

Agenda Report

May 11, 2026

TO: Honorable Mayor and City Council
Successor Agency to Pasadena Community Development
Commission

FROM: Department of Finance

SUBJECT: APPROVE AN AMENDMENT TO THE CITY'S INVESTMENT POLICY

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a "project" subject to California Environmental Quality Act (CEQA) as defined in section 15378(b)(4) of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
2. Approve the suggested amendment to the City's Investment Policy as described in this report.

BACKGROUND:

In relation to a local government's investment policy, California Government Code Section 53646 states "the Treasurer or Chief Fiscal Officer may annually render to the legislative body of the local agency a statement of investment policy."

The Investment Policy intends to outline policies for maximizing the efficiency of the City's cash management system, the prudent investment of the City's funds, and to provide guidelines for suitable investments. The primary goals of the investment policy are to ensure compliance with the law; provide protection of principal; maintain liquidity; and maximize investment income to enhance the economic status of the City.

The City Treasurer is authorized to invest the City's funds in accordance with the California Government Code Section 53600 et seq. (the "State Code"), and the

investment policy adopted by the Pasadena City Council. The City's investment policy may be modified, amended, or otherwise changed at any time, at the sole discretion of the Pasadena City Council. This investment policy applies to all financial assets and investment activities of the City of Pasadena. This policy is not intended to provide for guidance for the City's Section 115 Trusts, the Fire and Police Retirement System Assets, nor any other funds invested outside of the City's cash pool.

In 2021, the Investment Policy was amended and modified to include a section regarding Environmental, Social, and Governance (ESG). ESG Investing (also known as "socially responsible investing," "impact investing," and "sustainable investing") refers to investing, that prioritizes optimal environmental, social, and governance factors or outcomes. ESG investing is widely seen as a way of investing "sustainably," where investments are made with consideration of the environment and human wellbeing, as well as the economy. It is based upon the growing assumption that the financial performance of organizations is increasingly affected by environmental and social factors.

"Investments will be considered in entities that support environmental, social, and governance (ESG) factors alongside traditional financial measures in the investment decision-making process, ensuring that investments are financially prudent, and impact driven. Investing in companies that prioritize conservation and sustainable business practices helps protect our environment for future generations and is commensurate with the City of Pasadena's values. ESG factors may include, but are not limited to:

- *Environmental: Carbon Footprint; Energy Consumption; Water/Waste; External Conservation Initiatives; and use of natural resources.*
- *Social: Labor Rights; Employee Diversity; Corporate Social Responsibility; Human Rights/Ethics; and*
- *Governance: Leadership Structure; Executive Compensation; Corruption/bribery; Human Capital Management; Transparency/Disclosure; and Shareholders Rights."*

The language added to the investment policy was developed after considering other policies and research in the public space, included a white paper developed by the California Debt and Investment Advisory Commission discussing Socially Responsible Investing (SRI). ESG factors cover a wide spectrum of issues that are not part of traditional financial analysis. This might include how corporations respond to climate change, how good they are with water management, how effective their health and safety policies are in the protection against accidents, how they manage their supply chain, how they treat their workers, etc.

At its December 18, 2025, meeting, the Legislative Policy Committee discussed the City's Investment Policy position on SRI and ESG considerations including the ongoing public comment requests to consider the boycott and divestment from companies doing

business in Israel. The Committee acknowledged that there was not support to pursue boycott and divestment from Israel; however, they requested a review of the City's investment policy and portfolio to ensure exclusion of direct investments in companies engaged in fossil fuel production, weapons manufacturing, and tobacco as those had direct alignment with existing City policies and priorities.


On February 3, 2026, the Committee reviewed a memorandum confirming the City's pooled investments of surplus funds did not hold any investments in the above-mentioned industries, and directed staff to bring forward an amendment to the City's Investment Policy prohibiting investments in these industries, and included private prisons while recognizing that this needed to be defined.

It is now recommended that the City Council codify the Legislative Policy Committee's recommendation by inserting in Section X (Environmental, Social and Governance) of the City's Investment Policy the following language: "***The City Treasurer or any other authorized individual or company managing the investments of the City's surplus funds shall not invest in companies that engage in the production of fossil fuel, weapons manufacturing, tobacco, or private prisons.***"

FISCAL IMPACT:

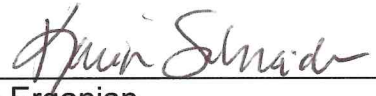
This action will have no fiscal impact to the City.

Respectfully submitted,



KARIN SCHNAIDER
Director of Finance

Prepared by:

for 

Vic Erganian
City Treasurer/Deputy Finance Director

Approved by:



MATTHEW E. HAWKESWORTH
Interim City Manager

Attachment(s): 1
Attachment A - Amended Investment Policy