



County of Santa Cruz

BOARD OF SUPERVISORS

701 OCEAN STREET, SUITE 500, SANTA CRUZ, CA 95060-4069
(831) 454-2200 • FAX: (831) 454-3262 TDD/TTY - Call 711

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February 21, 2020

Supervisor Jane Parker
District 4
Monterey County Board of Supervisors
PO Box 1728
Salinas CA 93902

Dear Supervisor Parker,

I am writing to enlist your political and financial support for a formal study of the viability of a public bank for the Central Coast of California. With the passage of AB 857 last year, the State of California has approved a process for the establishment of up to ten public banks in California during the next decade. Several large cities, including Oakland, San Francisco, and Los Angeles, have already begun that process, but the potential for additional public banks remains quite open.

As I am sure you know, a public bank would provide an alternative to Wall Street for-profit banks for governmental and some other large agencies with respect to the investment of funds over which they have control. It would provide a less expensive mechanism for issuing municipal bonds and other financial instruments, and would reinvest the profits into local community projects such as affordable housing and other public projects rather than into the pockets of the private investors who own private banks. In addition, public banks are able to establish policies restricting their investments in firearms, fossil fuels, tobacco, or other questionable enterprises.

I have included two attachments here with additional information on the concept of public banking for you and your colleagues. In order to give you a quick idea of the magnitude of the positive financial impacts possible with public banking, you should know that the State Bank of North Dakota, which was established in 1919, has successfully maintained financial stability over the course of its long history and through turbulent financial markets, generating

revenue for its State Treasury rather than private interests on the order of some \$300 million over the past decade through its profitability. (This is in a state that has a current population of only 760,000 people!)

Public Banks are not competitors for local private banks or credit unions, which provide direct service to individual consumers such as checking accounts, small loans for automobiles, consumer goods, or home repair, etc. Public banks would work with such relatively small local financial institutions to provide and expand the backup that they currently must receive from large, for-profit Wall Street banks. The scale of operations for public banks is far too large to be undertaken by anything smaller than the largest cities or counties in California or multi-jurisdictional efforts. In this sense, this regional effort is somewhat similar to the highly successful recent creation of Monterey Bay Public Power and we are imagining that effort might prove to be a model of interagency collaboration for a Central Coast Public Bank.

The first step in establishing a public bank under AB 857 is a viability study in order to determine the amount of collateral and initial investment needed to launch such a venture, along with information about the governance structure, policies, and related matters. It is estimated that such a viability study might cost up to \$250,000. Because of the large public benefit offered by public banking, the County of Santa Cruz is prepared to play the initial lead role in raising the necessary funding for a feasibility study of a public bank. But before our County makes an initial commitment of any funds, we need to determine that we have several potential partners in this public enterprise. So, without asking you at this point for any particular financial commitment, we would like to determine if your county would be interested in further exploration of participation in a viability study for a public bank.

Our preferred alternative for a public bank would be a consortium of Central Coast public agencies, but a viability study might also explore the possibilities of linking our effort to that of other similar efforts in Santa Clara County or San Francisco. Because the work of a public bank is not directed at local banking or credit union customers, the exact location of the bank is not a critically important issue. Currently the financial services of the scale of bank we are investigating come from as far away as New York and even international banks. Local community representation in the governance of the public bank, regardless of its location, will ensure that the bank will be responsive to and provide direct benefit to all of the local communities that invest in its creation.

Consequently, we are very interested in receiving a response expressing your county's interest in participating in an exploration of the possibilities of establishing a public bank to serve the Central Coast of California. Obviously, the willingness of your agency to contribute financially to a viability study -- at a level

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that is yet to be determined -- is one of the factors about which we'd like to receive a response.

The Santa Cruz County Board of Supervisors is unanimously interested in this potential enterprise. You may send any responses to:

Carlos J. Palacios
County Administrative Officer
701 Ocean Street, Room 520
Santa Cruz, CA 95060
(831) 454-2100
Fax: (831) 454-3420

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Greg Caput". The signature is written in a cursive, flowing style.

