



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL
FROM: BONNIE MOINET - FINANCE DIRECTOR, GILLY PLOG - ENVIRONMENTAL PROGRAMS
COORDINATOR, DYLAN OLCHIN - ACCOUNTANT
RE: INVESTMENT STRATEGIES DISCUSSION (ENVIRONMENTAL POLICIES)
DATE: FEBRUARY 9, 2021

Summary and Background: The Town of Frisco makes smart, safe investments with taxpayer dollars by utilizing the following criteria for investment: Safety, Liquidity, and Yield. In recent years, another investment framework has become prevalent: the Environmental, Social, and Governance (ESG) framework. This report and discussion is to allow Council an opportunity to reexamine the Town's investment strategy.

This Work Session will outline two separate investment strategies:

1. Evaluating all investments by their Safety, Liquidity, Yield, and ESG criteria, or
2. Evaluating all investments by their Safety, Liquidity, and Yield only.

Analysis: Safety, Liquidity, and Yield will always be the primary determinants of whether an investment will be made with taxpayer dollars. Environmental, Social, and Governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments:

- Environmental criteria consider how a company performs as a steward of nature;
- Social criteria consider how a company manages relationships with employees, suppliers, customers, and the communities where it operates; and
- Governance criteria consider a company's leadership, executive pay, audits, internal controls, and shareholder rights.

Incorporating ESG criteria into the Town's investment strategy would allow for the Town to make the best investments with ESG criteria coming after Safety, Liquidity, and Yield.

Financial Impact: Should Council wish to incorporate ESG into its investment policy, there would be no immediate impact to the Town's finances. This is an evolving landscape with limited opportunities for investing, without jeopardizing the other criteria of safety, liquidity and yield. As more and more opportunities become available over time, it is anticipated that all four criteria can be met with minimal impacts to the Town's investment returns.

Alignment with Strategic Plan: ESG criteria align with the following sections of the Town of Frisco Community Plan (2019):

- 6.1: Lead by example on efforts to advance community sustainability and the region's ability to prepare for, and adapt to, the impacts of climate change.
- 6.2: Protect the quality and health of the natural environment in Frisco and the surrounding area.
- 6.3: Minimize risks to property, infrastructure, and lives from natural hazards and disasters.

Environmental Sustainability: The primary purpose of incorporating ESG criteria would be to ensure the Town does not invest in fossil fuel-based companies. The Town's Community Plan (2019) states that Frisco should "Lead by example on efforts to advance community sustainability and the region's ability to prepare for, and adapt to, the impacts of climate change."

Climate change is not only a local issue, but a regional, national, and global issue as well. Ensuring that the Town's investment portfolio takes into account environmentally-conscious companies can enhance long-term viability of those investments as well as reaffirming the Town's commitment to reducing the impacts of climate change locally and regionally.

Additionally, with the entire country re-committed to the Paris Climate Agreement, it is likely that investment opportunities will increase for municipal bond investors seeking an ESG focus with legislation and regulations likely increasing requirements for investment in renewable energy and environmentally friendly projects.

Staff Recommendation: Staff recommends that Council provide staff with a direction for the Town's investment policies following this Work Session.

Attachments: None.