DRAFT

CITY OF MILWAUKIE

BUDGET COMMITTEE

Video Meeting
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MINUTES

NOVEMBER 15, 2021

Chair Stoll called the Budget Committee meeting to order at 5:31 p.m.

Present: Lisa Batey, Angel Falconer, Mark Gamba, Kathy Hyzy, Caili Nance, Desi Nicodemus, Michael Osborne, Mary Rowe, Leslie Schockner, Jon Stoll

Absent: None

Staff: Accountant Judy Serio
Assistant Finance Director Keith McClung
City Manager Ann Ober
Finance Director Bonnie Dennis
Public Works Director Peter Passarelli

1. CALL TO ORDER

2. INTRODUCTIONS

3. APPROVAL OF AUGUST 30, 2021 COMMITTEE MEETING MINUTES

Gamba made a motion to approve the minutes as written. It was seconded by Falconer to approve the August 30, 2021 minutes as written.

Motion passed with the following vote: Batey, Falconer, Gamba, Hyzy, Nance, Nicodemus, Osborne, Rowe, Schockner, Stoll voting "aye." (10:0)

4. PUBLIC COMMENT

None

5. CITY MANAGER UPDATE

Ober began by noting budget preparation has started. SAFE projects have been completed with upcoming ribbon cutting ceremonies for Lake Road, Linwood Road and River Road. Inflation will be a factor in the upcoming budget cycle and will have an influence on SAFE projects and design of the new city hall. The Library has been open for the last few months and available to the public; the building was featured in a library architect magazine and the architect firm won a regional award for the library. The Blue Ribbon Committee is complete; the current city hall will be a modified sale or lease to protect the grounds and building façade.

Committee had Covid vaccination questions.

6. ELECTION OF BUDGET COMMITTEE CHAIR

Chair Stoll opened nominations for the committee chair position.

Schockner was nominated as committee chair by Batey; Gamba seconded the nomination.

Members discussed the nomination.

Motion passed with the following vote: Batey, Falconer, Gamba, Hyzy, Nance, Nicodemus, Osborne, Rowe, Schockner, Stoll voting "aye." (10:0)

7. ANNUAL MOODY'S COMMENT ON MILWAUKIE'S CREDIT RATING

Dennis explained the Moody's annual comment included in the packet. When the city is not issuing a bond, the city receives an annual report. The city recently received a rating of AA2.

Ober added to receive the highest rating the city would need to be much bigger.

Schockner asked why the available fund balance as a percentage of operating revenues is higher in previous years.

Dennis responded due to the city obtaining more debt. The fund balance is the ending balance from the annual financial report.

8. BUDGET KICK-OFF FOR BN 2023-2024 (PRESENTATION)

Dennis presented the upcoming budget process, five-year forecast, capital improvement plan, master fee schedule, timeline, and due dates.

Committee discussed the methodology and process of the five-year forecast.

9. REVIEW & DISCUSSION OF THE QUARTERLY FINANCIAL REPORT FOR THE FIRST QUARTER FY 2022

McClung began with the quarterly highlights including the audit which is currently taking place, so the report's numbers are unaudited, the decrease of the LGIP rate, receipt of ARPA (American Rescue Plan Act) funds. Comcast notified the city it will stop paying the 7% fee for broadband; it is approximately $60K per quarter.

Batey asked if other carriers will follow Comcast.

McClung responded Comcast specifically stated it was broadband services.

Committee members discussed the current litigation progress between Comcast and City of Beaverton.

McClung continued with the utility's outstanding receivable balance table. Staffing levels table reflect that quite a few vacant positions have been filled. The General Funds's franchise fee payments are received on a delayed basis but there will be the $60K reduction due to Comcast. Fines and forfeitures reflect an increase in traffic citations. In the expenditures section, the underspend is tied to the larger

departments' personnel or capital projects. The Building Fund has continued increase in permits due to home renovations and ADUs.

Dennis clarified the Building Fund's revenue is tied to home renovations, not necessarily new development.

McClung continued with the Affordable Housing Fund (Construction Excise Tax fund) revenue reflects a slowdown in new developments. The Library Fund has fines trending back to normal.

Schockner asked if there is a report that would show what projects are funded by the Affordable Housing revenue.

Ober stated a staff report will be presented to City Council in January.

McClung continued with the Transportation Fund where revenues are tracking, and expenses have been low. The Water, Wastewater and Stormwater Funds are all tracking as expected for revenue and expenses.

Rowe asked how the state's studies on road use fees are reflected in the Transportation fund's forecast.

Committee members discussed future revenues for the Transportation Fund.

10. OTHER ITEMS

Batey thanked Stoll for his years of service as committee chair.

11. ADJOURN

It was moved by Batey and seconded by Hyzy to adjourn the meeting.

Motion passed with the following vote: Batey, Gamba, Falconer, Hyzy, Nance, Nicodemus, Osborne, Rowe, Schockner, Stoll voting "aye." (10:0)

Chair Stoll moved to adjourn the meeting at 7:01 p.m.

Respectfully submitted,

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Judy Serio, Secretary / Accountant

CITY OF MILWAUKIE

BUDGET COMMITTEE STAFF REPORT

To: Budget Committee

Date Written: Feb. 18, 2022

Reviewed: Ann Ober, City Manager
Bonnie Dennis, Administrative Services Director

From: Keith McClung, Assistant Finance Director

Subject: **Right-of-Way Updates**

ACTION REQUESTED

This is an informational item for the Budget Committee presented by staff and Spencer Parsons at Beery Elsner & Hammond LLP.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

March 2016: Council directed staff to create a new section to the Municipal Code for management of the ROW (Title 21).

September 2016: Council adopted Title 21 with an effective date of January 1, 2017.

September 2018: Council approved amendments to MMC Title 21 and adopted resolution 77-2018 that established the ROW usage fee.

ANALYSIS

Since the adoption of Title 21 in 2017, there have been changes within the industry, technology, and legislation where Title 21 will need to be reviewed and updated in addition to the future rollout of 5G technology. There is also a pending litigation between Comcast and the City of Beaverton that is of particular interest to Milwaukie as the outcome could impact the collection of ROW fees for information services. Discussion of these items and any other right-of-way questions will be presented by staff and Spencer Parsons from Beery Elsnor & Hammond LLP.

CITY OF **MILWAUKIE**

BUDGET COMMITTEE STAFF REPORT

To:	Budget Committee Members Citizen Utility Board Members Ann Ober, City Manager	**Date Written:**	Feb. 18, 2022
Reviewed:	Keith McClung, Assistant Finance Director		
From:	Kelly Brooks, Assistant City Manager Bonnie Dennis, Administrative Services Director Peter Passarelli, Public Works Director Jennifer Garbely, Assistant City Engineer		
Subject:	**Capital Improvement Plan**		

ACTION REQUESTED

Discuss the Capital Improvement Plan (CIP) in preparation for the 2023-2024 Biennium (BN) Budget.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

February 24, 2020: The budget Committee and citizen utility advisory board (CUAB) held a joint meeting to discuss the CIP Budget for the Biennium Budget 2021-2022.

ANALYSIS

The CIP contains all the individual capital projects, equipment purchases, and major costs providing a working blueprint for improving the community's infrastructure as well as other city projects. Although the CIP is a separate document from the operating budget, the two are closely linked. The synchronization between the CIP and budget evaluates the resources for completing the capital projects; those resources include debt financing, specific user fees, cash or other various revenues. The type of funding utilized for a project can vary according to the type of projects as well as the department. During the biennium budget process, city departments identify the projects and funding sources which then creates the capital budget for each fund. The CIP, however, extends to five years and is a working document that continues to be evaluated as needs in the city adjust.

Various roles are played by city council, the budget committee and the citizen utility advisory board (CUAB) in development of the CIP. CUAB develops a recommendation, that's approved by city council, which sets utility rates for the two-year budget period. The budget committee recommends, and council approves the biennium budget which includes the CIP projects.

During the last budget cycle, staff restructured the budget development timeline to create an early briefing on projects to coincide with release of the CUAB's rate recommendation prior to council adoption we are using this structure again.

The integrated program created in the 2019-2020 BN bonded against SAFE, SSMP, and gas tax funds to help deliver the 25-year priorities of the Safe Access for Everyone (SAFE) program within nine-years. The program took time to get started for planning and design but now is showing fully constructed projects with more on the horizon.

During the joint CUAB and Budget Committee meeting on February 28, 2022 staff will present the following items:

- CUAB rate recommendation for 2023-2024
- Overview of phase I and II of the integrated CIP program, which included SAFE, SSMP, and Gas Tax funded projects
- A forecast of what to expect of the integrated program and the associated assumptions for financing as part of the 2023-2024 budget
- Information on large or high impact projects slated for construction during the 2023-2024 biennium.

BUDGET IMPACTS

The first bond was setup for the phase I of the integrated CIP program without a second bond the program will not be able to continue at our current design and construction pace. For our proposed budget this will impact King Road, Ardenwald North, Harvey Streets, Washington Area Improvements. Budget impacts will be discussed further during the budget hearings for the 2023-2024 BN budget.

WORKLOAD IMPACTS

If a second bond is not issued, then staff workload will be impacted this next budget cycle.

CITY OF MILWAUKIE

STAFF REPORT

To:	Budget Committee Citizen Utility Advisory Board Ann Ober, City Manager	**Date Written:**	Feb. 14, 2022
Reviewed:	Bonnie Dennis, Administrative Services Director Jennifer Lee (as to form), Administrative Specialist		
From:	Peter Passarelli, Public Works Director		
Subject:	**Good Neighbor Funding**		

ACTION REQUESTED

Discuss the Good Neighbor Funding Program in preparation for the 2023-2024 Biennium (BN) Budget and provide feedback on project prioritization.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

February 5, 2013: Council created the Kellogg Good Neighbor Committee (KGNC) by resolution.

September 21, 2021: Council received a presentation on the KGNC, background, accomplishments, and the committee's recommendation to dissolve.

October 5, 2021: The KGNC was dissolved by resolution.

ANALYSIS

Currently, Clackamas Water Environment Services (WES) maintains the fund which collects monthly deposits equivalent to $1.00 per equivalent dwelling units (EDU) of the City's connections to the Kellogg Wastewater Treatment Plant. This currently generates approximately $135,000 per year. The purpose of the fund is to mitigate the impact of the treatment plant on the surrounding neighborhoods with the requirement that projects are within a 200 yd buffer of the treatment plant.

WES has recently implemented a new good neighbor model with Gladstone and Oregon City. WES has proposed the new model to Milwaukie that would allow for an expansion of the use of funds both in purpose and geographically. This model would allow Milwaukie to directly manage these funds. This change to fund management would require future project to be budgeted as part of the city's capital improvement program.

Discussions with WES indicate the current fund balance would be transferred to the city of Milwaukie and that the city would receive an annual distribution based on $1 per EDU per month. The current EDU count is 11,277. This EDU count is adjusted annually based new development and utility customer changes. This current EDU count results in WES allocating

$135,324 to the fund during the past fiscal year. It is important to note, that approximately $85,000 of these revenues are allocated on annual basis for debt service payments related to the Milwaukie Bay Park Boat dock project which is anticipated to be paid off in 2029. The current fund balance as of February 17, 2022, is $269,780. The last authorization for expenditure from the former Good Neighbor Committee was $85,000 for additional landscape work around the exterior of the treatment plant.

Moving forward, opportunities for community member involvement or feedback throughout the project development and prioritization process will occur through the Community Utility Advisory Board (CUAB) and Budget Committee during the budget process. Since the agreement with WES has yet to be finalized, for the purpose of the 2023-2024 biennial budget, staff is recommending that revenues and potential expenses for the program be budgeted in a separate good neighbor fund. Staff will further develop good neighbor related projects and engagement with interested stakeholders will occur at future CUAB meetings over the next calendar year with a recommendation forwarded to council for approval.

The city and WES are working on defining the expanded boundary, but in general the boundary would include an area of impact with a focus on stream corridors and potentially "special project areas" that are priorities for the city and protect water quality. Projects within this boundary eligible to receive Good Neighbor Fund monies would be required to have at least one of the following purposes.

- Connect communities through improved recreational opportunities, such as pathways, parks, and trails.
- Enhance fish and wildlife habitat and riparian areas.
- Create opportunities for collaboration and leveraging resources between WES relating to another approved purpose.
- Enhance public knowledge on wastewater treatment and surface water management and what they can do to protect water quality through education and special projects.

Staff and WES are currently in the process of finalizing a draft agreement and a new boundary for the program which will be brought to council for discussion and approval at a later date.

BUDGET IMPACTS

The Good Neighbor Funding program will need to be incorporated into the biennial budget.

CLIMATE IMPACTS

This program supports city climate efforts by providing another funding mechanism for the city to protect riparian corridors and potentially minimize the city's carbon and energy footprints within the city.

WORKLOAD IMPACTS

This agreement will not impact staff workload.

Memo To : Milwaukie Budget Committee

From : Leslie Schockner, Budget Committee Chair

Subject : Review of Municipal Bank Proposal for City of Milwaukie

Date : February 15, 2022

A number of cities in the last few years have engaged in efforts to consider the creation of a public bank to leverage some public goal, such as to make some public function cheaper, or to benefit the local business community by keeping local money local. So far, no new public banks have been created. In Oregon, I was told the effort started in the City of Portland and now includes other municipalities. The Public Banking Alliance (Alliance) in Oregon presented such a proposal for Milwaukie to create a public bank to the Mayor and Council last year. The stated goals of the municipal (muni) bank for the City of Milwaukie were to reduce the interest costs for infrastructure projects, and to provide local funds to support local business.

In evaluating this proposal I met with members of the Alliance, reviewed materials they provided, most of which were based on the earlier Portland proposal, researched this type of bank extensively, and am now providing this report to give context to any further discussions that may occur regarding Milwaukie's participation in such a bank. To be clear, my goal was to evaluate the benefits of a public bank for Milwaukie; the Alliance goal is to create public banks.

One thing to keep in mind, particularly related to the costs of financing local public infrastructure, is that in our constitutional system, the federal government is given what are called the enumerated – eg listed – powers, and all other powers are reserved to the states, of which cities are a sub-unit. Even though many people feel that state and local infrastructure spending should be financed by the federal government, that is a power reserved to the states. The federal government has addressed those constitutional constraints in areas reserved to the states by offering grants which can assist at the local level through specific requirements. The State of Oregon does offer some infrastructure support in limited areas such as wastewater, and it's possible that the new federal infrastructure funding could serve as a source for State to establish other programs for local infrastructure financing. Changing that is not within Milwaukie's control, although Milwaukie can certainly weigh in on advocating for such programs, just as the City weighs in on advocating for other City interests such as the property tax.

This report presents the complex issues I found with regards to the Alliance's muni bank proposal for the City of Milwaukie. The significant constraints and clarifications that would need to be resolved to before any action is taken include elements rooted in the Oregon constitution's prohibition of public banking, federal banking law, issues around the City's fiduciary duties for use of public money, and how such a bank would be created and operate. Assurance of viability of the bank over 30+ years would be critical if the City were to use it as a way to reduce infrastructure costs. This report is not definitive as to what decision should be made, but does raise significant issues to be resolved.

Considering the myriad of issues that came up in researching this, my personal conclusion is that, whether Milwaukie goes into a coalition to create a bank with others or not, the issue of giving away millions in public money is not advisable.

Milwaukie Muni Bank Review

Introduction. Based on a request by the Mayor I investigated the Oregon Public Banking Alliance's muni bank proposal to the City of Milwaukie and am submitting this report of my findings. My understanding is that the Alliance proposal addressed two major goals, which were: 1) ways to reduce the City of Milwaukie's (hereinafter "City") interest costs for infrastructure, which is currently met through bonding, and 2) to afford local businesses a loan option which is not currently available to them, which presumably would benefit the Milwaukie community as a whole. I have spent time on this project because I found the idea personally interesting, and also because I serve on the City's Budget Committee, and feel responsibility for the City's finances. As to my background, in the past I was involved in advocacy for the national co-operative bank, still in existence, which was capitalized with $100 million in federal funds some 30 years ago. I have extensive management experience for public sector human services and work-force development programs at the city, county and state levels. I have provided legal services to small businesses and non-profits, including helping them consider the pros and cons of various organizational structures, board issues and operational management. This project to look at the issues underlying a proposed local bank is new to me, although I think my background supports my ability to investigate, come up with relevant questions, and evaluate whether the answers make sense. I am offering my research and thoughts in the hope that they provide a context for the Mayor and Council to consider with regards to the proposal to form a City municipal bank.

Current City of Milwaukie (City) Financial Management System. In order to place this proposal in context it is helpful to understand how the City currently manages its funds. The City's Finance Director provided answers to various questions I posed based on some of the statements by members of the Alliance in the course of this study. In the current system the City basically keeps its funds in two places - short-term monies in Umpqua Bank, an Oregon community bank, with the balance in the Local Government Investment Pool (LGIP), which is managed by the State of Oregon as part of the Short Term Fund. This statement from the Finance Director summarizes the current process: "Most cash for Milwaukie is held in LGIP (approximately $50 million) and is disclosed in the annual financial report for FY 2020. The majority of that balance is restricted as well as cash reserves. The city will transfer funds as needed to Umpqua to cover payroll costs and the accounts payable check run every two weeks. There is a minimum balance in the account but typically transfers are done to cover the cash flow. Payables to vendors fluctuates but generally payroll salaries, benefits, taxes and so forth are about $1.5m per month. The reason that we do this transfer is more about risk and ease of the process rather than gaining interest."

Clarification of Alliance assertions related to the City of Milwaukie.

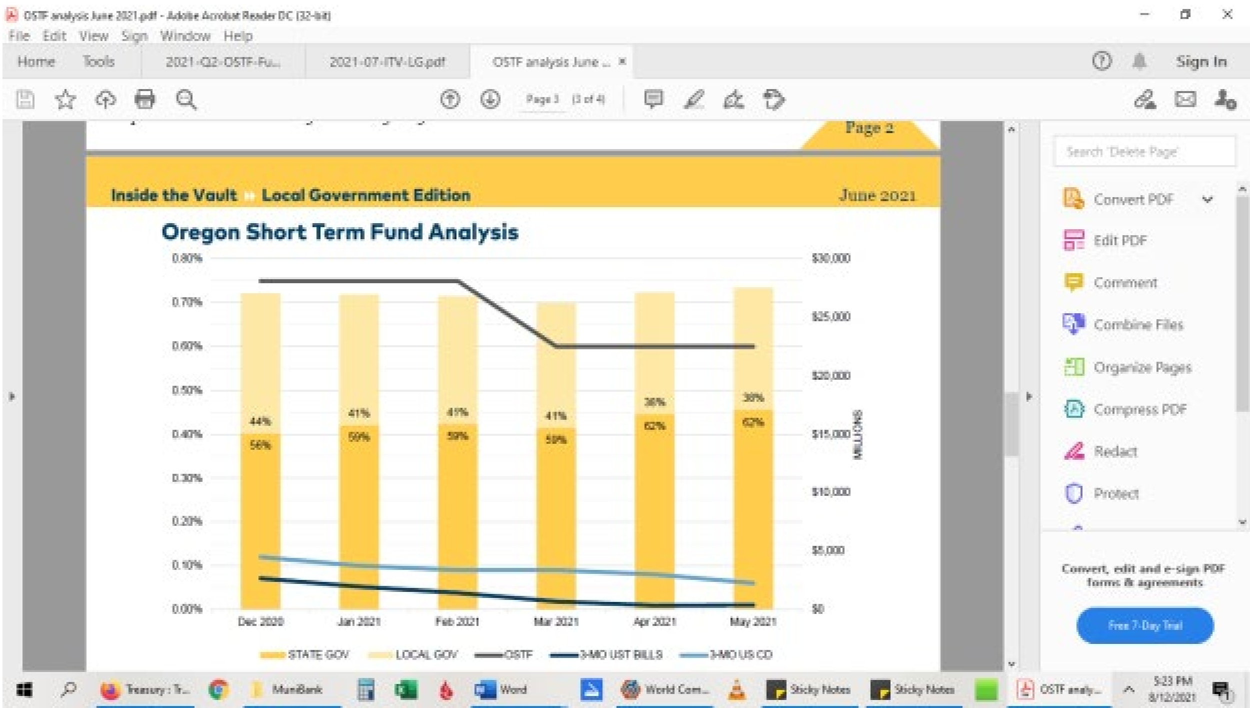
Deposits in Wall Street Banks. "Our government revenues are too large to be deposited in local community banks, and are currently deposited in large Wall Street banks."(Alliance presentation statement). In fact, the City has no funds in large Wall Street banks. It uses Umpqua and the LGIP. This statement probably originally applied to the City of Portland, where the Oregon public bank initiative began.

Failures of Large Banks Versus Small Banks. "Current Wall Street banking regulations put government deposits at risk. Should the big banks fail, derivative holders will have priority over depositors to the assets remaining in bank failures." (Alliance presentation statement). First, the City has no funds in Wall Street Banks. Second, it is the opinion of Finance staff that larger banks are less likely to fail than the smaller banks. The evidence from the Great Recession bears that out, as the larger banks were bailed out. Third, Oregon has established a system to cross-collateralize public sector deposits in private banks to ensure against losses, which is an important safeguard initiated by the State on behalf of all public entities in Oregon.

Conflating benefits to the City of Milwaukie (City) with benefits to the broader Milwaukie community. In my conversations, and in reading materials from the Alliance promoters, it is clear to me that the benefits to the legal entity known as the City of Milwaukie, and the benefits to the community of Milwaukie as a whole are presented as if they are the same thing. They are not. For this reason, the Alliance presentation of interest savings to the City from a bank loan compared to municipal bonds was significantly overstated. For example, when I met with an Alliance representative to go over the pro forma spreadsheet presented to support that statement, it emerged that the purported 47% savings to the City actually had two parts. Only the first portion of the savings actually applied to the City; the second part would be retained by the bank to cover its operating costs and profits. The savings to the City were projected at $4.9 million over 30 years and the bank share was projected at $5.3 million, with a net bank profit of $3.2 million.[1] To be clear, the portion going to the bank for its operating costs would not be savings to the City, a distinction not made clear until we discussed the spreadsheet in detail. So no, the City would not see savings of 47%. In that example the City was projected to save about $4.9 million over 30 years. If everything went as projected, the actual City savings would be 26% over 30 years or less than 1% a year.

Costs to the City not included in the Alliance analysis. The analysis presented by the Alliance with regards to possible savings is also incomplete. While it projected savings from a lower interest rate on loans for capital projects, it failed to account for the interest the City would otherwise earn from LGIP on the $10 million proposed gift from the City (discussion later in more detail) over the same 30 year period. Although the LGIP rate has recently gone down from .6% to .45%, the comparable rates being paid by private banks are even lower, as seen in this recent Oregon Short Term Fund chart. One would assume a new private bank would be paying closer to the average CD or UST rate shown in the chart below which is substantially less than the LGIP rate (both the T-Bill and CD rates are under .1%). Using current numbers, the City would likely lose money by depositing its funds in a private bank rather than the LGIP.

[1] See attached PDF called Alliance Comparison of MuniBond Interest to BankLoan, which is an annotated version of Milwaukie FFR 2018 FFR Analysis prepared by an Alliance representative, apparently using a BND template. The left section shows a current City bond's principal and interest; the middle section shows the City's projected interest savings under with a bank loan instead; and the right-hand section shows the bank's income and net profits.



The projected savings analysis also failed to note that City savings would accrue only if and when the $10 million gift of City monies to capitalize the bank had been covered at some point in the future.

The Bank of North Dakota as a model for a City Municipal Bank. The Bank of North Dakota (BND – not, by the way, a ticker tape symbol) seems to be the touchstone for all of the public banking proposals that are being considered, not just in Oregon but in many other states. It is the oldest and apparently only surviving public bank in the US.[2] Therefore, I am starting by describing BND in order to compare that bank with the Oregon Alliance proposals.

BND Created as a State Entity. BND was created by the ND legislature in 1919 during a period in which there was no national bank, as we have now with the Federal Reserve System, to provide accessible banking services in all states. BND was created to serve North Dakotans who, as residents of a small agricultural state with no large local banks, were being exploited by out-of-state banks and grain dealers. BND is a public entity created and funded by the ND legislature and is backed by the full faith and credit of the state itself. It funds activities within the state and its funds are available for appropriation by the ND legislature. Since 1945, more than 20 years after its creation, it had enough capital to begin regular transfers of funds back to the state general fund from the bank. It originally funded

[2] See the Washington State Treasurer's report surveying all public bank proposals up to the date of publication in 2018. *Study of The Studies: A comprehensive review of state, municipal, city and public banking: A report from Washington State Treasurer Duane A. Davidson*, November 29, 2018. PDF attached.

agricultural real estate and crop loans, and helped counter Depression-era mortgage foreclosures by allowing the owners to remain farming on the land and eventually selling their farms back to them. It also began making home mortgage loans in small communities when community banks were not doing that. In the 1960s it began making commercial loans as an economic development activity in partnership with existing financial entities. It is specifically prohibited from competing with the state's private financial entities, and in fact only makes commercial loans to supplement existing financial institutions.[3] In 1967 it made the first federally-insured student loan, and has provided recovery funding in disasters. It operates under the management and control of another state agency, the State Industrial Commission, which is composed of the Governor, the Attorney General and the Agriculture Commissioner, all elected officials. The Commission is assisted in its role by an Advisory Council appointed by the Governor. Although North Dakota does not invest tax monies in BND, state agencies are required to deposit cash in the bank, but the interest rates is quite low, as noted in the previously mentioned State of Washington public bank review.[4]

Oregon Comparison. To begin, the Oregon constitution Article XI, Sec. 1 specifically prohibits the state from creating or otherwise participating in a bank.[5] That prohibition is extended to cities owning or investing in private companies of any sort. Thus the official Staff Measure Summary for HB 2743 – the proposed bill put forward by the Alliance to authorize municipal banking, which failed last session - notes that in Oregon "Section 9 Article XI of the Oregon Constitution **prohibits a local** county, **city** or other municipal corporation **from being a stockholder** in any company, corporation, or association **or to raise any money for, or loan it's credit to, or in aid of, any company, corporation, or association**." [emphasis added]. So, compared with North Dakota, Oregon does not allow a State bank in the way North Dakota created BND as a state entity, and in fact, prohibits that. A bank as proposed by this initiative would have none of the safeguards of BND, eg, state creation and ongoing public control through a state entity composed of the top elected state officials; mandated state deposits; and, probably most important, backing by the full faith and credit of the State against loss. Compared to BND,

[3] "The operating policy, established in 1919, stated that the Bank shall be "helpful to and to assist in the development of state and national banks and other financial institutions and public corporations within the state and not, in any manner, to destroy or to be harmful to existing financial institutions." The Bank's operating policy continues to serve as a guiding principle for the Bank's work in our state." https://bnd.nd.gov/history-of-bnd/

[4] Ibid. Washington Study of the Studies at p 18.

[5] "**Section 1. Prohibition of state banks.** The Legislative Assembly shall not have the power to establish, or incorporate any bank or banking company, or monied [sic] institution whatever; nor shall any bank company, or instition [sic] exist in the State, with the privilege of making, issuing, or putting in circulation, any bill, check, certificate, prommisory [sic] note, or other paper, or the paper of any bank company, or person, to circulate as money." https://www.oregonlegislature.gov/bills_laws/Pages/OrConst.aspx

the proposed City of Milwaukie bank might be able to create a similar governance structure that could exert influence and over the bank through charter and board appointment authorities. But it would not be able to guarantee such a bank unless it is also willing to back the bank with its full faith and credit. That would seem to me to be pretty risky, but especially risky if the bank is operating without FDIC regulation.

When I asked the Alliance advocates how the City could create a muni bank, given the Oregon banking prohibitions, I was told, well **the money to capitalize the bank would have to be a gift, but the control would be in the charter the City would use to establish the bank**. I see two issues here. First is whether a bank created by the City would come under the State constitutional prohibition of City funds going to "any company, corporation or association." Second is to call out the assumption that if the City creates the bank by charter, it also has to provide the capital to fund it. As noted in a City of Oakland agenda discussion paper related to their muni-bank consultant report, "the study acknowledges it is not a wise idea for the sponsoring government to provide the equity capital for the bank."[6] The Alliance believes the City could create a bank as a quasi-public entity, but it is not clear to me how such an entity would be in accord with the prohibition of city funds to a "company, corporation, or association." Maybe there is an exception related to a City-created entity, but it would be prudent to have a formal legal opinion on the issue. In addition, according to materials given me, if a City of Milwaukie bank were to be established, under current legal constraints, the bank would be solely under the control of the board of the entity set up to run it, with provisions to ensure that the City does not influence the bank for political reasons.

While the Alliance proposal envisions that the City would establish a charter and a mechanism to name the members of the board, the interplay of federal and state banking regulations related to the bank's independence in making banking decisions would undoubtedly have effects so far undetermined on the City's ability to influence or control what the bank did going forward[7]. The argument from the Alliance is that the charter would specifically limit what the bank can do, but it is not clear to me how this would work. Moreover, my personal experience, from working with non-profits and small business, is that a too-detailed statement of purpose often results in problems down the line when conditions change. So how to create a charter to require a private entity to act in the best

[6] City of Oakland Public Bank Feasibility Study Prepared by Global Investment Company (GIC); Agenda Report of August 20, 2018 at p 7. See attachment.

[7] I see this issue of control as related to using public monies to capitalize the bank. I would not have the same level of concern if City funds of some sort were provide as a relatively minor proportion of the bank's capitalization.

interests of the City would be quite complex. I expect the degree to which such a charter, could, for instance, mandate loans to the City might be difficult, given the stated concerns of keeping political influence out of banking decisions. One timely current example of the degree to which appointing board members would not necessarily result in policy control would be the current USPS board and the current Postmaster General. In fact it seems to me that BND is an example of an entity that expanded into new services over time, based on a more generalized charter. To summarize the points here: state law on how such a bank would comport with prohibitions of City funds to private entities would have to be determined. Quite apart from that, it seems to me it would benefit the proposal if there were additional thought addressed to other ways to capitalize such a bank. Absent resolution of those issues, the City is being requested to gift public funds to capitalize a newly created, untested bank, and trust that everything works out.

The issue of Wall Street banks' huge profits in the context of Muni Bonds. One idea which seems to be driving the initiative to create municipal banking in Oregon has been anger and frustration at big Wall Street banks who make huge profits, and take money out of Oregon rather than invest it here. Here are a couple of things to keep in mind as to whether this is relevant to the issue of the City's muni bond rates for infrastructure. While it is no doubt true that the big banks are making huge profits through their various machinations, that appears to be occurring in lines of business other than the municipal bond market per se. One Alliance member that I spoke with, who previously worked in a "back office" role at a Wall Street bank, told me that the Muni bond market is highly efficient and there is no way a new bank would be able to compete in that particular market. So, to be clear, the City's bonds are not being overpriced. They are issued in a national competitive market that is highly regulated, highly liquid, and stable, in which the City's good bond rating ensures a low interest rate. Milwaukie's bonds are not at risk over 30-year terms in that market. By comparison, this proposal is to create a new small bank, with no track record, that the City will have to trust will be able to manage its long-term loan portfolio, which, by the way, is going to be capitalized with $10 million in City funds. I get that a major driver of the proposal is to reduce the City's long-term interest rate on infrastructure bonds, which adds substantially to the cost of the bonds. But the City's total interest payments over a lengthy period of time is really no different than the total amounts of interest that we all personally pay when we get a mortgage on a house. Most of us don't balk at the total interest we will pay, because we tend not to look at the total costs over the full 30 years. Bond interest is a function of math, not politics, eg, interest rate x principal x time. And in fact, municipal bonds have the lowest interest rates around, because they are tax exempt, and muni bond ratings tend to be much higher than corporate bonds, so there is less chance of default, which ensures a broad, liquid market.[8]

The Likely Effect on the City's Finances of Giving $10 Million to Capitalize a Bank. The first and foremost issue, which I mention but do not comment on because I believe this would require a legal opinion, is whether it would violate the City's fiduciary responsibilities for public funds by giving public dollars to a separate entity with an undetermined amount of ongoing control over those funds. The more practical, and likely very negative, outcome with regard to the City's finances would be the effect on the City's bond rating. In one of my conversations, I asked an Alliance representative about possible effects such a large gift would have on the City's bond rating, and was told it was unrelated or would probably be minimal.[9] However, I don't see how that could be true. At $10 million, such a gift is roughly the same amount as the City's annual ending balance, which is a critical variable in the calculation of its municipal bond rating. As discussed by the City Manager in referencing the rating agency document on Milwaukie in the last Budget Committee meeting, the City's bond rating is, at this point, as good as it can be, given the small size of the City. I expect removing $10 million from the City's reserves would be likely to have serious negative consequences on its bond rating. There is also the issue that removing $10 million as a resource to the City budget increases the risk of a loss of basic City services in subsequent years, as those services are already being impacted by the slower growth of revenues compared to increased expenses for the baseline budget. The most recent quarterly financial reports have addressed this issue at length in the Tax Revenues section, with the chart showing the increasing imbalance between baseline services and baseline revenues. To sum up, the Alliance proposal is for the City to give $10 million, which is then removed forever from use by the City itself, in order to create a bank, over which it would have some influence but no ongoing control. This is not comparable to BND, which is overseen by a state agency comprised of top elected officials; is mandated to provide money back to the state's general fund; and is guaranteed by the full faith and credit of North Dakota. The control of this City bank would be vested in banking professionals of a separate entity. When queried as to whether the Alliance was looking for additional sources of capitalizing the bank, the answer was no, only public funds. To conclude, removing $10 million from the

[8] From Investopedia – "Over the past 10 years, the average default rate for investment grade municipal bonds was 0.10%, compared with a default rate of 2.25% for similarly rated corporate bonds." https://www.investopedia.com/investing/basics-of-municipal-bonds/

[9] To be clear, I am not implying that the statement was meant to mislead; rather that this was an issue that had not been considered as to what the effects might be.

City's reserves is likely to have a negative impact on the City's bond rating, and would definitely reduce the reserves available to maintain current services.

The issue of the fiduciary duty to protect public funds. This is an issue I am not qualified to evaluate although I now have developed some knowledge about it and offer this discussion for context. Oregon regulates the investment of public funds to ensure that they are, to the greatest degree possible, not at risk. To that end, public entities have a duty to meet those standards through adopted financial management policies, in accord with, and approved by, the State. Milwaukie has such a policy. Any new entity would have to conform to those policies. In addition, the State manages funds for public entities that are not immediately needed through the LGIP, which is combined with State investments in the Short Term Fund, and managed as a single fund. This allows for professional management of a large pool of funds that a small local bank would be unable to replicate. The Alliance member who is a former Florence mayor told me that such a program to maximize earnings on reserves for local public entities did not exist when he was a mayor, which would have been of great benefit to his city at the time. That the State has afforded local public entities the ability to maximize earnings on their reserves at no local cost is a tremendous benefit to local budgets. In addition, as mentioned, the state has implemented a program that cross-collateralizes public funds in private banks to moderate the risks to public funds in these banks. It seems highly unlikely that a small private bank could replicate these programs, meaning that any City funds on deposit would be at higher risk in a municipal bank, and likely earning less, than is currently the case.

The two ways City money is projected to create and support the bank. As mentioned earlier, the Alliance proposed two funding sources as I understand it. The first is for a $10 million gift from the City to capitalize the bank. As noted repeatedly in the City's Quarterly Fiscal Reports, the City is in a long-term situation where its recurring services' expenses are growing at a greater rate than its property tax income, due to the State property tax limitations. As noted in those reports, this means the reserves are especially important to the City's ability to continue to deliver basic services. At the same time the City earns interest on its funds when reserves are deposited in the LGIP. Basically, the state provides professional management of those funds and pays interest to the City on them, without the City having to invest any resources in maximizing the value of those funds. If the City funds capitalizes this proposed bank with public monies, it loses two important fiscal management tools. The first is the availability of its reserves to maintain existing service levels in the face of slow-growing property tax revenues or even worse if City resources declined, such as due to a recessionary downturn. The second is the loss of the interest on a $10 million reduction in City reserves in LGIP over the long term.

The second source of funds proposed for the bank would come from City operating funds deposited in the bank.[10] I can see that this could raise issues of whether such an arrangement would meet state fiduciary standards, which are incorporated in the City's adopted investment policy. Statutes regulate investment of funds from political subdivisions, which, near as I can see, require quite conservative investments.[11] This seems to raise fiduciary and conflict of interest concerns to me, but someone would have to work with State staff on it. I will note that this group has been working with City of Portland staff on the issue for some years and have a legal memo from Portland raising issues, but that memo was not provided to me in the course of this study. It would be helpful for Milwaukie to know what Portland attorneys see as the issues. I am not aware of any legal opinions from the State on the issue, which presumably would come from the Division of Financial Regulation.[12]

The Issue of How to Define the Customer Base. One issue is the difficulty of defining what a Milwaukie bank would actually do, both for the City and for Milwaukie residents. Since Milwaukie itself has only 21,000 people, it is likely to be too small to have enough business to support a bank. One thing the bank charter would have to consider is how to determine who qualified for loans. I can see that if the service area of businesses eligible for loans was expanded outside the City of Milwaukie, then Milwaukie residents, whose tax money would have been used to make the gift to capitalize the bank, might well object based on the rationale that if Milwaukie is flush enough to give away $10 million, then they want their taxes lowered. I expand on this issue below. A second concern would be, I think, how a charter could define the benefits to the community, given that the proposed authorizing legislation restricts the bank's services to public entities and commercial loans, which I understand was a compromise to get the exemption from FDIC requirements (addressed later in this report). So, with such a constricted service menu, the question then is, would commercial loans be open only to City residents or businesses operating in the City? If offered to a larger pool of applicant businesses, how would the benefit to the City or the community be evaluated? The basis of this proposal has been the City of Portland's example,

[10] As noted in description of the City's current financial system, money is only transferred from LGIP to the local bank as the bills come due. For the City to keep reserves in the proposed bank would mean forgoing the safety, liquidity and higher interest of keeping its reserves at LGIP.
[11] ORS 294.035 in https://www.oregonlegislature.gov/bills_laws/ors/ors294.html
[12] https://dfr.oregon.gov/Pages/index.aspx There is an email in the Alliance materials related to public testimony on the proposed legislation from a program manager for DFR (since retired) stating he did not find a prohibition in state law for the formation of a city-owned bank. It's pretty clear this is not a formal legal opinion. It also doesn't address the issue of public funds to capitalize such a bank.

but Portland has a huge commercial business loan market, and could easily limit loans to Portland businesses. That is not comparable to Milwaukie.

The Issue of Ongoing Viability. An additional issue with regard to building the viability of the bank over time relates, it seems to me, to what happens once the bank has loaned all its funds out. The payback periods are long, and it seems to me that generally banks have various sorts of ways to offload older debt to servicers of one sort or another – for example the mortgages taken on by Fannie Mae – so they have an ongoing source of new funds. It's unclear to me whether such a small bank, with a limited portfolio of business lines, and no FDIC insurance would be able to qualify for any of those programs. At the least, it doesn't seem like this issue has been considered to any degree, although I raised the issue in my conversation. At base it comes down to the conundrum, to me, of how the bank is going to make enough money to be successful if it is 1) loaning a big chunk to the City for infrastructure at a low rate, and 2) loaning on competitive, or even reduced, rates to small businesses who have trouble getting loans, and so may be at a greater risk of default. The answer to this from Alliance folks was that the bank would partner with credit unions to do the underwriting of the commercial loans. One problem with this is that credit unions by law are limited to a very small percentage of their funds going into business loans. [13]This could well mean the proposed bank might be pressured to fund more than 50% of what might be high risk loans. The actual funds from credit unions that could be available for business loans would at the least require more analysis. Of course, these kinds of questions would have to answered through a formal business plan that would be required to be chartered as a bank. It would be good to know this kind of detail before any commitment for funding is made.[14]

The Issue of Banking Experience. Part of the difficulty in evaluating the viability of a City-created bank is determining, not just how it would be capitalized, but what its service mix would be and whether that would be enough to keep the bank in business. The Alliance members I spoke to were focused on trying to create options for the City to use its funds to maximize benefits to local infrastructure funding and business, but the analysis they present is limited by the fact that none of the members seems to have direct banking operations experience. One member of the Alliance has background as a business person, a former

[13] 12 USC Sec. 1757a; 12 CFR Sec 723.16(a) provides constraints on credit union's business loans. PDF attached.
[14] From the Federal Reserve: "Starting a bank involves a long organization process that could take a year or more, and permission from at least two regulatory authorities. Extensive information about the organizer(s), the business plan, senior management team, finances, capital adequacy, risk management infrastructure, and other relevant factors must be provided to the appropriate authorities." https://www.federalreserve.gov/faqs/banking_12779.htm

Mayor of Florence, and a board member for the creation of a community bank in Florence, which still exists, and has grown over the years. That bank has been successful through expanding its service mix to members of the local community, and through expanding the geographic community served. He was generous with both his time and his experience in helping me understand many of the issues. By contrast to the Florence bank, which is a full-service, FDIC insured bank, the bank proposed for Milwaukie would limit its services to City deposits and business loans in conjunction with credit unions, a service mix based in part on the authorizing legislation which excludes the requirement for FDIC insurance[15] and prohibits retail banking.

The issue of FDIC Insurance. The issue of exempting a city bank from FDIC insurance was a core element of the Alliance-supported public banking legislation proposal from the last legislative session. The push to authorize an FDIC exemption remains a puzzle for me, although it has occurred to me it might be due to some history of the recent muni banking proposals. From the Washington study, the Oakland materials, and from a comment made in one of my conversations, it appears that a number of the recent muni bank proposals emerged in connection with the possibility that a public bank could offer a means to provide banking services to marijuana businesses. Although states have legalized marijuana, the FDIC prohibits banks from servicing that business. The current take seems to be that serving those businesses is no longer a driver to creating muni banks. So maybe the desire to operate without FDIC coverage is a vestige of that original impetus. The rationale I was given for allowing FDIC exemption for a city-created bank was that, because a public bank's service mix would be so limited, FDIC insurance would not be necessary. That would supposedly relieve such a bank of an unnecessary cost and the related regulatory requirements.

I'm not sure what to make of that rationale given that my research, which is admittedly sort of at the amateur level, indicates that banks have two avenues to access Federal Reserve (Fed) funds. One is through being a member bank of the Fed, which is funded by monies on deposit from its members. The other is to come under FDIC regulation, which allows non-member banks to access Fed funds. Access to Fed funds is the big reason to create a bank in the first place as it multiplies the funds that banks have available to loan out. For example, if a bank has $1 million in its reserves, it can then access more than $9 million more from the Fed to conduct its own business. My research indicates that all federally chartered banks are

[15] The proposal to the City of Milwaukie also does not track with the City of Portland proposal, which is not final of course, that only after the bank had built up its capital through successful business loans would it then finance public sector infrastructure.

required to be members of the Fed. State-chartered banks, can choose to be Fed members or not.[16] Some state-chartered banks, will apparently sometimes opt for coming under FDIC regulation instead of the Federal Reserve because the Fed is perceived as more onerous. [17]It appears to me that to access Fed funds, a bank has to be regulated under either the Federal Reserve or FDIC, and yet this bank, by rejecting FDIC regulation, is apparently choosing the more highly regulated system (the Fed) over the less regulated system (FDIC). I admit I am a beginner at understanding banking regulations, but I do see the choice to be exempt from FDIC regulation as an anomaly at best. It seems to me that a bank operating without either Fed membership or FDIC regulation would not be able to access any federal funds, which, I think, is a major point in creating a muni bank.

It also seems to me that a lack of FDIC insurance is not exactly a selling point with regard to gaining commercial customers. It means that customers would have no insurance. Neither City nor private funds would be available to backstop against loss, such as BND being backed by the full faith and credit of the State of North Dakota. It would not have a broad mix of investors who capitalized the bank in the first place, as occurs when most banks are created. And if it can't afford FDIC insurance, it is not likely to meet the City's needs for ancillary services which it gets from Umpqua, which also cost extra. Here is the City Finance Director's explanation of the importance of this issue – "The reason that local governments use the larger banks are because of the programs and services they offer. Typically, smaller banks don't have services like purchasing cards, positive pay (where your payments are verified with the bank before cashed), and other banking requirements. Fortunately, Umpqua has invested in these similar programs and services so that they can remain competitive. Overall, it isn't about the revenues being too large for local banks to handle but it is about the services that are needed and available through the other banks." A limited service mix and lack of insurance raise the question of the viability of such a City bank in the long run.

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[16] From the Federal Reserve: "The proposed bank must first receive approval for a federal or state charter. The Office of the Comptroller of the Currency (OCC) has exclusive authority to issue a federal or "national bank" charter, while any state (and the District of Columbia, Guam, Puerto Rico, and the Virgin Islands) may issue a state charter. Before granting a charter, the OCC or state must be able to determine that the applicant bank has a reasonable chance for success and will operate in a safe and sound manner. Next, the proposed bank must obtain approval for deposit insurance from the Federal Deposit Insurance Corporation (FDIC). Additional approvals are required from the Federal Reserve if, at formation, a company would control the new bank and/or a state-chartered bank would become a member of the Federal Reserve. https://www.federalreserve.gov/faqs/banking_12779.htm

[17] From Investopedia: "Non-member banks can only be state-chartered since all nationally-chartered banks necessarily have to be members of the Federal Reserve System. One reason that state-chartered banks may decide to refrain from membership is that regulation can be less onerous, some believe, under the Federal Deposit Insurance Corporation (FDIC), which oversees non-member banks rather than the Federal Reserve Banks (member banks report to regional Federal Reserve banks). https://www.investopedia.com/terms/n/non-member-banks.asp

And just to try to identify all the reasons why the current proposed muni bank is not likely to meet the City's needs, a lack of FDIC insurance might make a municipal bank unworkable for the City, in that such insurance is a requirement for being placed on the Oregon State Treasurer's list of qualified depositors. These are the banking institutions which participate in the cross-collateralization program that moderates risk for public entities' deposits in private banks. Lack of FDIC insurance for the public bank proposed by the Alliance would call into question whether it would be prudent for the City to place funds in such a bank, as that lack would seem to make the bank ineligible for the State's cross-collateralization risk management program. Placing City funds in such a bank is also liable to risks related to the City's bond rating, as deposits in a non-FDIC bank would be called out in the City's audit, which would be a factor in the rating formula. To be clear, the aforementioned proposed legislation would have allowed the creation of a bank without FDIC insurance. Whether it would be prudent for the City to put its funds in such a bank is another issue.

Is the proposed capitalization sufficient? This important issue is unstated and it relates to the subsequent section dealing with the organizational structure of a proposed bank. The proposal on the table is for the City to create the bank by charter and to capitalize it through a gift of $10 million out of City reserves. This calls the question as to whether that amount of money is sufficient to fund a viable bank. The Washington State Treasurer's Report stated that a minimum of $100 million to $300 million would be required for a Washington state bank,[18] and a consultant report for the City of Oakland's evaluation of creating a public bank in 2018 stated that a viable bank would require a minimum of $30-$60 million.[19] Obviously both of those statements addressed much larger entities than Milwaukie, but it does raise the issue as to the need for a formal rationale relating the capitalization amount to the proposed business plan. At the least, a small bank would have many of the same fixed administrative costs as a larger bank, which would require a larger percentage of its overall budget for managing a relatively small amount of money. It might be constrained in hiring experienced banking talent to run the bank. As noted in the Stanford study on ShoreBank's failure (discussed at some length later in regards to bank failure), one of the founders of that bank, after it failed to recapitalize during the Great Recession, and was taken over by the Fed, discussed the difficulty of hiring experienced banking staff who were also committed to the community aspects of the bank's operational structures. A related issue is why the Alliance promoters are only targeting public entities for

[18] Ibid. Washington Study of the Studies at p 14.
[19] Ibid. City of Oakland Agenda Report at p 7.

capitalization, given the Oregon public banking restrictions. I guess this might relate back to an unanswered question for me as to what legal form such a bank would have. But if gifts from public funds are not viable or sufficient, why not pursue foundation, corporate, including b-corp, and private shareholders to capitalize the bank? That question leads me to the questions about organizational structure.

The issue of organizational structure, including organizational steps/timeline. The materials I have reviewed are unclear as to the organizational structure being proposed. My assumption is that Alliance thinking is to just have the City create a quasi-public banking entity, but as mentioned before that probably requires some state guidance as to how to do that, especially with regard to meeting state banking requirements in addition to the capitalization issues. Taking a broader view about the legal entity to be created, such as, including private corporate structures could lead to consideration of other options for funding. Certainly, it would be in the City's best interest to engage in a collaborative effort with others, rather than to put its own resources solely at risk. Alliance members provided me with materials related to the proposed Portland Bank, which has had the most work to date. Unlike Milwaukie, Portland has substantial reserves for economic development that could be used to fund a bank specifically to that end. That proposal called for Portland to provide $100 million in funds from Portland Prosper and the City's central investment fund, which was stated to be "a small percentage of the local reserves in both instances." While the Portland proposal is far from final, it appears to me that it is very minimal in terms of implementation steps, let alone roles and responsibilities of staff to create and operate the bank. After some discussion with an Alliance rep related to what I perceived as a lack of detail as to roles and responsibilities of proposed staff and a top-heavy administrative structure, he indicated to me that there was not anything more specific, nor was there likely to be an effort on this issue at this point.

We also discussed my question as to whether this proposed staff would have the expertise to create the bank. To that question he indicated that task would require a consulting team to design it, set it up and get it running, a point echoed by the other Alliance member I talked to.[20] He also indicated that including community input into the bank's purpose would be something to be done in the initial phases as well. So, I think having a plan that lays out the actions steps and timeline are important to figuring out whether to invest further time and

[20] The Alliance representative who helped create the Florence bank stated that they had hired a consulting firm that was specializing in creating local community banks. The proposed Milwaukie bank, with its unusual capitalization, limited customer base, and service mix seems unlikely to be able to follow a standard bank creation format.

resources on this issue at this time. The Oakland report, by the way, raises many of those issues with great specificity such that promoters in Oregon could use that as a roadmap of the questions needing answers in order to advance a public bank in Oregon. And considering the issues raised by this study, that might well save the Oregon proposals from the same criticisms leveled in this $75,000 study. To quote, "Although the study concludes that a public bank *could* provide solutions to unmet financial needs for communities. [sic] It does not provide the key answers proposed by the Request for Proposal (RFP) and **does not address the requirements of the statement of work (SOW) to provide a roadmap detailing the steps and timeline of setting up a public bank.** [emphasis added]."[21]

At this point, with so many unknowns as to how such a City bank could be created and operate, I think it is helpful to recognize the elements which can, in fact lead to a successful bank creation. They are the elements that led to the creation of the Florence bank. I will quote from an email exchange I had summarizing those elements.

> "As I understood from our conversation about the bank you helped create in Florence, that bank was conceived by a group of community and business leaders to meet identified needs for affordable loans for the local community. These community leaders backed its creation with capital; with their broad business experience and community ties that they brought to serving on the board; with expertise in that a respected local banking leader came on board during the planning processes and became the first president of the bank (or whatever the title was); and with the operational support from an existing bank which provided its operating policies and procedures to be used as a template by the new bank. And that bank did not seek to limit its services to only a couple of business lines."

His response to my summary of that was a simple "Yes." He agreed that these were the elements that made that bank successful. To be clear, it is my conclusion, not his, that a bank for Milwaukie does not have this kind of support and expertise this at this time.

Dealing with risks of default. There also does not seem to have been a lot of thought by the Alliance for how to manage the risks associated with successfully operating a bank over time. When I raised the issue of what would happen if the bank needed a capital infusion due to failure to meet reserve requirements, I was told that, if things went south, the bank could

[21] Ibid. City of Oakland Agenda Report. The chart of the issues raised by the public partners in this effort is worth reading just to get a sense of the complexity of issues raised with regards to state and federal law.

recapitalize, or reduce its loan portfolio. My sense was that the difficulties of raising more capital for a failing bank, given how hard it is to raise the initial capital, has not been considered to any great degree. And then there is the issue in such a situation that if the City had provided all the original capital, there is likely to be pressure for the City to bail the failing bank out with more City funds, particularly if the City was dependent on the bank for a portion of its own income. Although this risk was seemingly dismissed out of hand, I find the need for such due diligence a serious concern – both for the City which would have outstanding loans and for any commercial borrowers who would not even be covered by FDIC insurance under the proposed state authorizing legislation. Subsequent to that conversation, in looking for an existing model of a local bank that supported small business, I found a Stanford business school case-study on the failure of ShoreBank, the most successful bank, really in the world, for funding business in low-income communities. For those who have been in the Portland metro area awhile, you might know it had a big presence in Portland before the Great Recession through its affiliate Albina Bank (ShoreBank Pacific was actually based out in Ilwaco, Washington). Here was a highly successful bank which operated for over 20 years. It was started by four experienced bankers out of Chicago who were committed to providing banking services in under-banked, low-income communities. And yet, in the fallout from the Great Recession, it was liquidated, even though it had raised almost $150 million to recapitalize, and was supported in that effort by shareholders, foundations and large banks as well. It is instructive to read this case study as to what can go wrong even when the banking entity itself has a strong record of success and growth.[22]

So the question to me comes down to whether the City would benefit from creating a new entity to loan to itself, which would not actually be guaranteed to make such loans, nor would its existence over the life of the loan(s) be guaranteed. Unlike BND which is supervised by the top state elected officials, the materials provided relating to this proposal envision that no elected officials would be eligible to serve on the bank board. The Alliance presumption is that the City Council would exert ongoing influence through the charter and board appointment authority, but there is no City oversight function within that framework. The difficulties of starting a new bank need to be squarely faced before investing resources. As the ShoreBank study noted, "ShoreBank differed from traditional banks in both what it did and how it did it. These differences created social value for the community, but they presented challenges because they often came at a financial cost. According to the bank's founders, it took a decade to achieve

[22] Too Good to Fail in Stanford Social Innovation Review. One of the points made in this study relates to the difficulty of finding experienced bankers who are also community-minded enough to want to work in this area. The municipal bank idea is not intended to serve the same clientele as this bank, but the organizational and operational issues that led to its failure are relevant. PDF attached

breakeven for banking operations. On the deposit side, lower deposit minimums—designed to make the bank available to all regardless of socioeconomic level—meant smaller account balances than the industry average. Time and creativity were needed to create a sustainable model for serving these accounts profitably.[23] And a point made clear by the study of the ShoreBank failure, especially for non-banking-professionals, like me, is that if a bank fails, it is taken over by the Fed and its business transferred to another bank to either wind it up, or manage its assets. If that happened to a bank the City had funded, at such a point the City would have not even board appointment or charter influence over it. Whether the City would be at risk of losing it's loan funding due to a lack of FDIC regulation in such an instance could also be an issue.

And finally, another issue which had not even occurred to me previously, relates to a bank failing because it has too much money that has not been loaned out; in other words its reserves were too high, not too low. I found out about this from a recent news article about the City of Chicago placing funds on deposit with the last Black-owned bank in the city as a way to help ensure its continued viability. As it turned out, that bank was unable to actually lend out its funds at a high enough rate to pay the interest it owed to Chicago. It had to return the money because it was going broke paying out higher interest than it was earning.[24]

Alternatives to consider for reducing the City's infrastructure interest costs. I understand a major driver for the City in considering creating a muni bank is to moderate infrastructure costs. But creating a bank is not the only way to go about that. Obviously maintaining the City's current bond rating is a major element in keeping borrowing costs low. Here are some other possible alternative models to explore and perhaps support. One would be advocating for the State to use some of the new federal money coming in to create a fund to help with the costs of local infrastructure. Or the City might consider using some of its own new funding to create an infrastructure support program, or prepay bond interest. The Washington Study mentions that Washington has such a fund to support local infrastructure, so that could be a model to consider. Perhaps the possibility of creating a support foundation such as cities have done with library and parks services to raise private funds for infrastructure could also be an option to explore – maybe a tie to the City's climate goals could bring in foundation support. Another model to consider might be the Washington DC housing production trust fund which is

[23] Ibid at p 3 of the PDF
[24] https://www.propublica.org/article/chicagos-last-black-owned-bank-got-millions-in-government-deposits-then-had-to-give-them-back

a revolving loan fund established to support the building of more affordable housing.[25] Another model might be a program the federal highway agency operated for a few years to support states in creating State Infrastructure Banks (SIBs) for transportation funding, in which Oregon participated.[26] And finally, there is legislation at the federal level that has been introduced to create a National Infrastructure Bank specifically targeted as a resource to fund local public infrastructure. The proposal has been around since 2008, and has been routinely re-introduced, most recently in 2020, although it has not gone anywhere yet. It has a robust capitalization proposal to raise $5 trillion over 10 years through the sale of federal bonds with a slightly higher interest rate than regular T-bonds.[27]

Alternatives to consider for support to local business. I think it would be helpful to have a better sense from the business community that the City intends to help, as to what banking services they need. Defining the community to be helped might be a somewhat complex first step, eg who do you conduct a needs survey with? During the last few pandemic years the City developed partnerships to assist in the disbursement of funds provided through the various Covid legislation. The City could build on those partnerships with community entities in the fields of human services and small business to create more permanent programs of support. The advantage of this model is that it maximizes City resources going to assistance to individual families and businesses, because extra administrative costs for the vetting of eligibility is handled by those other entities. It may be that building on these relationships using a small grant of City seed money could address some of the issues of small business loans, as would have been identified by some sort of outreach efforts, without the need to create a new bank. It turns out that the successor to ShoreBank, Beneficial Bank, has a site in Portland and would perhaps be a resource to the City for this. Likewise, the City might be more proactive in connecting small businesses with business resources such as the small business center at the CCC in Milwaukie, which could assist them in qualifying for regular business loans. And finally, in the course of researching this project I came across reference to an Oregon Treasury program called the Time Certificates of Deposit program, operated by the Oregon Short Term Fund (which includes the LGIP), that makes money available to local lenders for making loans to small businesses. This is an additional resource to support local business that the City could perhaps spearhead with local banks.

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[25] https://dhcd.dc.gov/page/housing-production-trust-fund

[26] https://www.fhwa.dot.gov/ipd/finance/tools_programs/federal_credit_assistance/sibs/

[27] https:/remove /www.nibcoalition.com/ and https://www.congress.gov/bill/116th-congress/house-bill/6422/text

T-Bill Rates												
Date	1 Mo	2 Mo	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	20 Yr	30 Yr
07/02/18	1.9	N/A	1.98	2.14	2.34	2.57	2.65	2.75	2.83	2.87	2.92	2.99

~~BND Infrastructure Revolving Loan Fund~~

This is not a BND chart, but apparently one of their spreadsheets was used as the template

BND assists communities and the state by addressing infrastructure needs with these programs.

https://bnd.nd.gov/infrastructure/bnd-infrastructure-loan-fund/#1443041724362-60032f8e-5d6e

												Bank's Overhead		0.50%	
Milwaukie OR 2018 FFR Bc	--> Where is the $393,527 bond premium? Need to add					Municipal Public Bank Revolving Loan Fu			Rate	3.25%		Bank's Cost of Funds @		2.00%	
Year	Principal	Principal Pmt	Interest Pmt	APY		Year	Principal	Withdrawal	Principal Pmt	Interest Pmt		Cost	Gross Profit	Overhead	Net Profit
2019	$20,970,000	$1,225,000	$770,576	3.67%		2019	$2,500,000	$2,500,000		$81,250		$50,000	$31,250	$12,500	$18,750
2020	$19,745,000	$1,230,000	$766,832	3.66%		2020	$5,000,000	$2,500,000	$0	$162,500		$100,000	$62,500	$25,000	$37,500
2021	$18,515,000	$1,290,000	$705,332	3.57%		2021	$10,000,000	$5,000,000	$0	$325,000		$200,000	$125,000	$50,000	$75,000
2022	$17,225,000	$0	$640,832	3.46%		2022	$15,000,000	$5,000,000	$0	$487,500		$300,000	$187,500	$75,000	$112,500
2023	$17,225,000	$0	$640,832	3.72%		2023	$17,225,000	$2,225,000	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2024	$17,225,000	$0	$640,832	3.72%		2024	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2025	$17,225,000	$0	$640,832	3.72%		2025	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2026	$17,225,000	$0	$640,832	3.72%		2026	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2027	$17,225,000	$0	$640,832	3.72%		2027	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2028	$17,225,000	$0	$640,832	3.72%		2028	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2029	$17,225,000	$0	$640,832	3.72%		2029	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2030	$17,225,000	$0	$640,832	3.72%		2030	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2031	$17,225,000	$0	$640,832	3.72%		2031	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2032	$17,225,000	$0	$640,832	3.72%		2032	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2033	$17,225,000	$0	$640,832	3.72%		2033	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2034	$17,225,000	$0	$640,832	3.72%		2034	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2035	$17,225,000	$0	$640,832	3.72%		2035	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2036	$17,225,000	$0	$640,832	3.72%		2036	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2037	$17,225,000	$0	$640,832	3.72%		2037	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2038	$17,225,000	$0	$640,832	3.72%		2038	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2039	$17,225,000	$0	$640,832	3.72%		2039	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2040	$17,225,000	$0	$640,832	3.72%		2040	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2041	$17,225,000	$0	$640,832	3.72%		2041	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2042	$17,225,000	$0	$640,832	3.72%		2042	$17,225,000	$0	$0	$559,813		$344,500	$215,313	$86,125	$129,188
2043	$17,225,000	$2,625,000	$640,832	3.72%		2043	$14,600,000	$0	$2,625,000	$474,500		$292,000	$182,500	$73,000	$109,500
2044	$14,600,000	$2,715,000	$640,832	3.72%		2044	$11,885,000	$0	$2,715,000	$386,263		$237,700	$148,563	$59,425	$89,138
2045	$11,885,000	$2,810,000	$548,956	3.76%		2045	$9,075,000	$0	$2,810,000	$294,938		$181,500	$113,438	$45,375	$68,063
2046	$9,075,000	$2,915,000	$435,932	3.67%		2046	$6,160,000	$0	$2,915,000	$200,200		$123,200	$77,000	$30,800	$46,200
2047	$6,160,000	$3,020,000	$352,068	3.88%		2047	$3,140,000	$0	$3,020,000	$102,050		$62,800	$39,250	$15,700	$23,550
2048	$3,140,000	$3,140,000	$246,400	4.00%		2048	$0	$0	$3,140,000	$0		$0	$0	$0	$0
	$0	$20,970,000	$\boxed{\$18,565,232}$ ← total interest					$17,225,000	$17,225,000	$13,710,450 ← total interest					
									$\boxed{\text{Savings to City}}$	$\boxed{\$4,854,782}$		Bank Profit	$5,273,250		$3,163,950 ← net

This is a current Milwaukie bond

This is a projected bank loan instead of the actual muni bond

This is what the bank makes on the loan

The Office of the State Treasurer's

STUDY OF THE STUDIES:

A comprehensive review of state, municipal, city, and public banking

A REPORT FROM
WASHINGTON STATE TREASURER
DUANE A. DAVIDSON

The Office of the State Treasurer (OST) is the bank for Washington state government. It is responsible for the safety and security of the state's money, now and into the future.

As a fiduciary steward of taxpayer dollars, OST also has several key roles in managing Washington's finances:

- The office manages cash flow of all major state accounts with deposits, withdrawals and transfers – more than $246 billion in Fiscal Year 2017.
- It allocates the state's operating cash to investments that bear interest but remain available for withdrawal, as needed; and it grows the short-term surplus operating cash of cities, school districts, counties and other taxing bodies through its Local Government Investment Pool.
- OST keeps careful accounts of all transactions, using the Agency Financial Reporting System (AFRS) and the custom-developed Treasury Management System (TM$).
- The Treasurer issues and manages the state's debt. State debt is issued via bond sales to finance some of the state's major capital and transportation projects; and through certificates of participation to finance real estate and equipment for state agencies and local governments. The Treasurer also manages the School Bond Guarantee Program which assures voter-approved bonds issued by school districts.
- To foster transparency and comply with legislative requirements for all state agencies and offices, OST inventories its activities, provides updates on its budgeted operating expenditures, and issues summary financial reports for the current two-year state budget period.

Study of the Studies:

A comprehensive review of state, municipal, city, and public banking

Treasurer Duane A. Davidson

Contents:

DUANE A. DAVIDSON
State Treasurer

State of Washington
Office of the State Treasurer

October 30, 2018

In recent years, we have heard discussions around the idea of a state bank, including hearing from various working groups formed by the Legislature to address the concept. This year, the Legislature funded a study, providing $480,000 to hire consultants to develop a proposal for the creation of a public cooperative bank.

During the legislative session last year, I made a commitment that my office would conduct a thorough review of all the previous studies completed by other states and municipalities on this topic. Each of these studies were completed over a great deal of time and at a great public expense. This summer I assigned my staff, who are banking and finance experts, to analyze these studies and first determine why these other governmental entities wanted to create a public bank; and second, discover why it was not pursued. Our "study of the studies" focuses on the data and conclusions from each study completed around the country, and examines some examples of existing public banking institutions.

Within this report are both a strong series of empirical facts and detailed findings taken from the observations, as well as decisions local municipalities and state governments made based on their own studies. It is preceded by a presentation summarizing the findings which includes relevant talking points on each section.

Similarly to many of the conclusions within, I firmly support building upon Washington's existing structure of banking and do not support public banking because of the higher risk and lower return on investment compared to the current private banking system. I take my fiduciary responsibilities seriously serving on the Board of the public employee retirement accounts. Also, as guardian of Washington's local government investment funds and Rainy Day Fund, I have a deep-rooted interest in doing the right thing by protecting Washingtonians' finances. Using any of these resources to capitalize a bank would be reckless. The evidence from this and other municipalities' studies has established there is too much taxpayer risk, and not nearly enough proven benefit from the formation of a state bank.

My hope is in the future we can put an end to studying this idea and focus efforts to revitalizing the Public Works Assistance Account, a program currently underfunded but with a rich history of success financing infrastructure for local governments.

I want to thank the OST staff members who devoted their time to this study of studies. I feel it is important to consider this issue from an objective standpoint, which is why the team that took on this project did so with the ultimate goal of ensuring their comprehensive review accurately reflects the findings from each study.

Sincerely,

Duane A. Davidson

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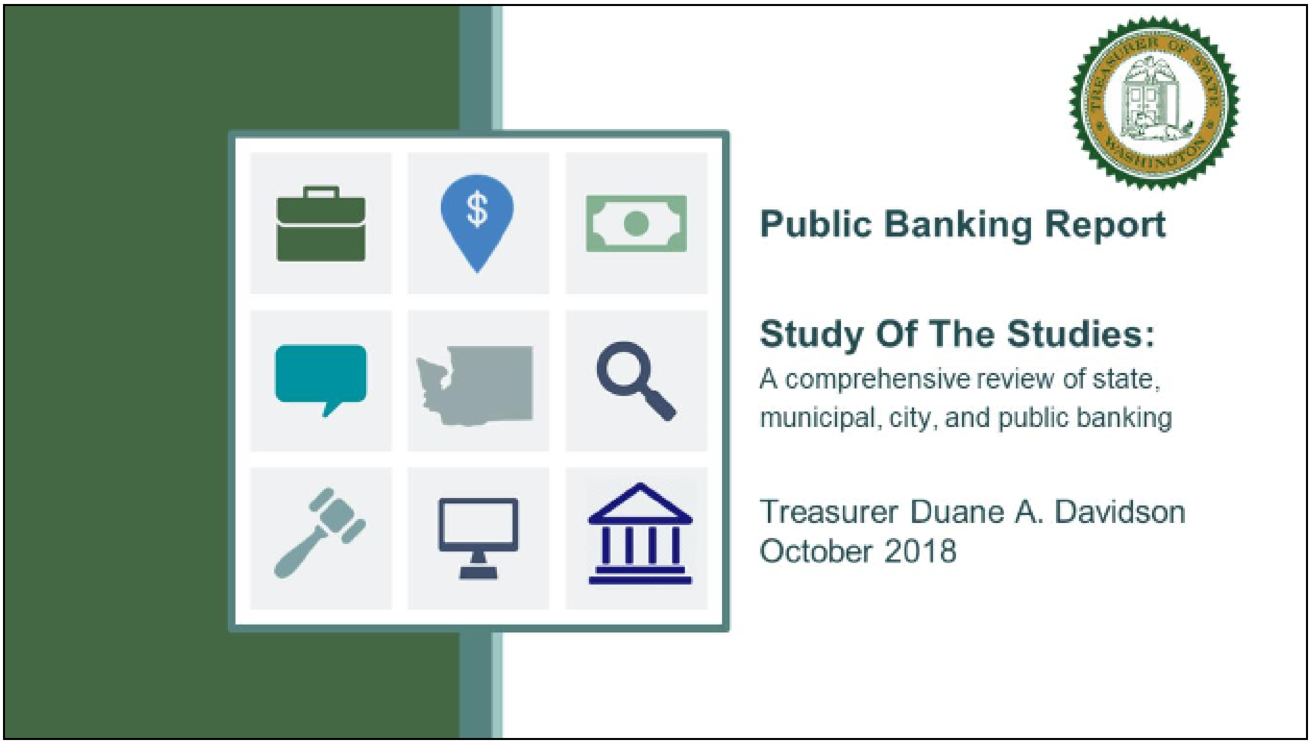


This presentation includes talking points from the Office of the State Treasurer based on studies that researched public banking.

