



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lee Wilcox

**SUBJECT: QUARTERLY
INTERGOVERNMENTAL
RELATIONS REPORT**

DATE: March 22, 2019

Approved

D. D. S. L.

Date

3/22/19

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL

Per Council direction on March 19, 2019, this memorandum provides additional information on AB 857 (Chiu and Santiago) on public banking.

BACKGROUND

On March 19, 2019, Assemblymembers Chiu and Santiago amended AB 857 to allow local governments to apply for a banking charter to establish a public bank. Under AB 857, public entities such as a city, county, or a joint powers authority could charter its own public bank to provide banking services to the local community. The public bank would identify in its articles of incorporation either a social purpose or a specific public benefit such as supporting community economic development, addressing local infrastructure and housing needs, and providing banking services to the unbanked or underbanked.

AB 857 encourages partnerships between a public bank and existing local financial institutions including credit unions or small banks to provide retail services to the community. Finally, AB 857 requires the State Department of Business Oversight to regulate public banks. AB 857 will be heard in the Assembly Banking & Finance and Local Government Committees.

ANALYSIS

AB 857 aligns with the Council-adopted Legislative Guiding Principles to “protect and increase funding to deliver city services, build infrastructure, and serve the San Jose community” and “protect local control.”

HONORABLE MAYOR AND CITY COUNCIL

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COORDINATION

The City Manager's Office coordinated with the Department of Finance on this memo.

/s/

LEE WILCOX

Chief of Staff, City Manager's Office

For questions, please contact Bena Chang, Director of Intergovernmental Relations, at (408) 975-3240.