

Public Banking 101

Global Investment Company

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Global Investment Company

Global Investment Company (GIC) began serving clients in the life and health insurance services industry in 1984. The need for a comprehensive approach to the financial needs of our clients led to an expansion of our services to include financial planning for individuals and executives.

In 1992 GIC registered as a Registered Investment Advisor. Series 7, 63 and 65 securities licensed for over 26 years assisting individuals small businesses, nonprofits and municipalities.

Today as a Registered Investment Advisor, Accredited Investment Fiduciary Analyst and Business Consultant, we continue to positively impact individuals and communities with our ESG (Environmental, Social Impact and Governance) strategies, including Public Banking services since 2017. GIC is also an approved CalPERS vendor in the areas of Portfolio Due Diligence (Fiduciary of Care) Investment Consulting and Portfolio Assistance (Non-Fiduciary) investment Consulting.

Who we are...



Cathy Jackson-Gent, CEO



WWW.Publicbankinginstitute.org

Overview of public banking video

Public Banking

A Public Bank is defined as a corporation, organized as either a nonprofit mutual benefit corporation or a nonprofit mutual benefit corporation for the purpose of engaging in the commercial banking business or industrial banking business, that is wholly owned by a local agency as specified, local agencies, or a joint powers agency.



COMMON GOALS FOR A PUBLIC BANK

Cut Infrastructure Cost

To provide funding for infrastructure, and housing for low-income and the unhoused at low interest rates. Public banks allow for greater planning and coordination of local investment to meet community needs.

Spur Economic Growth

Public banks promote the economic stability of their communities with countercyclical investment, making loans to build back economies that have been harmed by unfortunate circumstances.

Save Money & Generate Revenue

Public banks can operate with very low overhead: no advertising, no ATMs, no huge salaries or bonuses, and no branches because local community banks serve as their front offices. No need to increase taxes. Profits made from loans can be returned to the General Funds.

COMMON GOALS FOR A PUBLIC BANK

Sample Goal

- To have an institution that exists specifically for the purposes of keeping local control of assets and investment choices.

