

**IMPACT STATEMENT**

**Legislation title:** Add Fossil Fuel Companies to the City of Portland's Corporate Securities Do-Not-Buy List (Resolution).

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**Purpose of proposed legislation and background information:**

This resolution adds two hundred publicly-traded companies with the largest coal, oil, and gas reserves in 2015, as reported by the Fossil Free Indexes, to the existing Corporate Securities Do-Not-Buy List.

The Corporate Securities Do-Not-Buy List directs the City Treasurer to not directly invest additional cash assets in corporate debt securities of the companies listed. Of these two hundred fossil fuel companies, only Chevron and ExxonMobil are currently eligible for City investment, per the minimum bond ratings required by the City's Council-approved Investment Policy.

The City currently owns \$35.0 million in Chevron securities, all of which will mature by March 2018. The City Treasurer will continue to hold the existing Chevron securities but this resolution will restrict the purchase of additional Chevron securities.

The City currently owns \$28.35 million in ExxonMobil securities, all of which will mature by March 2018. The City Treasurer will continue to hold the existing ExxonMobil securities but this resolution will restrict the purchase of additional ExxonMobil securities.

The Do-Not-Buy List will expire on December, 31, 2015, unless extended by Council through a subsequent resolution.

**Financial and budgetary impacts:**

The financial impact of this resolution is the ongoing earnings foregone by not being able to buy additional Chevron and ExxonMobil securities and having to make alternative investments instead. If equally-yielding alternative investments are available (all other investment criteria being equal), the dollar impact would be zero. If only lower-yielding alternatives are available, the dollar impact would be the ongoing earnings foregone by having to invest in those lower-yielding alternatives instead.

Today, the additional yield offered by Chevron securities over comparable maturity U.S. Treasury securities is approximately 47 basis points (0.47%). If the \$35 million currently invested in Chevron securities were invested instead in U.S. Treasuries, the City would earn \$493,500 less over the 3-year life of those investments. If the full \$68.2 million allowed to be invested in Chevron (5% maximum of the portfolio per issuer) were invested instead in U. S. Treasuries, the City would earn \$961,400 less over the 3-year life of those investments. These figures will vary based on general economic circumstances, market conditions, and specific security characteristics.

Today, the additional yield offered by ExxonMobil securities over comparable maturity U.S. Treasury securities is approximately 40 basis points (0.40%). If the \$28.35 million currently invested in ExxonMobil securities, were invested instead in U.S. Treasuries, the City would earn \$340,200 less over the 3-year life of those investments. If the full \$68.2 million allowed to be invested in ExxonMobil (5% maximum of the portfolio per issuer) were invested instead in U. S. Treasuries, the City would earn \$818,200 less over the 3-year life of those investments. These figures will vary based on general economic circumstances, market conditions, and specific security characteristics.

Currently, there are approximately 40-50 issuers of corporate debt securities eligible for the City’s direct investment, per the Investment Policy’s bond rating and maturity limitations and diversification requirements.

**Community impacts and community involvement:**

Adding Chevron and ExxonMobil to the City’s Corporate Securities Do-Not-Buy List reflects the Council’s sense that the corporate practices of these companies do not, on balance, align with the principles established by Council. These principles are:

- Environmental concerns
- Health concerns including weapons production
- Concerns about abusive labor practices
- Concerns about corrupt corporate ethics and governance
- Concerns about extreme tax avoidance
- Concerns about exercise of such a level of market dominance so as to disrupt normal competitive market forces
- Concerns about impacts on human rights

Council adopted the Corporate Securities Do-Not-Buy List for the first time in October 2013.

**Budgetary Impact Worksheet**

**Does this action change appropriations?**

YES: Please complete the information below.

NO: Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount