

BOARD of SUPERVISORS



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MEMORANDUM

TO: Katy Tang, Director, Small Business Commission
Kerry Birnbach, Commission Secretary

Small Business Commission, City Hall, Room 448

FROM: Victor Young, Assistant Clerk
Rules Committee

DATE: May 26, 2026

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS
Rules Committee

The Board of Supervisors' Rules Committee has received the following legislation, which is being referred to the Small Business Commission for comment and recommendation. The Commission may provide any response it deems appropriate within 12 days from the date of this referral.

File No. 260535 (ver1)

Charter Amendment - Municipal Finance Corporation and Public Bank

Charter Amendment (First Draft) to amend the Charter of the City and County of San Francisco to authorize the establishment of a Municipal Finance Corporation and Public Bank as nonprofit corporations, and to set forth the mission, principles, and governance structure of those corporations; at an election to be held on November 3, 2026.

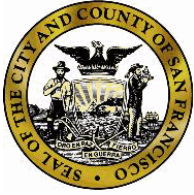
Please return this cover sheet with the Commission's response to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

RESPONSE FROM SMALL BUSINESS COMMISSION - Date: _____

___ No Comment

___ Recommendation Attached

Chairperson, Small Business Commission



City and County of San Francisco

Master Report

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 260535 **File Type:** Charter Amendment **Status:** 30 Day Rule

Enacted: _____ **Effective:** _____

Version: 1 **In Control:** Rules Committee

File Name: Charter Amendment - Municipal Finance Corporation and Public Bank **Date Introduced:** 05/19/2026

Requester: _____ **Cost:** _____ **Final Action:** _____

Comment: _____ **Title:** Charter Amendment (First Draft) to amend the Charter of the City and County of San Francisco to authorize the establishment of a Municipal Finance Corporation and Public Bank as nonprofit corporations, and to set forth the mission, principles, and governance structure of those corporations; at an election to be held on November 3, 2026.

Sponsors: Chen; Fielder,
Melgar,
Mahmood and
Walton

History of Legislative File 260535

Ver	Acting Body	Date	Action	Sent To	Due Date	Result
1	President	05/19/2026	ASSIGNED UNDER 30 DAY RULE	Rules Committee	06/18/2026	

1 [Charter Amendment - Municipal Finance Corporation and Public Bank]

2
3 **Describing and setting forth a proposal to the voters at an election to be held on November**
4 **3, 2026, to amend the Charter of the City and County of San Francisco to authorize the**
5 **establishment of a Municipal Finance Corporation and Public Bank as nonprofit**
6 **corporations, and to set forth the mission, principles, and governance structure of those**
7 **corporations.**

8
9 Section 1. The Board of Supervisors hereby submits to the qualified voters of the City
10 and County, at an election to be held on November 3, 2026, a proposal to amend the Charter of
11 the City and County by adding Article VIIIIC, to read as follows:

12 NOTE: **Unchanged Charter text and uncodified text** are in plain font.
13 **Additions** are *single-underline italics Times New Roman font*.
14 **Deletions** are ~~*strike-through italics Times New Roman font*~~.
15 **Asterisks (* * * *)** indicate the omission of unchanged Charter
16 subsections.

17 **ARTICLE VIIIIC: MUNICIPAL FINANCE CORPORATION AND MUNICIPAL BANK**

18 **SEC. 8C.100. PREAMBLE.**

19 *(a) Existing financial institutions have historically failed to provide equitable and*
20 *accessible financial services to address the needs of low-income communities and communities*
21 *of color, and to provide adequate lending products to serve the unmet financing needs for*
22 *affordable housing, climate infrastructure, and local enterprise economic development.*

23 *(b) There is a severe affordable housing shortage in San Francisco, which*
24 *disproportionately affects our local workforce, many of whom play essential roles in the local*
25 *economy, and this shortage is exacerbated by fact that over 12,600 units of affordable housing*
that have been approved have yet to be built due to lack of funding and financing.

1 (c) Small businesses are treasured community assets in San Francisco that provide
2 pathways to economic security for many Black, Indigenous, Latinx, and Asian entrepreneurs and
3 their families, many of which struggle to access financing strategies to incubate and grow their
4 enterprises.

5 (d) San Francisco's Climate Action Plan envisions an ambitious and equitable climate
6 future for the city, but this vision cannot be realized without sustained financing strategies
7 needed for major infrastructure investments.

8 (e) Public banking has a long history of success supporting equitable economic
9 development internationally and domestically, providing direct community reinvestment,
10 financial inclusion, support for local lenders, and reduced public debt costs, with one quarter of
11 the world's assets currently held in public banks.

12 (f) In 2020, then-Assembly Member David Chiu sponsored Assembly Bill 857 ("AB
13 857"), the California Public Banking Act, creating a formal pathway for local jurisdictions to
14 charter their own public banks for the purposes of achieving cost savings, strengthening local
15 economies, supporting community economic development, and addressing infrastructure and
16 housing needs for localities.

17 (g) In 2021, the San Francisco Board of Supervisors passed an ordinance establishing
18 the Reinvestment Working Group ("RWG") to oversee the formation of a business and
19 governance plan, consisting of the Controller, Treasurer, and technical experts in financial
20 institutions, affordable and social housing financing, small business lending, environmental
21 justice, and renewable energy.

22 (h) In 2023, the RWG prepared a Final Governance Plan, Business Plan, and Viability
23 Study for a San Francisco Municipal Financial Corporation ("MFC") and a San Francisco
24 Public Bank, which was accepted unanimously by the Board of Supervisors. This Plan reflected
25 the RWG's extensive research and outreach to the Federal Deposit Insurance Corporation and

1 California Department of Financial Protection and Innovation regarding how to structure these
2 institutions to address control and conflict issues. The governance is structured such that no one
3 person or body can appoint a majority of members. This structure provides insulation against
4 political interference. AB 857 restricts public banks to local agency banking, infrastructure
5 lending, wholesale lending, participation lending, and retail activities only where those activities
6 are not already provided by local financial institutions. As a result, AB 857 restricts public
7 banks from most direct personal lending and provides fewer opportunities for self-dealing
8 among commissioners or directors.

9 (i) In 2025, the Board of Supervisors unanimously passed a resolution urging the
10 Treasurer-Tax Collector to establish the MFC, which can assist in providing financing options
11 for the San Francisco Climate Action Plan by serving as the City's green bank, once funding is
12 secured.

13 (j) The path to a San Francisco Public Bank includes a two-step process beginning with
14 an MFC that would transition to a licensed Public Bank after three to five years of profitable
15 operation, once it applies for and receives accreditation from state and federal regulatory
16 authorities.

17 (k) This Article VIII C codifies the mission, structure, and governance for an MFC and
18 Public Bank as outlined in the Business Plan and Final Governance Plan the Board of
19 Supervisors accepted in 2023.

20 (l) The MFC and the Public Bank will be run by skilled banking professionals, overseen
21 by a Board of Directors of finance professionals and a Bank Oversight Commission appointed by
22 the Treasurer, Controller, City Attorney, Mayor, and Board of Supervisors, with significant
23 oversight, checks and balances, and accountability to safeguard the public interest.

24 (m) A San Francisco Public Bank can serve as a long-term, permanent engine for
25 economic justice, bringing down the cost of living for all San Francisco residents by partnering

1 with local community lenders, like credit unions and community development financial
2 institutions, to generate sustainable profits and require any profits generated to be reinvested in
3 the City via additional low-cost public bank loans, creating a sustainable, local source of
4 municipal finance.

5 (n) Under Section 8C.102, after sufficient funding is appropriated, the Treasurer may
6 hire necessary staff with sufficient experience to operate the MFC, move forward with the design
7 and establishment of the MFC, and may work as necessary with the City Attorney and any
8 outside counsel the City Attorney deems reasonable to retain to assist in that work. The Board of
9 Supervisors acknowledges that even with the hiring of staff and funding for legal advice to
10 further the formation of the MFC, the MFC cannot be established unless the City secures the
11 required capitalization and any additional necessary funding.

12
13 **SEC. 8C.101. MISSION AND PRINCIPLES.**

14 (a) All board members, commissioners, and staff of the Municipal Finance Corporation
15 ("MFC") and Public Bank ("Public Bank" or "Bank") shall adhere to the Mission and
16 Principles set forth in this Section 8C.101. The Oversight Commissions and Boards of Directors
17 of the MFC and Public Bank shall incorporate the Mission and Principles set forth herein into
18 the bylaws of those institutions.

19 (b) **Governance Structure.** The governance structures of the MFC and the Bank set
20 forth in this Article VIIIC establish entities that are accountable to the goals, values, and
21 communities of the City and County and that will uphold those goals through effective and
22 independent corporate and financial management. These governance structures seek to ensure
23 that the MFC and the Bank are held accountable to their mission and principles.

24 The Bank's governance structure complements the governance plan for the MFC as
25 outlined in the MFC Business Plan. The MFC governance plan has the same Mission and

1 Principles but, because it is not regulated by the Federal Deposit Insurance Corporation or
2 California Department of Financial Protection and Innovation, the overall governance structure
3 is not as extensive as that of the Bank. It is expected that the MFC's governance structure will
4 serve as a foundation for the governance structure of the Bank.

5 **(c) Mission of the MFC and Public Bank.**

6 The MFC and Public Bank will promote an economy that upholds equity, social justice,
7 and environmental sustainability.

8 **(d) Principles of the MFC and Public Bank.**

9 (1) Public Ownership. The MFC and Public Bank shall be publicly-owned
10 entities that reinvest profits in support of their mission.

11 (2) Local Control. The MFC and Public Bank shall operate for the benefit and
12 on behalf of all the communities of San Francisco and with meaningful representation and input
13 from community stakeholders, especially those from underinvested communities and partner
14 financial institutions that operate at the local level.

15 (3) Community Wealth Building. The MFC and Public Bank shall promote
16 community home and business ownership and community wealth building.

17 (4) Public Welfare and Restorative Finance. The MFC and Public Bank shall
18 invest to enhance the welfare of San Francisco residents, especially communities underserved by
19 mainstream commercial banks and that have suffered from the historical legacy and ongoing
20 effects of structural or systemic discrimination of wealth disparities and harmful social,
21 economic, and environmental practices.

22 (5) Cooperation. The MFC and Public Bank shall cooperate with existing
23 community institutions and organizations, strengthening the lending capacity of credit unions,
24 community development financial institutions, and community financial institutions by
25 partnering with them to provide financial products and services.

1 (6) Accountability and Transparency. The MFC and Public Bank shall ensure
2 democratic oversight, accountability, and transparency in MFC and Bank operations.

3 (7) Integrity and Independence. The MFC and Public Bank shall prevent
4 corruption, self-dealing, and conflicts of interest by maintaining rigorous oversight of
5 governance, operational, and lending activities and professional decision-making and
6 management that is independent of elected officials.

7 (8) Professionalism. The MFC and Public Bank shall operate based on overall
8 financial expertise, subject-matter expertise in selected lending areas, as well as appropriate
9 prudent financial, corporate governance, and prudent financial standards and requirements.

10 (9) Indigenous Rights. The MFC and Public Bank shall act within a reparations
11 framework to honor their presence on Ohlone land, protect sacred sites and repatriation efforts
12 including land trusts, and uphold Indigenous people’s right to Free, Prior, and Informed
13 Consent.