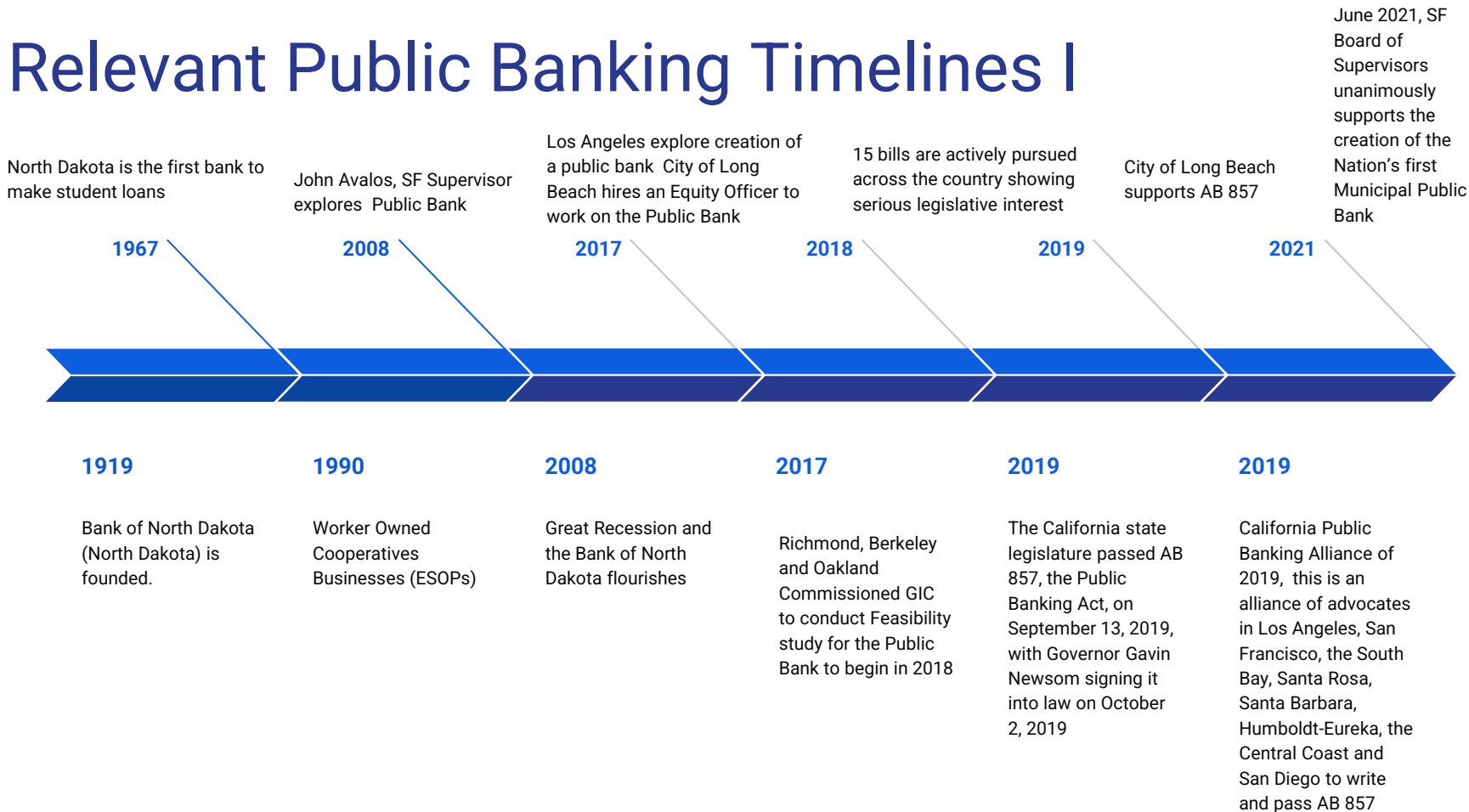
Sample Goal

- To have an institution that is focused on supporting local business needs and needs of municipalities for financial services that are well-priced.

