

BOARD of SUPERVISORS



City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. 554-5184  
Fax No. 554-5163  
TDD/TTY No. 544-5227

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## MEMORANDUM

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Date: May 9, 2017  
To: Jose Cisneros, Treasurer, Office of the Treasurer & Tax Collector  
From: *AGC* Angela Calvillo, Clerk of the Board, Board of Supervisors  
Subject: Urging the Office of the Treasurer and Tax Collector to Convene a  
Municipal Public Bank Task Force (File No. 170448)

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On April 25, 2017, the Board of Supervisors adopted Resolution No. 152-17, sponsored by Supervisor Malia Cohen (File No. 170448, Urging the Office of the Treasurer and Tax Collector to Convene a Municipal Public Bank Task Force); enacted on May 5, 2017.

Please find the attached courtesy copy of the Resolution for the Office of the Treasurer & Tax Collector's information and consideration.

If you have any questions or concerns, please contact the Office of the Clerk of the Board at (415) 554-5184.

c: Supervisors Cohen; Fewer, Sheehy, Ronen  
Office of the Treasurer & Tax Collector, Policy and Legislative Manager, Amanda Kahn Fried

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.**

6  
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 2020<sup>1</sup>; 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  
24

25 <sup>1</sup> 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 Senior employee of the Office of the  
22 Treasurer, who can represent the interests of the Banking Services unit, the Investment  
23 Services Unit, and the Office of Financial Empowerment; (2) a member of the Office of the  
24 Controller representing the Office of Public Finance; (3) an expert on Banking Regulation,  
25 especially one familiar with the Federal Reserve Board; (4) an expert on Cannabis Banking

1 and Financing; (5) a Member of the California State Department of Treasury; (6) an expert in  
2 economic and workforce development; (7) a representative of the Mayor's Office of Housing  
3 and Community Development; (8) an advocate for and expert of public banking, either  
4 endorsed by or an affiliate of a recognized advocacy group supporting transparent financial  
5 systems; (9) a representative of a local economic development group, particularly one familiar  
6 with issues of financial justice in the banking or credit systems; and (10) an expert in financial  
7 technology, to encourage the task force to seek out innovation in credit systems or cost  
8 saving technologies; and, be it

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

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

15 FURTHER RESOLVED, that the Board urges the Task Force to include the following  
16 information in its report: (1) Proposed Mission Statement for a San Francisco Municipal Bank,  
17 prioritizing equality and transparency for economic and investment opportunity, both in San  
18 Francisco and in national investment holdings; (2) Detailed estimates of the costs to the city of  
19 operating a Municipal bank, including consideration of the cost of human resources and  
20 technological systems required; (3) Operational Process and Initial investment required for a  
21 Municipal Bank to assume the responsibility of the Banking Services Unit; (4) Processes,  
22 investments, and Risks associated with a Municipal Bank assuming the responsibility of the  
23 Investment Unit; (5) Potential revenue streams for a Municipal Bank; (6) Partnership  
24 opportunities with credit unions for deposits, small business lending, and mortgage lending;  
25 (7) Opportunities for enabling the financial operations of Marijuana Related Businesses in San

1 Francisco; (8) Opportunities for San Francisco's Municipal Bank to develop a credit scoring  
2 model that equitably reflects the risks of lending to underserved SF residents; (9) Quantifying  
3 the likely impact of the transfer of Investment and Banking services units to a municipal bank  
4 on the Credit Rating of the City and County of San Francisco; (10) Options for initial  
5 capitalization of the bank, particularly those required for meeting capital reserve requirements  
6 if undertaking direct lending operation.

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City and County of San Francisco  
Tails  
Resolution

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

File Number: 170448

Date Passed: April 25, 2017

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

April 25, 2017 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

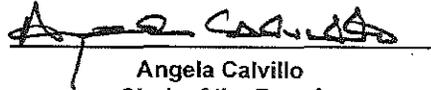
Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

April 25, 2017 Board of Supervisors - ADOPTED AS AMENDED

Ayes: 10 - Breed, Cohen, Farrell, Fewer, Kim, Ronen, Safai, Sheehy, Tang and Yee  
Absent: 1 - Peskin

File No. 170448

I hereby certify that the foregoing Resolution was ADOPTED AS AMENDED on 4/25/2017 by the Board of Supervisors of the City and County of San Francisco.

  
Angela Calvillo  
Clerk of the Board

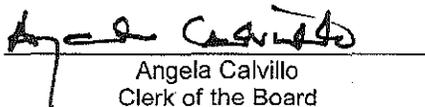
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Unsigned

Mayor

\_\_\_\_\_  
May 5, 2017

Date Approved

I hereby certify that the foregoing resolution, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, or time waived pursuant to Board Rule 2.14.2, became effective without his approval in accordance with the provision of said Section 3.103 of the Charter or Board Rule 2.14.2.

  
Angela Calvillo  
Clerk of the Board

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5/5/17  
Date