

ALBANY CALIFORNIA



CITY OF ALBANY
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Agenda Date: 11/18/2024

MEMORANDUM

To: Albany City Council Members

From: Councilmember Tiedemann

Re: ESG Investment Policy

RECOMMENDATIONS

That the Council direct staff to:

1. Draft an Environmental, Social & Governance (ESG) investment policy with our City Portfolio manager
2. Divest the City from our investments in certain non-ESG industries
3. Develop a regular process to update Council or a Standing Committee of Council on the City's management of our investments.

BACKGROUND

In July, I met with a group of residents who were interested in ensuring Albany was not investing in any industries that did not match the values of our City. Of chief concern were investments in oil and gas producers and weapons manufacturers, though we also discussed how to ensure our City investments were generally managed in a socially responsible manner. A member of this group also communicated this request directly to the City Council in August.

I requested that Staff do background work to understand the City's options in regards to establishing a comprehensive policy for our investments. Albany's investment portfolio consists of our strategic reserves, capital reserves, pensions, and other funds. Our investment is managed by PFM Asset Management (PFMAM), a firm that specializes in managing the portfolios of State and local governments, as well as other public sector funds. Staff determined that an ESG approach would be the best route forward, and could be developed with PFMAM, pending Council direction. ESG frameworks are a common method to ensure investments are made in line with one's values, and offer the benefit of the use of research and metrics developed by objective third parties.

It was also noted during discussion with Staff, that our current portfolio has minor levels of investment in industries that we would likely move away from as part of an ESG framework. Overall, the city's portfolio includes a half a percent of its total value invested in Oil and Gas, and a half a percent in Aerospace and Defense.

DISCUSSION

While Albany's investments are largely held in relatively stable and institutional actors—most of our portfolio is with large banks and government bonds—it is important that we ensure our funds do not go towards supporting industries that directly contradict our values as a Community. Most obvious is oil & gas producers; the Council recently declared a climate emergency and has taken a variety of action to address climate change, including moving our own energy creation away from fossil fuels. Investing City funds in these same producers of greenhouse gasses directly contradicts our aim as a community to fight climate change and all its negative impacts. Similarly, investment in weapons manufacturers goes against our goal as a City to reduce and discourage violence. Establishing a comprehensive ESG investment policy will allow us to ensure we do not invest in these industries and those like them in the future.

While our current investment in these objectionable industries is relatively minor, collectively 1% of our portfolio, I recommend moving to disinvest from these industries as quickly as is feasible without realizing a loss that would significantly impact our overall financial health. Given the small portion of the total funds invested in these industries, this should be possible relatively quickly.

Finally, I recommend creating a regular update process on this topic both as a means of doing our due diligence to monitor that our chosen approach is being implemented and to increase the Council's and the community's awareness of City investments, as this topic has historically not been explored in depth often.

SUSTAINABILITY CONSIDERATIONS

Divesting from industries responsible for a large amount of polluting activities aligns the City's investment policies with our local efforts to encourage sustainable behavior in our residents, fight climate change, and address the negative impacts of greenhouse gas pollution.

SOCIAL EQUITY AND INCLUSIVITY CONSIDERATIONS

Given the outsized negative impacts of polluting or weapons manufacturing industries on already disadvantaged populations, moving City funding away from such investments advances equity in our community and beyond.

CITY COUNCIL STRATEGIC PLAN INITIATIVES

Creation of an ESG policy would advance the Council's Strategic Goals to "Advance Climate Action & Adaptation," "Encourage Community Connectivity Through Diversity, Equity & Inclusivity," and "Increase Public Health, Safety & Resiliency."

FINANCIAL CONSIDERATIONS

Divestment from target industries could have a minor negative impact on the City's portfolio, though the policy is intended to minimize this as much as possible.