

RESOLUTION NO. 2021-68

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA
EXPRESSING INTEREST IN PARTICIPATING IN A VIABILITY
STUDY FOR A CENTRAL COAST PUBLIC BANK, AND AUTHORIZING THE CITY
MANAGER TO SEND A LETTER TO SANTA CRUZ COUNTY ADMINISTRATOR,
CARLOS PALACIOS, EXPRESSING OUR INITIAL INTEREST IN PARTICIPATING IN A
VIABILITY STUDY FOR A CENTRAL COAST PUBLIC BANK

WHEREAS, a recent State law (AB 857) enabling the establishment of local and regional public banks in California has been passed by both houses of the State Legislature and signed into law by our Governor; and

WHEREAS, none of the public agencies in the central coast or California are large enough by themselves to easily create a public bank, and collaboration with other agencies will achieve an economy of scale that improves feasibility and benefits the entire region, so there is now growing interest in a Central Coast Public Bank; and

WHEREAS, the Monterey County Board of Supervisors has indicated openness to exploring its options in a partnership with Santa Cruz, Santa Barbara, San Luis Obispo, and San Benito counties to establish a Central Coast public bank; and

WHEREAS, the Santa Cruz County Board of Supervisors is taking the lead on developing funding for a viability study for a Central Coast Public Bank and is seeking expressions of interest from public agencies in the Central Coast in participating in such a study; and

WHEREAS, a public bank can efficiently deliver funds to local governments impacted by the COVID-19 pandemic, other disasters, and the needed economic recovery; and

WHEREAS, loan repayments through a public bank can be return to the community to meet post-crisis needs; and

WHEREAS, public banks can increase funding to address infrastructure needs, homelessness, affordable housing, a regenerative future, climate change, solar energy production, education, public safety, health care and other public needs, without raising taxes, cutting public services, or selling off parks, water systems, roads, public lands, or other publicly owned assets; and

WHEREAS, public banks can help local governments to meet the needs of low-income residents of color; and

WHEREAS, capitalizing a public bank can leverage a city, county, or state's existing funds to a much greater degree than could a loan fund, and furthermore, in partnership with community banks and credit unions, public banks will be best suited to address our community's specific needs; and

WHEREAS, a public bank can purchase or broker municipal bonds issued by cities and counties to pay for emergency lending and direct subsidy programs, thus funding preventive measures for resiliency in future crises; and

WHEREAS, once the interest of various Central Coast agencies in participating in a viability study of a public bank can be determined, a financial plan to fund the viability study with equitable contributions from involved agencies can be developed to be considered by the potential participants.

NOW, THEREFORE IT BE RESOLVED, that the City of Marina hereby expresses its initial interest in participating in a viability study for a central coast public bank.

BE IT FURTHER RESOLVED that Marina City Manager will send a letter to Santa Cruz County Administrator, Carlos Palacios, expressing our initial interest in participating in a viability study for a Central Coast Public Bank.

PASSED AND ADOPTED at a regular City Council meeting of the City of Marina duly held on the 15TH day of June, by the following vote:

AYES, COUNCIL MEMBERS: Burnett, Berkley, Biala, Delgado

NOES, COUNCIL MEMBERS: None

ABSENT COUNCIL MEMBERS: Medina Dirksen

ABSTAIN, COUNCIL MEMBERS: None

Bruce C. Delgado, Mayor

ATTEST:

Anita Sharp, Deputy City Clerk

RESOURCES FOR STAFF REPORT ON PUBLIC BANKING

Legislative References

- **CA Assembly Bill 857**
https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201920200AB857
- **Monterey County Staff Report on Letter of Support for Viability Study on Public Banking**
<https://monterey.legistar.com/View.ashx?M=F&ID=9352511&GUID=FF4E8B4A-5F54-4BD8-8F8D-B138B9184233>
- **Seaside City Council Resolution, unanimously approved May 6, 2021 (page 82.)**
<https://civicclerk.blob.core.windows.net/stream/SEASIDECA/0e7eecbb-dba6-44f9-a54f-af538ba88ece.pdf?sv=2015-12-11&sr=b&sig=OTvn+I0+x6zGCp05t5G1+rH0VYyowJQBWw4682A4rAA=&st=2021-05-30T23%3A09%3A43Z&se=2022-05-30T23%3A14%3A43Z&sp=r&rsc=cache&rsc=application%2Fpdf>
- **Del Rey Oaks City Council Resolution, approved April 27, 2021 (Agenda item 5C)**
https://www.delreyoaks.org/sites/default/files/fileattachments/city_council/meeting/packets/4897/revised2_cc_packet_4-27.pdf

Other References

- **Public Banking Institute**
<https://www.publicbankinginstitute.org/>
- **Brown, Ellen Hodgson (2013). *The Public Bank Solution: From Austerity to Prosperity* (Baton Rouge: Third Millennium Press).**