14 (10) Harm Avoidance. The MFC and Public Bank shall refrain from investing in
15 sectors that exacerbate negative socioeconomic and environmental outcomes, including
16 predatory lending, fossil fuels and related energy generation, tobacco, firearms, other weapons,
17 prisons and detention centers, and businesses with a record of labor law violations.

18
19 **SEC. 8C.102. MUNICIPAL FINANCE CORPORATION.**

20 **(a) Establishment of Municipal Finance Corporation and Transition to Public Bank.**

21 (1) Subject to the Treasurer-Tax Collector’s determination that adequate funding
22 and resources exist, and subject to all applicable federal and state laws, the Treasurer shall
23 develop all necessary corporate formation documents, including without limitation articles of
24 incorporation and bylaws, and any necessary updates to the business plan developed by the
25 RWG, for the establishment of an MFC as either a nonprofit mutual benefit corporation or a

1 nonprofit public benefit corporation, and shall take the necessary steps to establish the MFC.
2 The MFC shall be structured to facilitate the future transfer of the MFC's assets, liabilities, and
3 capital into a public bank created under Section 8C.103.

4 (2) If, as of the effective date of this Article VIII C, a municipal finance
5 corporation has been established by ordinance ("pre-existing corporation"), then upon the
6 establishment of an MFC under this Article, the governing body of the pre-existing corporation
7 shall cause all assets, liabilities, and capital to be transferred to the MFC, subject to all federal
8 and state laws.

9 (3) To the extent allowable by state and federal law, the MFC's assets, liabilities,
10 and capital shall be transferred to the Public Bank upon establishment of the Bank under Section
11 8C.103.

12 **(b) Functions.**

13 (1) The MFC shall be a non-depository institution.

14 (2) To the extent permitted by federal and state law, the MFC shall provide
15 financial services and products to support affordable housing development, affordable
16 homeownership, small business development, environmental sustainability, and environmental
17 justice to individual residents of the City and County and to projects and businesses located
18 within the City and County.

19 (3) As the MFC's Chief Executive Officer deems appropriate and in the best
20 interest of the MFC, the MFC shall work in partnership with local community financial
21 institutions and community development financial institutions to serve community financial
22 services needs.

23 **(c) Governance.**

24 (1) **MFC Oversight Commission.** There shall be an MFC Oversight Commission
25 ("MOC") consisting of nine members, with the structure, powers, and duties specified in this

1 subsection (c)(1). The MOC shall come into existence upon the appointment of five members.

2 **(A) Appointment and Removal.**

3 (i) Appointment Criteria. Members of the MOC shall be San
4 Francisco residents or shall have substantial expertise in the lending areas of the MFC.

5 (ii) Seats. The Board of Supervisors shall appoint four members
6 (Seats 1-4); the Mayor shall appoint two members (Seats 5 and 6); the Treasurer-Tax Collector
7 shall appoint one member (Seat 7); the Controller shall appoint one member (Seat 8); and the
8 City Attorney shall appoint one member (Seat 9).

9 (iii) Independence. MOC members shall neither represent nor
10 owe a duty of loyalty to their appointing authority. MOC members shall use their independent
11 judgment to perform their duties, consistent with the MFC's Mission and Principles.

12 (iv) Appointment Hearings.

13 Before the MOC comes into existence, the Board of Supervisors shall hold a hearing to
14 review the qualifications of any potential appointee to the MOC. After the MOC comes into
15 existence, the MOC shall hold a hearing to review the qualifications of any potential appointee
16 to the MOC. For appointees of the Mayor, Treasurer-Tax Collector, Controller, or City
17 Attorney, the appointing authority or their designee shall attend the hearing. Neither the Board
18 of Supervisors nor the MOC shall have authority to reject an appointee of the Mayor, Treasurer-
19 Tax Collector, Controller, or City Attorney. If the Board of Supervisors or MOC fails to hold
20 such a hearing within 30 days of the transmission of the appointment to the Board of Supervisors
21 or MOC by the appointing authority, the appointing authority may move forward with the
22 appointment without a hearing.

23 (v) Removal. Upon the request of the appointing authority who
24 appointed the member, or of its own accord by a majority vote, the MOC may hold a public
25 hearing and, by a vote of at least seven members, or by a vote of at least two-thirds of all

1 members, whichever is greater, may remove an MOC member for official misconduct as defined
2 in Section 15.105 of this Charter, gross negligence in the exercise of their official duties,
3 violation of the MFC's Mission or Principles, or other good cause of a serious and substantial
4 nature. A finding of violation of the MFC's Mission or Principles shall be consistent with the
5 MFC Board of Directors' bylaws. The MOC shall provide the member subject to removal the
6 opportunity to appear at a public hearing and to respond to the grounds for removal.

7 **(C) Qualifications.**

8 (i) The Board of Supervisors shall set qualification requirements
9 for MOC appointees, consistent with this subsection (c)(1)(C) and the MFC's Mission and
10 Principles, and in doing so shall invite input from all appointing authorities. Appointing
11 authorities may set additional qualifications, which shall be publicly available. Qualification
12 requirements shall include expertise in community-serving financial services and in the financial
13 needs of San Francisco's diverse communities.

14 (ii) No person who is currently serving as an elected official at
15 any level of government or as a member of a party central committee, has held such office in the
16 previous ten years, or is a current candidate for elected office is eligible for appointment to the
17 MOC.

18 (iii) Appointing authorities shall seek to make appointments that
19 represent the following stakeholders to the extent feasible and permissible under federal and
20 state law: bank worker's unions, City College of San Francisco, CleanPowerSF, community
21 financial institutions and community development financial institutions, the City's designated
22 cultural districts, the food and agriculture sector, minority- or women-owned small-to-medium
23 enterprise owners, organized labor unions, San Francisco public health institutions, San
24 Francisco Unified School District, and worker-owned or -controlled enterprises.

25 **(D) Terms of Office.**

1 (i) Except as stated in subsection (c)(1)(D)(ii) of this Section
2 8C.102, MOC members shall serve four-year terms. The terms for all seats on the MOC shall
3 commence on the date the MOC comes into existence. A person appointed to a partial term shall
4 serve the balance of the unexpired term.

5 (ii) For the initial appointees to the MOC, Seats 1 and 2 shall be
6 appointed to a one-year term, Seats 3 and 5 shall be appointed to a two-year term, Seats 4 and 6
7 shall be appointed to a three-year term, and Seats 7, 8, and 9 shall be appointed to a four-year
8 term.

9 (iii) Each member of the MOC shall serve a lifetime maximum of
10 two four-year terms. A part of a term that exceeds two years shall count as a full term; a part of
11 a term that is two years or less shall not. The one, two, and three-year initial terms under
12 subsection (c)(1)(C)(ii) of this Section 8C.102 shall not count for purposes of the lifetime term
13 limit. Notwithstanding the lifetime term limit, upon expiration of their term, an MOC member
14 may continue to serve until reappointed or a replacement has assumed office, up to a maximum
15 of twelve months, subject to any further limitations imposed by the MOC through its bylaws.

16 **(E) Powers and Duties.**

17 The MOC shall have the following powers and duties:

18 (i) Consistent with the bylaws and articles of incorporation of the
19 MFC, the MOC shall appoint all members of the MFC Board of Directors. In appointing MFC
20 Board members, the MOC may consider recommendations from the MFC Board of Directors.
21 The MOC may remove a member of the MFC Board of Directors under subsection (c)(2)(A)(ii).

22 (ii) The MOC may provide non-binding advice and
23 recommendations to the MFC Board of Directors regarding the direction of the MFC's work in
24 the areas of lending and sustainability, ethics and equity, and community outreach. The MOC
25 shall, upon its establishment, form three committees for that purpose: Lending and

1 Sustainability, Ethics and Equity, and Community Outreach. These committees will assist the
2 MFC Board in developing the MFC's business plan. The MOC will also form a committee to
3 recommend the selection of new directors as needed. The MOC may, through its bylaws, modify
4 or eliminate these committees. The committees are further described as follows:

5 a. Lending and Sustainability Committee. Consistent with
6 the Mission and Principles of the MFC, this committee shall advise the MFC Board on the
7 framework for the MFC's loan policy, consistent with the MFC's lending priorities and
8 prohibitions, as well as applicable regulatory requirements.

9 b. Ethics and Equity Committee. This committee shall
10 identify a set of equity outcomes that can serve as benchmarks for MFC impact and success (e.g.,
11 eliminate displacement, ensure equitable access to small business finance, reduce greenhouse
12 gas emissions); monitor the operations of the MFC to ensure operations are conducted in
13 accordance with the governance documents; and monitor potential conflicts of interest of
14 members of the MFC Board of Directors.

15 c. Community Outreach Committee. This committee shall
16 publish an annual report in an accessible, multilingual format; hold annual town hall events to
17 present MFC key lending and investment areas alongside equity metrics, for example,
18 race/ethnicity, gender, migration status, neighborhoods and communities served, and community
19 impact; provide space for the public to comment and advise the MOC on how to fulfill the
20 MFC's mission to serve local communities; organize focus group sessions every two years
21 around specific priority themes, such as lending and investment areas, that convene community
22 experts to help comment, problem-solve, provide analysis, and make recommendations; and hold
23 informational recruitment events to recruit potential members of the MOC.

24 d. MFC Board of Directors Selection Committee. This
25 committee shall recommend director candidates to the MOC. Subject to approval by the MOC,

1 the committee shall advise the MFC Board of Directors on search, hire, salary, and performance
2 evaluation of the Chief Executive Officer.

3 (iii) The MOC shall serve as a liaison between the MFC and the
4 Board of Supervisors, reporting on an annual basis on the MFC's performance and impact and
5 maintaining open communications with City departments that may be involved in activities
6 complementary to the MFC's. The MFC, while independent of City departments, will share data
7 and information where doing so supports the MFC's Mission and Principles and is authorized by
8 applicable law.

9 (iv) The MOC will establish a labor policy for the MFC regarding
10 projects that the MFC finances, consistent with the City's labor standards and the promotion of
11 a skilled and trained workforce.

12 (v) The MOC shall meet monthly for the first year after it comes
13 into existence and may reconsider the frequency of meetings thereafter. Members of the MOC
14 shall receive payment monthly for MOC and MOC committee meetings attended, at a rate of
15 \$500 per meeting, with a maximum payment per month of \$500, except for the MOC member
16 who has a voting seat on the MFC Board as specified in this Article VIIIC, who shall be
17 compensated in the same manner as other MFC Board members.

18 (vi) At any time after the MFC has been continuously operating
19 for three years, the MOC may direct the MFC Board of Directors to initiate the transition of the
20 MFC to a Public Bank under Section 8C.103. The Bank's articles of incorporation and bylaws
21 are subject to MOC approval.

22 (vii) Except as specifically provided in this Article VIIIC, the
23 MOC shall exercise no authority over the MFC Board of Directors or over the operations or
24 policies of the MFC.

25 (F) Ethics. In addition to complying with all applicable state and local

1 ethics requirements, the MOC shall adopt any additional appropriate policies to prevent
2 conflicts of interest.

3 **(2) MFC Board of Directors.**

4 **(A) Appointment and Removal.**

5 (i) The MFC Board of Directors shall initially consist of five
6 directors, as follows:

7 a. The Chief Executive Officer of the MFC.

8 b. Three outside directors appointed by the MOC.

