

Jesse Arreguín
Office of the Mayor

REVISED AGENDA MATERIAL for Supplemental Packet 2

Meeting Date: [April 23, 2019]

Item Number: 23

Item Description: Resolution in Support of a Public Bank

Submitted by: Mayor Arreguín

Minor edits were added to specify that the resolution is in support of AB 857, state legislation that enables public entities to apply for a public bank charter from the California Department of Business Oversight.

A letter from Mayor Arreguín to Assemblymember Wicks asking for her support of AB 857 is included as an additional attachment.



Kate Harrison
Councilmember District 4

CONSENT CALENDAR
April 23rd, 2019

To: Honorable Mayor and Members of the City Council

From: Councilmember Kate Harrison, [Rigel Robinson](#), [Cheryl Davila](#) and Mayor [Arreguín](#)

Subject: Resolution in Support of [the Public Banking Act AB 857](#)

RECOMMENDATION

Adopt a resolution affirming Berkeley's support for [public banking the Public Banking Act AB 857](#) and send that resolution to Governor Newsom, Senator Skinner, and Assemblymember Wicks urging state legislation to enable local agencies to create public banks.

BACKGROUND

Public banks offer a way for governmental agencies such as cities, counties and states, as well as some organizations such as pension funds, to invest their funds in an institution that allows the investing organizations to avoid the high financial costs of dealing with private sector for-profit banks. Because public banks are created in the public interest rather than to maximize profit, public banks also generate income from their investments that can be re-invested in public benefit projects such as affordable housing, public transportation, and social programs. A public bank could decide to have no investment in fossil fuels, weapons, or tobacco in line with the priorities set by the Peace and Justice Commission. It could adhere to principles of economic, racial and environmental justice.

Public banks are run by qualified bankers serving a public mission and these banks partner with and support rather than compete with local banks. The Bank of North Dakota, a public bank which was founded in 1919, successfully weathered the last recession without the bailouts that went to Wall Street banks, and has provided hundreds of millions of dollars to North Dakota's treasury over the years.

Public Bank of the East Bay (PBEB) is an organization founded in August 2016 to advocate for a public bank for Alameda and West Contra Costa Counties. In 2018, the City of Oakland spearheaded a study on the feasibility of an East Bay public bank, using contributions from the City of Berkeley and from Alameda County. The study deemed a public bank feasible, though still not legal under state law. [AB 857 will enable cities, counties or regions to apply for a bank license under a "public bank charter" clearing a regulatory hurdle in our efforts. This application would be evaluated and regulated by the Department of Business Oversight with the same, if not more, scrutiny as any other new](#)

[bank.](#) We urge our representatives and governor to support legislation to allow local jurisdictions to create public banks through charter processes.

FISCAL IMPACTS OF RECOMMENDATION

Because public banks invest according to common need, rather than private profit, the dividends from a public bank may reduce pressure on the General Fund.

ENVIRONMENTAL SUSTAINABILITY

Private banks often invest in fossil fuel capital projects such as the Dakota Access Pipeline. Public banking, through fossil fuel divestment, promote environmental sustainability.

CONTACT PERSON

Kate Harrison, Berkeley City Councilmember, (510) 981-7140

ATTACHMENTS

1: Resolution

2: [Letter from Mayor Arreguín](#)

RESOLUTION NO. ##,###-N.S.

RESOLUTION IN SUPPORT OF ~~A PUBLIC BANK~~ AB 857, THE PUBLIC BANKING ACT

WHEREAS, a public bank is defined as a financial institution owned by one or more public entities such as a state, city, or county; and

WHEREAS, public banks are created in the public interest rather than to maximize profit, and income from their investments can be re-invested in public benefit programs; and

WHEREAS, a public bank can decide to have no investments in industries that run contrary to Berkeley's values, such as fossil fuels, weapons, or tobacco; and

WHEREAS, a bank owned by the Cities of Oakland, Richmond, and Berkeley and the County of Alameda will allow those jurisdictions to have more local control, transparency, and self-determination, and allow us to invest in public goods such as affordable housing, loans to low-income households, public transit, infrastructure, and renewable energy; and

