

March 9, 2022

Municipal Securities Rulemaking Board  
1300 I Street NW, Suite 1000  
Washington, DC 20005  
Attention: Ronald W. Smith, Corporate Secretary

Reference/Subject: Municipal Securities Rulemaking Board (MSRB) Request for Information on Environmental, Social and Governance (ESG) Practices in the Municipal Securities Market

Dear MSRB,

Please find below the City of San Diego's responses to the above referenced Request for Information:

### **Municipal Issuers**

*Are you currently providing ESG-Related Disclosures or ESG-related information beyond the legally required disclosures in your offering documents, continuing disclosures or other investor communications? If so, please consider providing examples. If not, please consider describing how you address ESG-Related Disclosures in your offering documents, continuing disclosures or other investor communications. In your view, should municipal issuers include a separate section in their official statements and other offering documents expressly devoted to ESG Related Disclosures?*

- The City of San Diego (the City) takes a robust approach to ESG-related disclosures in all bond offering materials beyond the legally required disclosures. The City updates disclosure on ESG-related information on the topics relevant to the City. Some Environmental factors referenced in City's offering materials include: the City's Climate Action Plan and Appendices, Climate Equity Index Report, and various Vulnerability Assessments, wildfires (preparedness and mitigation efforts), earthquakes and other natural disasters, and sea level rise. Social and Governance factors include the City's demographic information, pension and OPEB updates, Covid-19 pandemic response, and information technology preparedness and cybersecurity measures.

The City created and maintains its own customized issuer page (City of San Diego – ESG and Sustainability Materials) on the MSRB's EMMA platform to provide readily available information on the City's climate change mitigation efforts, ESG and other sustainability materials.

- <https://emma.msrb.org/IssuerHomePage/Issuer?id=C6B72B629A7F7EE4E0532C3C000A6E62>

*Do you believe the information included in ESG-Related Disclosures should be standardized? If so, how? If not, why not? In your view, is there a consensus on what information and which metrics are important? If so, can you provide insight as to what consensus you believe does or could exist? If not, what barriers do you believe exist in reaching a consensus? What topic areas do you believe are relevant and should be included in ESG-Related Disclosures?*

- The City has the infrastructure in place to gather, track, and collect historical/current data regarding ESG with the assistance of its Sustainability and Mobility Department led by the Chief Sustainability Officer. Additionally, the City has the tools in place to process and respond to climate assessments and various vulnerability assessments.

The City recognizes the benefit to standardized guidance for ESG-related disclosures, but information can vary considerably from issuer to issuer and considers mandatory standards unnecessarily burdensome. Currently, the City is focused on ESG-related matters pertinent to the City's ongoing climate mitigation, as well as City's social and governance principles.

*Have you issued ESG-Labeled Bonds? If so, please consider providing an example and describing what criteria were used to make the ESG designation. Did you utilize an independent party to validate or otherwise attest to the use of the ESG designation? Please consider explaining why or why not?*

- To date the City has not issued ESG-labeled bonds. At this time, the City has not seen a cost benefit for pursuing specifically ESG-labeled bonds (e.g. "Green Bonds") but is closely watching the market.

*Are you providing information to the credit rating agencies regarding ESG-related risk factors and ESG-related practices? If so, what type? In your view, how does this information generally compare to the information provided in your offering documents and continuing disclosures? Are the credit rating agencies requesting any new types of ESG-related information? Has the credit rating process changed in any significant ways in relation to ESG-related information?*

- The City provides information to credit rating agencies regarding ESG-related risks. The information provided is the same as that in offering documents and continuing disclosures. An overview of the information disclosed to the credit rating agencies and in bond offering materials regarding environmental factors include the City's Climate Action Plan, Climate Equity Index, wildfires and other natural disasters, and various assessments. Social factors disclosed, but is not limited to, include information technology preparedness and cybersecurity measures, Covid-19 pandemic impacts and response, homelessness solutions, and affordable housing supply. Lastly, governance factors disclosed include, but is not limited to, pension and OPEB updates, stormwater system compliance and funding solutions, and mayoral priorities.

In our opinion the information that rating agencies request has shifted focus to more ESG-related matters but not in significant ways.

### **All Market Participants**

*There are a number of organizations establishing voluntary standards for the issuance of ESG-Labeled Bonds, such as the ICMA and CBI. Does the availability of these voluntary, market based standards provide adequate guidance for issuers and transparency for investors in the municipal securities market? If not, what additional guidance or transparency do you believe are warranted with respect to ESG-Labeled Bonds?*

- The City has not had direct experience with these voluntary standards and has not issued ESG-labeled bonds. The City acknowledges that third party certification could be burdensome and costly if required for ESG labeling and disclosure.

*There are a number of industry-led initiatives underway intended to improve the quality of ESG-related information available in the municipal securities market. Does the availability of these voluntary, market-based initiatives enhance the ability of investors and other market participants to make informed decisions in the municipal securities market?*

- The City monitors industry-led ESG-related initiatives to ensure the City is utilizing the best practices for ESG-related disclosures and continues to be an industry leader in issuer disclosures.

*There are numerous vendors providing ESG data for the municipal securities market. Does unequal access to ESG data result in disparate impacts to investors and other market participants? Does competing ESG data create investor confusion? How could the MSRB use the EMMA website to reduce information asymmetry or investor confusion?*

- The City created its own customized issuer page on the MSRB's EMMA platform to alleviate any market confusion on the City's climate change mitigation efforts and to provide information directly to investors instead of using a third party to provide outreach to investors.

*The MSRB recently incorporated an ESG indicator from an independent data vendor, IHS Markit, into the New Issue Calendar shown on the EMMA website. This ESG indicator denotes when an issuer has self-labeled a bond issue as green, social, or sustainable, or if the issuer includes an independent ESG certification as part of the offering document. Does making this ESG indicator available on the EMMA*

*website enhance market transparency regarding ESG-Labeled Bonds? Specifically, is it valuable to investors, municipal issuers or other market participants?*

- The ESG indicator on EMMA seems helpful and provides additional transparency on ESG-labeled issuances. However, the City believes ESG indicators may create a divide and disparity between the issuers that have consultant verified ESG-labeled bonds, ESG-labeled bonds that are not verified, and the issuers that do not have ESG bonds.

*What improvements could the MSRB make to the EMMA website regarding ESG-Related Disclosures, ESG-Labeled Bonds and other ESG-related information? Which improvements to the EMMA website would most enhance access for investors and other market participants to ESG-related information? Which improvements to the EMMA website would most enhance the fairness and efficiency of the municipal market?*

- As the MSRB continues to enhance the EMMA website, such as with the ESG indicator referenced in the prior question, any future updates on search functionality and improved issuer customizations will assist in providing additional market transparency.

Not related to ESG matters, it would be beneficial if issuers could make updates or corrections to disclosures after they are published.

*Is there any additional information that you would like to share with the MSRB regarding any other ESG-related activities or trends in the municipal securities market?*

- The City thanks the MSRB for the opportunity to provide information regarding ESG-related matters.

Sincerely,

Lakshmi Kommi  
Debt Management Director