

# PUBLIC BANK LA

## CHARTER

### INTRODUCTION

The Los Angeles City Council has begun to explore the feasibility and potential benefits of a Municipal Public Bank.

As a publicly owned institution, the Bank of Los Angeles' business practices must take the public good into highest consideration. The bank will promote sustainable community development, save the city money, and reinvest its profits. A municipal public bank with a socially and environmentally responsible mission would ensure that it operates with strong ethical guidelines, promoting economic opportunity, sustainability and local prosperity.

At this stage, it is crucial to define the values and principles of the bank to design an institution most suited to solving the city's current needs. The Bank of Los Angeles must be designed to promote the long term prosperity and sustainability of the community, be publicly transparent and accountable- in short, a *People's Bank*.

The Bank of Los Angeles would provide a public alternative to the vital function of banking by placing the institution's loyalty towards people and planet- all while maintaining a fiduciary responsibility towards responsible financial management within an ethical framework. It holds the potential to improve many areas that directly impact our communities including: low-income housing, small business development, and infrastructure.

The People's Bank of Los Angeles gives the opportunity to provide a shining example of a new type of economy without predatory lending, boom-bust cycles, and financing socially and environmentally harmful projects. A publicly-owned bank would keep the interest to be reinvested locally. Costs are reduced and taxes can be cut or services can be increased. Banking and credit become public utilities sustaining the local economy rather than mining it for private gain.

We believe the path forward for the Bank of Los Angeles includes rigorous financial planning, stakeholder buy-in at the city level, and support for a municipal public banking license at the state level to create safeguards to ensure the best bank possible.

The municipal public banking model serves to directly address the common grievances towards private banking as the list of unethical and damaging behavior grows. The bank's success will mean stimulating local business development, greater local autonomy, and a just and stable economy. The Bank of Los Angeles will be ethical, sustainable, inclusive, profitable, and financially feasible. The benefactors of this proposition are both the city and the people of Los Angeles—the taxpayers, homeowners, the unbanked, small business owners, workers, and the environment.

## **MISSION**

To create a publicly owned municipal Bank of Los Angeles to ethically and sustainably provide cost-reducing financial services for the city.

## **OBJECTIVE**

We believe that state legislation is required to instruct the California Department of Business Oversight to issue a special license for charter cities to form public banks. The currently available commercial and credit union licenses do not provide the adequate parameters and principles to require public banks to be responsive to local economic development.

Commercial banks and credit unions are also subject to Federal Deposit Insurance Corporation (FDIC) requirements that would not be satisfied by a public guarantee. The public bank charter license would establish a regulatory framework for a system of public banks in the state and provide the terms, legal exceptions and constraints for cities to operate within.

## **PROPOSED LEGISLATION**

We propose a bill directing the Department of Business Oversight to create and administer a Municipal or Regional Public Banking License that would permit the department to issue bank charters to California charter cities, or Joint Powers Authorities qualified to apply under this license. Such a charter or license would allow and require a municipal or regional public bank to:

- Operate, lend, and take deposits from qualified depositors within the borders of a given region;
- Raise capital by donation, public bond or appropriation;
- Establish an independent governance committee, comprised of bank employees, elected or appointed officials, and members of the local community;
- Maintain a business plan to operate a commercially viable bank and policies as required to achieve it;
- Require public input, in the form of a social impact and mission statement, annual review, participatory budgeting, or city statute on the allocation of the bank's loan portfolio;
- Use the founding charter city and its partners as guarantors of deposits, qualifying them as a 'source of strength' for federal and state regulatory purposes;
- Hold deposit insurance or equivalent security (including public guarantee or general obligation bond) for deposits as approved by the Department of Business Oversight;
- Relax or remove collateral requirements for public funds and affiliate transaction restrictions that would prove antithetical to the bank's purpose;
- Seek to return a profit to its shareholders by making commercially viable, economically sustainable loans and providing a high level of service to its depositors, customers, and partners;

- Maintain active membership in an Association of California Public Banks and adhere to its rules, best practices or other directives.
- Adhere to strict social and environmental responsibility standards in its lending and business practices;
- Provide loans for worker cooperatives, public housing, for both new construction and capital improvements;
- A restriction on investment in fossil fuels, weapons, companies with hidden overseas wealth or unethical business or labor practices;
- Provide online depository banking services to Los Angeles residents where private banking has not met the depository banking needs of the market in the municipality (e.g. the underbanked and unbanked);
- Will be prohibited from providing commercial loans directly to businesses except in partnership with banks (i.e. Community Banks and Credit Unions) active in the City of Los Angeles and that are accepted by the Governance Committee.