9 c. One member of the MOC, selected by the MOC.

10 (ii) Upon the request of the appointing authority who appointed
11 the member, or of its own accord by a majority vote, the MOC may, by a vote of at least seven
12 members, or by a vote of at least two-thirds of all members, whichever is greater, remove a
13 member of the MFC Board of Directors for official misconduct as defined in Section 15.105 of
14 this Charter, breach of fiduciary duty to the MFC, gross negligence in the exercise of their
15 official duties, or other good cause of a serious and substantial nature. The MFC Board of
16 Directors may also, by a vote of at least two-thirds of all members, remove a member of the
17 MFC Board of Directors for the same reasons. A finding of violation of the MFC's Mission or
18 Principles shall be consistent with the MFC Board of Directors' bylaws. The MOC shall provide
19 the member subject to removal the opportunity to appear at a public hearing and respond to the
20 grounds for removal.

21 (iii) Upon a final determination by a court of competent
22 jurisdiction that a member of the MFC Board of Directors has committed fraud in relation to
23 their position as a member, that individual shall cease to be a member of the MFC Board of
24 Directors.

25 **(B) Qualifications.**

1 Each of the directors shall have substantial professional experience in the MFC's lending
2 areas and as a professional manager. In addition, each outside director shall possess
3 experience as a member of a board of directors, chief executive, or other executive of a financial
4 organization, such as a community financial institution, community development financial
5 institution, or community bank.

6 **(C) Terms of Office.**

7 The terms of office of the members of the MFC Board of Directors shall be as set forth in
8 the MFC's corporate bylaws or other governing documents.

9 **(D) Powers and Duties.**

10 The MFC Board of Directors shall have the following powers and duties:

11 (i) The MFC Board of Directors shall have all of the powers and
12 duties prescribed by federal and state law, including but not limited to the hiring of the Chief
13 Executive Officer of the MFC.

14 (ii) If permitted by the MFC's bylaws, the MFC Board of
15 Directors may alter the number of members of that body by a unanimous vote.

16 (iii) The MFC Board of Directors shall adopt bylaws to specify
17 criteria for violation of the MFC's Mission and Principles.

18 (iv) At any time after the MFC has continuously been operating
19 for three years, the MFC Board of Directors may initiate the transition of the MFC to a Public
20 Bank.

21 **(E) Additional MOC Observer.** As a means of providing communication
22 and transparency, a member of the MOC, selected by the MOC, may attend meetings of the MFC
23 Board of Directors as an observer. Subject to all applicable federal and state laws, this MOC
24 member may attend both public and non-public meetings of the MFC Board and must execute
25 any required confidentiality agreements in order to do so.

1 (F) Ethics. In addition to complying with all applicable state and local
2 ethics requirements, the MFC Board of Directors shall adopt any additional appropriate policies
3 to prevent conflicts of interest.

4
5 **SEC. 8C.103. PUBLIC BANK.**

6 **(a) Establishment.**

7 Subject to the availability of adequate funding and resources, subject to all
8 applicable federal and state laws, and after the MFC has been operating for a minimum of three
9 years, the MFC Board of Directors or MOC may initiate the MFC's transition to a Public Bank.
10 Upon such approval, the MFC Board of Directors shall take the following steps to form the
11 Public Bank, and shall provide quarterly updates to the MOC on the transition:

12 (1) prepare articles of incorporation and bylaws for the Bank as a nonprofit
13 mutual benefit corporation or a nonprofit public benefit corporation, for approval by the MOC;
14 and

15 (2) seek all necessary regulatory approvals.

16 **(b) Functions.**

17 (1) The Bank shall be a depository institution.

18 (2) To the extent permitted by federal and state law, the Bank shall provide
19 financial services and products to support affordable housing development, affordable
20 homeownership, small business development, environmental sustainability, and environmental
21 justice to individual residents of the City and County, and to projects and businesses located
22 within the City and County.

23 **(c) Governance.**

24 **(1) Bank Oversight Commission.**

25 The Bank Oversight Commission ("BOC") shall initially consist of 15 members, with the

1 structure, powers, and duties specified in this subsection (c)(1). The BOC shall come into
2 existence upon the appointment of eight members.

3 **(A) Appointment and Removal.**

4 (i) Seats. Subject to subsection (ii) below, members of the BOC
5 shall be appointed as follows: the Board of Supervisors shall appoint six members (Seats 1-6);
6 the Mayor shall appoint three members (Seats 7-9); the Treasurer shall appoint two members
7 (Seats 10 and 11); the Controller shall appoint two members (Seats 12 and 13); and the City
8 Attorney shall appoint two members (Seats 14 and 15).

9 (ii) Transition from MOC to BOC. Members of the MOC shall
10 have the option to transition to become initial members of the BOC. An MOC member who
11 exercises this option shall serve as a BOC member for the length of their remaining MOC term
12 or the length of the term of the BOC seat they fill, whichever is shorter. In that case, the
13 transition of the MOC member to the BOC shall constitute a BOC appointment under subsection
14 (i) above by the authority who appointed the individual to the MOC. An MOC member who
15 transitions to become a BOC member shall not be subject to the qualification requirements for
16 BOC members for the duration of their transitional term.

17 (iii) Independence. BOC members shall neither represent nor owe
18 a duty of loyalty to their appointing authority. BOC members shall use their independent
19 judgment to perform their duties, consistent with the Bank's Mission and Principles.

