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OFFICE OF THE CITY CLERK
OAKLAND

AGENDA REPORT

2017 JUN -1 PM 3:51

TO: Sabrina B. Landreth
City Administrator

FROM: Katano Kasaine
Director of Finance

SUBJECT: Public Bank Feasibility Study
Supplemental Report

DATE: May 22, 2017

City Administrator Approval

Date:

6/1/17

RECOMMENDATION

Staff **DOES NOT** Recommend That The City Council Adopt A Resolution (1) Amending The City Of Oakland's Fiscal Year (FY) 2016-17 Midcycle Budget (Which Was Adopted Pursuant To Resolution No. 86250 C.M.S. On June 21, 2016) To Appropriate One Hundred Thousand Dollars (\$100,000), From The Fiscal Year 2016-17 General Purpose Fund (1010) Balance For A Contract To Complete A Feasibility Study On Public Banking In Oakland, And (2) Authorizing The City Administrator Or Her Designee To Negotiate A Scope Of Work, Terms And Execute A Contract With Global Investment Company In An Amount Not To Exceed One Hundred Thousand Dollars (\$100,000).

REASON FOR SUPPLEMENTAL REPORT

At the April 25, 2017 meeting, the Finance and Management Committee asked staff to provide a more detailed scope of work proposal and budget, as well as the feasibility for a regional approach to a public bank. After reaching out to other neighboring cities and inquiring about a public bank, **staff does not recommend moving forward at this time with the adoption of this proposed resolution.** Instead, staff recommends monitoring the development of the City and County of San Francisco's ("San Francisco") Municipal Public Bank Task Force ("Task Force") and evaluate the outcomes and return to City Council with its findings.

BACKGROUND

On February 3, 2017, the Treasury Bureau issued a Request for Qualifications ("RFQ") to identify a qualified consultant (the "Consultant") for a feasibility study of public banking in Oakland. The RFQ focused on the following questions:

1. Is a Public Bank in Oakland feasible? What factors make it feasible or not?
 - a. If so, how could it be executed? What broad steps would be involved?
 - b. If so, what issues would need to be addressed?
2. What are the impacts of the legality and feasibility of providing banking services to the cannabis industry?

The RFQ requires the Consultant to have experience and demonstrate knowledge in securing bank charters, municipal laws, state and federal banking laws, and the formal practice and process to securing a public bank from beginning to end. The analysis requires a preliminary

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comparison on the City's current financial model, specifically on the benefits and risks of current banking and financing practices in Oakland as to other public banking models such as the Vermont Partnership, Public Bank of North Dakota or any other attempted public banks. The analysis should consider economic impact including operational costs and the demographics of the City. It should also address the legality and feasibility of providing services for the cannabis industry or any other unbanked sector.

Only two firms submitted responses to the RFQ issued by the City – Global Investment Company and PFM Financial Advisors, LLC. In March, staff held interviews with each of the firms. As a result of this competitive process, staff recommended to contract with Global Investment Company to complete a feasibility study on Public Banking in Oakland based on their skills and their team's knowledge of public banking.

ANALYSIS AND POLICY ALTERNATIVES

Based on Global Investment Company's ("GIC") proposal, the public bank feasibility study timeline is outlined below and provides some initial thoughts on the scope of services. In the initial meeting (Week 1), the City and the Consultant would negotiate the scope of work and cost of the study, the major key components of the study would include the actual feasibility of a public bank that addresses the banking requirements, the ability to provide community benefit lending and the ability to handle cannabis business deposits and the possibility of a regional bank. In addition, the study would also include the cost and governance structures as well as provide the benefits and risks to each component.

Date	Feasibility Study Outline
Week 1	Initial Meeting with City Staff and other stakeholders to define scope of services and statement of work
Week 2	Research Phase I: Legal Framework of a public bank, Cannabis & Unbanked sector, and exploring of a bank charter and board member composition
Week 4	Research Phase II: Strategy and Legislation/Policy
Week 5	Business Case Phase III: Initial Analysis <ul style="list-style-type: none"> - Local (pros and cons) - Regional (pros and cons) - Unbanked Sector including cannabis - Economics benefits (local vs regional)
Week 6	Business Case Analysis Phase IV: Develop projections, credit, loans demand analysis
Week 8	Business Case Phase V: Finalize business implementation plan, timeline of decisions
Week 10	Final Feasibility Study and presentation to City Council

Status On Global Effort To Establish A Public Bank:

At the April 25, 2017, the Finance and Management Committee instructed staff to provide information regarding a regional public bank structure. Staff has reached out to neighboring cities listed below regarding public banking including exploring the concepts of a regional bank and if its governing board has taken any actions.