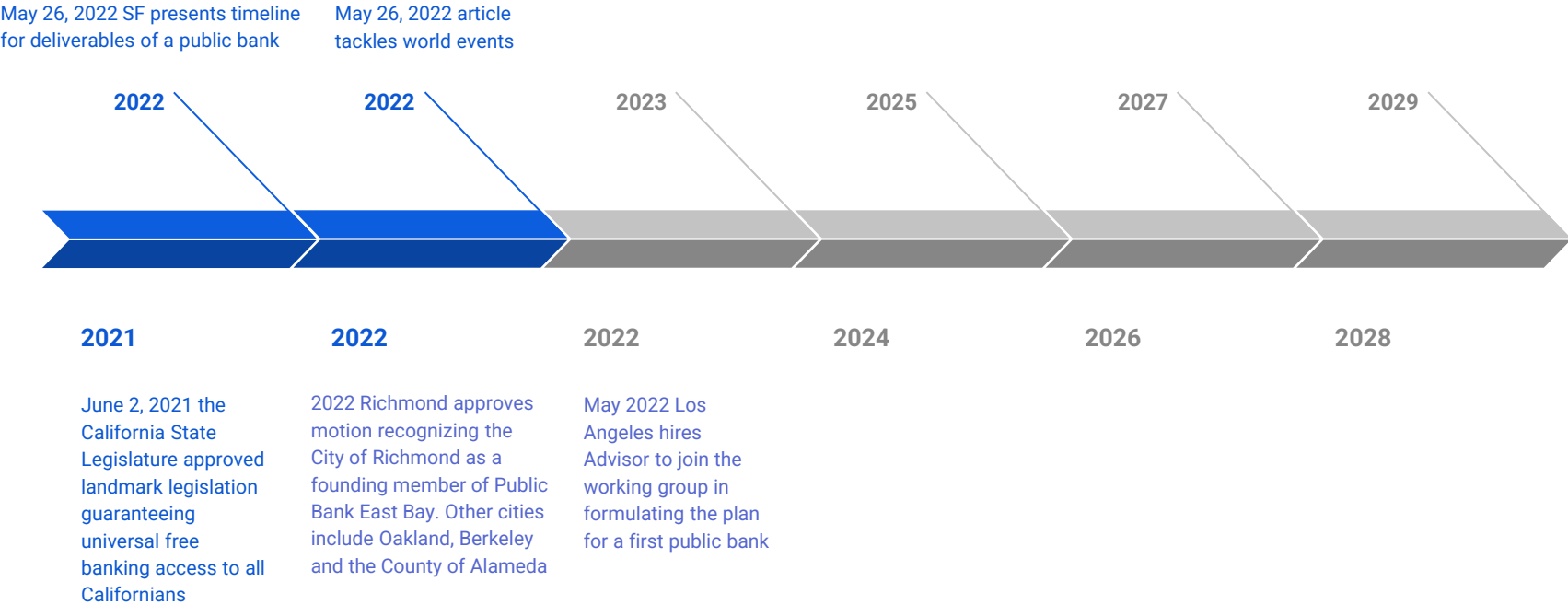
Sample Goal

- To have an institution that frees local residents and municipalities of using mainstream financial service providers as their primary source so as to create better services for residents and municipalities.

Relevant Public Banking Timelines I



Relevant Public Banking Timeline II



PUBLIC BANKING EFFORTS

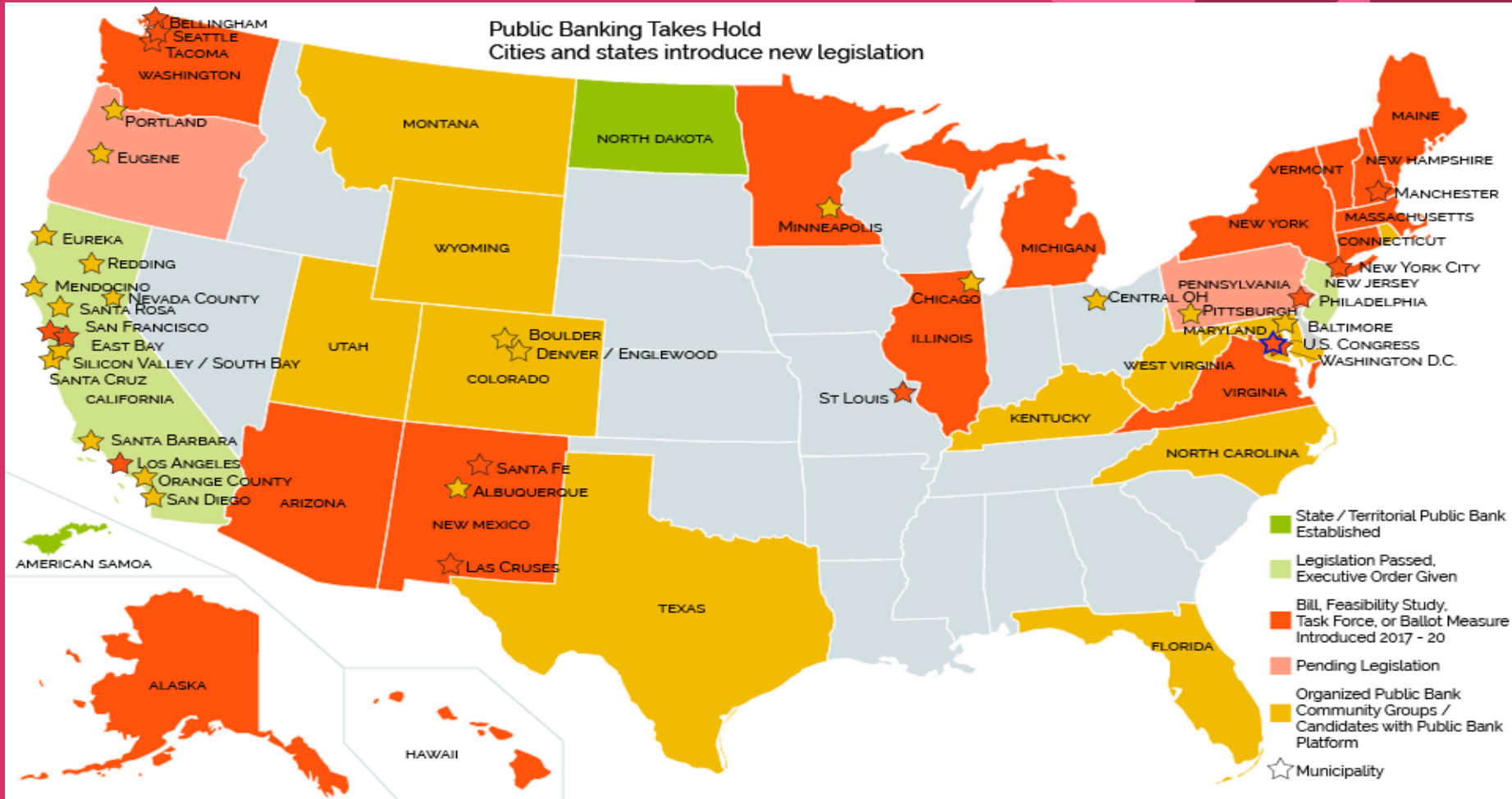
The California Public Banking Alliance (CPBA) was established to assist in the coordination efforts. CPBA advances socially and environmentally responsible city and regional public banks in:

