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## CITY OF PORTLAND

OFFICE OF MANAGEMENT AND FINANCE

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### **Socially Responsible Investing Committee Meeting Wednesday, April 23, 2014**

**Members Present:** Barry Bennett, Felisa Hagins, Ashley Henry, and Jenny Liu

**City Personnel Present:** Kelly Ball, Jennifer Cooperman, Timur Ender, Katie Shriver, and Janet Storm

**Guests Present:** Barbara Ellis

#### **Welcome and Agenda Review: Kelly Ball**

Welcome and overview of the agenda.

It was noted that the April 4 meeting notes mistakenly listed Barry Bennett as absent and Bernie Bottomly as present. The notes will be corrected.

It was learned the day before the meeting, Bernie Bottomly, the committee's business representative, had resigned from the committee for personal reasons. However, he recommended a colleague as a replacement. It was determined to be too late in the process to bring on a new member and get them prepared to contribute to the recommendation; however, staff will reach out to the suggested person and determine if she is able to participate as an observer/guest. The committee suggested that it would be valuable to have a member of the business community share thoughts on any recommendations under consideration.

#### **Public Input**

There were no public comments at the beginning of the meeting.

#### **Follow up from Meeting 2: Timur Ender**

Ender said that he spoke with the assistant treasurer in San Francisco, who was instrumental in the creation of San Francisco's socially responsible investing (SRI) policy. San Francisco has an internal credit approval committee that occasionally meets to discuss SRI issues. The city does not implement a "do-not-buy list" and the socially responsible principles listed in Section 13.0 of the city's investment policy are subordinate to the safety and liquidity of funds. The assistant treasurer told Ender that they do purchase screening reports from MSCI and that, though they do not often employ the SRI policy, the city does actively try to avoid investing in companies that are involved in any way in predatory lending.

#### **Ideas for a model**

City Treasurer Jennifer Cooperman presented the committee with an excel spreadsheet that calculated how much corporate investments yield for the City under certain market conditions. Even in a low interest rate environment, the yields are significant. The committee agreed that it would be in the City's best interest to continue investing in corporates.

Katie Shriver said that Ashley Henry had put her in contact with three individuals with firms that had expertise in ESG research and investing. They were Breckenridge, HIP and Seattle NW which is owned by Piper Jaffrey. Shriver said that a major take-away from her conversations was that SRI investing is not simply about morals — it is very much about risk, even for short term investments like those held by the City.

Shriver said that she inquired in general about what potential costs might be in the event the City decides to hold a request for proposal (RFP). She received a wide range of responses. On one end of the spectrum, some companies might offer to do some pro-bono work, while on the other end, some firms might decline to participate unless they were also additionally to be awarded management of City funds. The representatives from all three companies made it clear that the work Portland is doing is very cutting edge and that Portland could conceivably set the standard and a model for other cities to follow.

Each committee member offered ideas for a model. The committee agreed that it was very important to be clear on governance, ownership/responsibility and operationalizing issues within any recommendation made to Council. The committee then discussed the following ideas and possible recommendations:

- That they believe that it is in the City of Portland's best interest to develop a policy for incorporating socially responsible investing (SRI) principles into its investment policy.
- Ideally, the City Council in its normal capacity would have the ultimate authority and control of the policy and said principles for the investing purposes of the City.
- Ideally, Council would set the criteria for areas of concern to the City.
- Council could begin the initial policy with the six areas of concern that it has already identified:
  - The environment;
  - Public health including weapons production;
  - Abusive labor practices;
  - Corrupt corporate ethics and governance;
  - Extreme tax avoidance; and
  - Undue exercise of market dominance so as to disrupt normal competitive market forces.
- The policy, principles, and six areas of concern could be changed as determined by the Council from time to time.
- Should the Council choose to develop said policy, it is in the City's best interest to procure investment ranking reports from an investment research firm such as MSCI or Sustainalytics that specializes in environmental, social and governance (ESG) research, analysis, and ranking.
- Council could set criteria for reasonable and feasible cost and hold a request for proposal (RFP) for the services of such a firm.
- If the cost of these services was considered reasonable and feasible, a standing Advisory Committee of public members could be appointed by Council.
- The Advisory Committee would initially be comprised of experts representing at least each of the six areas of concern identified by Council.
- The size of the Advisory Committee and term limits of each committee member would be determined by Council.
- That Council could appoint new committee members as previous members term out.
- The terms of each committee member could be staggered to allow for continuity as Council evolves.
- The Advisory Committee would meet quarterly and receive staff support.

- The Advisory Committee could discuss and review City holdings, review data and scoring information provided by the research firm, and evaluate investments against definitions and ratings score thresholds as agreed upon by the Advisory Committee.
- From this discussion, the Advisory Committee would create a “Do Not Buy List” and submit its recommendations to Council annually.
- The “Do Not Buy List” might consist of individual companies or entire industries.
- Council could also elect to charge the Advisory Committee with specific definitions and score thresholds as it sees fit.
- Communication would be a two way street, and the Advisory Committee allowed to recommend additional areas of concern to Council.
- In the event the Advisory Committee ever identifies a company or companies that are exemplary in the areas of social responsibility and that meet the City’s performance expectations, the Advisory Committee could recommend it/them to Council.
- In the event an urgent situation arises, the Advisory Committee could convene at will and make additional recommendations to Council.
- In order to minimize volatility to the City’s portfolio and burden on Public Finance and Treasury, the “Do Not Buy List” would be applied annually to investments of additional cash assets rather than divestments of currently held investments unless Council agrees upon a need for such divestment.
- The policy would ideally be documented such that other cities and municipalities could easily replicate and implement said policy into their own investment policies.
- Council could take into consideration how the City may incorporate any agreed-upon “Do Not Buy List” into other City business, for example, procurement.
- Council could make a public statement such as “This Socially Responsible Investing Policy reflects the values of the City of Portland. The City of Portland hopes that these values mirror the values of other cities. Further, the City of Portland hopes that Portland’s policy will be a useful resource to other cities embarking on a similar journey.”

#### **Next steps and additional information for Meeting 4**

Ball said that staff would summarize the committee’s ideas into a draft report as a starting place for discussion at the next meeting.

#### **Public Input**

Barbara Ellis said that she would like to know what the duties of the existing Investment Advisory Committee are.