



BOSTON CITY COUNCIL

Committee on Government Operations
Lydia Edwards, Chair

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REPORT OF COMMITTEE CHAIR

November 17, 2021

Dear Councilors:

Docket #0441, an ordinance relative to the investments of the City Treasury, was sponsored by myself, Councilor Matt O'Malley and Councilor Michelle Wu and referred to the Committee on March 17, 2021. The Committee held a hearing on September 30, 2021 where public comment was taken.

Summary of Legislation:

This ordinance would prohibit the use of public funds from investing in stocks, securities, or other obligations of companies which derives more than 15% of its revenues from the sale of tobacco products, fossil fuels, or carceral facilities. The proposal requires the City to divest public funds from investments related to fossil fuels by December 31, 2025 and requires the Collector-Treasurer to submit a report to the City Council on City investments. The City passed a similar ordinance in 1984 regarding the investing and divesting of public funds in companies doing business with the Republic of South Africa.

Information Gathered at the Hearing:

The following individuals from the Administration joined the Committee: Maureen Garceau, First Assistant Collector Treasurer, Treasury Department to provide opening remarks; and, Richard DePiano, Second Assistant Collector Treasurer, to assist with the question and answer portion.

Councilors offered comments supporting the docket. Councilors discussed that fossil fuels are underperforming and clean energy is overperforming; therefore, the City will have a better return on investments. Councilors stated that it is important to know where Boston invests its money and also referenced the divestments in South Africa. The Committee discussed that this proposal does not target retirement funds and expands upon what the City is already doing with regard to tobacco products.

The Committee inquired about the investment policy of the City and how much of the City money is invested in fossil fuels. Councilors acknowledged that money can be reinvested because of more opportunities and still achieve a good ROI. The Committee discussed that there

are more opportunities to move investments to environment friendly options.

Ms. Garceau reviewed the role of the City's Treasury Department explaining that it manages City funds and the General Fund cash investments. Ms. Garceau explained that the City looks at safety, liquidity, return, and sustainability when investing money. Ms. Garceau also discussed the MMDT which allows cities and other public entities to pool their money together, creating economies of scale, in an effort to receive professional investment management at a competitive cost. Ms. Garceau discussed initiatives that the City has adopted to promote clean energy investments such as the ESG investment initiative, which takes into account environment, social, and governance when investing and the community banks initiative. Ms. Garceau explained that the standard of care that the City uses for investing is the prudent person standard in order to have a sound investment policy. Ms. Garceau also stated that the City issued green bonds last year as well as social bonds for affordable housing projects.

The Committee heard testimony from members of the public that supported the proposal. Public comments reflected support of divestment citing that more options are available to invest in clean renewable energy and that divesting can create funds to invest in renewable energy. Comments also supported divestment as a way to make more money and having an influence on companies.

Summary of Amendments:

The second whereas clause is amended by striking out the word "significant" and replacing it with the word "limited." The second whereas clause as amended reads as follows: "Investments of the City Treasury carry limited exposure to fossil fuels".

The fourth whereas clause is amended by adding the word "combat" before the word "climate". The fourth whereas clause as amended reads as follows: "The City of Boston and Commonwealth of Massachusetts have established strict greenhouse gas emission reduction goals in order to combat climate change".

The seventh whereas clause is amended by adding the following clause after the word "standards": "as part of the City's portfolio and". The seventh whereas clause as amended reads as follows: "In February 2019, the City of Boston updated its Cash Investment Policy to promote Environmental, Social and Governance standards as part of the City's portfolio and in local investments."

The last whereas clause is amended by changing the word "invest" to "investing".

In Section 6-3.7(b), in the second paragraph the word "shall" is replaced with the word "may" in order to provide flexibility to the City. The third paragraph in Section 6-3.7(b) is stricken in order to maintain scope of fossil fuel divestment intent.

In Section 6-3.7(c) the following phrase is added after the word "funds": "under the care and custody of the Collector-Treasurer of the City of Boston, as specified in subsection 6-3.11". Subsection (c) as amended reads as follows: "No public funds under the care and custody of the Collector-Treasurer of the City of Boston, as specified in subsection 6-3.11, shall be invested or remain invested in the stocks, securities or other obligations of any company which derives more

than fifteen (15%) percent of its revenue from the operation, maintenance, servicing or supply of carceral facilities.”

In Section 6-3.7.2, Report on Local Investment, is amended by striking in its entirety and replacing with the following sentence: “Upon compliance of 6-3.7, the Collector-Treasurer shall submit a report within 120 days to the Boston City Council regarding the status of investments affected by 6-3.7.”

Rationale and Recommended Action:

Passage of this ordinance will provide the City with better investment opportunities by creating options to invest in renewable energy sources. These options will allow the City to meet its fiduciary obligations since clean energy is overperforming; therefore, the City will have a better return on investments. This proposal is about City funds in trusts and the money in the treasury and does not target retirement funds. This proposal will be another tool in reducing greenhouse emissions.

By the Chair of the Committee on Government Operations, to which the following was referred:

Docket #0441, an ordinance relative to the investments of the City Treasury,

submits a report recommending that this docket **ought to pass in an amended draft.**

For the Chair:

A handwritten signature in black ink that reads "Lydia Edwards". The signature is written in a cursive, flowing style.

Lydia Edwards, Chair
Committee on Government Operations