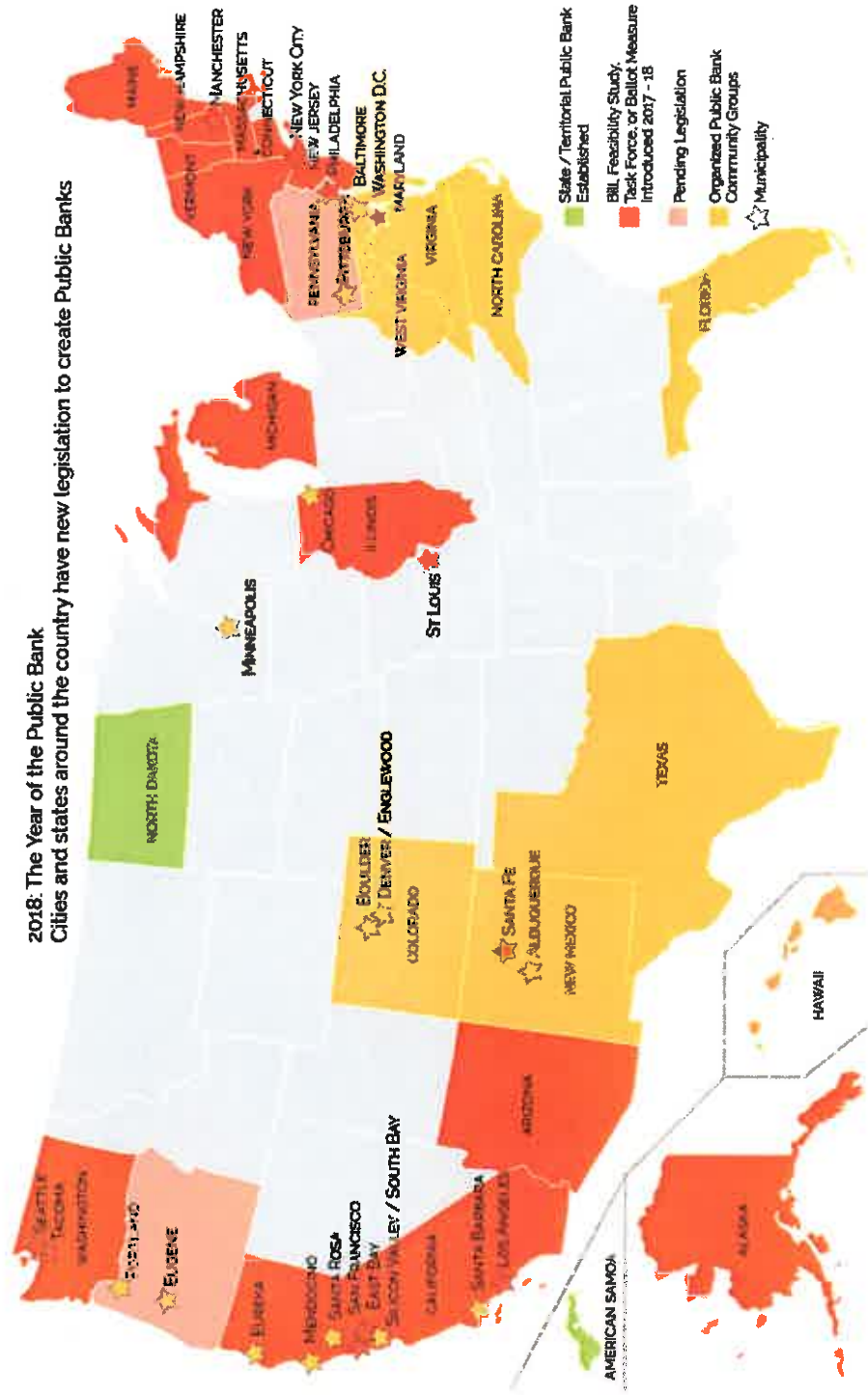
GREG CAPUT, Chairman
Board of Supervisors

GC:jfr

Enclosures:
Advantages & Benefits PB.pdf
Map 2019.docx

PUBLIC BANKING MOMENTUM IS BUILDING - 2019

Across the nation, more than 25 initiatives for public banks are actively being pursued, by progressives and conservatives; and over 50 organizations are promoting public banks.



PUBLIC BANKS ADVANTAGES AND BENEFITS

The California state legislature passed AB 857, the Public Banking Act, on September 13, 2019. On October 2, 2019, Governor Gavin Newsom signed AB 857 into law. For the first time in history, California taxpayers' money can flow back into our local communities, rather than increasing Wall Street shareholder profits. Unlike Wall Street privately-owned banks, which are focused solely on private shareholder returns, public banks will leverage their deposit base and lending power to benefit the communities they serve. These banks will focus on pressing local needs and fiscally prudent investments, including affordable housing, small business loans, and public infrastructure projects.

1 Public banks are safer than the alternative.

- Public banks will face increased oversight compared to a local government's current bank options. Public banks will be regulated by the FDIC and the California Department of Business Oversight (DBO).
- Public banks will form as a public benefit corporation or social purpose corporation separate from its local government owner(s). All debts and liabilities remain with the bank, not with its owner.
- Public banks will be collateralized and FDIC insured.

2 Public banks save money.

- Cities and counties pay billions per year in interest, all to private banks, controlled by a handful of shareholders, who reap record profits year after year. Nearly 50% of the cost of all infrastructure projects goes towards paying interest and fees. If we deposit city money and fund public projects through a public bank, we can halve the cost of infrastructure, doubling our power to invest in our own communities.

3 Public banks enable local control.

- Public banks leverage their deposit base and lending power to benefit the public. This allows public banks to focus on pressing local needs such as: rebuilding after natural disasters, local infrastructure including roads, parks, schools and renewable energy projects, affordable housing projects, and small businesses.

4 Public banks enables divestment.

- Mega-banks profit from financing fossil fuels, private prisons, destruction of communities, and other reprehensible activities that our communities actively fight against. Public banks can be a much-needed alternative to the big banks and help counteract the risky trend towards bank consolidation, and serve as a source of strength for local economies.

5 Public banks partner with community banks and credit unions.

- The Public Banking Act restricts public banks from offering retail services where consumer and commercial markets already adequately serve constituents. Public banks will partner with local banks and non-profit credit institutions to extend credit to communities and expand services to the underbanked.

6 Public banks create jobs.

- Public banks give local government the ability to directly support small business through economic policy without relying on federal or state resources. Small business remains the core economic driver for long term economic stability for California families. Small and medium-sized businesses continue to struggle with access to needed lending and capital access to develop and scale.

7 Public banks are managed by banking professionals.

- The Public Banking Act enforces layers of fiscal oversight, governance and organizational structure that ensures highly ethical business practices when it comes to the management of public monies.

8 Bank of North Dakota is a successful precedent.

- The Bank of North Dakota (BND), the nation's only existing public bank, recorded its 15th consecutive year of record profits in 2018.
- Since 2000, BND has returned 464 million dollars to the state general fund.
- BND, in partnership with local banks and credit unions, promotes economic development within the state and has been profitable for many years. Recently, several states and cities across the nation have started exploring the feasibility of creating public banks.