

LEGISLATIVE DIGEST

[Administrative Code - Public Bank Planning Task Force]

Ordinance amending the Administrative Code to establish the Public Bank Planning Task Force to submit to the Board of Supervisors and to the Local Agency Formation Commission business and governance plans for a non-depository Economic Development Financial Institution and for a Public Bank.

Existing Law

California Assembly Bill 857, Public Banks, effective January 1, 2020, authorizes local agencies to form State-licensed public banks.

Amendments to Current Law

This ordinance creates the Public Bank Planning Task Force, which, by June 30, 2020, must submit to the Board of Supervisors (Board) and the Local Agency Formation Commission (LAFCO), a business and governance plan to establish a non-depository lending corporation wholly-owned by the City, designated as the “Economic Development Financial Institution” or EDFI.

By December 31, 2020, the Task Force must submit to the Board and LAFCO a second business and governance plan, for the EDFI to become a Public Bank. Among other requirements, this plan must include business plan elements required for a State public bank license; a study required to apply for a State public bank license; lending priorities; and a recommended governance and regulatory structure. The plan must incorporate the objectives of applying for a public bank license within three years of the EDFI’s establishment and being operational as a Public Bank within five years of the EDFI’s establishment. The plan must recommend modifications to City laws and regulations and also recommend whether the City should partner with another local agency in the establishment and operation of a public bank.

The ordinance (and hence the Task Force) sunsets 18 months from its effective date.

Background Information

In 2017, in response to Resolution No. 152-17, Treasurer Jose Cisneros formed a Municipal Bank Feasibility Task Force, which produced a report in March 2019 that analyzed three potential models for public banking: 1) a lending entity focused on investments in affordable housing and small business lending; 2) a bank that performs the City’s cash management and other banking needs; and 3) a bank that combines these functions. The Task Force created by this ordinance will build on the work of the earlier task force.