


Agenda Report Reviewed by:
City Manager: 

**CITY OF SEBASTOPOL
CITY COUNCIL
AGENDA ITEM**

Meeting Date: July 18, 2023
To: Honorable Mayor and City Councilmembers
From: Climate Action Committee / Kari Svanstrom, Planning Director
Subject: Consider a Letter of Support for SB 252
Recommendation : Authorize the Mayor to sign the letter of support for SB252
Funding: Currently Budgeted: _____ Yes _____ No X N/A
Net General Fund Cost: \$0

INTRODUCTION/PURPOSE:

This item is for City Council to Discuss and Consider Authorizing the Mayor to prepare and send a Letter of Support for SB 252 to Governor Gavin Newsom and Senator Mike McGuire.

BACKGROUND:

SB 252, as amended, would prohibit the boards of the Public Employees’ Retirement System and the State Teachers’ Retirement System from making new investments or renewing existing investments of public employee retirement funds in a fossil fuel company, as defined. The bill would require the boards to liquidate investments in a fossil fuel company on or before July 1, 2031. The bill would temporarily suspend the above-described liquidation provision upon a good faith determination by the board that certain conditions materially impact normal market mechanisms for pricing assets, as specified, and would make this suspension provision inoperative on January 1, 2035. The bill would provide that it does not require a board to take any action unless the board determines in good faith that the action is consistent with the board’s fiduciary responsibilities established in the California Constitution.

DISCUSSION:

At it’s April 11th, 2023 meeting, the Climate Action Committee (CAC) voted to recommend the City Council consider a letter of support.

GOALS:

This action supports the following City Council Goals:

Goal 2.2.5. Continue the City of Sebastopol’s commitment to the reduction of Green House Gas Emissions.

and General Plan Actions:

Goal COS 9: Promote Conservation of Energy and Other Natural Resources

Policy COS 9-7: Promote efforts and programs, including increased access to clean technologies such as electric vehicles and charging stations, to encourage residents, businesses, and local organizations to use clean energy sources to supplant dirty technologies.

PUBLIC COMMENT:

As of the writing of this staff report, the City has not received any public comment. However, if staff receives public comment from interested parties following the publication and distribution of this staff report. Such comments will be provided to the City Council as supplemental materials before or at the meeting. In addition, public comments may be offered during the public comment portion of the agenda item.

PUBLIC NOTICE:

This item was noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to schedule meeting date.

FISCAL IMPACT:

There is no direct fiscal impact associated with the recommended action tonight.

RECOMMENDATION:

Authorize the Mayor to sign the letter of support

Attachments:

Letter of Support

Legislative Language

RESOLUTION NUMBER: -2023

CITY OF SEBASTOPOL

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL IN SUPPORT OF FOSSIL FUEL
DIVESTMENT FROM PUBLIC EMPLOYEE PENSION FUNDS

WHEREAS, the City of Sebastopol completed a comprehensive General Plan update with adoption of a new General Plan on November 15, 2016, and adopted an Updated Housing Element on January 3, 2023; and

WHEREAS, pursuant to the California Environmental Quality Act (CEQA, codified at Public Resources Code § 21000 *et seq.*) and the State CEQA Guidelines (14 CCR, § 15000 *et seq.*), on November 15, 2016, the City Council certified and adopted an Environmental Impact Report (EIR) for the Sebastopol General Plan (the "Project"; State Clearinghouse No. 2016032001); and

WHEREAS, anthropogenic climate change, through rising sea levels, drought, heat waves, extreme precipitation events and increased wildfires is observably affecting human wellbeing, ecosystems and biodiversity; and

WHEREAS, climate change is an issue of environmental justice, disproportionately affects Indigenous communities, communities of color, and low income communities due to historical oppression, inadequate political power and 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 1.5o C and avoid more catastrophic change; and

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

WHEREAS, fossil fuel companies' own scientists knew as early as the 1970s that 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. Such reserves held as investments are liable to become stranded assets. This makes fossil fuel stocks a risky investment; and

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

WHEREAS, independent studies by financial consulting firms BlackRock and Meketa have found that divestment reduces risk and improves rather than weakens investment returns; and

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

WHEREAS, the “engagement” strategy preferred by CalPERS and CalSTRS has been largely ineffective in moving fossil fuel companies away from fossil fuel exploration, extraction and distribution; and

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

WHEREAS, SB 252, introduced by State Senator Lena Gonzalez, will help meet the State’s climate action goals by prohibiting CalPERS and CalSTRS from investing in fossil fuel companies and to divest from such companies by 2030, and,

WHEREAS, the City Council held a duly noticed public meeting to consider the item on July 18, 2023, and heard public comment; and,

WHEREAS, the City Council finds that the proposed State legislation is consistent with the following General Plan Goals, Policies and Actions:

Goal 2.2.5. Continue the City of Sebastopol’s commitment to the reduction of Green House Gas Emissions.