Central Coast – People for Public Banking Central Coast, **East Bay** – Public Bank East Bay, **Humboldt County** – Cooperation Humboldt, **Long Beach** – Public Bank Long Beach, **Los Angeles** – Public Bank Los Angeles, **North Coast** – Public Bank North Coast, **Pomona Valley** – Public Bank Pomona Valley, **San Diego** – Public Bank San Diego, **San Francisco** – SF Public Bank Coalition and Silicon Valley – Public Bank **Silicon Valley**.



Cathy Jackson-Gent, CEO, Global Investment Company during LA Council visit to discuss public bank in California with Member of the Los Angeles City Council from the 10th District, Councilmember Herb Wesson on February 2, 2018.

Public Banking Takes Hold Cities and states introduce new legislation



CA Legislation Created Public Banks



CA Legislation Created Public Banks

AB 1177 is the first bill in the nation guaranteeing universal banking access, which creates a new retail banking option provided by the state that would offer every Californian: CAL ACCOUNT, if feasible.

- A zero-fee, zero-penalty debit account and debit card
- Direct deposit from employers and public benefits ,
- Automatic bill pay to registered payees,
- Recurring payments and donations to account holders' organizations or charities of choice, and
- An infrastructure to support account holders in building credit tools for financial literacy

CA Legislation on Public Banking

**Governor approved
AB 857
California Public
Banking Bill
October 2, 2019**

Introduced in the state assembly to give municipalities the power to create their own public bank. Joint-authors Assemblymember David Chiu (D-San Francisco) and Assemblymember Miguel Santiago (D-Los Angeles), a 2019 session bill that will make it easier to establish regional and municipal public banks throughout the state of California.

**Established
Public Banks in
California**

Public Banking – AB 857 Sec 1.

“...for the purpose of achieving cost savings, strengthening local economies, supporting community economic development, and addressing infrastructure and housing needs for localities.”

CA Legislation on Public Banking

HR 8721
October 30, 2020
Public Banking
Act 2020
Introduced and
referred. Would
Establish Public
Banks Nationally

Ms. Tlaib (for herself, Ms. Ocasio-Cortez, Ms. Pressley, Ms. Jayapal, Ms. Omar, Mr. Green of Texas, Mr. Thompson of Mississippi, Mr. Blumenauer, Ms. Lee of California, and Ms. Schakowsky) introduced HR 8721 the bill: (Not Actual Law)

- Allows public banks to become members of the Federal Reserve;
- Establishes loan facilities for public banks;
- Prohibits the investment in fossil fuels by public banks;
- Allows for the establishment of securities issued by public banks;
- Provides for the establishment of public banks at U.S. post offices; and
- Provides grants for the formation, chartering, and capitalization of public banks.

CA Public Banking Oversight

- California Department of Business Oversight, now the Department of Financial Protection and Innovation (DFPI) manages the public banking process in California.
- According to Assembly Bill 857, it creates a process for a local agency to establish a public bank, subject to specific requirements. Among other things the bill requires a public bank to obtain a; certificate of authorization to transact business as a bank from the DFPA and to obtain Federal Deposit Insurance Corporation (FDIC) Insurance.

CA Public Banking Oversight

- A public bank may engage in banking activities, including infrastructure lending, wholesale lending, participation lending, and certain retail activities.
- A public bank MAY NOT compete with local financial institutions or engage in certain retail activities without partnering with a local financial institution.
- The DFPI is prohibited by law from licensing more than two public banks per calendar year and more than ten public banks in total.

REQUIRED BY AB 857 TO START A PUBLIC BANK

SET UP

- Obtain a certificate of authorization “bank license” (15 Forms).
- Obtain and maintain FDIC insurance.
- Include specified purpose statement in its articles of incorporation and make conforming changes.