Talking points:

A state, municipal, or public bank is a financial institution owned or affiliated with a state, city or public entity.

Not many state banks exist today for a number of reasons. Here are some examples:

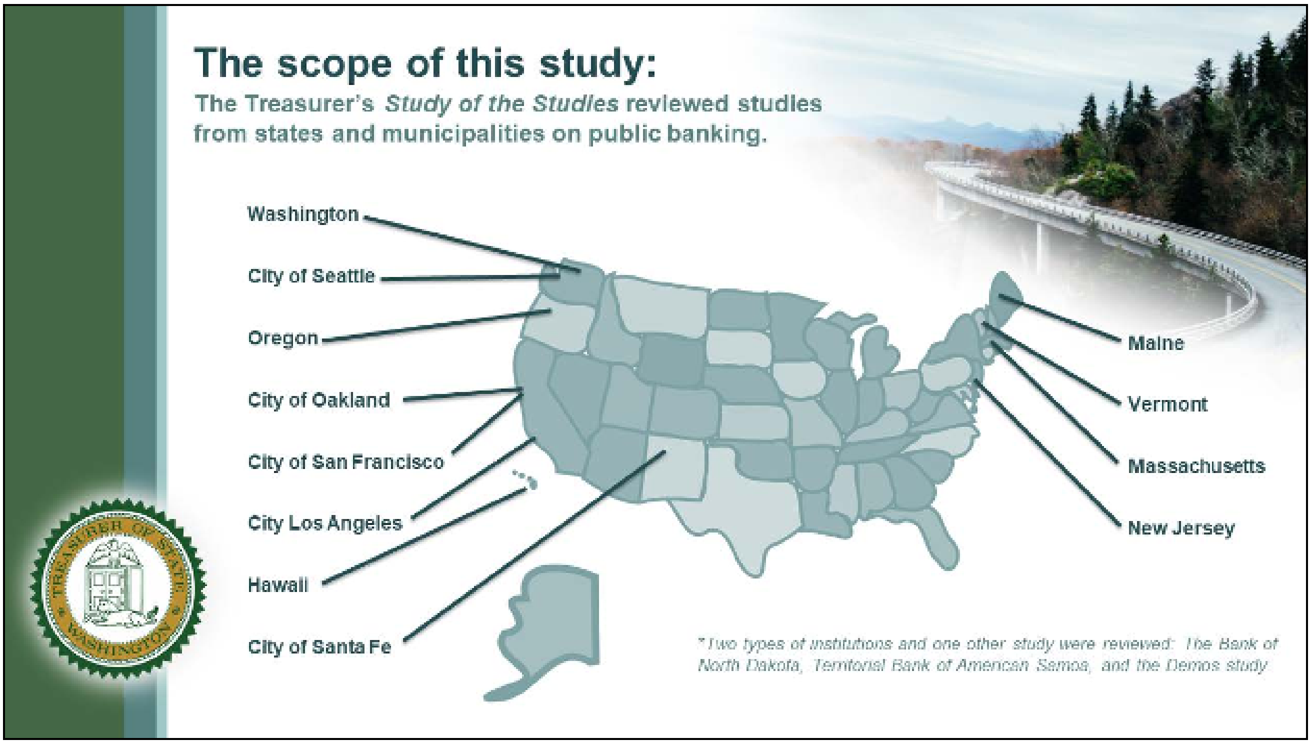
- Bank of North Dakota – Established in 1919, and operates with one office in Bismarck, North Dakota. It was originally established to help area farmers have access to banks when private banks were too few in the area.

- Puerto Rico Development Bank (FAILED) – It was established 1942 and liquidated in the Summer of 2017.

- Delaware Farm Bank - The state owned 49 percent of the bank from 1800s to 1975. In 1976, the state increased ownership to 80 percent. On verge of failure in 1981, it was purchased by a private Pennsylvania Bank.

- American Samoa - This unincorporated territory of the United States has a state bank that opened its doors in 2016.

END NOTE: Only two of these public banks still exist today.



Talking points:

After the 2018 legislative session, the Treasurer's Office reviewed and summarized all of the most current studies states and municipalities completed regarding public banking.

- The studies varied in their methodology and the depth of their research.

- They ranged from large task forces lasting months, to conversation starters.

- This presentation is a look at the findings of the studies and provides some Washington specific information based on what the other studies found.

The cities and states that produced studies were all quite different in their economic make up, but shared some common elements and interests.

***Demos is a non-partisan public policy research and advocacy organization headquartered in New York City.**

Talking points:

When we began this project, we reviewed the Federal Deposit Insurance Commission Pamphlet on the elements of starting a community bank.

Drawing out standards from that document and summarizing what each study said about each element.

The eight elements we looked for from each entity were:

1. Purpose, products, market or service that the potential public bank might provide.
2. Constitutional, legal or regulatory processes to consider.
3. The overall financial risk involved.
4. Estimated capital required to start a new banking system.
5. Organizational and associated costs.
6. FDIC insurance or full faith and credit of the state.
7. Necessary staffing needed to accommodate the state and the corporate governance structure.
8. Internet technology and cyber security needed to support the system.

In our review, we also highlight some of the unique information from each study.

Talking points:

Public entities had many different reasons for studying the issue; however, some common themes emerged as to why they looked into public banking:

- Gain greater access to credit or capital.
- Help fund state government with bank profits.
- Stabilize the state/city economy during economic downturns.
- Provide a stable source of infrastructure funding and economic development.
- Provide better banking services for public entities at fair prices.
- Fill in the gaps where there are not current financial services.
- To set up participation loan programs and increase the lending capacity of their own community banks.
- Provide cannabis banking options.

The studies detailed why they considered state banking, but no study showed the exact market failure where a state bank could fill a need.

Numerous studies indicate the market, need, or business plan is not identifiable.

Most of the studies described "possible gaps" that a state bank could fill, however none of them conclusively provided a business plan or complete market analysis which would answer the question: "What is lacking and how would the state bank or city bank conclusively fill the gap?"

END NOTE: In the end, no new state banking system was adopted based on the studies.

Talking points:

Almost all of the studies state that a goal of a public bank would be to boost economic development, lower the cost of infrastructure financing, and create jobs.

Several cities and states indicated that they started their studies on state banking because they were looking for additional economic opportunity.

- San Francisco's goal for their public bank would be to provide lower cost funding for acquiring existing properties, according to their study which is not yet complete.
- City of Santa Fe wanted to reduce their borrowing cost by eliminating the practice of financing infrastructure projects through costly bond issues.
- The *Demos Study* talks of lowering the cost of local government infrastructure through less costly bond financing.
- Vermont's paper indicated they considered combining their many financing agencies, all with their own debt loads, to create economies of scale.

END NOTE: Washington currently has successful programs working to achieve infrastructure financing goals and support economic development.

Talking points:

The state has a variety of competitive programs designed to ensure agencies benefit from economies of scale and the state's low tax-exempt financing rates.

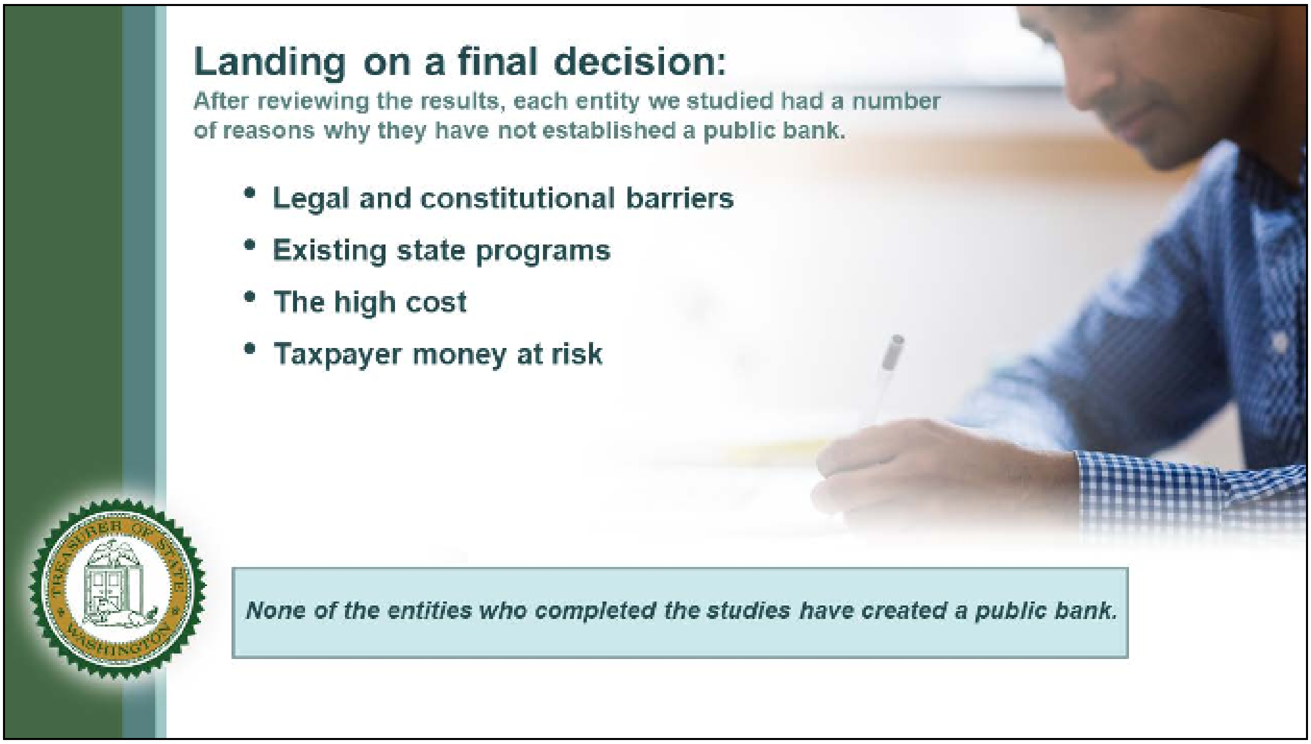
- The Office of the State Treasurer (OST) operates two Certificates of Participation (COP) programs: the LOCAL Program and State Lease/Purchase Program. Both programs provide Washington Local Governments and State agencies with financing opportunity for essential real estate and equipment purchases.

- The Public Works Assistance Account has several programs to help cities, counties, special purpose districts and municipal organizations. However, my office believes that we can improve the Public Works Trust fund by fully funding it, and restoring it to its previous state. These programs include:
    - Emergency Loan Program
    - Pre-Construction Loan Program
    - Construction Loan Program

- Collateral Support Program: This program by the Washington Dept. of Commerce provides small businesses with collateral support for short term bridge loans.

In previous years our state's Public Works Assistance Account (PWAA) met needs brought on by population growth and business expansion. The PWAA is experiencing reduced resources and repayments have been swept by the Legislature in recent years. OST is working on a central repository of information for infrastructure programs in the state.

END NOTE: We should safeguard and fully fund our current public works programs.



Talking points:

As a result of these studies, no entity or government has gone forward with public banking due to results that showed:

- There are large legal and constitutional barriers that would have to be addressed.
- There are already many state programs in place that fulfill the goals of a public bank.
- Creating a public bank is too expensive – associated costs are far too high.
- The risks to state, city and taxpayer money are simply too great.

Cities and states concluded they would need to complete much more research on what market niche a public bank would fill and how it would be implemented.

END NOTE: None of the entities who completed the studies have created a public bank.

Talking points:

An enormous challenge would be keeping a public bank free of political influence.

- The Santa Fe study finds federal law may limit inter-bank lending, stating that if one of the reasons for the bank is to allow lending to the city itself then federal law may limit that activity.

- The Massachusetts study concludes that state bank management will have to be insulated from political interference and risky lending.

- Many of the studies find a high likelihood for favoritism.

Concern about political influence:

- Santa Fe mentions if one of the reasons for the bank is to allow lending to the city itself then federal law may limit that activity — specifically laws that apply to inter-bank lending between employees, owners, and the like. It also mentions that in the FDIC's statement of Policy for Applications for Deposit Insurance, the FDIC expresses its concern about institutions owned by domestic governmental units being controlled by the political process. Lastly, the FDIC notes that these institutions raise very special concerns relating to management stability. None of the existing public banks have FDIC insurance.

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- According to the study, the public sector finds it too risky to undertake an alternative mission of state banking to fund loans and investments that serve a social purpose. The study concludes that state bank management will have to be insulated from political interference and risky lending.

Studies highlight a concern about the political arm reaching in:

- The Massachusetts study states that an alternative mission to a state bank might be to fund loans and investments that serve a social purpose, but that the private sector finds too risky to undertake. Thus, the study concludes that any state bank would require excellent management, and that this management would have to be insulted from political interference and risky lending.

- Vermont notes that any state bank enacted would need conservative management and limited outside influences.

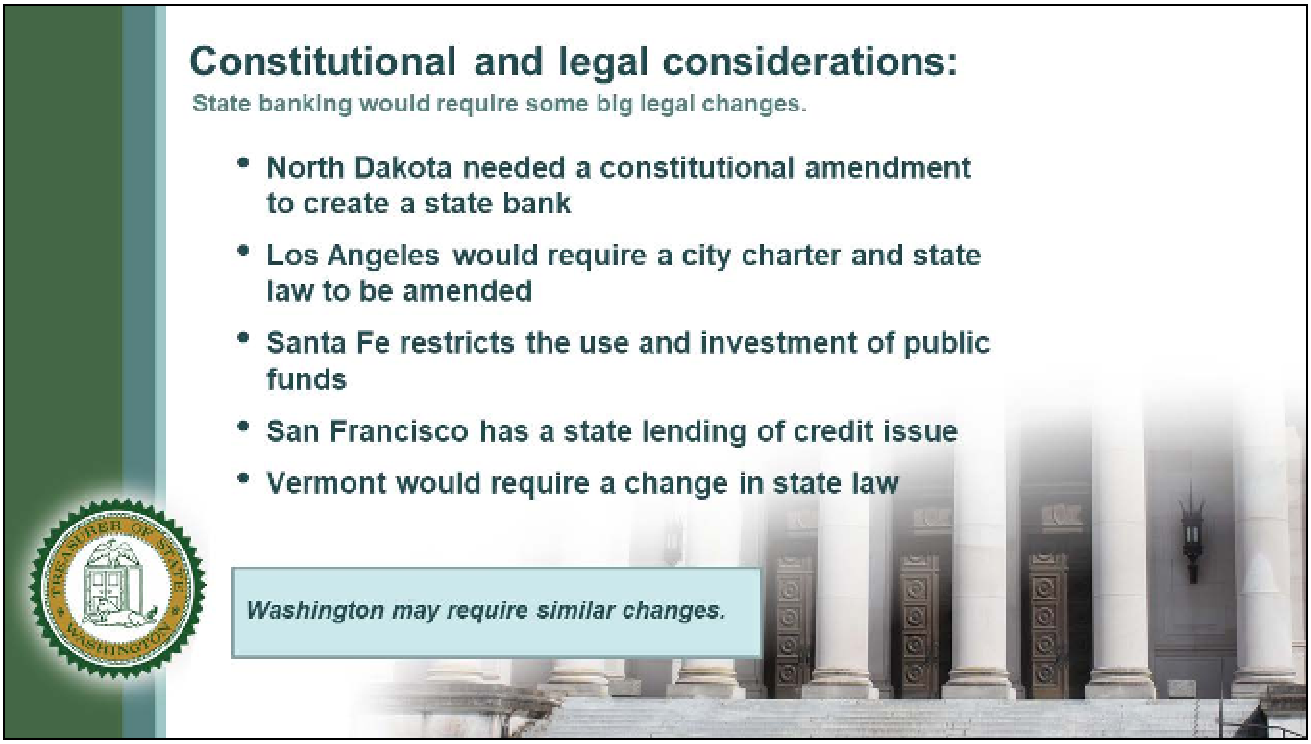
Studies that show a high likelihood for favoritism:

- American Samoa had to work for many years to obtain a routing number because the Federal Reserve would not grant one as the bank may be subject to political influences. It was hard to separate the decisions and operations of the bank from the political process. The Territorial Bank of American Samoa had to establish a relationship with a correspondent bank to obtain the routing number required for ACH transactions.

- The City of Santa Fe study cites federal laws that prohibit self dealing in banking between owners, directors, managers, and employees of banks.

Favoritism can lead to poor management and bad decisions.

END NOTE: In the end, if it fails, lawmakers may end up paying bailouts with taxpayer money.



Talking points:

There are many constitutional and legal considerations to think about because Washington has a constitutional provision that prohibits lending and gifting to private entities.

Some legal hurdles we found that other city/states had to face included:

- In 1919, when the Bank of North Dakota began, there was a constitutional amendment that provided for the bank.

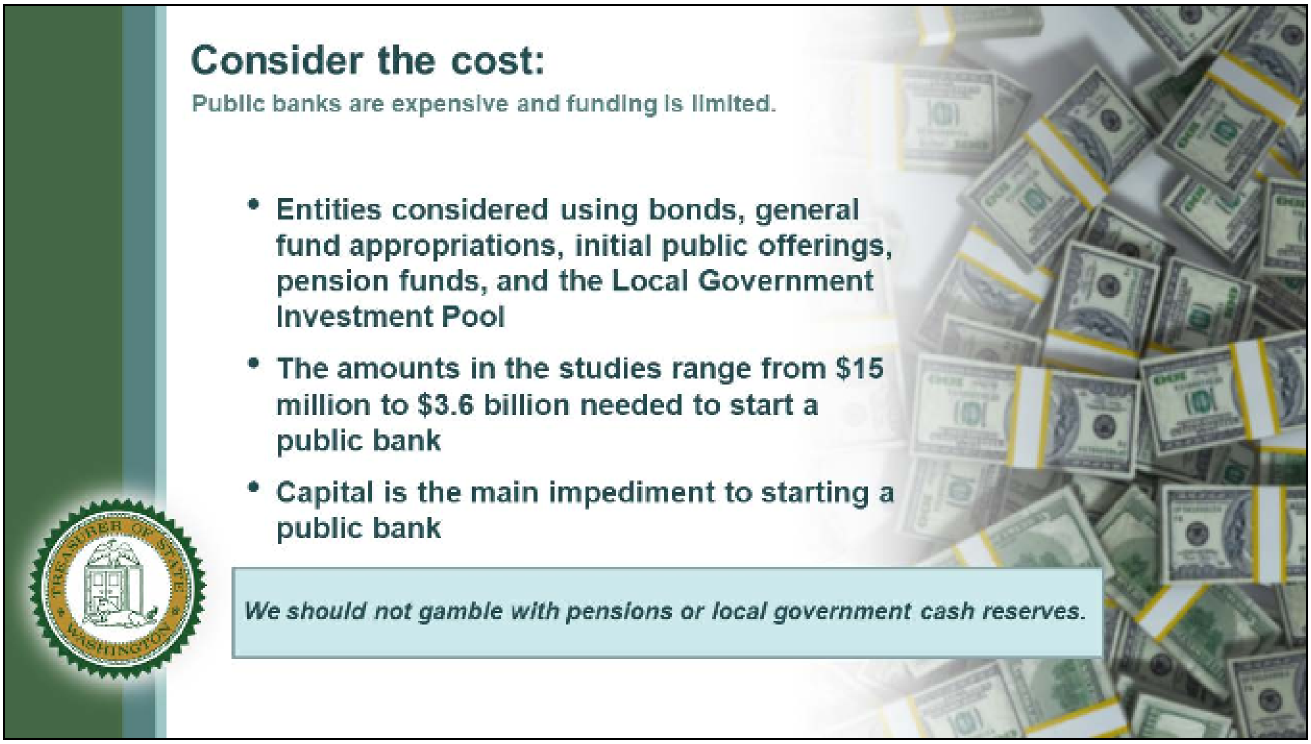
- In Los Angeles, the city charter and state law would have to be amended to allow for a public bank.

- Santa Fe has restrictions on the use and investment of public funds in New Mexico.

- San Francisco identified the illegality of the state lending to private entities, leaving the city with a lending of credit issue.

- Vermont would need to see changes in state law around the lending of credit.

END NOTE: In Washington, we may require similar changes.



Talking points:

Most studies concluded that there is currently no money to start a public bank, and that there needs to be a significant investment to start this enterprise.

- The studies show entities considered different funding sources to start a state bank. They looked at using bonds, general fund appropriations, initial public offerings, pension funds, and the Local Government Investment Pool.

- Estimated costs of what would be needed to start a state bank range from a very small public bank of $15 million to a large institution of $3.6 billion.

- Most studies indicate that capital is the main impediment to starting a public bank.

Examples of high costs found in the studies:

- The State of Oregon study and the State of Washington study completed by The Center for Innovation state that a state bank would need $100 to $300 million. Sources include bonds, general fund revenue, bank stock IPO, and the state's pension funds.

- While American Samoa is not a study, but a public bank example, it capitalized with a ten million taxable bond offering, $3.5 million appropriation, and now has $13 million in capital, which is a very small financial institution.

(Continued from previous page)

- The Bank of North Dakota was capitalized with $2 million in 1919, which is $30 million in today's dollars.

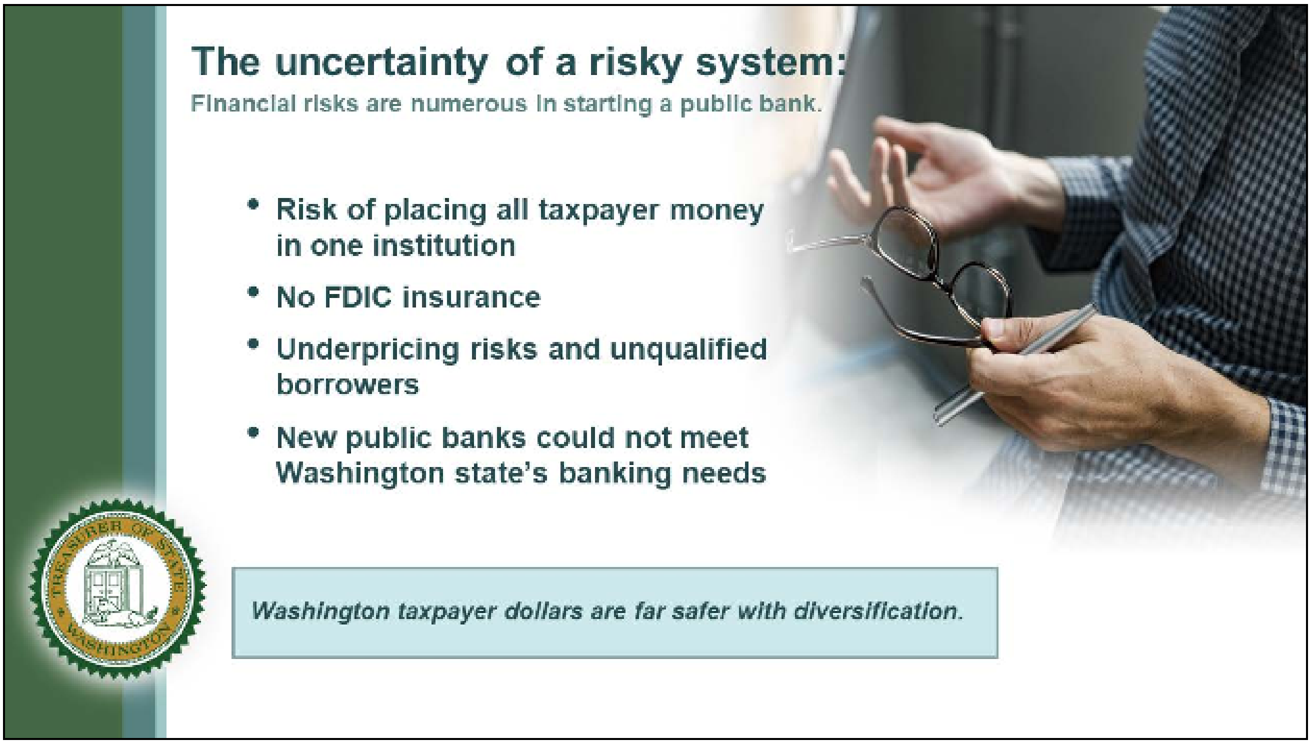
- The City of Santa Fe estimated that they needed $110 million to start the bank.

