



Office of the Mayor

CONSENT CALENDAR

June 27, 2017

TO: Members of the City Council

FROM: Mayor Jesse Arreguin and Councilmembers Sophie Hahn, Linda Maio, and Cheryl Davila

SUBJECT: Support the City of Oakland's Efforts to Create a Public Bank and

RECOMMENDATION

Adopt a Resolution in support of the City of Oakland's efforts to create a Public Bank of Oakland and refer to the City Manager to investigate the possibility of forming a mutually beneficial partnership with any future Oakland public bank.

BACKGROUND

A public bank is a way to manage city funds in the public interest. Public banks collect deposits from government entities such as school districts, tax receipts and state infrastructure funds and use the money to issue loans that support public priorities. They operate in the public interest through institutions owned by the people and directed by their representative government. Additionally, they can have investment priorities that focus on the creation of local jobs that spur economic growth by providing affordable credit to small and medium-sized businesses that have been historically ignored by the larger, more established banks. Locally, a public bank can have investment priorities that center on providing loans for low and moderate income housing to help relieve the current housing crisis facing the Bay Area.

Public banking is not a new idea. North Dakota created the Bank of North Dakota in 1919. During the Great Recession, the Bank of North Dakota escaped the credit crisis and maintained budget surpluses with zero public debt and had the lowest foreclosure rates and unemployment rates in the nation, the lowest credit card defaults, and no bank failures. This is due in large part to the Bank of North Dakota's willingness to provide loans to keep the state economy functioning while credit had been frozen elsewhere.

The City of Oakland, led by council members Kaplan and Kalb, is currently investigating the possibility of establishing a Public Bank of Oakland. Currently, the City is evaluating two bids to do a study analyzing the feasibility and economic impact of establishing a Public Bank that includes the City of Oakland. The public bank could take a regional form that could include the Cities of Berkeley and Richmond. At a time when the City of Berkeley is actively looking to reinvest its city funds in ethical institutions with socially

responsible values, a public bank could represent an alternative that meets City's banking needs.

Oakland joins other cities like Philadelphia and Santa Fe that are exploring the possibility of forming a public bank at the city level.

ENVIRONMENTAL SUSTAINABILITY

Directs Berkeley toward investing our taxpayer dollars in a socially responsible manner, including with banks that are not engaged in oil pipeline projects

FINANCIAL IMPLICATIONS

Pending a positive outcome of the feasibility study conducted and funded by Oakland, Council will consider contributing to the cost of producing a business plan for a regional public bank, along with other jurisdictions in the region who are interested in partnering in this endeavor.

CONTACT PERSON

Mayor Jesse Arreguin

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Attachments:

1. Resolution

RESOLUTION NO. ##,###-N.S.

IN SUPPORT OF THE EFFORTS OF THE CITY OF OAKLAND TO CREATE A PUBLIC BANK OF OAKLAND AND TO INVESTIGATE THE POSSIBILITY OF FORMING A PARTNERSHIP WITH ANY FUTURE PUBLIC BANK OF OAKLAND OR REGIONAL PUBLIC BANK

WHEREAS, there is a desire for local funding solutions that reinvest public funds in the local community; and

WHEREAS, public banking operates in the public interest, through institutions owned by the people through their representative governments; and

WHEREAS, public banks are able to return revenue to the community and can provide low-cost financing in support of local communities; and

WHEREAS, a public bank can have investment priorities that focus on the creation of jobs that spur local economic growth by providing affordable credit to small and medium-sized businesses that have been historically ignored by the larger, more established banks; and

WHEREAS, a public bank can have investment priorities that center on providing loans for low and moderate income housing to help relieve the current housing crisis facing the Bay Area; and

WHEREAS, Wall Street banks seek short-term profits for their private shareholders by investing in stocks, derivatives, credit default swaps and other speculative financial instruments; and

WHEREAS, some Wall Street banks have broken criminal statutes and violated civil and regulatory rules with impunity; and on March 9th, 2016, the Wall Street Journal reported that Wall Street banks had paid in total more than \$100 billion in fines and penalties for mortgage-related fraud, and said Wall Street banks' criminal conduct and wrongful behavior should not be rewarded with future business dealings with local and state government bodies; and

WHEREAS, the state of North Dakota created a state publicly-owned bank (the Bank of North Dakota) in 1919 for the benefit of the people of North Dakota; and during the recent "Great Recession," escaped the credit crisis and maintained budget surpluses with zero public debt and had the lowest foreclosure rates and unemployment rates in the nation, the lowest credit card defaults, and no bank failures, due in large part to the Bank of North Dakota's willingness to provide loans to keep the state economy functioning while credit had been frozen elsewhere; and

WHEREAS, the Bank of North Dakota's total assets have increased seven-fold over the last two decades; and the Bank of North Dakota has returned \$385 million to the General

Fund of North Dakota over the last 20 years; and Community Banks in North Dakota, in large part due to their partnership with the Bank of North Dakota, averaged about \$12,000 in lending per capita compared to an average of \$3,000 for Community Banks in per capita lending nationwide; and

WHEREAS, the City of Philadelphia, by unanimous City Council Resolution, authorized the Council's Committee on Commerce and Economic Development to hold hearings regarding public banking; and

WHEREAS, a comprehensive feasibility study completed for the City of Santa Fe found that a public bank is feasible and has the potential to provide enhanced fiscal management, improved net interest rate margins, and a more robust local lending climate; and on April 26 a Resolution passed the Santa Fe City Council to appoint a Public Bank for Santa Fe Task Force that will convene and develop a product that will define the process, resources, information and timelines to be met in order to be prepared to submit an application for a New Mexico Bank Charter for a Public Bank for Santa Fe; and

WHEREAS, the City and County of San Francisco recently approved the establishment of a Task Force to determine the feasibility of a public bank of San Francisco; and

WHEREAS, the City of Oakland has chosen a contractor and is in the process of hiring them to do a Feasibility Study for the Public Bank of Oakland; and

WHEREAS, the City of Berkeley is tasked with holding and protecting the fundamental interest of the public as well as the financial wellbeing of the City;

NOW THEREFORE, BE IT RESOLVED that the City of Berkeley hereby declares that it is the policy of the City of Berkeley to endorse the efforts of the City of Oakland to create a public bank.

BE IT FURTHER RESOLVED that the City Manager, or designee, shall investigate the possibility of forming a mutually beneficial partnership with any future Oakland public bank.

BE IT FURTHER RESOLVED that pending a positive outcome of the feasibility study conducted and funded by Oakland, the City of Berkeley will consider contributing toward the cost of producing a draft business plan for a regional public bank, along with Oakland and other jurisdictions in the area who are interested in partnering in this endeavor.