

1 [Urging the Office of the Treasurer and Tax Collector to Convene a Municipal Public Bank
2 Task Force]

3 **Resolution urging the Office of the Treasurer and Tax Collector to convene a Municipal**
4 **Public Bank Task Force to increase transparency and equity across the City’s financial**
5 **functions.**

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7 WHEREAS, The Public Banking Institute identifies a “public bank” one identified as
8 having a primary mandate of serving the public interest over those of private shareholders;
9 and

10 WHEREAS, The City and County of San Francisco has a population of over 800,000
11 residents who, through decades of public elections, have repeatedly prioritized transparency
12 and economic opportunity as valued pillars of public interest; and

13 WHEREAS, The Bank of America, the US Bank, and other major financial institutions
14 continue to resist pressure from national movements to have their investments reflect values
15 of transparency, and environmental or social justice; and

16 WHEREAS, Executive compensation and employee incentive programs at traditional
17 financial institutions have, to date, been dissociated from the external or public effects of their
18 investment policies, in some cases affecting significant financial harm to customers and
19 shareholders; and

20 WHEREAS, The Office of the Treasurer and Tax Collector serves as the banker, tax
21 collector, collection agent, and investment officer for the City and County of San Francisco;
22 and

23 WHEREAS, In its role as bursar for the City, the Office of the Treasurer manages an
24 approximate \$8 billion short-term investment fund, governed by the Prudent Investor Standard
25 set forth by California Government code, Section 53600.3 and 27000.3, and guided by the

1 three ordinal objectives of Safety (of principal), Liquidity, and Return on Investment, as laid
2 out in the 2016 Investment Policy; and

3 WHEREAS, The Office of the Treasurer oversees a Banking Services unit, whose
4 purpose includes that of managing employee payroll, deposit services, armored car services,
5 vendor contracts, and department bank accounts, among other responsibilities; and

6 WHEREAS, The banking services unit currently contracts day-to-day transaction
7 responsibilities to Bank of America and US Bank, which were chosen through a standard
8 Request for Proposal issued in May 2012 according to the scoring criteria laid out in the
9 document “CCSF Banking Payments RFP”, on file with the Clerk of the Board of Supervisors
10 in File No. 170448, which is hereby declared to be part of this resolution as if set forth fully
11 herein; and

12 WHEREAS, The Office of the Treasurer also oversees the Office of Financial
13 Empowerment, chartered to equip low-income San Franciscans with the skills and access
14 necessary to achieve greater financial security, and which reinforces an equitable vision for
15 San Francisco’s long-term economic growth; and

16 WHEREAS, California Proposition 64 of 2016 authorized the sale and possession of
17 regulated cannabis products for recreational use, enabling a growing cannabis industry
18 estimated to reach approximately \$6.6 Billion in revenues statewide by 2020¹; and

19 WHEREAS, Existing Federal regulation and guidance on the enforcement of both the
20 Controlled Substances Act and the Banking Secrecy Act have limited the opportunity and
21 appetite for the role of traditional financial institutions in supporting the financial operations of
22 Cannabis-Related Businesses, forcing most legal businesses to operate on an all-cash basis,
23 preventing access to credit and limiting the ability of the City to levy appropriate sales tax; and

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25 ¹ Factsheet, “Banking the Cannabis Industry.” California Office of the State Treasurer, Cannabis Bank Working
Group. <http://www.treasurer.ca.gov/cbwg/resources/factsheet.pdf>

1 WHEREAS, The Board of Supervisors believes that the medium- long- term investment
2 interests of the city are aligned with the sustainable and equitable economic growth of its
3 community, both in the immediate vicinity and in the larger national and international context;
4 and

5 WHEREAS, The Board of Supervisors believes that the long-term financial and social
6 well-being of the City is contingent upon the ability to provide equitable and transparent
7 financial opportunity for all of its residents; now, therefore, be it

8 RESOLVED, That The Board of Supervisors urges the Office of the Treasurer and Tax
9 Collector to convene a task force, and the City Attorney to advise the Treasurer in this effort,
10 for the purpose of advising the Mayor, the Board of Supervisors, and relevant City
11 Departments regarding the creation of a Municipal Public Bank, either as a new City
12 Department or separate Enterprise Department, whose functions might include any or all of
13 the following: (1) Serving as the Contractor for the Office of the Treasurer’s Banking Services
14 unit; (2) Hiring and managing the short term investment portfolio for the Treasurer’s
15 Investment Services unit; (3) Governing and Expanding the Office of Financial Empowerment
16 to improve financial inclusion in the City; (4) Establishing a public-facing Deposits and Lending
17 Division, with special attention paid to the operational needs regarding financing for Cannabis-
18 related businesses; and, be it

19 FURTHER RESOLVED, That the Board recommends that the Task Force consist of 15
20 or fewer members, chosen by the Office of the Treasurer and Tax Collector, including at least
21 one member from each of the following categories: (1) a Treasury employee representing the
22 Banking Services unit; (2) a Treasury employee representing the Investment Services unit; (3)
23 a Treasury employee representing the Office of Financial Empowerment; (4) a member of the
24 Office of the Controller representing the Office of Public Finance; (5) an expert on Banking
25 Regulation, especially one familiar with the Federal Reserve Board; (6) an expert on Cannabis

1 Banking and Financing; (7) a Member of the California State Department of Treasury; (8) an
2 expert in economic and workforce development; and (9) a representative of the Mayor's Office
3 of Housing and Community Development; and, be it

4 FURTHER RESOLVED, That the Board urges the Office of the Treasurer and Tax
5 Collector to convene the task force within 60 days of this resolution, and to submit to the task
6 force a report regarding the issues that the task force should investigate; and, be it

7 FURTHER RESOLVED, That the Board urges the task force to hold a series of public
8 meetings to solicit input from the public and from stakeholder groups, and to submit a report to
9 the Mayor and the Board of Supervisors within six months of its initial meeting; and, be it

10 FURTHER RESOLVED, that the Board urges the Task Force to include the following
11 information in its report: (1) Proposed Mission Statement for a San Francisco Municipal Bank,
12 prioritizing equality and transparency for economic and investment opportunity, both in San
13 Francisco and in national investment holdings; (2) Detailed estimates of the costs to the city of
14 operating a Municipal bank, including consideration of the cost of human resources and
15 technological systems required; (3) Operational Process and Initial investment required for a
16 Municipal Bank to assume the responsibility of the Banking Services Unit; (4) Processes,
17 investments, and Risks associated with a Municipal Bank assuming the responsibility of the
18 Investment Unit; (5) Potential revenue streams for a Municipal Bank; (6) Partnership
19 opportunities with credit unions for deposits, small business lending, and mortgage lending;
20 (7) Opportunities for enabling the financial operations of Marijuana Related Businesses in San
21 Francisco; (8) Opportunities for San Francisco's Municipal Bank to develop a credit scoring
22 model that equitably reflects the risks of lending to underserved SF residents; (9) Quantifying
23 the likely impact of the transfer of Investment and Banking services units to a municipal bank
24 on the Credit Rating of the City and County of San Francisco; (10) Options for initial
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1 capitalization of the bank, particularly those required for meeting capital reserve requirements
2 if undertaking direct lending operation.

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