- Massachusetts says that it would cost $3.6 billion to start the public bank. This is 21% of the state's outstanding debt.

- San Francisco estimates approximately $15 to $50 million would be needed based on bay area community bank capitalization: $1 million in regulatory startup costs, $10 to $30 million for capital, $500,000 to $1 million in IT and Data systems, and 15 employees with salaries totaling about $2 million per year.

None of the studies provide a definitive business plan for this funding. Finding funding for a state bank in Washington would likely require a look at using pensions or local government cash reserves for funding, putting all that money at risk.

END NOTE: We should not gamble with pensions or local government cash reserves.



Talking points:

Financial risks are far too great.

With so much uncertainty and the potential to lose taxpayer money, public banking is not worth the risk.

Some of the biggest risks identified in the studies are:

- The risk of placing all taxpayer money in one institution, with no banking partnerships to share the risk.

- With no FDIC insurance, there is a serious risk of insolvency for the state and the possibility of a required tax payer bailout.

- A public bank could underprice risks, leading to risky loans to unqualified borrowers who may default on their loans.

- A newer bank would not have the sophistication, capacity, or volume of money to meet a state's banking needs.

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The studies identified the potential for risk:

- Los Angeles: Their study finds the current system spreads risk among banking partners, and one state bank would consolidate all risk in the city, putting taxpayer money at risk.

- Maine: This study indicates there would be a loss of interest income from moving all state deposits from higher yielding demand deposits, and lost tax revenue from moving funds into a nontaxable financial institution.

- The City of Santa Fe: Their study suggests it would be a long process to obtain regulatory permission for a state bank, and listed many reasons for concern. There would need to be an assessment of public bank integrity on multiple factors including: political influences in lending decisions, self-dealings, and corruption considerations. Careful considerations of investment and lending authority would have to be taken as to avoid risks of insolvency and private banks and credit unions from competition. The study finds that there should be limits considered on loans to one borrower. Government run banks could also underprice risk, and this could mean politically involved lending which could place the bank in peril.

- Massachusetts: The Massachusetts Treasury needs a large amount of services for its office. The Treasurer's duty, to keep deposits secure and provide an adequate rate of return, cannot be met by a start up bank: \$40 billion in cash flow, \$20 billion in bonds, and another \$9 million in municipal depository trust. The study shows a smaller state bank could not meet the needs of the state.

- Vermont: The study finds that there would be lost tax revenue, liquidity demands, and possible downgrading of Vermont's bond rating if they started a public bank.

END NOTE: Washington's system adds security and avoids potentially catastrophic loss through diversification.

Talking points:

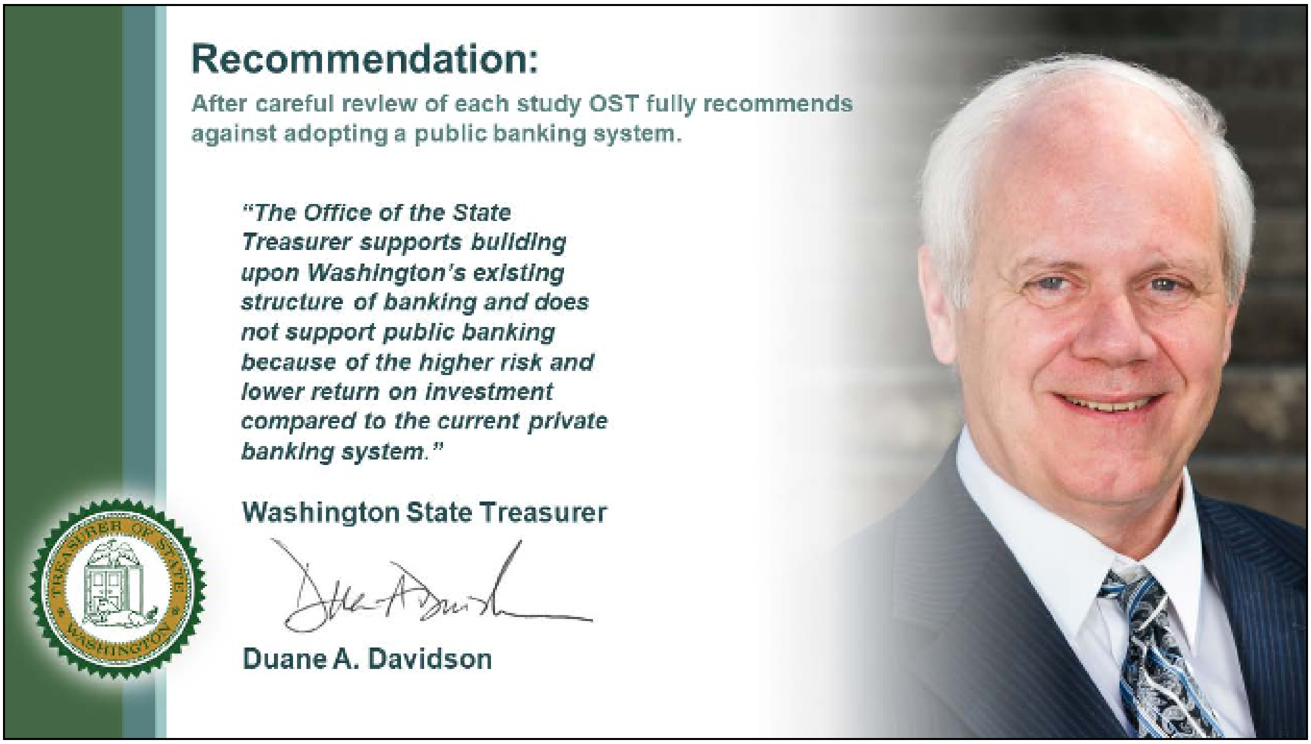
Washington has a better standard for managing and protecting taxpayer dollars.

- Safely investing tax dollars, which reduces risk and avoids the potential for collapse with diversification.
- We keep fees low, paying a little under a penny per transaction ($.0087 to be exact). The national survey of banking prices indicates we could have paid as high as 13 cents per transaction.
- Today the Local Government Investment Pool investments are approximately $14 billion, and has distributed back to local governments over $500 million in earnings at an average of .5267% over the last decade.
- Washington continually exceeds the federal funds rate.

How North Dakota compares to Washington investment practices:

- The North Dakota State Treasurer's Office does not invest the state's tax dollars. They are required to deposit cash in the Bank of North Dakota, and in 2017 had $2.5 billion deposited, earning .05%.
- In comparison, the Washington State Treasurer manages the state's reserves of approximately $7 billion, and over the last decade distributed $600 million in earnings at the average rate of 1.45%. That's twice what the Bank of North Dakota shared in profits with the State of North Dakota over the same time period.
- Washington investments are in safe government investments, and have been managed under strict standards while at the same time providing a reliable return to the state.

END NOTE: In the end, Washington safely grows tax payer dollars and sees a good reliable return on investment.



Talking points:

After careful review of each study, OST fully recommends against adopting a public banking system.

"The Office of the State Treasurer supports building upon Washington's existing structure of banking and does not support public banking because of the higher risk and lower return on investment compared to the current private banking system."

- *Washington State Treasurer Duane A. Davidson*

Study of the Studies

A comprehensive review of state, municipal, city, and public banking

Treasurer Duane A. Davidson

Office of the State Treasurer

October 30, 2018

Municipal Bank of Los Angeles, February 2018

Purpose / Products / Services

- Decrease city dependence on commercial banking services.
- Reduce costs associated with commercial banking services.
- Ensure equitable access to banking services for all city residents and businesses, including cannabis.
- Generate new revenues for the General Fund.
- Provide small business loans, job training loans, and student loans.
- Reduce costs associated with bond issuances.
- Ensure that city funds support the development of economic and housing opportunity in the city.

Constitution and Legal/Regulatory

- Changes to federal and state law are required to form the Municipal Bank of Los Angeles (MBLA).
- The City Charter would need to be amended to form the Municipal Bank of Los Angeles which is on the ballot November 6, 2018.

Risk Assessment

- Los Angeles requires banking services similar to those of a multi-national corporation. With an approximately $11 billion portfolio, millions of transactions, hundreds of accounts, and contracts for services with dozens of banks, the city has developed a system that ensures a careful management of its financial resources and spreads risk among its banking partnerships. Consolidation and transfer of these banking services into MBLA, or any single institution could increase risk to the city's financial health.

Capital Considerations

- No source of funds to capitalize the MBLA is available.

Organizational Costs

- Start-up costs for the MBLA are exorbitant with no available source of funds to cover those costs.

Deposit Insurance—Federal Reserve/FDIC

- The MBLA would have difficulty qualifying for insurance to protect depositors.

Other studies considered within

- A thorough review of other studies from cities and states was done and reported that all concluded that the challenges were too great.
- Several bank models were studied. Those include:
    1. Chartered Commercial Bank or Credit Union: The California Department of Business Oversight (DBO) would need to grant a special exemption in order to operate a financial institution. They are the sole authority for chartering a private sector bank. The DBO requires FDIC approval as well. All banks must obtain FDIC insurance according to State law.
    2. Tribal Banking: The United States Treasury Department's Office of the Comptroller of the Currency licenses federally recognized Native American tribes that want to explore entry into the national banking system.
    3. Community Development Financial Bank (CDFI): CDFI's are FDIC insured banks that have a primary mission of promoting community development. CDFI's may be banks, credit unions, loan funds, microloan funds or venture capitalist providers. They are different from traditional banks because they target low and moderate-income markets and work in urban and rural communities with access to credit that are often underserved by the traditional banking industry.
    4. Bankers' Banks: These are owned by their member institutions and provide traditional and nontraditional banking services for their members. They do not take deposits from or make loans to the general public, unaffiliated corporations or government.
    5. Infrastructure Bank: California Infrastructure and Economic Development Bank (IBank) was created in 1994 within the Governor's office. The IBank has broad authority to issue tax exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities and leverage state and federal funds. IBank is not actually a bank, but rather a pass through finance agency. It is not chartered or insured.
    6. Public Benefit Corporation (PBC): Established in 2012, it is a corporation organized under General Corporation Laws section 14600 that has a strong social and environments mission, and must operate consistent with that mission. The material positive impact must be demonstrated against a third party standard. The Department of Business Oversight would need to provide an exemption because PBCs are not explicitly allowed to receive deposits. Only chartered banks and credit unions are permitted to receive deposits under California law.

7. Export-Import Bank of the United States: As with IBank, Export-Import Bank is not an actual bank, but rather a finance agency.
8. Los Angeles Community Development Bank (LACDB): It was created in 1995 and charged with making loans to businesses located within the federally designated Empowerment Zone. It was not a bank but rather a finance agency. The structure of the organization, however, hindered the LACDB's ability to make loans. Due to the range of difficulties associated with its programs, the LACDB dissolved in 2004 and filed for bankruptcy.

Staffing/Corporate Governance

- The study did not mention this topic.

IT Cyber Security

- The study did not mention this topic.

Other Obstacles

- City funds could not be deposited in the MBLA for at least three years. California law requires that City funds be deposited into a chartered and federally rated financial institution that has been in operation for three years.
- The MBLA would have difficulty providing adequate collateral to support city-banking requirements.
- It is anticipated that formation of a public bank will take several years.

Final Result

- The commercial bank and credit union models require compliance with state and federal regulations that would constrain formation and operation of a public bank. A Community Development Financial Institution may be an option to perform the functions of a public bank because of their ability to accept deposits and stated function of promoting economic development in underserved communities, but they may have difficulty meeting requirements related to banking services such as access to adequate capital, collateral, insurance, and other resources that provide customers with protection from risk. A CDFI would not be able to provide banking services to the city under existing circumstances.
- If the council wishes to continue to explore formation of MBLA, the Chief Legislative Analyst recommends that a consultant be retained with experience in the complexities of state and federal banking laws. The city attorney recommends that legal counsel with this specialized experience be retained as well.
- In a unanimous vote, council members on June 26, 2018, gave the go-ahead to begin the process of adding a measure on the November 2018 ballot that would amend city charter in order to create a city-owned bank. The city's code currently prohibits it from entering into a "purely commercial venture," unless it is approved by voters.

San Francisco, Ongoing 2018

The study timeline was extended and the final report is due 11/1/2018. The summary below is based on reports to the council.

Purpose / Products / Services

- Five policy objectives in order of importance:
  - Affordable housing
    - Goal: Provide or facilitate lower-cost funding for housing development and rehabilitation; Provide or facilitate lower-cost funding for non-housing infrastructure projects.
    - Lines of business:
      - ADU financing ($200-250k, 20-yr loans)
      - Small sites acquisition ($9mm loans for 30 units, current rates are 5.5-5%, would like 304% for 10-15 years)
      - Mezzanine financing ($3-5mm loan for workforce housing, 3-7% rates for 2-3 year term)
  - Small Business Lending
    - Goal: Provide or facilitate loans for small businesses, particularly those run by individuals from traditionally marginalized groups, such as communities of color, documented and undocumented immigrant communities, and low-income communities.
    - Lines of business:
      - General Contractors
      - New Businesses
      - Letters of credit
  - Infrastructure
    - Goal: Provide or facilitate lower-cost funding for acquiring existing properties.
    - Lines of business:
      - 15-20 year loans for investments
      - Purchase SF muni bonds
  - Un- and Underbanked
    - Goal: Provide or facilitate access to non-predatory banking services and products, particularly for marginalized communities, such as communities of color, documented and undocumented immigrant communities, and low-income communities; Provide or facilitate alternatives to predatory products and services, such as payday loans; Provide or facilitate products and services that will assist in community wealth building.
    - Lines of business:
      - Payday Alternatives
      - Refinance high-cost debt

- Cannabis Banking
    - Goals: Provide or facilitate payments solution for cannabis businesses; Provide or facilitate location for deposits for cannabis businesses; Provide or facilitate loans for cannabis businesses.
    - Lines of Business:
        - Deposits
        - Payments
        - Lending

Constitution and Legal/Regulatory

- Changes to State law would be required (lending of credit issue).

Risk Assessment

- The study has not mentioned this thus far.

Capital Considerations

- Potentially \$10-30M (based on Bay Area community banks, which seems to be the preferred model).
- Funds would likely have to come from appropriation of government funds (\$10b budget), voter approved bonds, or solicitation of philanthropy.
- Fifty percent of budget is self-sustaining/enterprise, fifty percent is General Fund.
- Of the General Funds, \$2.8 billion is non-discretionary leaving \$2.2 billion in government funds available to fund the bank, as well as San Francisco's, other General Fund programs.

Organizational Costs

- Estimated \$15-50 million in start-up costs.
- Estimated Startup costs include:
    - \$1 million in regulatory start-up costs (accounting & legal fees).
    - \$10 to \$30 million in capital (depending on scale goal).
    - \$500,000 to \$1 million for IT and data systems.
    - One-time renovations (vault, teller stations) and ongoing security.
    - Agreements with 3rd party contractors.

Deposit Insurance—Federal Reserve/FDIC

- Very brief discussion of internally insuring, or utilizing private banks for some function for FDIC access.

Other studies considered within

- The study did not mention this topic.

Staffing/Corporate Governance

- 15+ employees w/ total salary of about $2 million per year.
- Must have an independent board of directors with banking knowledge and be insulated from political process.
    - FDIC will evaluate insurance for public banks due to "ultimate control by political process" and "unique supervisory concerns".

IT Cyber Security

- The study did not mention this topic.

Other Obstacles

- The study did not mention this topic.

Final Result

- The final report is due on November 1, 2018.

City of Santa Fe, January 2016

Purpose / Products / Services

- Improvement in the city's liquidity management.
- Improvement in the city's investment performance.
- Improvement in the administration of the city's capital financing.
- Encourage and broaden use of crowdfunding techniques which may help the sourcing and funding of smaller loans. The City may even use such a technique to fund smaller City-sponsored capital improvement projects, as an alternative to raising taxes or using limited bond proceeds.
- As and when loan demand increases, participate upon request (and approval) in up to 50% of loans underwritten by the banks that qualify under a local economic development plan.

Profits, Infrastructure Financing, Student loans — see above

- There could be financial benefit to the city if a charted public bank were implemented.
- Potential reduction of the city's borrowing costs by eliminating the financing of infrastructure projects through costly bond issues.
- Participate in financially sound loans that promote public welfare.

Constitution and Legal/Regulatory

- Must be determined if existing legal authority applicable to the city's use and investment of its own funds would allow the use of those funds to capitalize the public bank. There are restrictions on the use and investment of public funds in New Mexico law.
- Article X, Section 6 of the New Mexico Constitution could prohibit the use of city funds to fund a public bank.
- The establishment of a government owned "Bank" in the State of New Mexico appears to be a direct violation of the terms of the Anti-Donation Clause of the New Mexico Constitution, Article IX, Sect. 14.

Risk Assessment

- It would take substantial resources to prepare an approvable application to at least three different state and federal regulators to establish the public bank.

- Rules against self-dealing – One concern with a public bank is the integrity, political influence in lending decisions, self-dealing, and similar potential for corruption:

  - If one of the purposes is to allow lending to the city, federal law may limit that activity; specifically affiliate rules that apply to inter-bank lending. It is not clear how 12 U.S.C. § 371(c) and 12 C.F.R. § 225.4(a)(1) would apply to a publically owned bank.

  - Numerous federal statutes under both the banking and criminal codes prohibit self-dealing for owners, directors, managers, and employees of banks. See,e.g., 12 U.S.C. § 376, 18 U.S.C. § 215.

Capital Considerations

- The City has an inadequate source of unrestricted cash from which it can source equity for a bank. They estimate it would cost $110 million in capital, just to open its doors.

- Alternative sources of equity can also be considered, such as charitable fund (PRIs), bond issue from public entity, or mini-bond funded by citizens.

Organizational Costs

- The city has an inadequate source of unrestricted cash from which it can source equity for a bank.

Deposit Insurance—Federal Reserve/FDIC

- In the FDIC's Statement of Policy for Applications for Deposit Insurance, the FDIC expresses its concern about institutions owned by domestic governmental units being controlled by the political process. Additionally, the FDIC notes, the institutions could raise special concerns relating to management stability, and the New Mexico Regulation and Licensing Department's ability and willingness to raise capital. While not a definitive rejection of granting deposit insurance, the FDIC makes clear their concerns.

Other studies considered within

- Legal memorandum that provides an initial, general analysis and framework for discussion of the major legal issues involved with establishing a public bank.

- Follow up legal memorandum that makes clear the legal challenges involved.

Staffing/Corporate Governance

- In the follow up Legal Memorandum it is made clear that the city has not fully considered the requirement of a truly independent board of directors (and bank officers) and that there is a potential for conflict with the city council.

IT Cyber Security

- The study does not mention this topic.

Other Obstacles

- The interplay of the New Mexico Open Meetings Act and the inspection of the New Mexico Public Records Act with the creation of a new bank "owned" by a government entity does not appear to have been fully considered under the feasibility study.

- Careful consideration should be given to the investment and lending authority of a state-owned bank in order to avoid risks to the solvency of the institution and prevent undue competition with privately owned banks. Appropriate limitations should be established on loans to insiders and affiliated entities. There should also be limitations established on loans to one borrower or group of affiliated borrowers.

- When the government owns the banks, lending decisions could become increasingly driven by politics, rather than economics. Resources flow to those with influence. Government-owned banks may also tend to underprice risk in order to gain votes.

Final Result

- Santa Fe's Public Bank Feasibility Study identified areas of the city's financial management policies and practices that were not performing optimally. Phase I recommended the creation of a city banking function (without having to charter a bank). This was done in 2017 with the creation of a City Treasury Division separate from the Finance Department. The Treasury Division has updated the city's collateral policy, optimized investment returns with maintaining liquidity and safety, and have utilized available fund balances to pay off expensive debt obligations.

- The City now has a road map for establishing a public bank (Phase II). If the legal hurdles are overcome and prior to any of the below steps being taken, the City will need to adopt one or more ordinances or resolutions authorizing and directing the appropriate actions:
    1. Identify the proposed functions of the Public Bank.
    2. Create a business plan for the Public Bank.
    3. Create a bank holding company.
    4. Apply for a bank charter.
    5. Apply for deposit insurance from the Federal Deposit Insurance Corporation.
    6. Establish operations, assuming all approvals are granted.

<u>State of Hawaii, January 2012</u>

- Hawaii's study was titled *Should Hawaii Establish a State Bank?*. In lieu of performing a study, Hawaii reviewed a research report authored by the New England Public Policy Center of the Federal Reserve Board of Boston titled, *The Bank of North Dakota: A model for Massachusetts and other states?*. The report concluded the Bank of North Dakota (BND) model was not a reasonable model for Massachusetts.

- Hawaii's paper summarized the conclusions and issues identified in Massachusetts' report. No state specific issues were addressed.

- Hawaii concluded a determination of what a state bank would accomplish for Hawaii is critical before answering the question of should they open one. Once the goal of a state bank is identified, perhaps other existing avenues of financial assistance could be found that would better accomplish the goal. If it is clear a state bank is the best method to accomplish the goal, then Hawaii should discuss its creation, drawbacks and solutions.

Massachusetts - 2011

Purpose / Products / Services

- A 2010 law created a Commission to study whether Massachusetts should operate a state bank, or state-owned bank for infrastructure development.

- Bolster small business lending and infrastructure in Massachusetts.

- The benefits of a state-owned bank may include: stabilizing the state economy, providing local businesses access to credit, augmenting the lending capacity of small community banks, and helping to fund state government with profits.

Constitution and Legal/Regulatory:

- This was not explored because they decided to not pursue a state bank.

Risk Assessment

- Concerns were raised about pulling state and public funds out of private banks, and about the state putting all of its money in a non-FDIC insured institution.

- Massachusetts Treasury has $40 billion in cash flow, $20 in bonds, and $9 billion in Massachusetts Municipal Depository Trust. Not every financial institution can provide services needed by the Treasurer. It would be expensive to replicate the services necessary. The Massachusetts Treasury would need deposits to be secure, and provide an adequate rate of return, otherwise cannot place money in such an institution.
- The Massachusetts bond rating is good, and the financial markets receptivity to MA shows that the markets believe MA has shown fiscal discipline and has not taken undue risks.