CONDUCT STUDY

- Require a local agency to conduct and approve, as specified a study of the viability (feasibility) of a bank.

APPROVAL

- A local agency that is not a charter city to obtain voter approval of a motion to submit an application to the commission. 180 days after vote.

PROHIBITED BY AB 857

COMPETITION

- Prohibits the commissioner from issuing more than 2 public bank licenses per calendar year.

NUMBER OF BANKS

- Prohibits the commissioner from authorizing more than 10 public banks at one time.

NO INTERACTION

- Must communicate and interact with state regulator.
- Banks have the choice of being chartered by the state or the federal government or both.

CONTINUED - BY REGULATORS TO START A PUBLIC BANK

RETAIL BANKING

- Conduct retail activities in partnership with local financial institutions
- A public bank is not a bank holding company by reason of ownership interest.

RETAIL ACTIVITIES

- Accepting a deposit
- Granting a loan or extension of credit
- Wholesale lending
- Local agency banking
- Infrastructure lending
- Participation lending

FINANCIAL PARTNERS

- Retail activities not offered or provided by local financial institutions in the jurisdiction of the local agency or agencies.
- Agency in a County that has a population less than 250,000 may organize a public bank only if it does so as part of a *joint powers authority* formed for those purposes.

Benefits



- A public bank allows a municipality to direct local lending, offer below market-rate loans, and leverage other capital for specific public purposes such as affordable housing, neighborhood development, infrastructure, small business development, education, and job creation.
- Public Finance can also benefit by Keeping money invested locally.

Benefits



Sample Public Finance Benefits Currently used by BND

- Cash lines
- Special state projects with general funds
- Market rate deposits for state agencies
- Distribution of dividends
- 30 million in dividends for the state
- Approximately \$10 billion in bank in 2022
- More capital to develop programs: venture capital; low-rate programs; low-rate disaster helps ex. Flooding
- Student loans, first bank to make student loans in 1967
- PPP supplement
- First bank to do a total refinance
- Returns profit and interest to local communities
- Reduces cost of banking to participating agencies which increases available revenue to spend on other priorities.
- Reflects community values and invests in community-identified priorities
- Brings democracy and transparency to banking and investment of public funds
- Uses a bank's ability to leverage money to benefit the public instead of private shareholders
- Cuts infrastructure construction costs significantly by providing low-interest loans
- Strengthens local banks and credit unions by backing their loans and letters of credit
- Creates a multi-generational source of capital that invests long term to benefit residents and local businesses.

Benefits



Cannabis Prohibited

Challenges deep-dive

Challenge

- Limited reach. If you're big on traveling, chances are you won't find your regional branch outside of your state. Unless your bank reimburses you for ATM withdrawal fees or offers online services (nearly all do), you'll be out of luck when you're out-of-state.

Challenge

- Communities don't have the funds to loan tens of millions of dollars for big enterprises or construction projects.
- Facilitating local financial partners with similar goals.

Challenge

- Political weigh in. While some argue that public banks are better solutions than traditional banks. So, there could be people who disagree with how a public bank operates in their area.

Challenges deep-dive

Challenge

- Population size
- Requires building public bank legal framework

Challenge

- Staff and City Council support.
- Funding a public bank.

Challenge

- Fully subscribed public banks in California per AB 857.