1. City and County of San Francisco
2. City of Hayward
3. City of Santa Rosa
4. City of Berkeley
5. City of Emeryville
6. City of Richmond

There are only three cities who have brought the public bank concept to its governing boards for consideration. On April 25, 2017, the City and County of San Francisco Board of Supervisors adopted a resolution urging the Office of the Treasurer and Tax Collector to assemble a Municipal Public Bank Task Force. The resolution states the following responsibilities of the Task Force:

1. The Task Force is to convene within 60 days of the adopted resolution.
2. The Task Force is to hold a series of public meetings to solicit input from the public and from stakeholder groups and submit a report to the Mayor and the Board of Supervisors within 6 months of its initial meeting
3. The report should contain the following:
 - Mission Statement
 - Detailed estimated costs
 - Initial investment requirement for a municipal bank to assume the responsibility of banking services
 - Potential revenue stream
 - Partnership opportunities with credit unions, small business lending and mortgage lending
 - Opportunities for cannabis deposits
 - Develop a credit scoring model that equitably reflects the risks of lending to underserved residents
 - Quantify the impact of the transfer of investments and banking services unit to a municipal bank on the credit rating of the City and County
 - Options for initial capitalization of the bank

On May 11, 2017, the City of Emeryville brought a report to its Budget and Governance Committee briefing the committee on public banking including cities who has expressed interest in establishing a public bank. Emeryville's staff reports that they will be monitoring the development of Oakland's public bank feasibility study and report back to their Committee at a later date.

On May 23, 2017, the City of Richmond brought a resolution to its City Council to investigate the possibility of partnering with the City of Oakland with forming a Public Bank of Oakland or regional public bank, if proven to be beneficial to the City of Richmond.

Other bay area cities are open to discussions on the topic of a regional bank but have not brought this matter to their governing boards. At this time, cities are in the infancy stage of researching and monitoring the development of other cities on the topic of public banking.

The City of Philadelphia adopted a resolution authorizing the Committee on Commerce and Economic Development to hold hearings regarding public banking and has been working with Public Banking Pennsylvania, a statewide advocacy group, to research and organize resources for a public banking feasibility study for the city.

In Santa Fe, New Mexico, where the City adopted a resolution on April 26, 2017 to create a task force to formally consider setting up a public bank. The task force's work would build on a feasibility study the city completed in 2016. The task force will determine the procedures, timelines and requirements that would be necessary to establish a chartered public bank and to make recommendations to the governing body so they can make an informed decision.

Summary and Recommendation:

Staff does not recommend moving forward with the adoption of this resolution at this time. After a more thorough analysis and outreach to neighboring cities, staff recommends monitoring the development of the City and County of San Francisco's Municipal Public Bank Task Force. Once their study and report is completed per their adopted resolution, staff will evaluate the benefits to the City of Oakland and return to City Council to present the outcomes.

FISCAL IMPACT

If City Council chooses not to adopt the resolution, there is no fiscal impact.

However, if City Council chooses to adopt the resolution, this action would appropriate \$100,000 from the General Purpose Fund 1010 available fund balance, thereby reducing the projected available fund balance noted in the FY 2016-17 3rd Quarter Revenue and Expenditure Report by \$100,000. However, it should be noted that this proposed expenditure should be weighed in the context of other priorities and that this fund balance is an estimated number typically reserved for critical, unforeseen one-time expenditures.

COORDINATION

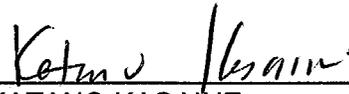
The Treasury Bureau worked in coordination with the City Attorney's Office and the City Administrator's Office on this report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff **does not** recommend that the City Council adopt a resolution (1) amending the City of Oakland's Fiscal Year (FY) 2016-17 Midcycle Budget (which was adopted pursuant to Resolution No. 86250 C.M.S. on June 21, 2016) to appropriate one hundred thousand dollars (\$100,000), from the Fiscal Year 2016-17 General Purpose Fund (1010) Balance for a contract to complete a feasibility study on Public Banking In Oakland, and (2) authorizing the City Administrator or her designee to negotiate a scope of work, terms and execute a contract with Global Investment Company in an amount not to exceed one hundred thousand dollars (\$100,000).

For questions regarding this report, please contact Katano Kasaine, Director of Finance, at (510) 238-2989.

Respectfully submitted,



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