Capital Considerations

- Capital could be substantial — $3.6 billion, or 21% of the state's direct debt outstanding.

- Taking state/public deposits out of the private institutions could disrupt the economy, and a long gradual phase-in would delay any benefits of state-owned bank lending.

Organizational Costs

- The study did not mention this specifically but it is included in capital considerations.

Deposit Insurance—Federal Reserve/FDIC

- The study assumed the entity would not be insured like the Bank of North Dakota. This was a significant risk for them to take with Massachusetts state monies. Funds must be secure through insurance or collateralization or through review of underlying depository instruments.

Other Studies Considered

- The Massachusetts study took an in depth look at the Bank of North Dakota.

Staffing/Corporate Governance

- The study does not mention this topic.

IT Cyber Security

- The study does not mention this topic.

Other Obstacles

- If such a bank serves to help with infrastructure, it would have to support projects with dedicated revenue streams to support the repayment of loans. Policymakers would have to match revenue streams to projects, and this may be difficult to do.

Outcome

- The role of the Bank of North Dakota in stabilizing the North Dakota economy is small, and thus a public bank would not stabilize the Massachusetts economy.

- State agencies perform the same functions as the Bank of North Dakota in providing credit to businesses (lending of credit in WA), and provide many options for financing and economic development.

- In North Dakota, small private banks are a large part of the market place, and in Massachusetts, there are many large private banks. This is not true in North Dakota. This banking structure reflects the state's geographic and population characteristics as well as the history of bank regulation and deregulation. Smaller banks may view a public bank as a partner, but larger marketplace financial institutions in Massachusetts may see it as a competitor. The study proposed a private bankers bank charter which are privately owned and provide services to banking members as a better alternative.

- On average the Bank of North Dakota transfers 2/3 of its profits to the state. This is under one percent of total state revenue and total state expenditure in North Dakota.

  The study found that the states should not overestimate the revenue contributions from having a state-owned bank: the new revenues to the state are less than bank transfers, revenue risks exist and the state is liable for any public bank losses, and traditional state revenue stabilization tools remain important.

- Increasing the lending capacity of smaller banks in Massachusetts is not as necessary. The ability to offset credit crunches has not been proven by the Bank of North Dakota.
- The start-up costs are prohibitive and risky which for Massachusetts would be $3.6 billion or 21 percent of state's direct debt outstanding (all in one basket).
- The study recommends that Massachusetts focuses on getting more capital to small business through focusing on state programs that target small business access to capital.
- The study recommends that a state bank option not be pursued and that the Legislature focuses on improvements to Massachusetts infrastructure programs and study the possibility of a state infrastructure bank. In addition, the study recommends that the Legislature look at state infrastructure and change definitions to include other items not traditionally funded such as forests, farmlands, and waterways.

From the Federal Reserve Study to the Commission

- The Commission should not recommend that the legislature pursue a state bank.
- It is too costly — the state could not justify spending the money when no market exists.
- There are no other states except North Dakota to use as an example, North Dakota remains successful but it is a very different economy and financial market than Massachusetts.
- The public funds would be exposed to unnecessarily high risk. Public funds cannot be used for gap financing and the rate of return would need to match that currently earned under management of the Treasurer.
- Infrastructure investment activities in Massachusetts are substantially more established than in North Dakota. There are many Massachusetts programs that already exist that lend and provide infrastructure. Strengthening these programs is a better idea.

DEMOS, April 2011

Banking on America: How Main Street Partnership Banks Can Improve Local Economies

Purpose / Products / Services

- Capitalize new local public structures and services.
- Provide state government with banking services at fair price.
- Create jobs/spur economic growth.
- Generate revenue/multi-million dollar dividends.
- Lower debt costs.
- Banker's bank services to community banks.
- Participation loans.

Profits, Infrastructure Financing, Student loans — see above

- Profits shared with state's general fund.
    - $310 million estimated for Washington State.
- Letters of credit to local governments.
- Participation loans.
    - $2.6 billion estimated for Washington State.

Constitution and Legal/Regulatory

- The paper did not discuss any legal or regulatory concerns to start/open a partnership bank. In fact, it dismissed concerns that starting a bank is complex by noting that new private banks are opened every year.
- These were raised as methods for the partnership bank to help community banks make loans to small businesses.
    - Purchase of community bank stocks.
    - Interest rate buy-downs.

Risk Assessment

The study did not mention this topic; however, the study noted the safeguards the Bank of North Dakota has to manage risk.

- Independent audits.
- Risk management – The Bank of North Dakota does not carry below-market rate or above average risk loans.
- Loan loss reserves – The Bank of North Dakota loan-loss allowance is 1.79 percent – Average for similarly-sized banks is 2.03 percent.

- Capital standards – The Bank of North Dakota maintains a capital ratio higher than required by the Federal Reserve.
- Loan reviews, lending limits, underwriting standards.
- Credit review.

Capital Considerations

- The study suggested the source of start-up capital might be the state General Fund, general obligation bonds, or 'other' dedicated state funds.

Organizational Costs

- The study did not mention this topic.

Deposit Insurance—Federal Reserve/FDIC

- The study did not mention a need to obtain deposit protections. The endnotes call out FDIC insurance as unnecessary because the FDIC's $250,000 cap covers only a tiny portion of the state's deposits.

Other studies considered within

- *Washington State Bank Analysis* – Center for State Innovation, Dec 2010. This study was heavily referenced as source material particularly for statistics and figures.

- *Oregon State Bank Analysis* – Center for State Innovation, February 2011.

- *States Continue to Feel Recession's Impact* – Center on Budget and Policy Priorities, March 2011.

- *Overview of the Bank of North Dakota and thoughts on the creation of a similar entity in Vermont* – Vermont Tiger, January 2010.

- *The Value of Too Big to Fail* – Center for Economic and Policy Research, September 2009.

- They also considered/referenced several of their own studies:
  - *Back to Work: A Public Jobs Proposal for Economic Recovery* – Demos, March 2011.
  - *Bigger Banks, Riskier Banks* – Demos, January 2010.
  - *It Takes a Pillage: Behind the Bailouts, Bonuses and Backroom Deals from Washington to Wall Street* – Demos, October 2010.

Staffing/Corporate Governance

- The study notes the Bank of North Dakota (BND) is run by a 'professional banking staff', not an economic development agency. However, the Bank of North Dakota works closely with North Dakota's Economic Development Agency and are housed together. It does not clarify if the banking staff are state employees or not.
- Operational overhead is lower than private banks due to the lack of costs like branches, ATMs and marketing.

IT Cyber Security

- The study does not mention this topic.

Other Obstacles

- The study does not mention this topic.

Final Result

- Demos produced a white paper that states that partnership banks are the solution to spur economic development through loans to small businesses.

- Demos is a public policy research and advocacy organization with four goals: a more equitable economy; a vibrant and inclusive democracy; an empowered public sector that works for the common good; and responsible US engagement in an interdependent world.

Maine, May 2011

Purpose / Products / Services

- Maine experienced a dramatic reduction in small business lending because of the recession.

- Increase access to capital (lending), particularly to small businesses, during times of tight credit standards, resulting in job creation and retention.

- Generate dividends / interest earnings for the state's General Fund or Rainy Day Fund.

- Make loans more secure by providing participation loans, in commercial and industrial areas, that spread the risk and reduce the number of loans that are put into non-accrual status.

- Stabilize the lending market during an economic downturn.

- The bank would be capitalized by state money, serve as the repository for state deposits, publicly governed, and return a negotiated portion of bank profits to the state. The state rather than the FDIC would guarantee deposits.

Constitution / Legal / Regulatory

- No mention of any constitutional, legal, or regulatory issues – only that Maines's state bank would operate outside of the FDIC regulation and be tax-exempt.

Risk Assessment

- The study does not mention risk directly. The study assumes there would be a loss in interest income due to moving state deposits from higher yielding demand deposit accounts in banks and lost income tax revenue from moving deposits into a nontaxable financial institution.

Capital Considerations

- Several possible sources for start-up capital are mentioned: general fund revenue (no debt); or general obligation bonds (20-year); or general obligation bonds with a sinking fund; or bank stock IPO (sale of stock in the bank); or pension or other state money (invested in stock of state bank).

- The report does not specify how much capital is needed; however, $100 million is used in various charts calculating potential returns / dividends to the state.

Organizational Costs

- Operational costs are not mentioned. The report acknowledges that a public bank would take some time to start-up operations, to assemble its loan portfolio, and to mature its operations.
- The report estimates the dividend return to the state would be positive in year three, 70% of profits would be returned by year five.
- Estimated net profit to the state would be $6.4 million per $100 million in start-up capital.
- The report mentions that: "while state dividends are one source of funds to the state's general fund, interest is also earned on the state money deposited with a state bank."

Deposit Insurance – Federal Reserve / FDIC

- State bank will guarantee deposits rather than the FDIC.

Other Studies Considered Within

- North Dakota State Bank

Staffing / Corporate Governance

- The state bank will be publically owned. The study does not mention staffing.

IT / Cybersecurity

- The study does not mention this topic.

Other Obstacles

- The study does not mention this topic.

Final Result

- The study states that, in conclusion, a state bank would have a positive effect on state revenue and could effectively strengthen the banking industry and create and sustain jobs through a revenue positive investment in a state bank.

Vermont Legislative Joint Fiscal Report, January 2010

Purpose / Products / Services

- Increase credit availability.
- Better source of capital.
- Helps community banks which are few in Vermont.
- Create a reserve fund for the state and help stabilize the state economy.

Constitution and Legal/Regulatory

- Changes to state law would be required (lending of credit issue).

Risk Assessment

- There is no FDIC insurance and this is a risk. Vermont maintains the vast majority of deposits in an FDIC insured institution. Fiduciary responsibility could limit the ability to transfer funds to a state bank without these protections.
- Any state bank would have to have conservative management and limited outside influence.

Capital Considerations

- The Bank of North Dakota was capitalized in 1919. In today's dollars, Vermont would need about $25 million, which is the minimum required for Vermont private de novo banks. The amount and source of capital would need to be explored.

- Fund managers handle the Tobacco Trust Fund, the Higher Education Trust Fund and pension funds. As such, these resources may not be available for a new state depository.

- There is no money to begin a bank at this time.

- The State of Vermont has $214.8 million deposited in 14 banks headquartered in the state. This amount fluctuates daily. Because of this fluctuation, it would be difficult to use this money to capitalize a state bank.

Organizational Costs

- The study does not mention this topic.

Deposit Insurance—Federal Reserve/FDIC

- The study mentions that there is significant risk to the state if state deposits are not FDIC insured.

Other studies considered within

- There was a lot of reference to the Bank of North Dakota.

Staffing/Corporate Governance

- The model would be similar to the Bank of North Dakota.

IT Cyber Security

- The study did not mention this topic.

Other Obstacles

- Combining some of Vermont's many finance agencies may create economies of scale, but they all have very different missions (like housing and economic development) and each have a considerable amount of their own debt.
- The Bank of North Dakota supports private banks and also carries out several Federal Reserve Bank functions. The context in Vermont is quite different as many of the state's banks are nationally integrated and use Federal Reserve Services. The specific functions, support, and relationships that a bank would have would have to be explored.
- Vermont banks are not isolated and have extensive markets and ties to other financial institutions and regional markets. Vermont is a very different economy than North Dakota.

Final Result

- The final report did not implement a state bank and asked for more resources to assess the need and merit of a state bank.

State of Oregon, December 2010

Purpose / Products / Services

- Meet a decline in lending due to financial institutions' tightening of credit standards.

- Increase state revenues, strengthen the State's banking industry, create and sustain jobs.

- Assist in infrastructure financing.

- Possible participation lending to community banks and credit unions in the state, which could increase the total size of the loan, reduce the interest rates, and provide loan guarantees.

- Assist banks during economic downturns and would encourage competitions.

- The state bank could be a depository bank, which is not insured by the Federal Deposit Insurance Corporation (FDIC), but Oregon will insure it.

Constitution and Legal/Regulatory

- The study does not mention this topic. It does mention that policy makers will be involved but does not describe the process for creating the bank.

Risk Assessment

- The study does not mention this topic. However, the study indicates that there would be less risk if the state bank collaborates with a financial institution using participation loans. In calculations to determine a profit or stock dividend, Oregon includes a provision for loan loss.

Capital Considerations

- Funding sources include General Fund revenue, 20-year bonds, general obligation bonds with a sinking fund, and bank stock initial public offering (IPO).

- In addressing Return on Assets (ROA), Oregon provides different calculations for different funding sources. For the bonds, Oregon used $100 million. For the bank stock IPO example, $300M in bond stock issuances, which could be, in part, capitalized through state pension funds.

- Oregon has not determined how much startup capital is needed.

Organizational Costs

- Start-up capital of $100 to $300 million is provided in ROA examples.

- The study does not mention any ongoing operational costs or which agency/who will pay for those costs.

Deposit Insurance—Federal Reserve/FDIC

- The Oregon State Bank will operate outside of FDIC regulation.

Other studies considered within

- Popp, Anthony V. & Widner, Benjamin. (March 12, 2009). *New Mexico's Public Funds Investment Policies: Impact on Financial Institutions and the State Economy*. Arrowhead Center, New Mexico State University.

- The analysis frequently references the North Dakota state bank.

Staffing/Corporate Governance

- The bank will be a government owned depository.

IT Cyber Security

- The study does not address ongoing security for a state bank.

Other Obstacles

Oregon's white paper ends with "Questions for Further Consideration".

- Under start-up capital: Are the scenarios politically feasible, what is the impact to increasing the general government bonds, and can the bonds or stock promote the health of the pension funds?
- Under deposits: Will the state bank only take state deposits, and how can other financial institutions best utilize the depository services and letters of credit the Oregon state bank would provide?
- Under loans: Will there be limitations for loans, is the bank allowed to purchase real estate loans from the secondary market, will there be provisions for loans targeted toward specific economic development purposes, and how can other financial institutions best utilize the participation loans?

Final Result

- The analysis does not provide a recommendation. As mentioned above, the analysis lists questions for further consideration.

Washington State Bank Analysis, December 2010

Washington also had an Infrastructure and Public Depository Task Force in 2017. The task force recommended several short-term steps on infrastructure financing and failed to reach consensus on whether to pursue a depository institution. https://tre.wa.gov/about-us/infrastructure-public-depository-task-force/

Purpose / Products / Services

- Improvement lending in a poor economy (Small Business Association lending declined 35% between 2007 and 2009).

- Improved lending might improve unemployment (study estimates that 7,400 - 10,700 additional small business jobs in Washington could be created or retained).

Profits, Infrastructure Financing, Student loans — see above

- From a $100 million capitalization – a state bank could see $71 million after 10 years, up to $675 million after 40 years.

- According to the study, a Washington State Bank would have a positive Return on Equity (ROE) of real profits to the state within 4 years with prudent banking practices.

- Study suggests a 6.65% annual ROE, but does not take into account operating expenses and does not adjust for inflation.

Constitution and Legal/Regulatory

- The study does not mention this topic.

Risk Assessment

- The study does not mention this topic.

Capital Considerations

- Study suggests capitalizing using the state's pension fund.

Organizational Costs

- The study does not mention this topic.

Deposit Insurance—Federal Reserve/FDIC

- The study does not mention this topic.

Other studies considered within

- The study does not mention this topic.

Staffing/Corporate Governance

- The study does not mention this topic.

IT Cyber Security

- The study does not mention this topic.

Other Obstacles

- The study does not mention this topic.

Final Result

- This study is a conversation starter.

Bank of North Dakota, State Bank, 1919

Purpose / Products / Services

- Promoting agriculture, commerce and industry.
- The Bank of North Dakota (BND) can accept private deposits but does not compete with the private sector.
- There is only one office located in Bismarck.

Profits, Infrastructure Financing, Student loans

- The Bank of North Dakota started sharing profits with the state in 1945 and has shown a profit each year according to available data since 1971.
- 2017 was the fourteenth year for record profits. Bank of North Dakota typically shares 50% of the bank's profits with the State.
- The Bank of North Dakota houses the Public Finance Authority that does infrastructure financing for political subdivisions.
- In 1967, the Bank of North Dakota started issuing the nation's first federally insured student loans, and participating in commercial and residential mortgage loans.
- The Bank of North Dakota's loan portfolio is made up of 36% commercial loans and 37%student loans.
- In 2017, the Bank of North Dakota sold off the federal student loan portion due to the regulatory burdens established by the United State Department of Education, to increase default prevention efforts.

Constitution and Legal/Regulatory

- North Dakota's constitution was amended in 1919 in order to allow lending to private citizens and enacted several statutes to allow for a state bank.

Risk Assessment

- Fifty percent of The Bank of North Dakota's loan portfolio is guaranteed by federal and state agencies.

Capital Needs

- North Dakota initially sold a $2 million bond in 1919 rather than withdrawing existing deposits at local banks. This equates to $325 million currently, taking into account inflation and growth in the ND economy.

- When initial capitalization proved inadequate several years later, the state withdrew funds from banks in western ND, leading to 18 bank failures in the following three weeks.
- The North Dakota Government must deposit all cash into the Bank of North Dakota and it earns a small amount of interest.

Organizational Costs

- Total operational costs were $30 million in 2017. This includes salary and benefits, data processing, occupancy, equipment and other operating expenses.

Deposit Insurance—Federal Reserve/FDIC

- Deposits are guaranteed by the full faith and credit of the state.
- Deposits have dropped $1.2 billion since 2015.

Staffing/Corporate Governance

- The Industrial Commission operates, manages and controls the Bank of North Dakota. The Governor appoints an advisory Board of Directors. The Board consists of seven persons two must be bank officers.

Final Result

- As of December 2017, the Bank of North Dakota had assets and liabilities totaling $7 billion and the net income was $145 million.

American Samoa, State Bank, 2016

Purpose / Products / Services

- American Samoa currently has only three financial institutions. Bank of Hawaii is leaving, and American Samoa will be left with only two commercial banks: Australia New Zealand Bank (ANZ) and the Territorial Bank of American Samoa (the state owned bank). ANZ has assets of $250 million and the state owned bank has assets of $60 million. ANZ has three branches and 10 ATM machines and 59 point of sale terminals. Many of ANZ services have decreased over time. They curtailed commercial lending on American Samoa for a number of years. The regulator said there have been no business loans on the island for the last five years.

- American Samoa has limited financial institutions: some payday lenders, money transmitters, ATMs, and merchant services.

- The Government Retirement Fund is $185 million and offers some loans to large institutions including government entities. Ten percent of the retirement fund can be loaned locally.

- American Samoa suffers from a lack of financial services and products. It is mainly a cash based society and regularly the ATMs run out of cash. Very few merchants have credit card terminals or point of sale transactional machines. The lack of a widespread source of cash and lack of electronic payment systems has hindered the economic development of American Samoa. There are no credit cards offered and few merchants accept credit cards.

- The Territorial Bank opened its doors on October 3, 2016. When it first opened, it took deposits and made small loans to consumers. There were no commercial loans until the bank received a routing number in early 2018. In 2016, the new bank also opened safe deposit boxes.

- There were no electronic payments until the routing number was received. The Territorial Bank currently has a correspondent bank from Utah. The bank is modeled after Bank of North Dakota. American Samoa's population is 56,949, mostly in rural areas. The new bank will serve the underserved populations. The Territorial Bank plans to offer all banking services, and anticipates a large market for auto loans that will sell to a secondary market. It will also work to become a Small Business Administration lender.

- All government entities in American Samoa place their deposits in the government owned bank; however, governments may not apply for any loans from the Territorial Bank. All deposits are insured solely by American Samoa.

Constitution and Legal/Regulatory

- The new Office of Financial Institutions regulates the Territorial Bank. The bank board will comply with federal laws by appointing highly skilled compliance officers.

- American Samoa mentioned the federal Community Reinvestment Act and the fact that the entire island qualifies under the Act as distressed and underserved.

- The Territorial Bank will strictly enforce the Bank Secrecy Act and Money Laundering laws by creating a robust customer identification program, and assuring quarterly audits. The audit committee will review the results and make recommendations. The documents did not mention other specific federal laws, and there was no mention of any constitutional or legal impediments to starting the bank.

Risk Assessment

- Recently (2016), they established an Office of Financial Institutions that regulates all financial service providers in the territory. The new regulator will assure compliance with Territorial law and other federal laws.

- The bank Board would keep the Territorial Bank away from the political process and ensure that there would be complete separation between the Board and the legislature. Any board members affiliated with the government must not engage in managing the bank while on the Board, and the financial regulator enforces this.

Capital Considerations

- The Territorial Bank is capitalized through the taxable bonds from the American Samoa Economic Development Authority for $10 million and government donated fixtures and furniture.

- They received $3.5 million in startup costs as an appropriation. They have $13 million in capital now (a very small bank). They adhere to the standard for healthy banks at ten percent capital. The bonds are not considered a debt of the bank.

Organizational Costs

- There was $3.5 million in startup costs from an appropriation. The Bank of Hawaii will donate two brick and mortar facilities once the bank leaves the territory. The government contributed computers, furniture, and desks.

Deposit Insurance—Federal Reserve/FDIC

- The Territorial Bank of American Samoa received a routing number from the Federal Reserve in 2018, and a master account. Thus, they have access to the electronic payment systems. They have not secured FDIC insurance and they are working toward getting deposits insured in the next couple of years of operations.

- For the first three years of operation, there will be no FDIC insurance. The American Samoan government will insure all deposits. After three years, the Territorial Bank's business plan contemplates private participation or conversion to nongovernmental ownership. They have a correspondent banking relationship with a Utah bank.

Other studies considered within

- They modeled the Territorial Bank based on the North Dakota model. They cited that in 2015 North Dakota was in its 12th consecutive year of profits, and that the Bank of North Dakota is the largest and healthiest bank in North Dakota. They also balanced the unique culture of American Samoa society with the need for financial services.

- American Samoa has very limited financial institutions as well as merchant and banking services. American Samoa has unique credit risk factors that may not fit into the model of traditional credit risk management methods. There are no Uniform Commercial Codes; there are communal land systems, and a cultural bias towards cash.

Staffing/Corporate Governance

- They have a Territorial Bancorp, which is the holding company for the Territorial Bank of American Samoa. The Territorial Bank has complete separation between the government, and the bank (per bank bylaws), and the regulator enforces this separation. In addition, the bank's Board of Directors assures no government intervention in the running of the bank.

- There are seven board members four appointed by the Governor from the territorial government, and three appointed from the general population. All board members are approved by the legislature. The Board members serve four-year terms.

- All those who manage banking operations have extensive banking experience. There will be an internal audit committee and compliance officers will work with the audit committee. The audit committee also works with outside independent auditors.

IT Cyber Security

- The bank has chosen FBS Gold to provide an operating and accounting system. Other than the type of system, there is no mention of security.

Other Obstacles

- The biggest obstacles for the Territorial Bank were obtaining a routing number, and a correspondent bank relationship. American Samoa appointed their first financial regulator in 2016. The culture and the economy play a large role in the lack of financial services in the community.

Final Result

- They opened the bank in 2016 and obtained a routing number in 2018. The plan is to operate the government bank for three years without federal FDIC insurance. In the first 36 months of operation the Territorial Bank will apply for FDIC insurance, and once issued, will allow for private participation or convert to non-government ownership. Since the Territorial Bank has just received a routing number, it is too early to evaluate success or lack of success.

"The Office of the State Treasurer supports building upon Washington's existing structure of banking and does not support public banking because of the higher risk and lower return on investment compared to the current private banking system."

DUANE A. DAVIDSON

WASHINGTON STATE TREASURER

Washington State Treasurer Duane Davidson commissioned this study to identify and highlight facts involving the public banking issue.

The Office of the State Treasurer maintains key working relationships with other governments across Washington, and facilitates investment within the state.

For more information about the Office of the State Treasurer visit www.tre.wa.gov.

CITY OF OAKLAND

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2018 AUG 31 AM 8: 43

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Katano Kasaine
Director of Finance

SUBJECT: Public Bank Feasibility Study Prepared by Global Investment Company

DATE: August 20, 2018

City Administrator Approval

Date: 8/30/18

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Report On The Multi-Jurisdictional Public Bank Feasibility Study Prepared by Global Investment Company (GIC).

EXECUTIVE SUMMARY

The attached study titled, "Multi-Jurisdictional Public Bank Feasibility Study" (***Attachment A***) was prepared in response to the City Council's request for a feasibility and economic impact analysis of establishing a public bank in the City of Oakland ("City"). This study, which was prepared by Global Investment Company ("GIC"), addresses the requirements for establishing a public bank, assesses the ability of a public bank to provide community benefit lending, and analyzes the capability of a public bank to handle cannabis business deposits. City staff along with other participating local governments including the City of Berkeley, City of Richmond, and County of Alameda (collectively referred to as the "Local Municipalities") provided guidance, feedbacks, and questions to GIC to be considered and analyzed in the final study.

Although the study concludes that a public bank *could* provide solutions to unmet financial needs for communities. It does not provide the key answers proposed by the Request for Proposal (RFP) and does not address the requirements of the Statement of Work (SOW) or provide a roadmap detailing the steps and timeline of setting up a public bank. Additionally, the study leaves the City with more questions than answers as it relates to the establishment of a public bank.

BACKGROUND / LEGISLATIVE HISTORY

On November 29, 2016, the City Council adopted a resolution directing the City Administrator to prepare an informational report with the cost estimates of commissioning a study analyzing the feasibility and economic impact of establishing a public bank for the City of Oakland, and providing funding options for the feasibility study (***Attachment B***).

Staff met with representatives of the Friends of the Public Bank of Oakland to solicit their input and discussed next steps regarding a feasibility study. The Treasury Bureau issued a Request for Qualifications (RFQ) on February 3, 2017 seeking qualified individuals or firms to conduct a Feasibility Study of Public Banking for the City of Oakland (***Attachment C***). The RFQ scope of services focuses on a preliminary comparison of the City's current banking model (including the benefits and risks of current banking practices) with other models, particularly public banking across the nation. Staff provided an update to the Finance and Management Committee on February 28, 2017 on the status of the RFQ process.

On April 25, 2017, staff presented the results of the RFQ process and the cost estimates to commission a feasibility study for the creation of a public bank and analysis of funding options. Only two firms submitted responses to the RFQ, Global Investment Company and PFM Financial Advisors, LLC. The firms were evaluated based on the criteria listed in the RFQ. Also, the report recommended City Council consider appropriating such expenditures ($100,000) as part of the proposed FY2017-19 Proposed Policy Budget instead of FY 2016-17 Midcycle Budget.

On June 13, 2017, staff presented a supplemental report to the April 25, 2017 Finance and Management Committee providing additional details on the proposed scope of work and budget, as well as the feasibility for a regional approach to a public bank. Staff reached out to the following cities:

1. City and County of San Francisco
2. City of Hay ward
3. City of Santa Rosa
4. City of Berkeley
5. City of Emeryville
6. City of Richmond

Based on a more thorough analysis and outreach, staff recommended against moving forward with the feasibility study. Rather, staff recommended that the City continue to monitor the developments of the City and County of San Francisco's Municipal Public Bank Task Force.

On July 18, 2017, staff presented a supplemental report at the June 20, 2017 City Council meeting. Staff was directed to return to City Council with information about the cannabis industry and other neighboring cities' willingness to contribute funds to the feasibility study for a multi-jurisdictional public bank. Staff reached out to the neighboring cities and inquired if they were willing to participate and contribute funding to complete a feasibility study for a multi-jurisdictional public bank. To date, the City has received a total of $58,200 in donations to pay for the public bank feasibility study (County of Alameda: $25,000, City of Berkeley: $25,000, City of Richmond: $5,000 and Others: $3,200).

On June 29, 2017, the City Council approved the Fiscal Year 2017-2019 Budget, which included $75,000 for the public bank feasibility study. On September 19, 2018, City Council adopted Resolution No. 86905 approving the contract with GIC to complete a feasibility study for a public bank.

ANALYSIS

The City, together with the Local Municipalities, requested a feasibility study to assess whether a publicly owned bank could: 1) help finance community projects, 2) reduce risks in existing financial markets, and 3) provide better financial returns on public investments.

At a minimum, the feasibility study shall include major components of a public bank that addresses the general banking requirements, the ability to provide community benefit lending and the ability to handle cannabis business deposits. The study would also include the costs and governance structures as well as provide the benefits and risks to establishing a public bank under each of the three public banking options. **In addition, GIC was to provide a comprehensive summary of why this structure is feasible or not.** If so, provide a timeline for implementation – from approval of concept to market readiness. Based on the Statement of Work ("SOW") (***Attachment D***), the feasibility study was to specifically:

1. Research the feasibility of public bank options, including:
   a. Public banking for municipalities, which require full service depository banking and related structures (sweep accounts, lockbox, targeted balance, etc.);
   b. Unbanked and cannabis industry considerations; and,
   c. Community reinvestment and lending (small business lending, consumer loans, etc.).
2. Interview stakeholders.
3. Provide a detailed case study.
4. Develop a cost analysis for each option considered.
5. Assess next steps concerning implementation.

The Local Municipalities met regularly with GIC to provide information, data and input throughout the process. Staff assisted GIC with coordinating and providing meeting locations to host various focus groups for stakeholder input. These groups included:

1. Citizen's Focus Group
2. Cannabis Industry Focus Group
3. Small Business Focus Group
4. Treasurer's Focus Group
5. Finance and Banking Focus Group

The Multi-Jurisdictional Public Bank Feasibility Study prepared by GIC dated June 15, 2018 attempts to address two stated goals:

- Can a public bank provide solutions to the unmet financial needs of Bay Area households, businesses, and governments?
- Can such an institution provide banking services to the cannabis industry?

The Local Municipalities reviewed the Multi-Jurisdictional Public Bank Feasibility Study. The parties agreed that the study ***did not*** adequately address the main objective of the study in answering, "Is a public bank feasible?" The study states that public banking ***is*** feasible, but lacks supporting details. For example, the study does not provide an analysis of the key steps to setting up the public bank and required capitalization. Contradictory information is also presented throughout the study that is counter to the high-level goals of a public bank. **Taken comprehensively, these considerations indicate that a public bank is not feasible at this time.**

The below table are a compilation of comments/questions from the Local Municipalities which includes quotations from the study that the Local Municipalities found unclear and need further clarification and detail:

LEGAL/REGULATION	
	1. "Our state legislature could create a public bank charter that eliminates the need for FDIC insurance, and it could also simultaneously address impediments in state law with regard to deposits by municipalities into the public bank as a non-FDIC insured institution."; "Interested municipalities may want to pursue the possibility of using a public bank for all transactions other than those requiring the use of payment systems."; Access to the Automated Clearing House (ACH) is a need of many, if not all, municipalities to support the electronic payments aspects of their banking business. Access to ACH/EPN services is governed by federal regulations . . . the impediment of non-eligibility of a participating entity for ACH access would remain." (Page 12) 2. If municipalities own the public bank, they would be . . . looked to by federal regulators as a source of financial strength, meaning the municipalities have proven their ability to provide financial assistance to the bank in the event of financial need." (Page 15) 3. "The City of Oakland or other entities may wish to alter their charter to further preserve social responsibility requirements for a public bank, but that is still not a guarantee that it will stay the course." (Page 16) 4. "The fact that a municipality has charter status . . . does not protect it from the reach of state law. . . If . . . municipalities were to decide to engage in investments via a public bank that the state deemed too risky, that could be a violation of state law. . . That fact suggests that, in considering capitalization, or investments in cannabis, or cannabis derived instruments, the public bank . . . could be deemed to be too risky for the City to conduct any business with such entities." (Page 18) 5. The report did not identify institutions and steps needed to

	obtain regulatory approval for the establishment of a public bank. It should identify the challenges and how to resolve such challenges. 6. The study did not provide a clear risk analysis on fiscal and legality or quantify the impact of the credit ratings of the participating Local municipalities.
STRUCTURE	
	1. The study provided Bank of North Dakota (BND), the only existing American public bank as an example. However, the study doesn't seem to address the difference between the BND (purely a wholesale bank) and the proposed Oakland Public Bank (retail bank/providing loans, etc.) nor does it address the difference in the history and economy between the period when the BND started (1930's) and the current period. 2. The study did not address enough the differences between current governmental programs and creating a new institution, a public bank. There was minimal discussion on current government programs which deserved much more analysis. It seems like such an obvious issue, that a new proposed public institution needs to be justified on the premise that no existing institution is able to perform proposed activities. This was lacking. 3. The study lays out the issues where this will be heading (Page 6): (1) Supporting local business needs and creating better services for residents; and (2) supporting needs of municipalities. (The study rejects the idea that the Public Bank should bank the cannabis industry, with which we agreed.) The first goal of the Public Bank appears to boil down to loans to students, prospective home owners and small businesses. It takes the study over dozens more pages to get back to these services: It begins to address these services on pages 27-29. The most detail finely appears on pages 37-41. But the feasibility never becomes clear: Is the study recommending the public bank to make loans or to sell asset-backed securities? 4. In the PURPOSE section two goals are indicated – one in relation to social responsibility and the other related to the availability and affordability of loans for specific populations. Strategies indicated to meet the goals: do not address the social responsibility goal. (Page 9) 5. The SOCIAL MISSION section provides no context explaining

	why the social mission of the public bank would need to be mandated, nor does it provide any insight as to the factors that may lead the public bank to stray off "course." (Page 16) 6. The section does not make a strong argument as to how a public bank (as opposed to a private bank) would better serve or reflect to core values of the Local municipalities and their communities. Later in the document (in the section entitled THE NEED FOR A PUBLIC BANK AS A FINANCIAL ENTERPRISE) social concerns are addressed, but there is no link between it and the SOCIAL MISSION section. (Page 25) 7. The referenced to "the federal level of antagonism toward some core values..." is a highly subjective statement that lacks supporting documentation (in the document). It is recommended that the reference be deleted and replaced with references to and examples of the stated and published core values of the Local municipalities with footnotes/hyperlinks to adopted resolutions, ordinances or municipal codes. (Page 16) 8. A discussion of whether or not a Public Bank could become a municipal bank is hardly addressed; how many accounts would be needed? what are the costs? what is account analysis? etc. 9. The study seems to suggest the bank would not be able to secure FDIC insurance. It is suggested the State might be willing to guarantee deposits. Did GIC speak to anyone at the State to assess the possibility the State would do so? Who? What did they find? 10. Explain why private equity investors in the bank would give up control to the public agencies, even though the public agencies haven't put up any equity? Or would they require a matching equity investment from the public agencies? 11. What would be the credit rating(s) for the public bank?
CAPITAL	
	1. "For municipalities to invest in the public bank, one source of funds could be a one-time appropriation from the General Fund. Another possibility could be to use investment reserves." (Page 17) 2. "...reasons why a public bank, in particular, needs scale. One is that a larger bank is better able to diversity and mange risks." The study indicates that it would require a minimum

	capital of $30-50 million to start a new public bank. If scale matters, how would the public bank sustain its operations long-term? What is the average capital need for larger banks? (Page 45) 3. The study acknowledges it is not a wise idea for the sponsoring governments to provide the equity capital for the bank. The study suggests the bank could be capitalized with larger "impact investor" who are looking for more than purely financial returns. Did GIC speak to potential investors? Who? What did they learn? What would be their minimal expectations of financial returns? Would that be consistent with the concept of a public bank whose mission is made possible because it doesn't need to return a profit to shareholders? (Page 46) 4. The section "Capitalization", the study suggests issuing bonds, corporate debt, and private placement. What would be the source of re-payment for such debt? How much would that the costs? Also, it listed some public funds (i.e., employee pension, rainy day fund, affordable housing, revolving loans) that could be invested as capital, how does that fit into the "prudent investor standard" when scale matters as referenced in the study and wouldn't that contradicts the strategy of avoiding a large investment of existing public funds. What is considered large? When it comes to the investment of public funds, California state law holds all governing bodies of local agencies as well as municipalities, public and municipal corporations, and those who are authorized to invest on their behalf, ".....that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, **to safeguard the principal and maintain the liquidity needs of the agency**." (Page 46) 5. The study says the bank should invest in Treasury securities. It also says it should buy municipal bonds. Explain how doing so will enable the bank to increase lending to people and businesses who have difficulty getting loans from traditional banks. Where does the capital come from for such loans if the bank's funding is used to buy bonds? 6. The study is confusing as to how the public funding can be funded. The Fintech Collaboration section does not provide information as to how this can possibly achieve the public banking capitalization it needs. Most of the concepts were introduced but there were not any language on the study that

	would provide the information as to how this can possibly happen.
OTHER KEY CONCERNS	
	1. Possible solutions for the stated needs of a Public Bank aren't fully developed properly. 2. The picture/graphic is unrelated to the subject of social responsibility in banking and is wholly inappropriate for a professional presentation paid for with public funds; one that may become part of the public record of all the Local municipalities. It must be removed and replaces with a related and appropriate graphic. (Page 17)

Status On Other Government's Effort To Establish A Public Bank:

Based on staff's research and analysis, below are the status of other governments' efforts to establish a public bank.

City of Santa Fe: It should also be noted that the City of Santa Fe, New Mexico recent efforts to establish a public bank provides some insight. After completing a public bank feasibility study in 2016, a Santa Fe Public Task Force was created that published a final report dated April 17, 2018 and presented to the Santa Fe City Council on May 9, 2018. Its conclusions, as summarized in the report, suggest that the City of Santa Fe's financial infrastructure is not large enough to create a city-owned public bank, but that the benefits of public banking are sufficient to encourage the City to support consideration of a statewide public bank. More information and details about the City of Santa Fe's effort to establish a public bank can be found on the Banking on New Mexico, A Public Bank for Santa Fe, an initiative of WeArePeopleHere! website at http://bankingonnewmexico.org/.

City of Los Angeles: The City of Los Angeles brought forth a report dated February 26, 2018 on the feasibility, requirements, legislative barriers and potential models for establishment of a Municipal Bank of Los Angeles (MBLA). The report suggested that formation of MBLA under existing law and regulation would be a very difficult process, very costly, and would result in an institution that would not likely qualify to receive City business. Also, the inclusion of City funds in the formation of MBLA in the form of collateral, investment, or deposits, presents risk to the City. The City is obligated to ensure that taxpayer funds are carefully managed. However, should the City Council and Mayor wish to further consider the formation of MBLA, they would need to engaged specialized expertise in State and federal regulations to fully explore the details associated with the requirements to fund and operate a bank, including formation process and long-term operations. On June 29, 2018, the Mayor signed an ordinance to place a ballot measure on the November 6th election to amend the charter to allow for the creation of a city-run bank.

City and County of San Francisco: The City and County of San Francisco formed a Municipal Bank Feasibility Task Force (the "Task Force") to research the viability and advisability of a municipal bank as well as other opportunities to leverage the city's banking and investment practices to promote community goals. The formation of the Task Force was recommended by the Board of Supervisors to identify and pursue opportunities to extend access to credit for small businesses, provide banking services to the cannabis industry and expand capital for affordable housing. Based on the last meeting on June 28, 2018, the Task Force will publish a report and present it to the Board of Supervisor by December 2018. The goal of the report is to provide the Board of Supervisors and the public with a clear and concise analysis of the costs and benefits of a public bank. Also, the report will contain different models with specific costs by service level and formation type, as well as the procedural steps the Board of Supervisor and the public would need to proceed.

State of California. Senate Bill 930 (SB 930) was first introduced in January 25, 2018 that would allow financial institutions to offer limited banking services to the state's legal cannabis businesses. Under SB 930, the State of California would allow for the creation of limited-charter licenses for banks and credit unions overseen by the Department of Business Oversight, the state's financial regulator. The special-charter institutions would be allowed to issue special checks that could be used to pay state or local fees and taxes, rent on property associated with cannabis businesses and vendors of the pot businesses, or to buy state or local bonds or warrants. According to a legislative analysis, there are significant obstacles toward successful implementation of SB 930 as outlined below. On August 16, SB 930 was rejected and held in the Assembly committee.

- **Unresolved tax collection issues.** One of the stated reasons for SB 930 is to help these cannabis businesses pay their state and local taxes. However, it is unlikely local tax collectors will participate in this system. For one, under existing law local tax collectors cannot use a limited charter bank. Second, as a more practical matter, local tax collectors would still need to transfer money in their cannabis depository institutions (CDI) accounts to other financial institutions, which may require security and other personnel. Thus, this new system simply shifts the public safety issues associated with cash transactions to another point in the banking process.

- **Insurance.** This bill requires CDIs to obtain private insurance, a requirement that will be difficult to comply with and will add significant costs to participating CDIs. Typically, deposits at traditional banks and credit unions are insured by federal agencies with risk pooled across institutions and backed by the federal government. In contrast, a private entity willing to insure a CDI will likely charge high premiums given the risk associated with cannabis banking.

- **Federal law.** SB 930 does not guarantee that CDIs will be protected from federal law enforcement. As the Assembly Banking and Finance Committee analysis notes, one unfortunate side effect of this bill could be the concentration of cannabis business assets into one or several easily identifiable institutions, making them an easier target of federal law enforcement action.

Conclusion:

The study is not clear and does not provide answers to the main question "Is a public bank feasible?" The study states that public banking ***is*** feasible, but the study never provided a clear roadmap, structure, or supporting data to support the assertion. Furthermore, the study does not provide an analysis of the key steps to setting up the public bank and required capitalization. In addition, contradictions are embedded throughout the study that appear to counter the goals of the Local Municipalities and further indicates a public bank, owned by the municipalities, is not feasible at this time. **Therefore, staff does not that recommend the City spend additional public funds on the feasibility study at this time.**

Staff further recommends that the City's Finance Department continue to monitor the development of other governments' efforts and evaluate the continued development of their efforts and return to the City Council when there is successful establishment of a public bank. Again, some of the government agencies the City will continue to follow will be:

- *City of Santa Fe.* Establishment of a statewide public bank in which Santa Fe could participate.

- *City of Los Angeles.* The result of the ballot measure in November election amending the charter to allow for the creation of a city-run bank.

- *City and County of San Francisco.* The City and County of San Francisco Task Force final report which will include an analysis of the costs and benefits of a public bank (December 2018).

FISCAL IMPACT

This item is for informational purposes only and does not have a direct fiscal impact or cost. The contract with GIC is in the amount of $98,900. To date, the City has received a total of $58,200 in donations to pay for a public bank feasibility study (County of Alameda: $25,000, City of Berkeley: $25,000, City of Richmond: $5,000 and Others: $3,200) and the City will pay the residual balance of $40,700.

COORDINATION

This report was prepared by the Treasury Bureau in coordination with the Finance Department.

SUSTAINABLE OPPORTUNITIES

Economic: There are no economic opportunities associated with this item.

Environmental: There are no environmental opportunities associated with this item.

Social Equity: There are no social equity opportunities associated with this item.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council receive an informational report on the Public Bank Feasibility Study From Global Investment Company (GIC).

For questions regarding this report, please contact Katano Kasaine, Director of Finance, at (510) 238-2989.

