

RESOLUTION 243

Legislation Committee to convene hearings on the potential community benefit of establishment of a Public Municipal Bank for the City of St. Louis

WHEREAS, the Board of Aldermen believes that the long-term financial and social well-being of the City is contingent upon the ability to provide equitable and transparent financial opportunity for all of its residents; and

WHEREAS, The establishment of a public municipal bank may offer the possibility of achieving multiple policy objectives, including increasing economic development, spurring job creation, providing an alternative to predatory lenders, addressing the problems associated with an underbanked population, increasing funding of affordable housing developments, reducing municipal debt service, and expanding the income stream of the city through direct and long-term local lending at below-market rates; and

WHEREAS, The Bank of North Dakota serves as a model for public banking in the United States; since 1919, it has reinvested state tax revenue and other deposits to make loans to small and medium sized businesses within North Dakota, limiting management costs, allowing community influence on development, and earning the state hundreds of millions of dollars in returns; and

WHEREAS, banks and financial institutions that apply to be city depositories are encouraged to increase their financial commitment to the revitalization of the City through mortgage and home improvement loans to credit-worthy individuals, and through commercial loans to facilitate development and redevelopment throughout the City, yet much needed investment and banking availability in the city is lacking; and

WHEREAS, a public bank could build partnerships with community banks to extend reliable and affordable credit to small businesses and other community stakeholders, neither acting as a retail establishment in competition with private banks, without requiring brick-and-mortar locations, tellers, or extensive marketing; and

WHEREAS, a public bank could facilitate additional goals, such as citizen inclusion in setting investment priorities and hiring preferences for local vendors; and

WHEREAS, the consideration of establishing a public bank in the City of St. Louis would be a significant change in operations for the City, and therefore would require the input of citizens, financial institutions, finance personnel, the executive branch of government, finance personnel, and other stakeholders; and

WHEREAS, a public bank can have investment priorities that center on providing loans for low and moderate income housing and energy conservation and that focus on the creation of jobs in the City of St. Louis by providing affordable credit to small and medium-sized businesses that have been historically ignored by the larger, more established banks; and

WHEREAS, a comprehensive feasibility study completed for the City of Santa Fe found that a public bank is feasible and has the potential to provide enhanced fiscal management, improved net interest rate margins, and a more robust local lending climate, and

WHEREAS, other cities such as San Francisco, Oakland, Seattle, and Philadelphia have taken measures to examine public banking; and

WHEREAS, recommendations can be developed by a Task Force consisting of 13 or fewer members, with the following composition: three members to be appointed by the Comptroller of the City of St. Louis, three members to be appointed by the Treasurer of the City of St. Louis, three members to be appointed by the Mayor of the City of St. Louis, three members to be appointed by the President of the Board of Aldermen of the City of St. Louis, and the Financial Analyst of the St. Louis City Board of Aldermen.

NOW THEREFORE BE IT RESOLVED by the Board of Aldermen for the City of St. Louis that we direct the Legislation Committee to convene public hearings, under its authority, for the purpose of analyzing the potential opportunities of establishing public banking functions for the City of St. Louis and projecting whether a public bank would provide a long term benefit for residents and small businesses and we also direct the committee to establish a Task Force, as has been described above and within 30 days of the date this resolution is passed, for the purpose of advising the Board of Aldermen regarding the creation of a Municipal Public Bank, either as a new City Department or separate Enterprise Department, whose functions might include, among other things, any or all of the following: (1) Serving as a depository of city funds as designated by the Funds Committee; (2) Hiring and managing the short term investment portfolio for the Treasurer's Office; (3) Establishing a public-facing Deposits and Lending Division.

Said task force shall include at least one membership opening for each of the following categories: (1) a Senior employee of the Office of the Treasurer (as one of the Treasurer's three appointees), (2) a member of the Office of the Comptroller representing the Office of Public Finance (as one of the Comptroller's three appointees); (3) an expert on Banking Regulation, especially one familiar with the Federal Reserve Board; (4) an appointee from a local university's MBA department; (5) a Member of the Missouri Division of Finance; (6) an expert in economic and workforce development; (7) a representative of the Affordable Housing Commission; (8) an advocate for and expert of public banking, either endorsed by or an affiliate of a recognized advocacy group supporting transparent financial systems; (9) a representative of a local economic development group, particularly one familiar with issues of predatory lending and financial justice in the banking or credit systems; (10) a representative of an environmental organization, particularly one familiar with environmentally sound development and lending; and (11) an expert in financial technology, to encourage the task force to seek out innovation in credit systems or cost saving technologies; and

A quorum of said task force shall be based on the number of appointed and filled seats on the Task Force.

Be it further resolved that the committee and the task force shall consider the possibility and necessity of hiring a firm to assist in the analysis and produce a feasibility study focusing on the legal issues and implementation details, including the actual feasibility of establishing a public bank, banking requirements, and the ability to provide community benefit lending.

Be it further resolved that the committee directs the Task Force to include the following information in its report: (1) Proposed Mission Statement for a City of St. Louis Municipal Bank, prioritizing equality and transparency in assessing economic and investment opportunity; (2) Detailed estimates of the costs to the city of operating a Municipal bank, including cost of human resources and technological systems required; (3) Operational Process and Initial investment required for a Municipal Bank to assume the responsibility of the banking operations; (4) Processes, investments, and Risks associated with a Municipal Bank assuming the responsibility of the Investment Unit; (5) Potential revenue streams for a Municipal Bank; (6) Partnership opportunities with credit unions for deposits, small business lending, and mortgage lending; (7) Quantifying the likely impact of the transfer of investment and banking services units to a

municipal bank on the Credit Rating of the City of St. Louis; (8) Options for initial capitalization of the bank, particularly those required for meeting capital reserve requirements if undertaking direct lending operation. Said Task Force shall report to the committee monthly and include in such discussions any and all parties deemed appropriate by the Legislation Committee, and we further direct the committee to report the findings and recommendations of the Task Force to the full Board of Aldermen by Friday, November 16, 2018.

Introduced this 9th of March, 2018, by:

The Honorable Lewis E. Reed, President of the Board of Aldermen

Adopted this 9th day of March, 2018, as attested by:

Louis C. Galli
Interim Clerk, Board of Aldermen

Lewis E. Reed
President, Board of Aldermen