

IMPACT STATEMENT

Legislation title: Extend to December 31, 2015, the Council-approved list of companies the debt securities of which the City shall not directly invest its cash assets (Resolution).

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Presenter name: Katie Shriver; staff from City Treasurer's office will be available to answer questions

Purpose of proposed legislation and background information:

In October 2013, Council adopted a resolution directing the City Treasurer to not directly invest additional cash assets in Wal-Mart securities. That resolution expires December 31, 2014, unless extended by Council through a subsequent resolution.

This resolution extends to December 31, 2015, the direction to the City Treasurer to not directly invest additional cash assets in Wal-Mart securities.

The City currently owns \$27 million in Wal-Mart securities, all of which will mature by April 2016. The City Treasurer will continue to hold the existing Wal-Mart securities but this resolution will restrict the purchase of additional Wal-Mart securities through December 31, 2015.

As context, the City owned a total of \$37 million in Wal-Mart securities in October 2013 when Council first adopted a Corporate Securities Do-Not-Buy List directing the City Treasurer to not directly invest additional cash assets in Wal-Mart. \$10 million in Wal-Mart securities matured in May 2014.

Financial and budgetary impacts:

The financial impact of this resolution is the ongoing earnings foregone by not being able to buy additional Wal-Mart 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 Wal-Mart securities over comparable maturity U.S. Treasury securities is approximately 30 basis points (0.30%). If the \$27 million currently invested in Wal-Mart securities, were invested instead in U.S. Treasuries, the City would earn \$243,000 less over the 3-year life of those investments. This figure will vary based on general economic circumstances, market conditions, and specific security characteristics.

Community impacts and community involvement:

Extending the City's Corporate Securities Do-Not-Buy List, which includes Wal-Mart, reflects the Council's sense that Wal-Mart's practices 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

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