



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Councilmember Raul Peralez  
Councilmember Sergio Jimenez  
Councilmember Magdalena Carrasco

**SUBJECT:** SEE BELOW

**DATE:** March 15, 2019

Approved by:

Date:

**SUBJECT: Report on Request for Proposal for Financial Services  
(Banking Services)**

## **RECOMMENDATION**

Accept staff recommendation 1(ii) to adopt a resolution authorizing the City Manager to reject all proposals for RFP 17-18-05, and explore the feasibility of an alternative delivery model for banking services and report back to the City Council prior to issuing a new RFP based on a new model on or before June 30, 2020 and, direct staff to:

1. Explore the feasibility of Public Banking as an alternative delivery model,
2. Include in the City's legislative priorities California Assembly Bill 857: Public Banks, and,
3. Adopt a resolution urging California State legislators to enact legislation amending the Government Code to enable local agencies to create public banks through an option for a public banking charter. See attachments A & B for examples.

## **BACKGROUND**

On March 11th, California Assembly Members Miguel Santiago (D-Los Angeles) and David Chiu (D-San Francisco) introduced AB 857 to green light the development of a public banking system in California.<sup>1</sup> A public bank is a chartered depository bank in which public funds are deposited. It is owned by the government and mandated to serve a public mission that reflects the values and needs of the public it represents.

This concept is not unique to the banking system as it has been pioneered by several states for over a hundred years including the Bank of North Dakota, which remains a stable, state-owned-run financial institution since 1919. More recently, Bank2 in Oklahoma was established in 2002 as well as the Bank of American Samoa. To date there are about 14 countries with various forms of national, state or regional public banks.

## **DISCUSSION**

The Council should not waive the Wage Theft Prevention Policy (0-44). It is frustrating that as a City we have policies to uphold strong wage theft protections but yet would consider doing business with institutions that have committed such violations. The justification for doing so is troubling -- should the Policy only be enforced when it is convenient to do so? The Policy is an essential tool to ensure fair and just treatment of workers.

It is unfortunate that the two highest scoring proposers, JPMorgan Chase and Wells Fargo, have a history of wage theft violations. We agree with staff that Wells Fargo is disqualified for failing to disclose its violations. However, that does not excuse JPMorgan of its own history. We recommend rejecting both proposals. This leads us to asking what are the other alternatives, and while issuing another RFP for an alternative applicant is one path, perhaps we can explore a more sustainable model that relieves our city from being overly dependent on the private banking system.

Similar to the same frustrations of relying our utilities on large and power corporate interests, the City of San José took action by establishing the largest Community Choice Energy program in the country. Why wouldn't we be able to do the same with where we place the public's money? While the State deliberates over the proposed AB 857 during this legislative year, the City should be proactive in the legislative process and strongly consider how this bill could benefit the 10th largest city in America.

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<sup>1</sup> Underland, J. (2019, March) *LA and Bay Area Assemblymembers Announce Bill to Fight Income Inequality Through Public Banking*. Retrieved from <https://a53.asmdc.org/press-releases/20190311-la-and-bay-area-assemblymembers-announce-bill-fight-income-inequality>



1 [Urging California State Legislators to Allow for the Creation of a Public Banking Charter]

2

3 **Resolution urging California State legislators to enact legislation amending the**  
4 **Government Code to enable local agencies to create public banks through an option**  
5 **for a public banking charter.**

6

7 WHEREAS, San Francisco taxpayer money currently is held in private commercial  
8 banks that engage in socially and environmentally destructive practices that are fundamentally  
9 against the values of San Franciscans, from predatory lending practices for low-income  
10 communities of color, to funding fossil fuel extraction, firearms, prisons and detention centers,  
11 to charging the City high interest rates on loans for retrofitting our schools and hospitals; and

12 WHEREAS, A bank owned by the City and County of San Francisco would allow the  
13 city to have more local control, transparency, self-determination, and allow us to move in a  
14 direction to achieve sustainable community investments such as affordable housing, small  
15 business development, loans to low-income households, public transit, infrastructure,  
16 renewable energy, and;

17 WHEREAS, A recent report from the Budget and Legislative Analyst notes that “a  
18 public bank would be better equipped to meet the city’s business needs and public policy  
19 goals”, prompting Treasurer José Cisneros to convene a Municipal Bank Feasibility Task  
20 Force as recommended by the Board of Supervisors (via Resolution 152-17) to identify and  
21 pursue opportunities to create a municipal bank;

22 WHEREAS, A public bank is defined as a financial institution owned by one or more  
23 public entities such as a state, city, or county;

24 WHEREAS, The Bank of North Dakota is the one operational public bank in existence  
25 in the United States, founded in 1919;

1           WHEREAS, Public banking is actively being explored in municipalities across the  
2 country, including Seattle, Oakland, Los Angeles, Santa Fe, St. Louis, Philadelphia, New York  
3 City, and the states of Maryland and New Hampshire;

4           WHEREAS, The creation of a San Francisco Public Bank has been endorsed by the  
5 San Francisco Democratic County Central Committee, Harvey Milk Democratic Club, Rose  
6 Pak Democratic Club, San Francisco Latino Democratic Club, Richmond District Democratic  
7 Club, San Francisco Tenants Union, San Francisco Rising Alliance, Alliance of Californians  
8 for Community Empowerment, California Faculty Association - San Francisco State University  
9 Chapter, California Nurses Association - Northern California Chapter, Democratic Socialists of  
10 America - San Francisco Chapter, and San Francisco Berniecrats;

