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CITY OF PORTLAND

OFFICE OF MANAGEMENT AND FINANCE

Socially Responsible Investing Committee Meeting Thursday, May 29, 2014

Members Present: Barry Bennett, Felisa Hagins, Ashley Henry, and Jenny Liu
City Personnel Present: Kelly Ball, Jennifer Cooperman, Katie Shriver, and Janet Storm
Guests Present: Barbara Ellis, Raihana Ansary, Tamsin Taylor

Welcome and Agenda Review: Kelly Ball

Kelly Ball welcomed the committee and guests to meeting 5 and gave an overview of the agenda.

Public Input

Barbara Ellis distributed written public comments to the committee.

Tamsin Taylor, an accountant who sits on the finance committees of several foundations, said that the perception that divesting from non-socially responsible companies would result in an automatic financial loss is incorrect; any losses can be recouped by instead investing in socially responsible companies. Her feeling was that the socially responsible companies would likely perform even better than their non-socially responsible counterparts in the future so there would be, in effect, no social discount.

Raihana Ansary of the Portland Business Alliance (PBA) provided input from a business perspective. She acknowledged that she was coming in at the end of the process and that she only had general concerns, which were her own, and did not reflect any position of the PBA. She was concerned that a do-not-buy list could affect the financial health of the City and would add another level of regulation to an already heavily-regulated process.

Her greatest concern was that, by creating a do-not-buy list, corporations that were on the list that hire locally might be inclined to look elsewhere, thus creating an even greater challenge to the local economy and jobless rate. From an employer's standpoint, a do-not-buy list could create a competitive disadvantage.

She said that it was very important that the criteria be objective and fair and that each criterion be equally weighted. In her opinion, it would also be advantageous to reward companies for good behavior. She suggested that Council seriously consider creating a principle cap to avoid mission-creep, and she strongly recommended that the standing committee have a representative with expertise in business and commerce.

Feedback from the Investment Advisory Committee (IAC)

Jennifer Cooperman reviewed the concerns put forth by the Investment Advisory Committee (see attached). It was noted that most of the IAC's concerns were about the Council's resolution and the idea of creating a do-not-buy list itself, rather than any particular aspects of the

temporary committee's recommendations. The temporary committee agreed that it was important for Council to review the IAC's concerns and it was confirmed that a copy of the IAC's feedback would be attached to the temporary committee's final recommendation to Council.

Finalize Draft Report

The committee went through the Decision Process illustration and draft report line-by-line, clarifying concepts and reaching consensus on the various edits.

Next Steps

The committee agreed to meet for a sixth time at noon on June 12 to determine a plan to present the report to Council.

Public Input

There was no further public input.

City of Portland Investment Advisory Committee (IAC)

Feedback for the Socially Responsible Investing Committee

May 23, 2014

In Attendance: Chris Abbruzzese, Jonas Biery, Mark Campbell, Jennifer Cooperman, Michael Montgomery, Deanne Woodring

Jennifer Cooperman went over the Socially Responsible Investing Committee's draft recommendations with the IAC and answered several questions. Once the committee gained understanding of what was being recommended, they offered the following feedback:

- The IAC is concerned that a “do-not-buy” list will have a negative impact on the City's portfolio returns. Such negative impact could have a ripple effect on the financial health and operations of the City.
- Portfolio earnings support everything from salaries, to public works, and other important City initiatives. The IAC strongly recommends that the standing committee keep in mind the financial impact to the City's bottom line and approach its duties with great care.
- At each quarterly meeting of the standing committee, Public Finance and Treasury (PF&T) should provide an analysis of the financial impact to the portfolio so the standing committee may make informed recommendations.
- The IAC would appreciate the opportunity to give Council and the standing committee feedback on its investment recommendations so that Council may make informed decisions, especially in cases where the standing committee's recommendations may present a challenge to the IAC's charge of protecting the City's funds.
- The IAC is concerned about constraints being placed upon the City's Investment Officer as the list of approved corporate issuers is already very small.
- As the list of Council's principles grow, and opportunities for public input increase, the list of approved corporate issuers will be further reduced.
- Council needs to consider the cost for research, data research vendor, and/or investment consultant, especially in regards to principles that are not easily tracked by existing research. It will be challenging for PF&T to bear this cost, since the endeavor will negatively impact PF&T earnings which cover PF&T costs.
- The IAC recommends that Council choose principles with care. Scoring may prove to be difficult as companies may align well with certain principles but not with others. For example, Walmart has an excellent environmental record but a poor record with respect to labor and business practices. As such, the “do-not-buy” list might possibly include the City's entire list of eligible issuers.
- Council and the City should not hold the IAC responsible for any Council actions based on the recommendations of the new committee. Council needs to be clear that it is not delegating its fiduciary responsibility to the standing committee; the standing committee is making recommendations only and final decisions rest with Council.
- The IAC doesn't want *its* process and advice to the City to become politicized.
- How can this “do-not-buy” policy give companies credit for the good work they do?
- If this effort is meant to be more than symbolic, what metrics will be put in place to measure the impact of this policy on corporate behavior?
- Is it possible that other cities are not doing this because it is simply not feasible?
- If the City's bottom line is reduced due to reduced portfolio earnings, then services to the public may need to be reduced. The public might feel that this is a good thing in the beginning but when their services start to be affected, it may cause great discontent and anger with the City.
- Political and business recruitment considerations should be seriously examined. Companies that might end up on the “do-not-buy” list employ a lot of people in the Portland area. If the City calls these companies out as “bad”, the City must be prepared for the political fallout and business recruitment impacts. Did the temporary committee consider this?