WHEREAS, public banks are run by qualified bankers serving a public mission and these banks partner with and support local banks and credit unions; and

WHEREAS, the Bank of North Dakota, a public bank founded in 1919, is extremely successful and avoided a foreclosure crisis in 2008 because it did not issue risky mortgages; and

WHEREAS, in September 2018, the Oakland City Council accepted the East Bay Public Bank's Feasibility Study; and

WHEREAS, the State of California's lack of a public-banking charter option imposes an obstacle to efforts to explore a public bank and prevents public banks from becoming operational; and

WHEREAS, Assemblymembers Chiu and Santiago, with the support of the California Public Banking Alliance, have introduced AB 857 in the state legislature creating a uniform regulatory framework for municipal and regional public banks, which would allow for public banking charters under the regulatory oversight of the California Department of Business Oversight;

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley supports the continued efforts to create and operationalize the East Bay Public Bank; and

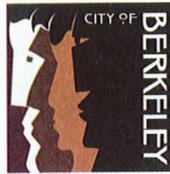
BE IT FURTHER RESOLVED that the Council of the City of Berkeley urges the California state legislature to enact legislation amending the Government Code to enable local agencies to create public banks regulated by the Department of Business Oversight; and

BE IT FURTHER RESOLVED that the Council of the City of Berkeley hereby supports

| [AB 857](#)

BE IT FURTHER RESOLVED that copies of this Resolution will be sent to Governor Gavin Newsom, Senator Nancy Skinner, and Assemblymember Buffy Wicks.

Office of the Mayor



Jesse Arreguín
Mayor

April 9, 2019

Assemblymember Buffy Wicks
State Capitol, Room 5160
Sacramento, CA 95814

Dear Assemblymember Wicks,

I have been informed that on April 22nd, AB857 will be considered at the Banking Committee that you serve on. AB857 proposes to allow local governments to apply for a banking license from the state so that cities, counties or regions could establish their own public bank. I am writing to express my support for AB857 and share why I believe public banking could have great potential for the East Bay.

In 2017 I convened a City of Berkeley Task Force on Socially Responsible Banking, which has made me keenly aware of the challenges of the municipal banking industry. Competition is limited and municipal financial needs are quite complex. In May 2018, the Berkeley City Council opted in to the last two years of our contract with Wells Fargo because of these challenges, despite previously declaring our intention to sever ties within a year. Still, we are working diligently to find creative solutions that allow public funds to be banked with a socially responsible institution that is invested in the needs of our city and community.

A critical part of this work is the exploration of a multi-jurisdictional public bank. In September 2017, the Berkeley City Council contributed to the public bank feasibility study initiated by the City of Oakland. The report was imperfect, but taken with ongoing research through San Francisco's municipal bank task force, a path forward is more than possible. Since the potential of an East Bay Regional Public Bank is transformative our local leadership has committed to a prudent approach to exploring this mechanism to keep public money working for our local economy. While there are critical questions around capitalization, insurance, governance and possible lines of business, AB 857 simply clears a legal and regulatory hurdle. With this legislation in place our coalition could apply for a charter and be evaluated with the same, if not more scrutiny as any new bank would be.

While a regional public bank is certainly a novel concept, my own work with East Bay Community Energy Authority clearly demonstrates that this community is capable of leading in powerful and innovative ways. Ten years after Wall Street banks brought the global economy to its knees, our local economy is still dominated by these very same institutions. A public bank would not only allow us to sever ties with Wall Street, but also provide an important new tool for publicly financing the critical needs of our region such as affordable housing, small business and sustainable infrastructure. Furthermore, based on the success of the Bank of North Dakota, AB857 requires partnerships between public banks and local banking institutions, serving as a bankers' bank to amplify the important services they already provide.

Given the inordinate power of Wall Street and big banks, the importance of maintaining momentum and multi-jurisdictional buy-in cannot be understated. By supporting AB857 you would be building upon the important momentum and potential that has already been demonstrated by our county, cities and communities.

Opportunities to work on a project of this scale and significance as a regional public bank are rare, and I would be grateful for your support on this effort.

Sincerely,

Mayor Jesse Arreguín