SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO
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OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

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Deputy Controller

Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place Room 244
San Francisco, CA 94102-4689

June 16, 2026

RE: File 260535 – Charter Amendment - Municipal Finance Corporation and Public Bank

Dear Ms. Calvillo,

Should the proposed Charter amendment be approved by the voters, in my opinion, it would not impact the cost of government as the Charter amendment does not require the City to create a Municipal Finance Corporation (MFC) that could transition into a Public Bank. However, if the City moves forward with establishing a Municipal Finance Corporation and subsequently a Public Bank, the costs would be significant, up to approximately $310 million over an eight-year period, according to 2023 estimates, which could be significantly higher or lower depending on interest rates and changing economic conditions.

The proposed Charter Amendment sets up the governance framework for the MFC and Public Bank. If the Charter amendment is approved, and the Treasurer-Tax Collector determines that adequate funding exists, the MFC and an MFC Oversight Commission may be established. In the event the MFC becomes financially sustainable, which is not guaranteed, the MFC may request state and federal regulatory approval to transition to a Public Bank.

The funding required to set up an MFC could cost approximately $4 million annually for approximately one year or longer, depending on when the MFC is set up. These costs include the cost to hire staff, staff salaries, legal services, supporting professional services, technology procurement and administrative operations.

In 2022, the County Local Area Formation Commission convened the Reinvestment Working Group (RWG) to develop a business and governance plan to establish a non-depository lending corporation, wholly owned by the City. According to a 2023 report of the RWG, the costs to capitalize and fund the MFC could cost approximately $26 million in the first year and increasing to $30 million annually by the third year for a total of $90 million for the first three years of the MFC.

The 2023 report identified the lowest capitalization and funding feasible to become financially sustainable by the third year of the MFC while maintaining the policy goals outlined by the RWG. However, that is not a guaranteed outcome and costs to fund the MFC may continue beyond year four. Additionally, the capitalization and funding costs are choices that would be subject to future decisions by the MFC Board of Directors and future policy and appropriations decisions by the Mayor and the Board of Supervisors. Further, the amount of capitalization and funding needed would be highly dependent on economic conditions and the interest rate environment and could be significantly higher or lower than the 2023 report estimates.

In the event the MFC becomes financially sustainable and receives regulatory approval to operate as a depository bank, it may become a Public Bank. The cost to operate a Public Bank would be approximately $80 million in year 4, decreasing to approximately $30 to $40 million annually for a total of approximately $220 million over years four through eight. These costs include capital funds and operating costs, including staff salaries, office leases, technology, and administrative costs. The Public Bank may use its income to fund its operating costs, requiring less funding appropriated by the City.

Finally, the MFC and Public Bank would require an MFC Oversight Committee or Bank Oversight Committee which could cost between $550,000 to $600,000 annually for staff salaries, commissioner stipends, and operating costs.

There is a high degree of uncertainty in the cost to government of establishing an MFC or Public Bank. There may be significant unforeseen costs associated with liability and risk to the City in the event the Public Bank is not financially sustainable. The proposed Charter amendment gives a high degree of independence to the Oversight Commissions and the Board of Directors, such that the City would have limited control over the MFC's or Public Bank's financial outcomes and decisions on how funds would be used.

Note that the proposed amendment would change the duties of the Controller's Office, which has prepared this statement.

Sincerely,

Greg Wagner
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet.