At its regularly scheduled meeting on November 19, 2018, the Peace & Justice Commission took the following action of asking for a resolution to assign an advisory role in consulting on socially responsible investments and procurement for the City of Berkeley:

*M/S/C: Lippman/Hariri. Ayes: al-Bazian, Hariri, Lippman, Maran, Meola, Morizawa, Rodriguez. Noes: None Abstain: None. Absent: Bohn, Chen, Han, Pancoast*

This resolution seeks to affirm the November 1990 motion that was made by the City Council to assign a consulting role with respect to socially responsible investments. The resolution seeks to add this advisory role to the Commission's existing mandate.

This resolution also asks City Council to establish a Socially Responsible Investment and Procurement Subcommittee to be charged with evaluating businesses for social responsibility. The Commission proposes to hold hearings on and propose to Council, within six months, an ordinance to govern the Commission's advisory role on socially responsible investing and procurement.

### ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the subject of this report.

### RATIONALE FOR RECOMMENDATION

1. The City of Berkeley's Ordinance No. 5,705-N.S. was amended on November 27, 1990 to include an advisory role for the Peace & Justice Commission in the evaluation of City investments. The City replaced Peace & Justice Commission oversight over City investments several years ago with oversight by the Budget Review Commission. The Budget Review Commission conducted oversight until it was discontinued. Currently, the Budget and Finance Committee provides oversight over the City's investments.
2. During the period that the Peace & Justice Commission had oversight over responsible investing, communication was ineffectual and recommendations provided were overly complicated in terms of implementation and effectiveness. As a result, the advice given to staff was often counter-productive. For example, the Peace and Justice Commission developed a rather complex and unclear policy on purchasing Treasury securities that kept staff from purchasing these securities for over 20 years. (See Attachment 1.) Council eliminated this policy in FY 2019.
3. The City Council has established a Budget and Finance committee which is responsible for the following:
  - a. Investment Policy
  - b. Budget Development
  - c. Revenue Development
  - d. Expenditures
  - e. Fiscal Planning and Policy
  - f. Taxes and Fees
  - g. Large-scale Fiscal Investments

Additional Peace & Justice Commission oversight is duplicative to the work currently being performed by the Budget and Finance Committee.

4. The Council, as a body, has been engaged and on top of issues that deal with the values that its community espouses. The Council has passed and continues to advocate for socially responsible investments and some of these recommendations originated from several commissions including the Peace & Justice Commission. Some of the Council's recommendations include the following:
  - Nuclear-Free Berkeley Act
  - Oppressive States contract prohibition
  - Divestment from gun manufacturers and tobacco companies
  - Divestment from publicly traded fossil fuel companies and banks that finance pipelines and fossil fuel infrastructure

- Divestment from prisons (Resolution No. 67,640-N.S.) and immigration detention companies
- Divestment from any company designing, building or financing the U.S.-Mexico border wall (Resolution No. 67,865-N.S.)
- No investment in any entity involved in the production and manufacturing of weapons (Resolution No. 68,766-N.S.)

In addition, the City Council reviews and acts on recommendations from other commissions which includes the Peace and Justice Commission.

If the Peace and Justice Commission's recommendation is adopted, Council's efforts would be duplicated; at the same time it would require substantial Finance staff time to respond to numerous issues and questions from the commission. Finance staff is especially concerned about the impacts to existing workload, as the department is in the midst of implementing time sensitive matters including complying with new debt disclosure requirements and accounting standards promulgated by the Governmental Accounting Standards Board. In addition to that, Finance staff is heavily involved and engaged in the implementation a new financial system (ERMA).

ALTERNATIVE ACTIONS CONSIDERED

None.

CONTACT PERSON

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Attachments:

1. Peace & Justice Commission policy on purchasing Treasury securities

*To the extent possible, without compromising the City's safety, liquidity and yield objectives, it is the City's policy to prefer investments in U.S. Agency securities. They are preferred because of their generally higher yields and generally socially preferable uses, such as housing loans or student loans, versus investments in Treasury securities with their association with nuclear weapons.*

*The following paragraphs outline a mechanism for choosing to invest in Treasury securities:*

- *For each type of investment instrument being considered by the Finance Officer, a "normal spread range" which that instrument yields in excess of Treasury issues of comparable maturity shall be established. When the actual spread is less than the minimum of the normal range, the Finance Officer may choose to invest in Treasury issues, on the grounds that the City is not being compensated for the additional credit risk of non-Treasury investments. Conversely, when the spread is larger than the maximum of the normal range, the Finance Officer may choose to invest in Treasury issues, on the grounds that the financial markets are evaluating alternative instruments as having higher than normal risk. In either case, the Finance Officer shall continue to monitor spreads, and when they return to the "normal range", evaluate the feasibility of selling any Treasury holdings and reinvesting in non-Treasury instruments.*

*Treasury issues may also be purchased when six dealers are unable to provide non-Treasury investments of the desired maturity and dollar amounts.*

*In any event, whenever Treasury instruments are purchased, the next quarterly report shall include an explanation of the circumstances and reasons under which they were purchased. All financial institutions, which hold deposits or investments of the City, shall file a statement with the Director of Finance indicating the percentage of the bank's assets which are loaned to or invested in nuclear weapons agents as defined in Section 13 of the Nuclear-Free Berkeley Act. The Director of Finance shall use this information as a factor in selecting banks which have minimum involvement in the nuclear weapons industry. A summary of these reports shall be attached to the annual Statement of Investment Policies.*

- *Investments in United States Treasury securities may be made by the City of Berkeley only when no other reasonable alternative exists under the procedure described above. Short-term investments in United States Treasury securities repurchase agreements of 14 days or more shall be authorized by a continuing resolution of the City Council with each resolution to expire within 60 days.*
- *The City of Berkeley shall ensure that any City funds, or any funds controlled by the City, invested through trustees or other third parties, are invested according to the provisions of this section and, to this end, shall obtain written assurances to this effect from any such trustees or third parties.*