



## Legislation Details (With Text)

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**Sponsors:** David Baum  
Finance Director  
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**Attachments:** 1. SanLeandro IP 2018-19 revised 06-18-18, 2. Attachment A Excerpts of Other City Investment Policies

Date	Ver.	Action By	Action	Result
3/5/2019	1	Finance Committee		

### Discussion of City's Investment Policy

On November 19, 2018, Councilmember Hernandez requested a review of the City's Investment Policy. By consensus vote, the City Council agreed to refer this item to the City's Finance Committee. Accordingly, attached is the City's Investment Policy relating to treasury investments, which now total in excess of \$100 million. California Government Code Section 53600 et seq requires the City Council to annually review and approve the Investment Policy. This policy was last adopted on June 18, 2018.

On January 8, 2019, the Finance Committee discussed the City's Investment Policy. After discussing the City's investment objectives and receiving input from the three community members present at the meeting, the Committee asked staff to recommend socially responsible investment objectives.

### Discussion

The City's current Investment Policy lists the following four investment objectives:

- Safety:** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
- Liquidity:** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- Yield:** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs. Return on investment is of least importance compared to the safety and liquidity of the City's assets as

described above.

4. *Other*: Investments are to be made that will bear in mind the responsibility of city government to its citizens. Alternative investments which enhance the quality of life will be given full consideration.

For reference, attached is the City's investment policy.

Staff contacted its investment portfolio manager and surveyed other local governments in California. The City's portfolio manager, Chandler Asset Management, recommends language in support of socially responsible investing (SRI) set forth below.

Six local governments provided the SRI from their Investment Policies, which are provided in Attachment A. Each one prohibits at least one of the following investments:

1. Fossil fuel producers
2. Private Prisons
3. Tobacco manufacturers
4. Gun manufacturers

In the City's current portfolio, only two investments would be prohibited: Chevron and Exxon, which together represent less than 1% of City treasury investments.

## **Recommendation**

*Staff recommends that a SRI investment objective be added to the City's investment policy for investing treasury funds. The proposed addition follows: The investment policy prohibits investing in an entity that receives a significant portion of their revenues from the gun manufacturing, fossil fuel production, private prisons and tobacco producers.*