11           WHEREAS, On July 15, 2018, the California Democratic Party adopted a resolution  
12 supporting the creation of state-chartered public banks; and

13           WHEREAS, The California Department of Business Oversight (DBO) oversees the  
14 operation of California's state-chartered banks, and the only licenses available for depository  
15 banks are commercial, industrial, and credit unions;

16           WHEREAS, The State of California does not currently have a public banking charter  
17 option, whether at the municipal, regional or state level, providing a major obstacle in the  
18 efforts to explore a public bank and preventing public banks from obtaining a banking charter  
19 and becoming operational;

20           WHEREAS, The California Public Bank Alliance is currently working to introduce a bill  
21 in the state legislature creating a uniform regulatory framework for municipal and regional  
22 public banks, which would allow for an option for a public banking charter, under the  
23 regulatory oversight of the California Department of Business Oversight; now, therefore, be it

24           RESOLVED, That the San Francisco Board of Supervisors supports the continued  
25 efforts in San Francisco to create and operationalize a municipal public bank; and, be it



1 FURTHER RESOLVED, That the San Francisco Board of Supervisors urges California  
2 State legislators to enact legislation amending the Government Code to enable local agencies  
3 to create public banks, to be regulated by the Department of Business Oversight as special-  
4 purpose state-chartered wholesale banks; and, be it

5 FURTHER RESOLVED, That the San Francisco Board of Supervisors requests the  
6 Mayor to direct San Francisco City and County's lobbyist to support efforts to create a  
7 pathway for a public banking charter in the state of California; and, be it

8 FURTHER RESOLVED, That this Resolution is specific to the creation of a state  
9 charter mechanism for public banks, and does not commit the City and County to a position  
10 on any other provisions that may be included in such legislation; and, be it

11 FURTHER RESOLVED, That copies of this Resolution be sent to the following parties:  
12 Governor Gavin Newsom; Senator Scott Wiener; Assemblymember David Chiu;  
13 Assemblymember Phil Ting; San Francisco Mayor London Breed; San Francisco Treasurer  
14 and Tax Collector Jose Cisneros; San Francisco Office of the Controller; and members of the  
15 San Francisco Municipal Bank Feasibility Task Force.

## ATTACHMENT B

BEFORE THE BOARD OF SUPERVISORS  
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

## RESOLUTION NO.

On the motion of  
duly seconded by  
the following resolution is adopted

RESOLUTION SUPPORTING THE ESTABLISHMENT OF A CALIFORNIA MUNICIPAL  
PUBLIC BANKING LICENSE AND SUPPORTING THE CONCEPT OF A STATE,  
REGIONAL, OR NETWORK OF PUBLIC BANKS

WHEREAS, public banks offer a way for governmental agencies such as cities, counties, and states, as well as organizations such as pension funds and school districts, to invest their funds in an institution that could allow the investing organizations to avoid the high financial costs of dealing with private sector, for-profit banks; and

WHEREAS, because public banks are created in the public interest rather than to maximize profit, public banks also generate income from their investments that can be re-invested in public benefit projects such as affordable housing, public transportation, and social programs; and

WHEREAS, a public bank could decide to have no investment in fossil fuels, weapons, or tobacco and could adhere to principles of economic, racial and environmental justice; and

WHEREAS, public banks are run by qualified bankers serving a public mission and these banks partner with and support rather than compete with local banks; and

WHEREAS, the Bank of North Dakota, a public bank which was founded in 1919, successfully weathered the last recession without the bailouts that went to Wall Street banks, and has provided hundreds of millions of dollars to North Dakota's treasury over the years; and

WHEREAS, currently, all municipal finance in California is conducted through the private banking system, but several large cities in California, including Los Angeles, Oakland, and San Francisco are exploring the establishment of public banks; and

WHEREAS, local public banking advocates have agreed that the size and characteristics of Santa Cruz County are not conducive to an independent public bank, however, a consortium of local jurisdictions or a state bank with some local control could be advantageous and feasible; and

Attachment: Resolution - Public Banking (6725 : Resolution in Support of Public Banking)



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**RESOLUTION SUPPORTING THE ESTABLISHMENT OF A CALIFORNIA MUNICIPAL PUBLIC BANKING LICENSE**

WHEREAS, for any public banking approach, the first step is the establishment of a California municipal public banking license, to be administered by the California Department of Business Oversight; and

WHEREAS, a municipal public banking license could allow public entities to develop their own banks owned solely by the public; and

WHEREAS, the license could provide a regulatory framework tailored to establishing public banks that are democratic and transparent while ensuring ethical outcomes for the public good; and

WHEREAS, this Board has previously taken steps to stop doing business with law-breaking banks; and

WHEREAS, the greed, fraud, and corruption of many Wall Street banks has been appalling and costly.

NOW, THEREFORE, BE IT RESOLVED, that the Santa Cruz County Board of Supervisors hereby supports the establishment of a California municipal public banking license and supports the concept of a state, regional, or network of public banks to provide cost-saving services to public entities and to serve local needs including affordable housing, transportation and education investment adhering to principles of economic, racial and environmental justice.

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this 26 day of FEBRUARY, 2019, by the following vote:

AYES: SUPERVISOR  
NOES: SUPERVISOR  
ABSENT: SUPERVISOR

\_\_\_\_\_  
CHAIR  
Board of Supervisors

ATTEST: \_\_\_\_\_  
Clerk of said Board

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Approved as to form:

  
County Counsel

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