Goal COS 9: Promote Conservation of Energy and Other Natural Resources

Policy COS 9-7: Promote efforts and programs, including increased access to clean technologies such as electric vehicles and charging stations, to encourage residents, businesses, and local organizations to use clean energy sources to supplant dirty technologies. And,

WHEREAS, the proposed Project is consistent with adopted Climate Action Framework goals regarding reduction of Greenhouse Gases.

NOW, THEREFORE, BE IT RESOLVED that the City of Sebastopol City Council hereby adopts a Resolution calling upon CalPERS and CalSTRS to divest its holdings in fossil fuel companies immediately. Upon passage, a copy of this resolution will be sent to CalPERS and CalSTRS requesting that the City of Sebastopol, CA. be listed as an official supporter of fossil fuel divestment, by the following vote:

VOTE:

Ayes:

Noes:

Abstain:

Absent:

APPROVED: _____
Mayor Neysa Hinton

ATTEST: _____
Mary Gourley, Assistant City Manager/City Clerk, MMC

APPROVED AS TO FORM: _____
Larry McLaughlin, City Attorney



SB-252 Public retirement systems: fossil fuels: divestment. (2023-2024)

SHARE THIS:  

Date Published: 05/19/2023 11:13 AM

AMENDED IN SENATE MAY 18, 2023

AMENDED IN SENATE APRIL 20, 2023

CALIFORNIA LEGISLATURE—2023–2024 REGULAR SESSION

SENATE BILL

NO. 252

**Introduced by Senators Gonzalez, Stern, and Wiener
(Coauthor: Senator Portantino)**

January 30, 2023

An act to amend Section 16642 of, and to add Section 7513.76 to, the Government Code, relating to public retirement systems.

LEGISLATIVE COUNSEL'S DIGEST

SB 252, as amended, Gonzalez. Public retirement systems: fossil fuels: divestment.

The California Constitution grants the retirement board of a public employee retirement system plenary authority and fiduciary responsibility for investment of moneys and administration of the retirement fund and system. These provisions qualify this grant of powers by reserving to the Legislature the authority to prohibit investments if it is in the public interest and the prohibition satisfies standards of fiduciary care and loyalty required of a retirement board.

Existing law prohibits the boards of the Public Employees' Retirement System and the State Teachers' Retirement System from making new investments or renewing existing investments of public employee retirement funds in a thermal coal company, as defined. Existing law requires the boards to liquidate investments in thermal coal companies on or before July 1, 2017, and requires the boards, in making a determination to liquidate investments, to constructively engage with thermal coal companies to establish whether the companies are transitioning their business models to adapt to clean energy generation. Existing law provides that it does not require a board to take any action unless the board determines in good faith that the action is consistent with the board's fiduciary responsibilities established in the California Constitution.

This bill would prohibit the boards of the Public Employees' Retirement System and the State Teachers' Retirement System from making new investments or renewing existing investments of public employee retirement funds in a fossil fuel company, as defined. The bill would require the boards to liquidate investments in a fossil fuel company on or before July 1, 2031. The bill would temporarily suspend the above-described liquidation provision upon a good faith determination by the board that certain conditions materially impact normal market mechanisms for pricing assets, as specified, and would make this suspension provision inoperative on January 1, 2035. The bill would provide that it does not require a board to take any action unless the board determines in good faith that the action is consistent with the board's fiduciary responsibilities established in the California Constitution.

This bill would require the boards, commencing February 1, 2025, and annually thereafter, to file a report with the Legislature and the Governor, containing specified information, including a list of fossil fuel companies of which the board has liquidated their investments. The bill would provide that board members and other officers and employees shall be held harmless and be eligible for indemnification in connection with actions taken pursuant to the bill's requirements, as specified.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 7513.76 is added to the Government Code, to read:

7513.76. (a) The Legislature finds and declares all of the following:

(1) The combustion of coal, oil, and natural gas, known as fossil fuels, is the single largest contributor to global climate change.

(2) Climate change affects all parts of the California economy and environment, and the Legislature has adopted numerous laws to mitigate greenhouse gas emissions and to adapt to a changing climate.

(3) Fossil fuel companies' plans to expand production, public relations campaigns, and efforts to obstruct climate stabilization policies are incompatible with California's climate goals, and our obligation to current and future generations.

(4) The production of fossil fuels and the effects of climate change resulting from the use of fossil fuels all lead to disproportionate adverse impacts on low-income communities and communities of color.

(5) A transition away from fossil fuels to clean energy will create greater employment, support the economy, and improve public health.

(6) The purpose of this section is to require the Public Employees' Retirement System and the State Teachers' Retirement System, consistent with, and not in violation of, their fiduciary responsibilities, to divest their holdings of fossil fuel company investments as one part of the state's broader efforts to decarbonize the California economy and to transition to clean, pollution-free energy resources.

(b) As used in this section, the following definitions *shall* apply:

(1) "Board" means the Board of Administration of the Public Employees' Retirement System or the Teachers' Retirement Board of the State Teachers' Retirement System, as applicable.

(2) "Company" means a sole proprietorship, organization, association, corporation, partnership, venture, or other entity, or its subsidiary or affiliate, that exists for profitmaking purposes or to otherwise secure economic advantage.

(3) "Investment" means the purchase, ownership, or control of publicly issued stock, corporate bonds, or other debt instruments issued by a company. "Investments" also includes purchase, ownership, or control of mutual funds and exchange-traded funds, unless the board is satisfied on reasonable grounds that a mutual fund or exchange-traded fund is unlikely to have in excess of 2 percent of its assets, averaged annually, directly or indirectly invested in fossil fuel companies.

(4) "Public employee retirement funds" means the Public Employees' Retirement Fund described in Section 20062 of this code, and the Teachers' Retirement Fund described in Section 22167 of the Education Code.

(5) "Fossil fuel" means petroleum oil, natural gas, and thermal coal. Thermal coal is coal used to generate electricity, such as that which is burned to create steam to run turbines. Thermal coal does not mean metallurgical coal or coking coal used to produce steel.

(6) "Fossil fuel company" means one of the 200 largest publicly traded fossil fuel companies, as established by carbon content in the companies' proven oil, gas, and coal reserves.

(c) The board shall not make additional or new investments or renew existing investments of public employee retirement funds in a fossil fuel company.

(d) (1) The board shall liquidate investments in a fossil fuel company on or before July 1, 2031.

(2) Notwithstanding paragraph (1), this subdivision shall be suspended upon a good faith determination by the board that an act of God, war, or other unforeseeable event creates conditions that materially impact normal market mechanisms for pricing assets and shall only be reinstated upon a subsequent good faith finding of the board that market conditions have substantially returned to normal ex-ante. Upon such a finding, the board shall have six months to liquidate any remaining investments in a fossil fuel company.

(3) Paragraph (2) shall remain in effect only until January 1, 2035, and as of that date is inoperative.

(e) (1) Commencing February 1, 2025, and annually on February 1 thereafter, the board shall create a report that includes the following:

(A) A list of fossil fuel companies of which the board has liquidated its investments pursuant to subdivision (d).

(B) A list of fossil fuel companies with which the board still has not liquidated its investments.

(C) A list of fossil fuel companies of which the board has not liquidated its investments as a result of a determination made pursuant to subdivision (f) that a sale or transfer of investments is inconsistent with the fiduciary responsibilities of the board as described in Section 17 of Article XVI of the California Constitution and the board's findings adopted in support of that determination.

(D) An analysis of methods and opportunities to rapidly and effectively reduce dependence on fossil fuels and transition to alternative energy sources in a realistic timeframe that avoids negatively contributing to economic conditions particularly damaging to public employee retirement funds and to overall net employment earnings of the state's workforce.

(2) The board shall submit the report to the Legislature, in compliance with Section 9795, and to the Governor, and shall post the report on the board's internet website.

(f) Nothing in this section shall require a board to take action as described in this section unless the board determines in good faith that the action described in this section is consistent with the fiduciary responsibilities of the board described in Section 17 of Article XVI of the California Constitution.

SEC. 2. Section 16642 of the Government Code, as amended by Section 3 of Chapter 459 of the Statutes of 2019, is amended to read:

16642. (a) Present, future, and former board members of the Public Employees' Retirement System or the State Teachers' Retirement System, jointly and individually, state officers and employees, research firms described in subdivision (d) of Section 7513.6, and investment managers under contract with the Public Employees' Retirement System or the State Teachers' Retirement System shall be indemnified from the General Fund and held harmless by the State of California from all claims, demands, suits, actions, damages, judgments, costs, charges, and expenses, including court costs and attorney's fees, and against all liability, losses, and damages of any nature whatsoever that these present, future, or former board members, officers, employees, research firms as described in subdivision (d) of Section 7513.6, or contract investment managers shall or may at any time sustain by reason of any decision to restrict, reduce, or eliminate investments pursuant to Sections 7513.6, 7513.7, 7513.74, 7513.75, and 7513.76.

(b) This section shall remain in effect only until Section 7513.74 is repealed, and as of that date is repealed.

SEC. 3. Section 16642 of the Government Code, as added by Section 4 of Chapter 459 of the Statutes of 2019, is amended to read:

16642. (a) Present, future, and former board members of the Public Employees' Retirement System or the State Teachers' Retirement System, jointly and individually, state officers and employees, research firms described in subdivision (d) of Section 7513.6, and investment managers under contract with the Public Employees' Retirement System or the State Teachers' Retirement System shall be indemnified from the General Fund and held harmless by the State of California from all claims, demands, suits, actions, damages, judgments, costs, charges, and expenses, including court costs and attorney's fees, and against all liability, losses, and damages of any nature whatsoever that these present, future, or former board members, officers, employees, research firms as described in subdivision (d) of Section 7513.6, or contract investment managers shall or may at any time sustain by reason of any decision to restrict, reduce, or eliminate investments pursuant to Sections 7513.6, 7513.7, 7513.75, and 7513.76.

(b) This section shall become operative upon the repeal of Section 7513.74.