20 (iv) Appointment Hearings. Before the BOC comes into existence,
21 the Board of Supervisors shall hold a public hearing to review the qualifications of any potential
22 appointee to the BOC. After the BOC comes into existence, the BOC shall hold a public hearing
23 to review the qualifications of any potential appointee to the BOC. For appointees of the Mayor,
24 Treasurer-Tax Collector, Controller, or City Attorney, the appointing authority or their designee
25 shall attend the hearing. Neither the Board of Supervisors nor the BOC shall have authority to

1 reject an appointee of the Mayor, Treasurer-Tax Collector, Controller, or City Attorney. If the
2 Board of Supervisors or the BOC fails to hold such a hearing within 30 days of the transmission
3 of the appointment to that body by the appointing authority, the appointing authority may move
4 forward with the appointment without a hearing.

5 (v) Removal. Upon request of the appointing authority who
6 appointed the member or of its own accord by majority vote, the BOC may, by a vote of at least
7 two-thirds of all members, remove a BOC member for official misconduct as defined in Section
8 15.105 of this Charter, gross negligence in the exercise of their official duties, violation of the
9 Bank's Mission or Principles, or other good cause of a serious and substantial nature. A finding
10 of violation of the Bank's Mission or Principles shall be consistent with the Bank Board of
11 Directors' bylaws. The BOC shall provide the member subject to removal the opportunity to
12 appear at a public hearing and respond to the grounds for removal.

13 (vi) Term Limits. Each member of the BOC shall serve a lifetime
14 maximum of two four-year terms. A part of a term that exceeds two years shall count as a full
15 term; a part of a term that is two years or less shall not. The one, two, and three-year initial
16 terms under subsection (c)(1)(C)(ii) of this Section 8C.103 shall not count for purposes of the
17 lifetime term limit. Notwithstanding the lifetime term limit, upon expiration of their term, a BOC
18 member may continue to serve until reappointed or a replacement has assumed office, up to a
19 maximum of twelve months, subject to any further limitations imposed by the BOC through its
20 bylaws.

21 **(B) Modification of Size and Composition of BOC.**

22 (i) The BOC may increase the membership of the BOC up to a
23 maximum of 25 members, provided that there shall always be an odd number of seats. In that
24 event, additional BOC members shall be appointed in the following order:

25 a. The Board of Supervisors shall appoint Seat 16;

- b. The Mayor shall appoint Seat 17;
- c. The Treasurer shall appoint Seat 18;
- d. The Controller shall appoint Seat 19;
- e. The City Attorney shall appoint Seat 20;
- f. The Board of Supervisors shall appoint Seat 21;
- g. The Mayor shall appoint Seat 22;
- h. The Board of Supervisors shall appoint Seat 23;
- i. The Board of Supervisors shall appoint Seat 24; and
- j. The Board of Supervisors shall appoint Seat 25.

(C) Qualifications.

(i) All members of the BOC shall be residents of San Francisco or shall have substantial expertise in the lending areas of the Bank. The BOC shall be composed of an inclusive and diverse mix of San Franciscan stakeholders and shall include individuals with substantial financial and business expertise.

(ii) The Board of Supervisors shall set qualification requirements for BOC appointees, consistent with this subsection (c)(1)(C) and the Bank's Mission and Principles, and in doing so shall invite input from all appointing authorities. Appointing authorities may set additional qualifications, which shall be publicly available. Qualifications shall include, without limitation:

a. Requirements that ensure that BOC appointees have expertise in community-serving financial services and in the financial needs of San Francisco's diverse communities, including but not limited to in the areas of affordable housing, environmental sustainability and renewable energy, community land trusts, and housing cooperatives.

b. Appointing authorities shall seek to make appointments

1 that represent the following stakeholders to the extent feasible and permissible under federal and
2 state law: bank worker's unions, City College of San Francisco, CleanPowerSF, community
3 financial institutions and community development financial institutions, the City's established
4 cultural districts, the food and agriculture sector, minority- or women-owned small-to-medium
5 enterprise owners, organized labor unions, San Francisco public health institutions, San
6 Francisco Unified School District, and worker-owned or -controlled enterprises.

7 (iii) No person who is currently serving as an elected official at
8 any level of government or as a member of a party central committee, has held such office in the
9 previous ten years, or is a current candidate for elected office is eligible for appointment to the
10 BOC. **(D) Terms of Office.**

11 (i) Except as stated in subsection (c)(1)(D)(ii) of this Section 8C.
12 103, BOC members shall serve four-year terms. The terms for all initial seats on the BOC shall
13 commence on the date the BOC comes into existence. A person appointed to a partial term shall
14 serve the balance of the unexpired term.

15 (ii) For the initial appointees to the BOC, Seats 1, 2 and 7 shall be
16 appointed to a one-year term, Seats 3, 4, 8 and 14 shall be appointed to a two-year term, Seats 5,
17 10, 12 and 15 shall be appointed to a three-year term, and Seats 6, 9, 11, and 13 shall be
18 appointed to a four-year term.

19 (iii) The term for a seat added to the BOC under subsection
20 (c)(1)(B) of this Section 8C.103 shall commence on the date the first appointee to the seat
21 assumes office.

22 (iv) Each member of the BOC shall serve a lifetime maximum of
23 two four-year terms. A part of a term that exceeds two years shall count as a full term; a part of
24 a term that is two years or less shall not. The one, two, and three-year initial terms under
25 subsection (c)(1)(D)(ii) of this Section 8C.103 shall not count for purposes of the lifetime term

1 limit. Notwithstanding the lifetime term limit, upon expiration of their term, a BOC member may
2 continue to serve until reappointed or a replacement has assumed office, up to a maximum of
3 twelve months, subject to any further limitations imposed by the BOC through its bylaws. A
4 BOC member who has transitioned from their position as an MOC member shall serve as a BOC
5 member for the length of their remaining MOC term or the length of the term of the BOC seat
6 they fill, whichever is shorter. In that case, the transition of the MOC member to the BOC shall
7 constitute a BOC appointment under subsection (c)(1)(A)(i) above by the authority who
8 appointed the individual to the BOC.

