



CITY COUNCIL AGENDA REPORT

Meeting Date: April 21, 2022

From: Adrienne Etherton, Sustainability Manager

Subject: Resolution in support of state divestment bill

Community Goal/Result

Ecological Sustainability - Brisbane will be a leader in setting policies and practicing service delivery innovations that promote ecological sustainability

Fiscally Prudent - Brisbane's fiscal vitality will reflect sound decisions which also speak to the values of the community

Purpose

Consider supporting SB 1173 (Gonzalez) Fossil Fuel Divestment Act, which encourages the California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement system (CalSTRS) to divest their portfolios from fossil fuel investments.

Recommendation

Approve a resolution in support of SB 1173 (Gonzalez) Fossil Fuel Divestment Act.

Background

On June 19, 2014 the City Council, upon OSEC's recommendation, passed Resolution No. 2014-19 encouraging the state's pension funds to divest from fossil fuels. The resolution followed OSEC discussion of the matter and a presentation by OSEC member Glenn Fieldman to the City Council on April 21, 2014. Divestment efforts have grown since the City's previous consideration of this issue, but more recently some advocates have suggested that engagement may be a more effective strategy for meeting climate goals. CalPERS and CalSTRS have favored the engagement approach and resisted past calls for divestment.

The Open Space and Ecology Committee (OSEC) discussed SB 1173 and the merits of divestment at their March 23, 2022 meeting and recommended the City support the bill.

Discussion

Senator Gonzalez's bill, if adopted into law, would prohibit CalPERS and CalSTRS from investing in the top 200 fossil fuel companies, require that they divest any current investments in those fossil fuel companies by 2027, and require they annually report on their divestment progress starting in 2024. The bill aligns with the City's 2014 resolution as well as the Climate Emergency Declaration adopted in July 2021.

Fiscal Impact

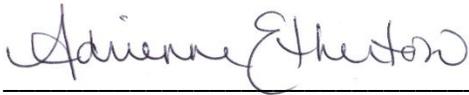
There is no direct financial impact to the City from passing this resolution.

Measure of Success

State pension funds are divested from fossil fuel companies contributing to climate change.

Attachments

1. Resolution in support of SB 1173 (Gonzalez) Fossil Fuel Divestment Act
2. SB 1173 (Gonzalez) Fossil Fuel Divestment Fact Sheet



Adrienne Etherton, Sustainability Manager



Randy Breault, Public Works Director



Clay Holstine, City Manager

RESOLUTION NO. 2022-XX**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRISBANE
IN SUPPORT OF SB 1173 (GONZALEZ) FOSSIL FUEL DIVESTMENT ACT**

WHEREAS, climate change, through rising sea levels, drought, heat waves, and increased wildfires is already negatively affecting human wellbeing, ecosystems, and biodiversity; and

WHEREAS, climate change is an issue of environmental justice, disproportionately impacting Indigenous communities, communities of color, and low-income communities due to historical oppression, inequity of power, and lack of access to resources for prevention and relief; and

WHEREAS, the International Panel on Climate Change concluded in 2018 that we have 12 years to make dramatic cuts in the use of fossil fuels (coal, oil, gas and tar sands) if we are to keep warming to 1.5° C and avoid more catastrophic change; and

WHEREAS, the fossil fuel industry is the single most powerful obstacle to addressing climate change, using their immense lobbying power in Washington D.C. and Sacramento to block climate legislation; and

WHEREAS, fossil fuel companies' own scientists knew their products were causing climate change, but the companies kept it secret; and

WHEREAS, to effectively address climate change, most fossil fuel reserves must remain in the ground, never to be used. This makes fossil fuel stocks a risky investment; and

WHEREAS, a Corporate Knights study found if CalPERS and CalSTRS had divested in 2010 they would have gained \$11.9 and \$5.5 billion respectively by 2019; and

WHEREAS, independent studies by financial consulting firms Blackrock and Meketa found divestment reduces risk, and improves, not weakens, investment returns; and

WHEREAS, divestment in specific segments or business operations by CalPERS and CalSTRS is already standard practice and is specifically allowed by the California Constitution; and

WHEREAS, divestment means selling directly held or commingled assets including fossil fuel public equities and corporate bonds; and

WHEREAS, the City of Brisbane declared a climate emergency in July 2021 which aspires to carbon neutrality by 2040 and commits the City to reducing emissions, coordinating climate mitigation and resiliency efforts, and accelerating a just transition; and

WHEREAS, the City’s Climate Emergency Declaration encourages “avoid[ing] further investment of public dollars in fossil-fuel reliant infrastructure when there are clean energy alternatives, support[ing] public sector employees, and ensur[ing] a climate resilient future for all Brisbane residents.”

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BRISBANE RESOLVES AS FOLLOWS:

Section 1. The City of Brisbane strongly supports SB 1173 (Gonzalez) the fossil fuel divestment act. Upon passage, a copy of this resolution will be sent to Senator Gonzalez’s office requesting that City of Brisbane be listed as an official supporter of the bill.

Coleen Mackin, Mayor

* * * *

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Brisbane held on the twenty-first day of April 2022, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

ATTEST:

Ingrid Padilla, City Clerk



SB 1173 (Gonzalez) Fossil Fuel Divestment

SUMMARY

Senate Bill (SB) 1173 will prohibit the California Public Employees Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) from investing in fossil fuel companies, and require that they divest any current investments by 2027.

BACKGROUND/PROBLEM

Californians, along with states and nations around the globe, are facing the real and immediate threats of climate change and its ever-growing impacts on our health, safety, environment, and our ability to pass on a livable planet to future generations.

California has been a world leader in taking steps to combat the causes of climate change, and have set historic carbon reduction goals and taken meaningful actions to help prevent environmental destruction and protect communities who bear the overwhelming brunt of carbon emissions.

Despite these forward-thinking actions, California's multi-billion dollar retirement pension funds are actively investing billions of dollars in the very fossil fuel companies that are causing climate change.

CalPERS and CalSTRS, which invest the pension funds of state employees and teachers, have an investing power of \$469 billion and \$327 billion, respectively. A recent report estimates that out of these funds CalPERS invests \$5.5 billion in fossil fuel companies and CalSTRS invests \$3.4 billion.¹

¹ <https://climatesafepensions.org/wp-content/uploads/2021/12/CSPN-The-Quiet-Culpit.pdf>

With the explosion of investment and development in carbon-free technologies, and consumer choice and governmental regulation driving markets away from fossil fuels, it has become clear that the fossil fuel industry may be a risky and myopic financial investment. Major investment management firms, BlackRock and Meketa, have concluded that divestment from fossil fuels actually improves, not weakens, investment returns.² A further study has shown that if CalPERS and CalSTRS had divested from fossil fuels in 2010 they would have gained \$11.9 and \$5.5 billion in returns by 2019.³

Many of the beneficiaries and union members whose retirement futures are invested by CalPERS and CalSTRS have passed resolutions calling for the divestment of fossil fuels, including the United Teachers of Los Angeles, the California Federation of Teachers, and the California Faculty Association.

An estimated 1,500 institutions with over \$39 trillion in assets have already committed to divestment, including the University of California, the California State University, the State and City of New York, the State of Maine, the Vatican, and the province of Quebec.

The Legislature already began the work of divesting from dangerous carbon emitting companies through the passage of SB 185 (De Leon, Chapter 605, Statutes of 2015), which required CalPERS and CalSTRS to liquidate their investments in thermal coal companies. Further, Governor Newsom also recently issued an Executive Order on Climate Change (EO N-19-19) which called on CalPERS and CalSTRS to "leverage the state's \$700 billion investment portfolio to advance California's climate leadership."

² <https://ieefa.org/major-investment-advisors-blackrock-and-meketa-provide-a-fiduciary-path-through-the-energy-transition/>

³ <https://drive.google.com/file/d/1k27W2oTzaqueEZrvit4RLfve6pvakqMI/view>

SOLUTION

SB 1173 seizes the momentum of the worldwide divestment movement and continues the bold and progressive actions that California must take to address climate change. SB 1173 ends the contradictory and incongruous policies that position the state as a leader in the fight against climate, while simultaneously investing billions in the fossil fuel companies that are causing climate change.

Specifically, SB 1173 will prohibit CalPERS and CalSTRS from investing in the top 200 fossil fuel companies, and require that they divest any current investments in those fossil fuel companies by 2027. Additionally, SB 1173 will require CalPERS and CalSTRS to annually report, beginning in 2024 on their divestment progress.

SUPPORT

California Faculty Association (Sponsor)
Fossil Free California (Sponsor)

CONTACT

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