Implementation

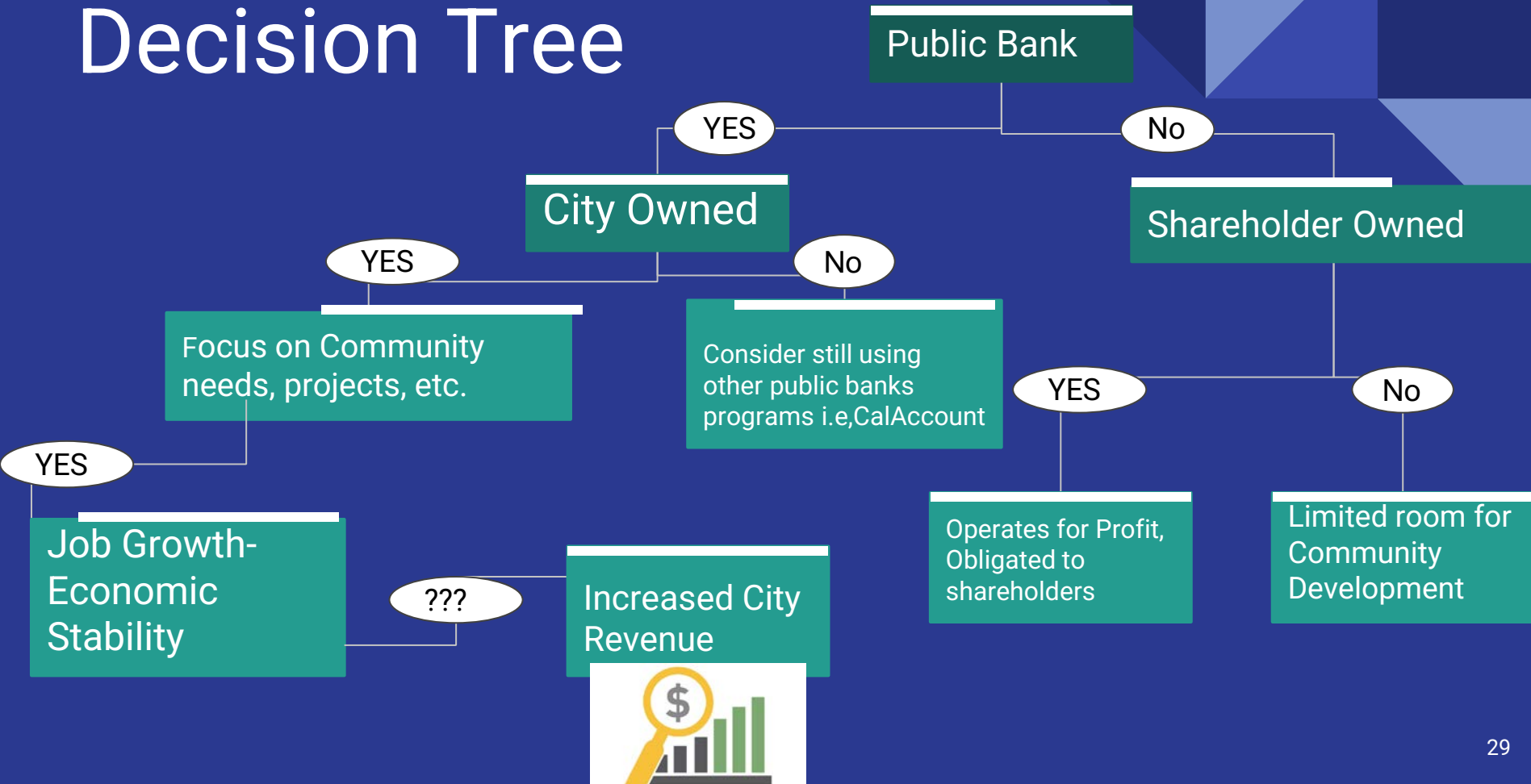
Is Public banking right for Pinole?



Some Things to Consider

- Invest in economic development
- To create jobs
- Potential new revenue source
- Debt repayment
- Additional shared resources
- Collaborate with other jurisdictions and intermediaries
- Cannabis banking in the future

Decision Tree



GIC Endeavors Consultative Role With Local Municipalities

- In 2017 the City of Oakland, together with other neighboring jurisdictions, recognized the vital importance of financial institutions that serve society's emerging needs and commissioned a study.
- The primary reasons for undertaking this feasibility study was to determine whether or not a public bank is feasible, whether it could include cannabis banking and to interview stakeholders

Methodology

In conducting the Multi-Jurisdictional study, GIC:

- Sought information from a variety of citizens, City staff, public officials and banking experts. This included city, county and state treasurers, citizens, affordable housing developers, banking, legal and finance professionals, cannabis businesses and other small businesses.
- The greater majority of all of the respondents queried agreed that if a public bank were to be created they would support such an entity. This willingness to support a public bank, however, is not without conditions.

Next Steps?

GIC can assist Pinole by:

- ✓ Working with City Council and Staff in the planning and implementation of economic development strategies.
- ✓ Facilitate and assist in outreach to State regarding Market Analysis, i.e., feasibility for the City of Pinole partnership.
- ✓ Facilitate and assist interested partners (i.e., intermediaries) and other jurisdictions.
- ✓ Facilitate and assist with relating projects.



What Questions/comments do
you have?

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Thank you!