9 **(E) Powers and Duties.**

10 (i) The BOC shall appoint the members of the Bank Board of
11 Directors. The BOC may remove members of the Bank Board of Directors under subsection
12 (c)(2)(A)(ii) of this Section 8C.103.

13 (ii) The BOC shall provide non-binding advice and
14 recommendations to the Bank Board of Directors regarding the direction of the Bank's work in
15 the areas of lending and sustainability, ethics and equity, and community outreach. The BOC
16 shall, upon its establishment, form three committees for that purpose: Lending and
17 Sustainability, Ethics and Equity, and Community Outreach. These committees will assist the
18 Bank Board of Directors in developing the business plan. The BOC will also have a committee
19 that will recommend candidates for the Board of Directors to the full BOC as needed. The BOC
20 may, through its bylaws, modify or eliminate these committees. The committees are further
21 described as follows:

22 a. Lending and Sustainability Committee. Consistent with
23 the Mission and Principles of the Bank, this committee shall advise the Bank Board of Directors
24 on the framework for the Bank's loan policy, consistent with the Bank's lending priorities and
25 prohibitions, as well as applicable regulatory requirements.

1 b. Ethics and Equity Committee. This committee shall
2 identify a set of equity outcomes that can serve as benchmarks for Bank impact and success (e.g.,
3 eliminate displacement, ensure equitable access to small business finance, reduce greenhouse
4 gas emissions); monitor the operations of the Bank to ensure operations are conducted in
5 accordance with the governance documents; and oversee conflicts of interest matters for
6 members of the Bank Board of Directors.

7 c. Community Outreach Committee. This committee shall
8 publish an annual report of its work in an accessible, multilingual format; hold annual town hall
9 events to present Bank key lending and investment areas alongside equity metrics, for example,
10 race/ethnicity, gender, migration status, neighborhoods and communities served, and community
11 impact; provide space for the public to comment; advise the BOC on how to fulfill the Bank's
12 mission to serve local communities; organize focus group sessions every two years around
13 specific priority themes, such as lending and investment areas, that convene community experts
14 to help comment, problem solve, provide analysis, and make recommendations; and hold
15 informational recruitment events to recruit potential members of the BOC.

16 d. Bank Board of Directors Selection Committee. Subject
17 to approval of the BOC, this committee shall recommend candidates for the Bank Board of
18 Directors to the Bank Oversight Commission and advise the Bank Board of Directors on search,
19 hire, salary, and performance evaluation of the chief executive officer.

20 (iii) The BOC shall meet monthly during the first year after it
21 comes into existence and may reconsider the frequency of meetings thereafter. Members of the
22 BOC will receive payment monthly for BOC and BOC committee meetings attended, at a rate of
23 \$500 per meeting, with a maximum payment of per month of \$500.

24 (iv) Aside from the powers specified in this Article VIII C, the BOC
25 shall have no authority to direct the actions of the Bank Board of Directors or Bank staff or the

1 operation or policies of the Bank.

2 **(2) Bank Board of Directors.**

3 **(A) Appointment and Removal.**

4 (i) The Bank Board of Directors will consist of nine directors: the
5 Chief Executive Officer of the Bank and eight outside directors. Directors shall be appointed
6 under subsection (c)(1)(E) of this Section 8C.103.

7 (ii) The BOC, by a vote of at least eleven members, or by a vote of
8 at least two-thirds of the members, whichever is greater, and the Bank Board of Directors, by a
9 vote of at least seven members, or by a vote of at least two-thirds of the members, whichever is
10 greater, may vote to remove a member of the Bank Board of Directors for official misconduct as
11 defined in Section 15.105 of this Charter, breach of fiduciary duty to the Bank, gross negligence
12 in the exercise of official duties, violation of the Bank's Mission or Principles, or other good
13 cause of a serious and substantial nature. A finding of violation of the Bank's Mission or
14 Principles shall be consistent with the Bank Board of Directors' bylaws. The BOC or the Bank
15 Board of Directors shall provide the member subject to removal the opportunity to appear at a
16 public hearing and respond to the grounds for removal.

17 (iii) Upon a final determination by a court of competent
18 jurisdiction that a member of the Bank Board of Directors has committed fraud in relation to
19 their position as such a member, that individual shall cease to be a member of the Bank Board of
20 Directors.

21 **(B) Qualifications.**

22 Each outside director shall possess the following qualifications:

23 (i) substantial banking operations or bank directorship
24 experience;

25 (ii) substantial community development financial institution or

1 community financial institution experience; or

2 (iii) substantial professional experience in the Bank's lending
3 areas.

4 **(C) Terms of Office.**

5 The terms of office of the members of the Bank Board of Directors shall be as set forth in
6 the Bank's corporate bylaws or other governing documents.

7 **(D) Powers and Duties.**

8 (i) The Bank Board of Directors shall have all of the powers and
9 duties prescribed by federal and state law, including but not limited to the hiring of the Chief
10 Executive Officer of the Bank.

11 (ii) To the extent permitted by federal and state laws and by the
12 Bank's bylaws and articles of incorporation, the Bank Board of Directors may alter the number
13 of members of that body.

14 (iii) The Bank Board of Directors shall adopt bylaws to specify
15 criteria for violation of the Bank's Mission and Principles.

16 **(E) Additional BOC Observers.**

17 Subject to federal and state regulatory requirements, as a means of providing
18 communication and transparency, two members of the BOC, selected by the BOC, may attend
19 meetings of the Bank Board of Directors as observers, with no voting rights, and shall receive
20 the same materials and notices as Bank Board members. These two BOC members must execute
21 confidentiality agreements as required by the Bank Board of Directors. These observers may not
22 attend meetings with regulatory agencies without consent from the regulatory agencies.

