

RESOLUTION No. 37262 As Amended

Extend to December 31, 2017, the Council-approved Corporate Securities Do-Not-Buy List (Resolution)

WHEREAS, the City Treasurer is charged with investing the City's cash assets in accordance with the City's Investment Policy;

WHEREAS, the objectives of the City's Investment Policy are to, in priority order, (1) prudently protect the City's principle sums and ensure the preservation of capital, (2) provide ample liquidity to meet the City's operating needs and cash requirements, and (3) generate a market rate of return;

WHEREAS, in 2010, the City Council approved a change to the City's Investment Policy allowing up to 35% of the City's investment portfolio to be invested in corporate securities, subject to criteria and in compliance with State law;

WHEREAS, consistent with its responsibilities to the residents of the City of Portland, the City Council has social and ethical obligations to seek to avoid adding to its portfolio those securities issued by corporations whose practices egregiously contradict efforts to create a prosperous, educated, healthy, and equitable society;

WHEREAS, corporations that engage in practices that damage the environment and health, engage in abusive labor practices, violate corporate ethical and governance standards, engage in extreme tax avoidance strategies, exercise such a level of market dominance as to disrupt normal competitive market forces, or contribute to human rights violations undermine efforts to create a prosperous, educated, healthy, and equitable society;

WHEREAS, since 2013, the City Council has provided the City Treasurer with a Council-approved list of corporate issuers in which the City shall not directly invest its cash assets, and this list is now known as the Corporate Securities Do-Not-Buy List;

WHEREAS, the current Corporate Securities Do-Not-Buy List expires on December 31, 2016, unless extended by Council through a subsequent resolution;

WHEREAS, on October 2, 2013, City Council adopted Resolution 37037 directing the City Treasurer not to invest additional cash assets in Wal-Mart; and

WHEREAS, on December 12, 2014, City Council adopted a resolution creating the Socially Responsible Investments Committee charged with recommending corporate issuers in which the City shall not directly invest its cash assets; and

WHEREAS, on July 8, 2015, City Council adopted a resolution appointing seven volunteer public members to the Socially Responsible Investments Committee, who have worked diligently to fulfil their charge; and

WHEREAS, on September 24, 2015, City Council adopted Resolution 37153 directing the City Treasurer not to invest additional cash assets in the Carbon Tracker Top 200 oil, gas, and coal companies; and

WHEREAS, on September 30, 2016, the Socially Responsible Investments Committee submitted its Report to City Council recommending that Council add nine additional corporate issuers to the City's Corporate Securities Do-Not-Buy List and retain Walmart on the List; and

WHEREAS, the Socially Responsible Investments Committee recommended adding Credit Suisse to the Do-Not-Buy List, citing concerns including a \$1.9 billion settlement over manipulation of the International Swaps and Derivatives Association benchmark interest rates; a \$29 million penalty for misrepresentation of mortgage securities sold to credit unions; and the company's decision to plead guilty to criminal charges and pay \$2.6 billion in fines for assisting American clients evade taxes; and

WHEREAS, the Socially Responsible Investments Committee recommended adding Nestle to the Do-Not-Buy List, citing concerns including violations of the World Health Organization International Code of Marketing of Breast-milk substitutes; examples of forced labor practices and extreme labor rights abuses in the supply chain in Thailand including extreme physical abuse, neglect, murder, and false imprisonment of workers; and the company's unresponsiveness to community concerns regarding water consumption in drought-affected areas, including Oregon; and

WHEREAS, the Socially Responsible Investments Committee recommended retaining Walmart on the Do-Not-Buy List, citing concerns about abusive labor practices, including the company policy of cutting back hours of 44 percent of its employees to reduce the need to offer health care insurance and a documented track record of safety, labor, and human rights abuses; concerns about corrupt corporate ethics and governance, including corruption in the form of policies that result in health, safety, and human rights abuses such as the refusal to sign the binding Accord on Fire and Building Safety in Bangladesh; and concerns about excessive market dominance causing disruptions to normal competitive market forces, including the creative destruction of local communities, the company's manipulation of volume discounts that cause many manufacturers and jobs to move overseas, and the lack of any observable plan on Walmart's part that would remedy these concerns; and

WHEREAS, the Socially Responsible Investments Committee did not review and, therefore, did not make recommendations about, the status of fossil fuel companies on the City's Do-Not-Buy List. The City Council resolution adding fossil fuel companies to the List in 2015 cites a list of concerns about the link between climate disruption and the coal, oil, and gas reserves held by the largest fossil fuel companies.

NOW, THEREFORE, BE IT RESOLVED that Council directs the City Treasurer to suspend direct investments of cash assets in corporate debt securities until Council has approved the City's Investment Policy in 2017.

BE IT FURTHER RESOLVED that Council directs the City Treasurer to amend the City's Investment Policy by adding a restriction on the City's additional direct investments in Corporate Securities to those meeting a to-be-determined minimum rating at the time of purchase as determined by a third-party (ESG) environmental-, social- and governance-based investment research provider; and return to Council for approval of the City's Investment Policy by April 1, 2017.

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37262


Adopted by the Council: DEC 21 2016

Commissioner Steve Novick
Prepared by: Katie Shriver
Date Prepared: December 4, 2015

Mary Hull Caballero
Auditor of the City of Portland
By


Deputy

Extend to December 31, 2017, the Council-approved Corporate Securities Do-Not-Buy List (Resolution)

<p style="text-align: center;">INTRODUCED BY Commissioner/Auditor: Novick</p>	CLERK USE: DATE FILED <u>DEC 06 2016</u>
<p style="text-align: center;">COMMISSIONER APPROVAL</p> <p>Mayor—Finance and Administration - Hales</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Novick KES</p>	<p style="text-align: center;">Auditor of the City of Portland</p> <p>By: <u></u> Deputy <u>12-12-16</u></p>
<p style="text-align: center;">BUREAU APPROVAL</p> <p>Bureau: Bureau Head:</p>	<p>ACTION TAKEN:</p> <p>DEC 15 2016 <i>Rescheduled to</i> DEC 21 2016 <i>2:30 PM Time Certain</i></p>
<p>Prepared by: Katie Shriver Date Prepared: 12-6-16</p>	
<p>Impact Statement</p> <p>Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p>	
<p>Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>	
<p>City Auditor Office Approval: required for Code Ordinances</p>	
<p>City Attorney Approval: required for contract, code, easement, franchise, charter, Comp Plan</p>	
<p>Council Meeting Date Dec 15, 2016</p>	

AGENDA

TIME CERTAIN
Start time: 3:30

Total amount of time needed: 2 hours
 (for presentation, testimony and discussion)

CONSENT

REGULAR
Total amount of time needed: _____
 (for presentation, testimony and discussion)

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz	✓	
2. Fish	2. Fish	✓	
3. Saltzman	3. Saltzman	✓	
4. Novick	4. Novick	✓	
Hales	Hales	✓	