



# Update on Public Bank Efforts

LONG TERM FINANCIAL POLICY AND AUDIT SUB-COMMITTEE

OCTOBER 11, 2018

# Public Bank Studies

## ▶ Current Studies

- ▶ Santa Fe, NM
- ▶ Los Angeles
- ▶ San Francisco
- ▶ Oakland (Regional)

## ▶ Central Issues

- ▶ Capitalization
- ▶ Compliance/Legal Requirements
- ▶ Risk



# Bank of North Dakota (BND)

- ▶ Established in 1919
- ▶ Wholesale bank, also known as a “banker’s bank”
- ▶ Not Federal Deposit Insurance Corporation (FDIC) insured
- ▶ All BND deposits are guaranteed by the full faith and credit of the State of North Dakota
- ▶ BND Loan Portfolio (\$4.9 billion)
  - ▶ Ag Loans (\$669 million)
  - ▶ Business Loans (\$2.1 billion)
  - ▶ Home Loans (\$762 million)
  - ▶ Student Loans (\$1.4 billion)

# Bank of North Dakota

- ▶ State funds are deposited with BND
  - ▶ Most deposits come from the state's collection of taxes and fees
  - ▶ Balance of deposits come from corporate accounts, North Dakota city and county government entities, and North Dakota residents
- ▶ Bank profits are used for State General Fund, bank capitalization, and loan programs for infrastructure and economic development
- ▶ Annual independent audit conducted



# Current Studies

- ▶ **Santa Fe** (Report to Council on May 9, 2018)
  - ▶ Financial infrastructure is not large enough to create a city-owned public bank
  - ▶ Supported consideration of joining a New Mexico state bank
  - ▶ City Public Bank not moving forward
- ▶ **Los Angeles** (Report to Council on February 26, 2018)
  - ▶ Investment of city funds in form of investments or deposits present a risk to the city
  - ▶ Meeting legal and regulatory requirements would prove difficult
  - ▶ Using city funds in the formation of the bank deemed “risky” by CLA

# Current Studies

## ▶ City of Oakland

- ▶ Regional approach
- ▶ City Administrator opined that the report was insufficient in addressing feasibility
- ▶ The multi-jurisdictional Feasibility Study was forwarded to the City Council, with a staff stating that a public bank was not feasible at this time
- ▶ Oakland City Council accepted the report
- ▶ County of Alameda may take the lead going forward



# Current Studies

## ▶ City of Oakland

### ▶ City Administrator's key concerns:

- ▶ Non-eligibility to Automatic Clearing House (ACH) functions
- ▶ Study suggested FDIC insurance not available
- ▶ Lack of scale required for financial diversity
- ▶ Startup costs of \$30 to \$50 million
- ▶ Study acknowledged that sponsoring gov't should not provide capital

# Outstanding Issues

- ▶ Costs Associated with a Public Bank
- ▶ Risks Incurred by the Operator of a Public Bank
- ▶ Regulatory Hurdles
- ▶ Implementation
  - ▶ Staffing
  - ▶ Physical Presence
  - ▶ Compliance





QUESTIONS?