



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Resolution to Cease Current and Future Business Activities with Firms Associated with the Governments of Azerbaijan and Turkey; and Boycott of Products Produced in Azerbaijan and Turkey

1. Resolution Ceasing Business Activities with Firms Associated with the Republics of Azerbaijan and Turkey, and Boycotting the Local Sale of Products Produced in or by companies Associated with the Republics of Azerbaijan and Turkey

COUNCIL ACTION

Item Type: Action Item

Approved for December 15, 2020 **calendar**

ADMINISTRATIVE ACTION

Submitted by:

John Takhtalian, Deputy City Manager

Prepared by:

John Takhtalian, Deputy City Manager

Rafi Manoukian, City Treasurer

Reviewed by:

Michele Flynn, Director of Finance

Michael J. Garcia, City Attorney

Approved by:

Roubik R. Golanian, P.E., Interim City Manager

RECOMMENDATION

It is recommended that City Council consider adoption of a Resolution to cease current and future business activities with lobbyists associated with the governments of Azerbaijan and Turkey; and boycott products produced in the Republics of Azerbaijan and Turkey.

BACKGROUND/ANALYSIS

At a recent City Council meeting, staff was directed to prepare a Resolution for Council's consideration seeking to terminate professional relationships with firms who may represent interests on behalf of the governments of Azerbaijan and Turkey. Further, Council requested for the Resolution to include language encouraging a boycott of goods produced in both countries. Finally, Council provided separate direction for consideration of potentially divesting the City's financial interests associated with Azerbaijan and Turkey within the City's financial portfolio overseen by the City Treasurer's Office.

The impetus for these requests stems from the unprovoked attack launched by Azerbaijan's military forces on September 26, 2020 against the Republic of Artsakh, including that country's capital city, Stepanakert, which resulted in the loss of innocent civilian lives. Throughout the six-week war, Turkey fully supported Azerbaijan's invasion, further exacerbating generations of pan-Turkish nationalist commitment to erasing the Armenian population and culture from the world.

On September 29, 2020, the Glendale City Council adopted a Resolution standing up for human rights and spoke out against man's inhumanity to man, whereby it officially stood in solidarity with the people of Armenia and Artsakh in condemning Azerbaijan's aggression. Further, on October 27, 2020, the Glendale City Council once again, along with many similar bodies across the world, adopted a Resolution recognizing the independence of Artsakh. In the United States alone, at least ten States have recognized the independence of the Republic of Artsakh including California, Hawaii, Georgia, Louisiana, Maine, Massachusetts, Michigan, Rhode Island, Colorado, and Minnesota.

The calls for divestment from the Republic of Turkey have been taking place since 2015. In California, student government bodies of all 9 campuses of the University of California (UC) called on the UC, the California State University system, the California Public Employees' Retirement System (CalPERS), as well as California State Teachers' Retirement Fund (CalSTRS) to divest from all government-issued bonds owned by the Republic of Turkey for their continued denial of the Armenian Genocide. In 2019, California Assembly Member Adrin Nazarian introduced AB 1320, which directed the boards of CalPERS and CalSTRS to liquidate investments owned by the Republic of Turkey once the federal government issued sanctions against Turkey.

In a more recent development on October 6, 2020, the Los Angeles Unified School District adopted a Resolution criticizing the Republic of Turkey for supporting Azerbaijan and threatening the Republic of Armenia. Further, the Resolution called for the CalSTRS) – which currently holds investment stocks owned by the Republic of Turkey – to divest from “any and all holdings, debt securities, global equities and currency investments by the

Republic of Turkey for their ongoing continuation of a campaign of genocide against the Armenian people.”

In accordance with Council's direction, staff has prepared a Resolution seeking to establish a policy preference to both, end any known existing relationships with firms associated with lobbying on behalf of the governments of Azerbaijan or Turkey, as well as developing a means to identify such conflicts prior to engaging in any new contractual relationships. Staff has performed a preliminary analysis of the City's vendor profiles and was unable to identify that any such relationship currently exists. Moving forward, staff can establish a means of identifying such information prior to engaging in new contractual relationships, if so directed by City Council.

The proposed Resolution also includes language related to encouraging a boycott of goods produced in either Azerbaijan or Turkey. While an outright ban on such products isn't enforceable at the local level, Council's adoption of the Resolution calls upon local businesses to be vigilant and avoid the sale of products made in Azerbaijan or Turkey in order to avoid funneling profits to authoritarian governments that violate human rights. Further, it symbolizes the importance of bringing attention to the situation in the Republic of Artsakh, and in part, pressures Azerbaijani and Turkish owned companies to recognize the humanitarian offenses inflicted by the leaders of both countries.

With respect to the issue of divesting the City's financial holdings associated with companies which maintain substantial operations in the Republics of Azerbaijan or Turkey, the proposed Resolution includes language calling upon the City Treasurer to refrain from any future investments in such companies until the violent aggression of Artsakh ceases, and until there is official recognition of the Armenian Genocide by the Republic of Turkey. In response to Council's request to evaluate whether any of the City's holdings maintain business operations in Turkey or Azerbaijan, City Treasurer, Rafi Manoukian, has analyzed the potential impacts on the City's investment portfolio related to Council's request.

As of October 31, 2020, the total City portfolio was \$739,860,384 with an average yield of 1.71% and comprised of eight main categories as follows:

1. Commercial Paper
2. Corporate Bonds
3. Federal Agency Bonds
4. Pooled Investments
5. Money Market Mutual Funds
6. California and California Municipal Bonds
7. Other States Bonds
8. Treasury Notes

After careful analysis, it was determined that the only asset category that could contain issuers which may have operations in either Azerbaijan or Turkey would reside in the portfolio's Corporate holdings. Federal, state, or municipal issuers are government

entities and therefore do not fall into that category. A complete list of the City's corporate holdings is attached (Exhibit 1). Based upon the analysis, the following issuers have considerable operations in Turkey and/or Azerbaijan:

1. Exxon
2. Johnson & Johnson
3. Pfizer
4. Toyota Motor Credit

In his official capacity as the City Treasurer, Mr. Manoukian has unequivocally stated that all future purchases will be strictly scrutinized to exclude any and all issuers that have operations in these countries.

Currently, the City is earning anywhere from 1.96 to 2.68 percent yield on these investments. While it is possible to sell these bonds in the market, possibly at a gain since the current interest yields are below 0.5%, the City would then have to replace them with investments earning less than 0.6%.

The attached schedule reflects a \$1,000,000 loss which the City's portfolio would incur by forgoing interest earnings associated with this liquidation and replacement of these bonds at current yield. While there will also be a gain associated with the sale of the assets, it is difficult to monetize these results until such time that the bonds are sold in the market.

As such, it is the City Treasurer's recommendation to hold the current bonds within the City portfolio until maturity, and refrain from purchasing any bonds from issuers that have operations or investments in either Azerbaijan or Turkey in the future.

FISCAL IMPACT

The fiscal impact associated with the City Council's adoption of the proposed Resolution will depend on whether or not direction is provided to the City Treasurer in terms of divesting existing funds from within the City's investment portfolio. If the Resolution is adopted as proposed by staff, the City will not experience a fiscal impact. However, if the Treasurer is directed to divest investments with Exxon, Johnson & Johnson, Pfizer, and Toyota Motor Credit, the action could potentially result in a loss of approximately \$1,000,000 in unrealized interest earnings, less any gains that may be realized from selling the existing assets. A more finite figure cannot be provided until such time that the existing assets are transacted within the open financial market.

ALTERNATIVES

Alternative 1: The City Council may adopt the Resolution as drafted. Doing so will not result in a financial impact to the City's investment portfolio.

Alternative 2: The City Council may amend and adopt a different version of the proposed Resolution, in which case the financial implications will be unknown until such time that existing assets within the City's portfolio are sold on the open financial market.

Alternative 3: The City Council may consider any other alternative not proposed by staff.

CAMPAIGN DISCLOSURE

None

EXHIBITS

Exhibit One.....City Portfolio Corporate Holdings