



Santa Clara Valley Water District

File No.: 20-0535

Agenda Date: 6/23/2020

Item No.: *8.4.

BOARD AGENDA MEMORANDUM

SUBJECT:

Receive Information and Provide Direction to Staff on Solicitation of Bank Line(s) of Credit with Aggregate Stated Amount Not to Exceed \$180 Million.

RECOMMENDATION:

- A. Receive information regarding bank line(s) of credit solicitation; and
- B. Provide staff with direction on the bank(s) with which to proceed with negotiations and execution of line(s) of credit.

SUMMARY:

On June 9, 2020, the Santa Clara Valley Water District's Board of Directors received information related to the proposals submitted by five banks (MUFG Union Bank, JPMorgan Chase, UBS, US Bank, and Bank of America) in response to the Bank Lines of Credit request for proposal published on May 1, 2020. The board requested staff to conduct additional research related to the social, environmental, and governance (ESG) policies of each bank and return to the Board with this additional social screening. Specifically, the Board provided staff with the following directions:

1. For the top five financial institutions that submitted proposals for the \$180 million (M) bank line (s) of credit, review their social responsibility (corporate practices) policies and return to the Board with information; and
2. For the \$20M bank line(s) of credit reserved for small local banks, expand to include the greater bay area (9 counties).

Staff is conducting research related to ESG factors by reviewing information from several sources, including Banktrack's Human Rights Benchmarking Report¹, and the Sustainalytics ESG rankings published on Bloomberg². Staff has also contacted each of the five banks to request their responses to these benchmarking studies as well as their current corporate social responsibility policies, as well as whether any of the banks would revise their initial responses to pricing, terms and conditions given the Board's discussions on social responsibilities should be reviewed in conjunction with business terms. Finally, staff is surveying the banks to gauge their response and ideas on how to encourage participation by small local banks. Staff will present these responses to the Board in a Supplemental memorandum to be posted on June 19, 2020.

BankTrack's Human Rights Benchmarking Report summarizes its findings on international banks on their progress towards implementing the UN Guiding Principles on Business and Human Rights (developed based on the Sullivan Principles)³. BankTrack is the international tracking, campaigning and corporate social responsibility support organization targeting private sector commercial banks and the activities they finance. BankTrack published the third edition of the report on May 6, 2020 which evaluated 50 of the latest private sector commercial banks globally against a set of 14 criteria based on the UN Guiding Principles. The criteria examine four aspects of banks' implementation of the Guiding Principles: their policy commitment, human rights due diligence process, reporting on human rights and their approach to access to remedy. One bank, ABN AMRO, was rated the highest as a leader in following the UN Guiding Principles, 9 banks were rated front runners, 19 banks were rated followers, and the remaining 21 banks were rated laggards.

Sustainalytics ESG ranking is an overall percentile rank assigned to a company based on its environmental, social and governance total score relative to its industry peers. For the top 1% the percentile is 99%; for the bottom 1% the percentile is 1%. This is Sustainalytics' most comprehensive percentile rank. Aggregate ESG performance encompasses a company's level of preparedness, disclosure and controversy involvement across all three ESG themes. Sustainalytics offers broad coverage of major global markets and flexible environmental, social and governance (ESG) research tools designed to be easily incorporated into investment processes and systems.

1. https://www.banktrack.org/campaign/banks_and_human_rights
2. <https://www.sustainalytics.com>
3. <https://www.business-humanrights.org/en/un-guiding-principles>

FINANCIAL IMPACT:

Funding for the bank fees are included in the Fiscal Year 2020-2021 Budget for the following projects:

26993001 Tax-Exempt Commercial Paper (Fund 26 Safe, Clean Water Program)
95993007 Tax-Exempt Commercial Paper (Fund 61 Water Utility)
95993008 Taxable Commercial Paper (Fund 61 Water Utility)

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

*Supplemental Agenda Memo

- *Supplemental Attachment 1 Bank Track
- *Supplemental Attachment 2 Revised Bank Proposals
- *Supplemental Attachment 3: MUFG ESG Response
- *Supplemental Attachment 4: JPM ESG Response
- *Supplemental Attachment 5: US Bank ESG Response
- *Supplemental Attachment 6: UBS ESG Response
- *Supplemental Attachment 7: Bank of America ESG Response

UNCLASSIFIED MANAGER:

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