June 10, 2021

Item No. **8f(7)**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of June 15, 2020

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2021-,
EXPRESSING INTEREST IN PARTICIPATING IN A VIABILITY STUDY
FOR A CENTRAL COAST PUBLIC BANK, AND AUTHORIZING THE
CITY MANAGER TO SEND A LETTER TO SANTA CRUZ COUNTY
ADMINISTRATOR, CARLOS PALACIOS, EXPRESSING OUR INITIAL
INTEREST IN PARTICIPATING IN A VIABILITY STUDY FOR A
CENTRAL COAST PUBLIC BANK**

RECOMMENDATION:

It is recommended that the City Council:

1. Consider adopting Resolution No. 2021-, expressing interest in participating in a viability study for a Central Coast Public Bank, and
2. Authorizing the City Manager to send a letter to Santa Cruz County Administrator, Carlos Palacios, expressing our initial interest in participating in a viability study for a Centra Coast Public Bank.

BACKGROUND:

In California, public banking became law in 2019 with AB 857. A public bank is different than a traditional, or commercial bank. A commercial bank primarily performs the following functions: 1) collects deposits from many people, organizations, or businesses; 2) pools deposits for leverage; 3) lends with collateralized loans; 4) earns fees and interest payments; 5) operates within regulations; and 6) generates income.

AB 857 specifically states that any publicly owned depository would fall under the regulatory jurisdiction of the FDIC and the California Department of Business Oversight. On November 20, 2020, the Department of FDIC gave notice of the proposed regulation to implement AB 857. The Act specifies that a local agency will need to meet the same general requirements and approval criteria as existing law requires of a private sector applicant for a banking license, including obtaining deposit insurance provided by the Federal Deposit Insurance Corporation.

A public bank, which is chartered like all banks, is different from commercial banks in several ways. It is 1) publicly owned (by a city, county, state, or JPA); 2) solely a lending bank; and 3) per AB 857, public banks are specifically prohibited from competing with credit unions and community banks and are encouraged to cooperate with local lending institutions to expand opportunities in local project partnerships.

Globally, 40% of banks are publicly owned. Public banking is practiced in Germany, Australia, India, France, Scotland, China, Brazil, and Taiwan. In the U.S. the Bank of North Dakota is the only public bank in existence. In California, San Francisco, Los Angeles, San Jose, Santa Cruz, East Bay, San Diego and other Cities and Counties are considering public banking.

Locally, there is an effort to form a regional public bank to cover public needs in the five counties of Santa Cruz, Monterey, San Benito, San Luis Obispo and Santa Barbara. This is the same serviced area of Central Coast Community Energy (C3E) (formerly Monterey Bay Community Power), a participating organization in the Central Coast Public Banking Working Group.

To date, in Monterey County, the Monterey County Board of Supervisors and Cities of Seaside and Del Rey Oaks have passed resolutions expressing interest in a viability study.

ANALYSIS:

State legislators adopted AB 857 as a pilot program to establish public banks in California to address local government needs. The Bill authorizes the lending of public credit by public banks and authorizes public ownership of public banks to achieve cost savings, strengthen local economies, support community economic development, and address infrastructure and local housing needs.

Public banks are established by public agency membership to 1) serve public agency needs/projects; 2) pool a portion of agency reserves in order to leverage the pooled monies for local loans; 3) earn income; 4) meet liquidity and collateralization requirements; 5) serve as a lower cost lending bank for public agency members; 6) provide local control; and 7) address local priorities. Local priorities might include, but are not limited to, such areas as: infrastructure, affordable housing, serving the underserved, loan assistance for businesses, supporting social justice /diversity, equity, and inclusion-based programs, projects, and businesses, climate change projects, and COVID Economic, (or other emergency) recovery. Public banking also allows member cities and counties more money to spend by providing cheaper financing and avoiding Wall Street speculation.

Public banks can also be a stand-alone financing option with local leadership to address local public agency needs, at lower fees and interest costs, with transparency and speedier decisions. They also expand local economic choice by keeping reserves in local investments instead of exporting reserves to Wall Street investments.

There is currently a five-county (Santa Cruz, Monterey, San Benito, San Benito, San Luis Obispo and Santa Barbara) planning group: People for Public Banking Central Coast that meets regularly. Members from Monterey County are drawing from the experience of the establishment of Central Coast Community Energy (3CE; formerly Monterey Bay Community Power). Similar to the Public Banking Initiative and Plan, 3CE is made up of the same five counties, participates with a 5-county working group, serves as a model for forming a regional JPA, provided a professional approach, presented to elected bodies, gained community support, gained agency participation and ultimately had a successful launch.

FISCAL IMPACT:

No Fiscal Impact

CONCLUSION:

This request is submitted for City Council consideration and possible action.

Layne P. Long
City Manager
City of Marina