23
24 **SEC. 8C.104. DISSOLUTION.**

25 (a) Subject to all federal and state laws, the Board of Supervisors may, by ordinance,

1 dissolve the MFC and Bank by a unanimous vote.

2 (b) Subject to all federal and state laws, upon dissolution, all remaining assets of the
3 MFC and Bank, after satisfaction of any outstanding debts and obligations, shall be distributed
4 to the City and shall continue to serve the same public purposes consistent with the mission and
5 public purpose of the MFC and Bank. The MFC and Bank articles of incorporation and bylaws
6 shall not provide for any other means for the City to acquire the assets of the MFC and Bank.

7
8 **SEC. 8C.105. PUBLIC MEETINGS AND PUBLIC RECORDS.**

9 Notwithstanding any provision of this Charter, or any ordinance or regulation of the City
10 and County, state and federal law shall govern the meetings of the MOC, MFC Board of
11 Directors, BOC, and Bank Board of Directors and the records of the MOC, MFC, MFC Board of
12 Directors, BOC, Bank, and Bank Board of Directors.

13
14 **SEC. 8C.106. ENGAGEMENT OF LICENSED PROFESSIONALS.**

15 Notwithstanding this Article or other provisions of the Charter, the Board of Directors of
16 the MFC and Bank may engage licensed professionals as required to comply with federal or
17 state laws or regulatory directives to establish or operate the Bank.

18
19 **SEC. 8C.107. AMENDMENT.**

20 Notwithstanding this Article or other provisions of the Charter, the Board of Supervisors
21 is authorized by a supermajority vote of at least eight Supervisors to approve an ordinance
22 necessary to comply with federal or state laws or regulatory directives to establish or operate
23 the MFC or Bank.

24
25 Section 2. Conflicting Measures.

1 (a) This Charter amendment is intended to be comprehensive. It is the intent of the
2 people of the City and County of San Francisco that in the event that this measure and one or
3 more measures addressing the same matters shall appear on the same ballot, the provisions of the
4 other measure or measures shall be deemed to be in conflict with this measure. If this measure
5 receives a greater number of affirmative votes, the provisions of this measure shall prevail in
6 their entirety, and all provisions of the other measure or measures shall be null and void. If this
7 measure is approved by a majority of the voters but does not receive a greater number of
8 affirmative votes than any other measure appearing on the same ballot regarding the same
9 matters, this measure shall take effect to the extent not in conflict with said other measure or
10 measures. If this measure is approved by a majority of the voters but does not receive a greater
11 number of affirmative votes than any other measure appearing on the same ballot addressing the
12 same matters and such other measure is later held invalid by a court of law, this measure shall be
13 self-executing and given full force and effect.

14
15 APPROVED AS TO FORM:
16 DAVID CHIU, City Attorney

17 By: /s/ Victoria Wong
18 VICTORIA WONG
19 Deputy City Attorney

20 4902-2471-9789, v. 3

LEGISLATIVE DIGEST

[Charter Amendment - Municipal Finance Corporation and Public Bank]

Describing and setting forth a proposal to the voters at an election to be held on November 3, 2026, to amend the Charter of the City and County of San Francisco to authorize the establishment of a Municipal Finance Corporation and Public Bank as nonprofit corporations, and to set forth the mission, principles, and governance structure of those corporations.

Existing Law

Existing law does not provide for the establishment of a municipal finance corporation or a public bank.

Amendments to Current Law

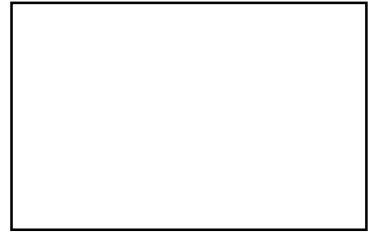
The proposed measure would authorize the establishment of a Municipal Finance Corporation (MFC) and a Public Bank as non-profit corporations, subject to the availability of adequate funding and resources. It would also set forth the mission, principles and governance structures of those organizations, including authorizing the creation of an MFC Oversight Commission, Bank Oversight Commission, MFC Board of Directors and Bank Board of Directors.

Background Information

In 2019, the California Legislature approved AB 857, the California Public Banking Act, which authorizes the creation of local public banks. In 2021, the San Francisco Board of Supervisors passed an ordinance establishing the Reinvestment Working Group (“RWG”). In 2023, the RWG prepared a Final Governance Plan, Business Plan, and Viability Study for a San Francisco Municipal Financial Corporation and a San Francisco Public Bank, which was accepted by the Board of Supervisors. In 2025, the Board of Supervisors passed a resolution urging the Treasurer-Tax Collector to establish the MFC.

Introduction Form

(by a Member of the Board of Supervisors or the Mayor)



I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee (Ordinance, Resolution, Motion or Charter Amendment)
- 2. Request for next printed agenda (For Adoption Without Committee Reference)
(Routine, non-controversial and/or commendatory matters only)
- 3. Request for Hearing on a subject matter at Committee
- 4. Request for Letter beginning with "Supervisor inquires..."
- 5. City Attorney Request
- 6. Call File No. from Committee.
- 7. Budget and Legislative Analyst Request (attached written Motion)
- 8. Substitute Legislation File No.
- 9. Reactivate File No.
- 10. Topic submitted for Mayoral Appearance before the Board on

The proposed legislation should be forwarded to the following (please check all appropriate boxes):

- Small Business Commission Youth Commission Ethics Commission
- Planning Commission Building Inspection Commission Human Resources Department

General Plan Referral sent to the Planning Department (proposed legislation subject to Charter 4.105 & Admin 2A.53):

- Yes No

(Note: For Imperative Agenda items (a Resolution not on the printed agenda), use the Imperative Agenda Form.)

Sponsor(s):

Subject:

Long Title or text listed:

Signature of Sponsoring Supervisor: