

## **Sustainable Banking and Investment Task Force Meeting Minutes**

*February 7, 2022*

The Task Force (TF) meeting was held at 7 pm by Zoom. The meeting was open to the public. Present were Victor Thuronyi (Chair), Michael Ashford (Vice Chair), Rachel Fredman Lyngaas (Secretary), Christine Pendzich, Jessica Clarke (Deputy City Manager), Amber Cameron, Paul Gunter, William Girardo, Lesley Hunter, David Bend, and Susan Cheung (City of Takoma Park Finance Director).

### **1. Meeting Minutes**

TF members unanimously approved the minutes of the January 24, 2022, meeting, with the clarification that Michael Ashford was not in attendance.

### **2. Next Steps on the Report**

Victor noted that the Task Force has a limited life, as the City Council's Resolution states that the TF must report back by February 28, 2022, after which it presumably goes out of existence. He added that the next step would be to tentatively discuss the recommendations of the report and identify TF members who could write those up. If the TF could then approve those recommendations in two weeks by its February 21 meeting, it could then submit the draft report to Council. The TF could ask for a four-week extension, and then open its first meeting in March for public comment on the draft report. The TF could then talk with City Council members and approve the final report with revisions two weeks thereafter.

Christine noted that she may be out of town at some point in March. Amber added that she would be away March 8 – 20, with limited availability. Paul noted that he would be away on travel March 9 – 12, but reachable. Victor promised to poll the group and find meeting times that hopefully all could attend.

Rachel suggested putting the full version of the report in Google Documents. Victor noted that he would do so, and one person could oversee each section and approve suggested edits. He added that there should be one author for each recommendation presented in the report.

### **3. Investment Policy Recommendation**

With respect to the TF's recommendations, Victor referenced Takoma Park's Investment Policy and noted that its reference to environmental, social and governance (ESG) criteria was a laundry list of items with language noting that such criteria "can be considered." Language prohibiting investments in nuclear weapons producers was clearer in the Policy. Victor suggested that the TF write its definition of ESG in the Policy, along with other suggestions. Lesley noted that she would be happy to redraft it.

William asked if the City's current Investment Policy was insufficient. Michael responded that the TF had some responsibility to change it, since the City Council asked the TF to consider the City's current policies with respect to sustainable investment. He suggested proposing the investment objective that the City is trying to achieve, and propose something more specific than the current language in Article IX. He also recommended including the sustainable investment criteria under the Policy's objectives that guide decision-making. Christine noted her agreement with Michael's proposal and added that the Investment Policy needed to include stronger language than "when possible," and should specify targets for divestment. Rachel noted that this language should be added in Article IV of the current Investment

Policy, and that it might be useful to see examples of how such language was proposed in other cities' investment policies.

Paul added that the TF should set its ambitions high, as the public is looking to address climate change. Victor noted that he looked forward to Lesley's proposed language, and to seeing what other cities had done.

Lesley agreed with the suggestions. She added that the Police Pension Fund is exempt from this Investment Policy because they are an independent body and are not complying with Takoma Park's nuclear-free policies. Victor agreed that the TF did not need to suggest language for the Pension Fund as it is beyond its scope, but that it would be good to make recommendations to the Pension Fund on considering sustainability.

#### **4. Banking Services Recommendation**

Victor noted that Takoma Park's current bank, SunTrust, provides finance to nuclear weapons producers, and TF members have expressed some concern about continuing to bank with them. The TF could recommend that the City issue an RFP and find another bank that is socially responsible. Like the TF's recommendations for the Investment Policy, this recommendation could reference other banks in proximity to the City that could satisfy these criteria. Seattle, for example, voted to stop doing business with Wells Fargo.

Christine noted that she sensed some reluctance on the City's part to consider issuing a new RFP, as the City Finance Director had emphasized the need for both security and proximity in selecting its banking services. For this reason, she proposed that the TF should put in quite concrete, firm language to change the City's banking services, otherwise the City will maintain the current status quo. She referenced one of the American Rescue Plan Act's (ARPA) projects for the City that involved an overhaul of its financial management system, which would take a while. The City cannot undertake this project at the same time as changing banks, so the TF should propose some flexibility with the timeline. Paul noted that he saw some enthusiasm on the City's part for switching to Sandy Spring Bank. With respect to the ARPA project, Rachel noted that the TF and City should view the overhaul of the City's financial management system as an opportunity to also change banks.

Michael noted that this issue is challenging, because digitization takes time, and the TF should not underestimate the importance that some City employees place in being able to physically go to SunTrust Bank to pick up or deposit checks. There may also be issues with employees moving, in which cases there will be issues in getting their paychecks mailed to them.

#### **5. CDs Recommendation**

With respect to certificates of deposit (CDs), Victor noted that the TF should focus on those that the City has control over, unlike the Maryland Local Government Investment Pool (MLGIP). With respect to the City's CDs, in deciding which CDs to invest in, the City should favor those that are sold by more socially responsible banks.

William noted that Multi-Bank Securities, Inc., the City's current CD broker, has an option for NCUA-backed services. CDs are typically ladder based on their term. CDs also have specific rates available

for a given day, and it may be difficult for the City to find CDs that match its sustainable investment criteria that also have a good rate available.

Christine noted that she agreed that the TF's recommendation should be flexible given the realities of the City's financial management capacity. However, the TF should not bend too far backward; it should encourage the City to move realistically towards a more sustainable approach. The TF should recommend that MBS come up with a list of banks that have a sustainability policy.

William noted that he would draft the language for this recommendation.

## **6. Pension Fund Recommendation**

Amber agreed with the proposed recommendation for CDs and suggested that the TF take the same approach with respect to its recommendation for the Police Pension Fund. We should provide numbers that can be used as a guidepost, to give the City something to move towards. Victor noted that the TF should recommend that the Police Pension Fund consider coming up with an investment policy that is similar to what the TF is recommending for the City. The Police Pension Fund will be investing in different types of assets, such as mutual funds and index funds.

Lesley noted that the Police Pension Fund was limited by federal and state policy with respect to its fiduciary duties. Nonetheless, its investment advisor Bolton seemed competent to be able to advise if the TF can map out a plan for them. Michael volunteered to write this section. He added that the TF could propose ESG index funds; ESG indices are also being debated. A lot of ESG funds are not moving out of the oil and gas sector because they believe they need to work with them to facilitate transition. However, the Police Pension Fund might need be more restrictive because it has less money.

Amber volunteered to work on this section with Michael.

## **7. MLGIP Recommendation**

Victor noted that the TF could recommend that the City look at what the MLGIP is investing in; there is a fair amount of potential because this is an enormous fund. The City could lobby that the funds be invested in a more sustainable way.

Christine agreed that the TF should make some recommendations but added that we should be aware that there is a legislative assembly bill that tends towards divestment, which could give the City good cover for promoting a more sustainable investment policy.

Rachel volunteered to work on this language.

## **8. Nuclear Free Takoma Park Committee (NFTPC) Recommendation**

Victor noted that the TF is supposed to provide a recommendation regarding what the NFTPC should be doing. In the fall, an amendment to the City Code streamlined the procedure for waivers if the City wants to buy something from a nuclear weapons producer. Before this amendment, NFTPC was involved. That role was taken out. This doesn't mean the NFTPC cannot be involved, but there is no longer a formal procedural step.

Paul noted that he was on the NFTP and his term limit was extended to 2023. He added that the NFTP is still functional and in reading through its duties and responsibilities, the City is still required to consult the NFTP with respect to the waiver. The amended 2021 version of City Code section 2.26.250(F) states that the City still needs to consult with the NFTP, but the Committee cannot represent an impasse to the waiver. He added that furthermore, the NFTP is supposed to keep an eye on high-level nuclear waste. On February 2, 2022, he sat in on meeting with the Nuclear Energy Regulatory Commission (NERC), which is opening discussion on high-level nuclear waste that would be going out west. There is thus an active role for the NFTP to be monitoring trafficking of radioactive waste.

William noted that he had no context and understood that the NFTP cannot get new membership. Now, the TF is being asked to opine on what the NFTP is doing. He does not know why the City Council is asking the TF to do this. There was some back and forth on this question; Rachel asked if someone from the City Council can provide further background.