



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 21-044, Version: 1

a. Receive a report on Board Referral No. 2020.11 regarding the feasibility and viability of the creation of a public bank to serve local government needs.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive a report on Board Referral No. 2020.11 regarding the feasibility and viability of the creation of a public bank to serve local government needs; and
- b. Provide direction to staff.

SUMMARY:

On March 3, 2020, Supervisor Lopez and Supervisor Alejo submitted Board Referral No. 2020.11 *"Investigate the feasibility and viability of the creation of a public bank to serve our local government need."* Assembly Bill 857, adopted by the California Legislature in 2019, permits local governments to form and operate public banks. The law specifically states that any publicly owned depository would fall under the regulatory jurisdiction of the Federal Deposit Insurance Corporation (FDIC) and the California Department of Business Oversight. Cities such as San Francisco, Los Angeles, and San Diego have investigated the feasibility of forming public banks using assets held in their treasury investment pools. A Monterey County feasibility study is estimated to cost between \$100,000 and \$500,000. The Fiscal Year 2020-21 adopted budget currently has no allocated appropriations for the funding of a public bank feasibility study.

DISCUSSION:

On March 3, 2020, Supervisor Lopez and Supervisor Alejo submitted Board Referral No. 2020.11 for staff to investigate the feasibility and viability of creating a public bank to serve the local government needs while not competing with our local and national banking institutions. State legislators adopted AB 857 as a pilot program that allows for establishing public banks in California to address local government needs. AB 857 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.

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, the Department of FDIC gave notice of 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. The Act authorizes the Commissioner of Financial Protection and Innovation ("Commissioner") to promulgate regulations to carry out the Commissioner's duties under the Act. To expedite the rulemaking process, the Commissioner intends to issue regulations in phases. This first phase of regulations focuses on general definitions and application requirements. This will enable the Commissioner to provide guidance on those areas most immediately relevant to stakeholders and enable implementation of the Act as timely as possible.

Other state local governments have formed task forces and issued studies regarding the feasibility of public banks. As of this report's writing, the State has not received any applications for a public bank.

The State and other local government agencies have worked with various consultants to conduct public bank feasibility studies. Based on what other local governments have appropriated for feasibility studies, Monterey County can expect to spend between \$100,000 and \$500,000 on initial studies conducted by consultants. Costs closer to the \$500,000 range would allow the study to include variables such as the complexity of the business strategy (banking services offered, business objectives, community economic benefits) and the degree of detail needed in the analysis (pro forma financials, funding approaches, etc.).

OTHER AGENCY INVOLVEMENT:

The County Administrative Office prepared this report with input from the County's municipal advisors, consulting groups, and other local governments.

FINANCING:

Receiving this report will not result in additional General Fund contributions.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Investigating the establishment of a sustainable and feasible public lending institution meets the Board's economic development initiative since banks can lead to collaboration in the local community and strengthen economic development to ensure a diversified and healthy economy.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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