Respectfully submitted,

Katano Kasaine
Director of Finance, Finance Department

Reviewed by:
David Jones, Treasury Administrator

Prepared by:
Dawn Hort, Principal Financial Analyst
Treasury Bureau

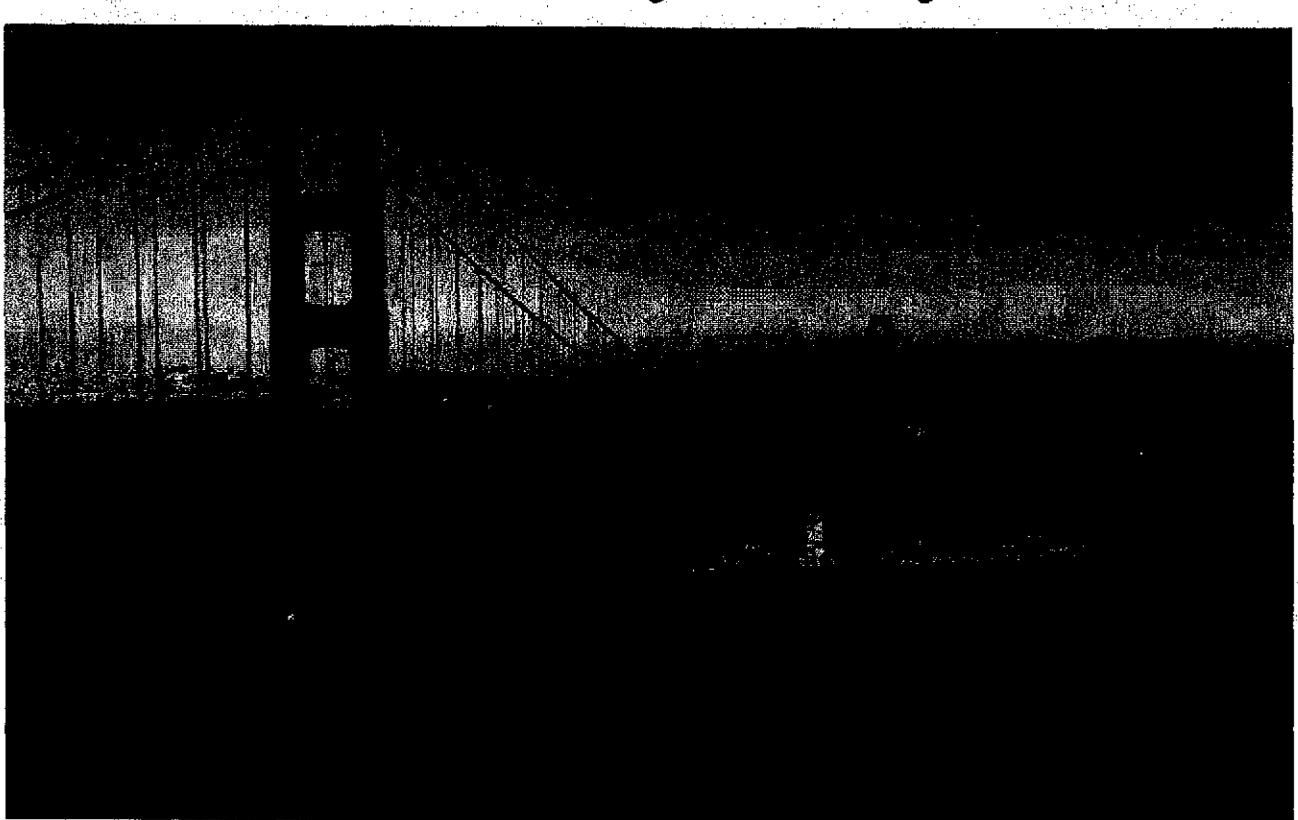
Attachments (1):
A: Multi-Jurisdictional Public Bank Feasibility Study
B: November 29, 2016 Finance & Management Committee Resolution
C: Request for Qualifications (RFQ) – Feasibility Study of Public Banking
D: Scope of Services (SOW)

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2018 AUG 31 AM 8:43

ATTACHMENT A

Multi-Jurisdictional Public Bank Feasibility Study



The City of Oakland, City of Berkeley, City of Richmond, County of Alameda

Prepared by: Global Investment Company
June 15, 2018

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FINANCE & MANAGEMENT CMTTE
SEP 11 2018

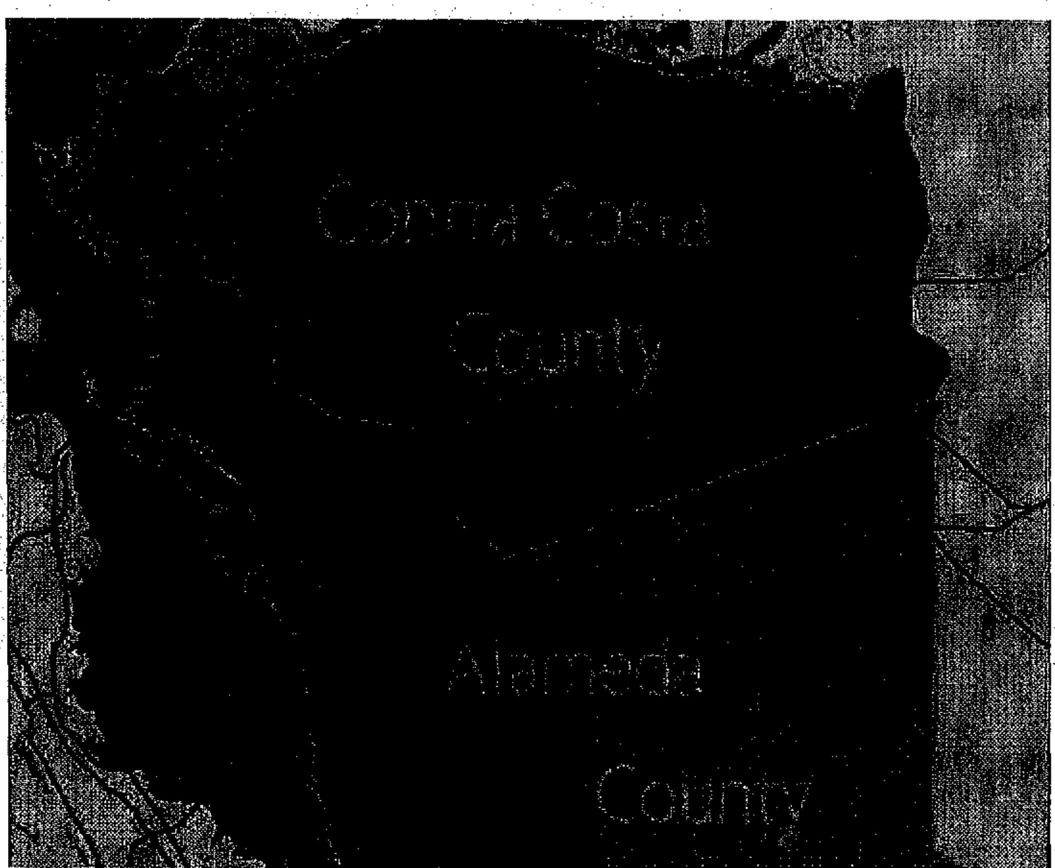
THE NECESSITY OF PUBLIC BANKS

INTRODUCTION

The City of Oakland, together with other neighboring jurisdictions, recognizes the **vital importance of financial institutions that serve society's emerging needs.**

The primary reasons for undertaking this feasibility study are to determine whether or not a public bank is feasible and to interview stakeholders. A public bank might offer viable ways to solve some the pressing financial challenges facing Bay Area communities.

MAP OF JURISDICTIONS



HISTORY

For the purposes of this document, the "Participating Governments" to the governments of the City of Oakland, City of Berkeley, City of Richmond, and the County of Alameda that have funded this feasibility study.

On November 26, 2016, demands by Oakland citizens and residents of other East Bay jurisdictions prompted the Oakland City Council to adopt a resolution (Resolution No. 86905) directing the City Administrator to prepare an informational report with cost estimates and funding options on the feasibility and economic impact of a public bank for or including the City of Oakland.

Subsequently, the Berkeley City Council authorized a financial contribution to the City of Oakland for the purpose of supporting Oakland's study. Shortly thereafter, the City of Richmond and the County of Alameda also approved support for the study. A consulting firm, Global Investment Company (GIC), was selected as the consultant to conduct the study.

A Public Bank structure can support two of local government's stated goals:

- Can a public bank provide solutions to the unmet financial needs of Bay Area households, businesses and governments?
- Can such an institution provide banking services to the cannabis industry?

COMMON GOALS FOR A PUBLIC BANK

Common goals for a public bank as articulated by the City of Oakland and other interested municipalities for this study, as well as the Oakland City Council and interested community members are:

- To have an institution that exists specifically for the purposes of keeping local control of assets and investment choices.
- To have an institution that is focused on supporting local business needs and needs of municipalities for financial services that are well-priced.
- 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.

METHODOLOGY

In conducting the study, Global Investment Company sought information from a variety of citizens, public officials and banking experts. This included city, county and state treasurers, citizens, affordable housing developers, banking 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.

To determine what sorts of services a public bank should offer and whether, given existing federal and state laws and competitive conditions within the banking industry, we conducted:

- Analyses of financial reports of participating governments to determine whether and how a public bank might offer more solutions to cash and debt management problems.
- An examination of the history and performance of the single public bank in the U.S., Bank of North Dakota, as well as public banks in other countries.
- Research to identify statutory, policy and regulatory constraints—at both the state and federal levels that might impede the successful organization and operation of a public bank.
- Discussions with banking and finance experts to identify important competitive factors and industry trends likely to affect the operation of a public bank.

EXECUTIVE SUMMARY

ESTABLISHING A PUBLIC BANK

Formation of a public bank is feasible with few to no regulatory changes.

A public bank could be formed as a nationally chartered entity, subject to the oversight of the Office of the Comptroller of the Currency, or as a California State chartered entity, subject to the oversight of the California State Department of Business Oversight, Department of Financial Institutions Division.
There are several advantages to a California Public Bank Charter. Ownership and control of a public bank may be achieved through a bank holding company. California's Joint Exercise of Powers Act (JEPA) permits two or more public agencies to agree to jointly exercise powers common to each entity. The mission can be mandated legally. However, California law may limit the ability of a public bank to make cannabis-related investments.

Participating members have combined a $3.3 Billion in cash and investments at any given time. The financial resources exist to establish and maintain a multi-jurisdiction public bank. Furthermore, "integrated partners" might consider making deposits into a regional bank, if it were to exist and offered competitive rates. Participating members want to gain their independence from big banks and investment firms, as mandated by directives. It can take time and is a complex process. Yet, the potential for jurisdictions within the region to pool resources together, in a central bank could be an opportunity for the East Bay and neighboring jurisdictions. A centralized approach creates opportunity to better circulate dollars needed to impact communities key credit access problems a bank could help address. Therefore, each participating member must determine if public will exist to make a public bank happen. In addition, municipalities much consider the cost, time and staff efforts associated with transitioning to a new bank.

Building and financing the bank requires sources of capital, management and a transition plan. The bank must grow to an acceptable scale in order for participating members to want to transition bank services. The city of Oakland, for example, is looking to divest from current banking contracts within the next five to seven years based on recent city council meetings. Debundling services and accounts is a strategy currently being utilized by Berkeley and Oakland in order to achieve independence from the big banks. Both of these cities have debundled their armored car and card services. Alameda County will be issuing a RFP for Banking Services in 2019.

In the event participating members decide to move forward with issuing a Request for Proposal (RFP) to create a business plan for implementation of a public bank, it is expected the transition time to a public bank to be 12-18 months. Innovative strategies and programs, such as, Bank Intermediaries (BIN's) could offer a wholesale bank long term lending partners and a source for deposits. A loan loss reserve could assist with risk management when considering lending policies for the BIN's (i.e. Bank Intermediaries Network.) as well as a Secured Letter of Credit Program to assist with financing.

A social mission is necessary to serve small business, the underserved and to further address the underlying issues of cities and counties related to public benefit. In order for the bank to not stray "off" course, the public bank's mission could be built into the bank charter, investment policy and governance policies.

An East Bay Regional Bank's access to low cost money will keep participating governments' borrowing costs to a minimum, reversing recent increases in debt service costs. This lower cost approach to banking will provide a stronger bottom line to the owners because of reduced debt service costs. Even more important, a public bank will be their asset that appreciates with every interest payment they make. The increase of affordable credit will make existing government institutions more effective and responsive. Consolidation of accounts will provide finance directors with a more comprehensive -- and convenient -- way for cash management and accounting.

LIABILITY

Separate and apart from legal requirements related to investment in a public bank and its lines of business is the question of liability for the City of Oakland and other entities that may wish to participate in the formation of a public bank.

Holding Company

One structure for shielding localities from liability which we have examined is the use of a JPA for the purpose of forming a public bank, a holding company for that bank, or both.

PURPOSE

The primary impetus behind the public banking movement is that major private banks sometimes do a poor job of providing needed services or tend to operate in a manner injurious to the public interest. The purpose of a public bank then is to offer an alternative to these banks. The section examines the question: *Can a public bank offer service that is inadequately provided by large banks and in doing so become a viable institution?*

In general, commercial banks[1] provide households, businesses and government agencies three services:

- *Deposit services* that offer their customers a safe repository for money in the form of Federally-insured demand and time deposit accounts.

[1] Wholesale banking refers to banking services between merchant banks and other financial institutions. This type of banking deals with larger clients, such as large corporations and other banks whereas retail banking focuses more on individual or small business. Wikipedia.

- *Payment services* that provide means for customers to transfer money to each other, mainly with checks, credit cards and debit cards.
- *Credit services* that provide loans, leases and other forms of financing.

In furtherance of the interests of Oakland, Berkeley, Richmond and Alameda County, a public bank might pursue two goals:

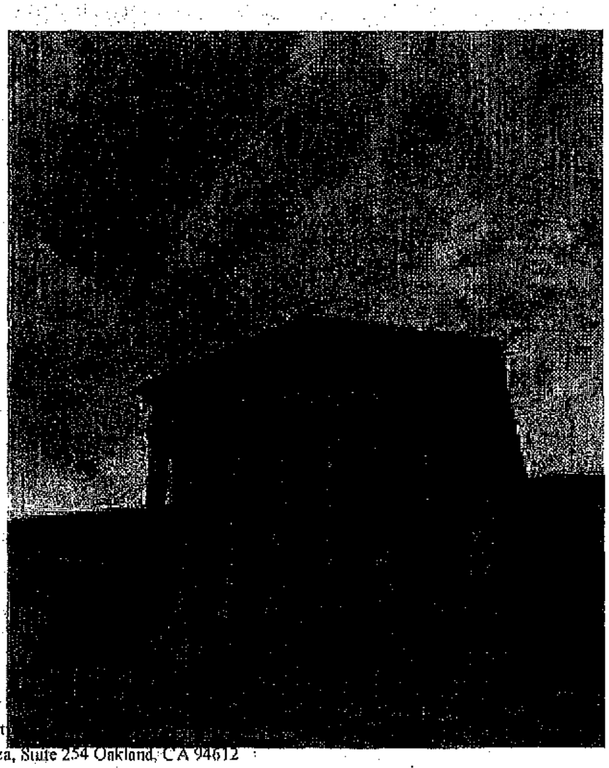
- To provide local governments a "socially responsible" source of deposit, and payment and credit services, thus reducing their dependence on large banks.
- To increase the availability and affordability of student, mortgage and business loans in the Bay Area.

To achieve these two goals, the public bank should adopt the following strategies:
- Purchase and participate in mortgages, small business and student loans originated by community banks and/or CDFIs (Community Development Financial Institutions).
- Use a "deposit sharing" program to allow the public bank to secure significant amounts of deposit funding from participating governments.

LEGAL AND REGULATORY ISSUES OF ESTABLISHING A PUBLIC BANK

FORMATION IS FEASIBLE

Formation of a public bank is feasible with few to no regulatory changes



A public bank could be formed as a nationally chartered entity, subject to the oversight of the Office of the Comptroller of the Currency, or as a California State chartered entity, subject to the oversight of the California State Department of Business Oversight, Department of Financial Institutions Division. Regardless of whether a charter is state or federal, there will be other ways in which state or federal laws could and will affect the day to day operations and oversight of a public bank. Deposit insurance is one key element. Most state-chartered entities, as well as federally chartered, rely on the Federal Deposit Insurance Corporation (FDIC) for that service. Another element of concern is access to Automated Clearing House (ACH) or EPN services, which would be necessary to serve some of the types of needs, identified by the City of

Oakland and other interested municipalities, as necessary for handling particular elements of the municipalities' financial needs.

Obtaining a state or national charter as a bank has some common themes. The chartering entity would review the quality of the business plan developed, evaluating its strength based on the reasonableness and achievability of its business objectives, whether those objectives fall within legal lines of business that can be authorized under a given charter, the quality and experience of proposed management, capitalization levels and sources of capital. Over time as regulators engage in oversight, which is typically frequent and extensive, regulators will review how much the newly formed entity has deviated from its business plan, if at all, and why, and whether it is hitting its key financial benchmarks.

Formation of a holding company as step one towards the formation of a public bank may make sense as a way of accelerating the ability to provide at least some services for which municipalities rely on mainstream banks, and as a structure for ownership of the public bank. Types of transactions that a bank holding company can engage in include, but are not limited to financial data processing, money transmittal and government securities underwriting.

The bank holding company could be formed as a municipal corporation in its own right that would then own the public bank. By establishing this type of structure, it is the holding company that would be subject to capitalization requirements established under the Basel Accords that have also been adopted by the FDIC.[2] The holding company would then have to be a member of the Federal Reserve System. Below, we will discuss ownership and internal governance further.

Alternatively, to avoid the time and effort necessary to establish a new bank charter, the City of Oakland and interested municipalities may want to consider purchase of an existing bank that could serve public bank purposes. Other advantages to purchase of an existing bank could include an established data system, trained staff, and other internal infrastructure that is experienced with and prepared to engage in banking activities and necessary reporting. The bank's charter may need to be tailored to meet the public bank's goals, and modifications would then require regulatory approval. It may be possible to acquire a bank with a broad enough charter, however, to not require charter modification but to require only restructuring of the business plan of the bank, which would also require regulatory approval.

CHARTERING UNDER EXISTING LAW

A public bank can be chartered under existing California law.

California does not have a specific "public bank" designation, but none is required for a state-chartered bank to be formed that could serve some or all of the goals articulated by the City of Oakland and other municipalities for their financial services' needs. **A state-chartered public bank could operate under a Commercial Bank Charter.**
Upon receiving an application for a Commercial Bank Charter, the Commissioner of the California Department of Business Oversight has wide discretion in granting or denying the charter.[3] The Commissioner is responsible for making

2 Beitel, Karl The Municipal Bank: Compliance, Capitalization, Liquidity, and Risk, (July, 2016), Roosevelt Institute at http://rooseveltinstitute.org/municipal-bank-regulatory-compliance-capitalization-liquidity-and-risk/

3 *See* Cal. Code Regs. tit. 10, §§ 10.3159, 10.3160; See also, California Department of Business Oversight, Guide for Groups Interested in Chartering a State Bank in California, http://www.dbo.ca.gov/cacharter/guide.asp. See also Cal. Fin. Code §§99 et seq.

decisions as to whether to approve each application and will not approve an application until he or she has ascertained that:

- the public convenience and advantage will be promoted by the establishment of the proposed bank:
- the proposed bank will have a reasonable promise of successful operation
- the bank is being formed for no other purpose than the legitimate objects contemplated
- the proposed capital structure is adequate
- the proposed officers and directors have sufficient banking experience, ability and standing to afford reasonable promise of successful operation
- the name of the proposed bank does not resemble, so closely as to be likely to cause confusion, the name of any other bank or trust company transacting business in California or which had previously enacted business in California
- the applicant has complied with all of the applicable provisions.[4]

We want to note that **a credit union structure is also possible, though we do not see advantages.** The amount of time required for formation would be similar to a bank, and the same capitalization, collateral quality, deposit insurance and access to payment systems concerns would remain.

One of the challenges to a credit union model is the requirement that there be a common bond amongst members, and a suggested floor of 500 members. Though it is easy to imagine 500 municipalities in California wanting, ultimately, to participate, the time spent in assuring there is a common set of goals may delay formation. The State Department of Business Oversight (DBO) has previously interpreted the 500 members as a minimum.

Again it is not clear that there are advantages to the City of Oakland in formation of a public bank as a credit union. If one of the goals of a public bank is to be structured such that it is not directly supervised by a federal regulator, then a California State chartered credit union structure offers the possibility that our state DBO could approve use of private deposit insurance (there is only one insurer nationally who might be available—American Share Insurance), but there is no guaranty that DBO would find the insurance adequate. In addition, to the extent that some of the City of Oakland's business needs require access to the national electronic payment systems which, in turn, requires FDIC insurance, this requirement eliminates the possible state-chartered credit union advantage of potentially utilizing private instead of NCUA insurance. Credit Unions use the same exact ACH network.

ADVANTAGES VS. A COMMERCIAL BANK

A California Public Bank Charter could have advantages over use of the existing Commercial Bank Charter.

It is not legally necessary to have a new California law or regulatory framework for the formation of a bank to serve public banking purposes. However, there could be advantages to having a specific public bank charter authorized at the state level if that charter addresses some of the capitalization and deposit insurance concerns with which a public bank

4 *See* Cal.Fin.Code, §1023.

formed under our state's existing commercial bank charter would have to comply. Our state legislature could create a public bank charter that eliminates the need for FDIC insurance, and it could also simultaneously address impediments in state law with regard to deposits by municipalities into the public bank as a non-FDIC insured institution. If the state were to move in this direction, however, the state would, ideally, facilitate access to an alternative deposit insurance structure (perhaps creating a state insurance structure or bringing in a significant new private insurance structure) that could be a viable alternative. The safety and soundness needs for localities and for the state necessitate a strong insurance structure.[5]

An alternative deposit insurance resource does not automatically cure the problem of needing FDIC insurance for access to electronic payment systems, however. We would encourage working with the state to engage our local Federal Reserve System in a discussion regarding whether an alternative insurance system could be used to support access to the system for electronic payments purposes. Alternatively, the City of Oakland and interested municipalities may want to pursue the possibility of using a public bank for all transactions other than those requiring the use of payment systems.[6]

ACCESS TO ACH

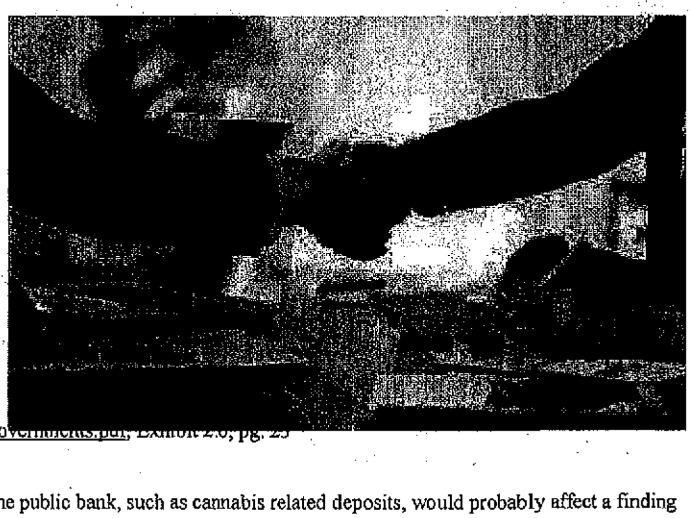
Access to the Federal Reserve's payment system is essential to a public bank's success.

Access to the Automated Clearing House (ACH) is a need of many if not all municipalities to support the electronic payments aspects of their banking business. Access to ACH services is governed by federal regulations[7] administered by The National Automated Clearing House Association (NACHA)'s ACH Rules. It appears that a financial institution that is not FDIC insured may be, technically, eligible for use of the system, however, only if it could be deemed eligible for FDIC membership.[8] Even if the State of California develops an alternative, state run deposits insurance entity, the impediment of non-eligibility of a participating entity for ACH access would remain. We are not sure whether private payments systems, such as Paymode-X, currently used by some municipalities as a vendor payment system, could be a viable alternative. We believe engaging our base of local financial technology (fintech) companies to address the payments systems concerns is a critically important next step for fully assessing options for the handling of this element of municipal financial needs.

USE OF A HOLDING COMPANY

Ownership and control of a public bank might be achieved through a bank holding company.

For purposes of ownership structure and to be able to more quickly roll out at least some services that the City of Oakland and other municipalities have prioritized in authorizing this feasibility study,



5 *See* CA Gov't Code, Sec: 53600.3

6 http://www.gfoa.org/sites/default/files/BankingServicesAGuideForGovernments.pdf, Exhibit 2.0, pg. 23

7 See 31 CFR Part 210.

8 The legality at the federal level of the types of deposits accepted by the public bank, such as cannabis related deposits, would probably affect a finding of whether or not the institution could be deemed eligible for FDIC membership.

formation of a bank holding company is a possibility. Downsides are the extent of federal regulation and duplication of oversight. Bank holding companies are federally regulated and are required to register with the Board of Governors of the Federal Reserve System.[9] A holding company would need to have its own business plan, and board of directors, separate and apart from the public bank, and it would need to register with the Securities Exchange Commission. Most banks with a smaller asset size are owned by a holding company. A problem for use of a Bank Holding Company structure, however, is a specific federal prohibition on having either a direct government investor or a corporate investor that is majority owned by a state.[10]

California state law also has its own regulations pertaining to bank holding companies and is written broadly to declare that any person or company (municipalities would probably be included) which directly or indirectly owns, controls or has power over 10% or more of bank stock in California or even indirectly has power or a controlling influence over the entity, is subject to State DBO oversight.[11] If a bank holding company were still deemed to be desirable, then it would be advisable for the City of Oakland to verify with State DBO whether it would be subject to examination as a bank holding company and, if so, what type of oversight and examinations it could expect.

PROTECTING MUNICIPAL ORGANIZERS WITH A JPA

A Joint Powers Authority (JPA) should be considered as a way of protecting municipal organizers of the bank from legal risk.

Separate and apart from legal requirements related to investment in a public bank and its lines of business is the question of liability for the City of Oakland and other entities that may wish to participate in public bank formation. One structure for shielding localities from liability which we have examined is the use of a JPA for formation purposes of a public bank, a holding company for that bank, or both.

California's Joint Exercise of Powers Act (JEPA), at CA Gov't Code, Section 6500.1, et seq. permits two or more public agencies to agree to jointly exercise powers common to each entity. The entities do not need to be located in the same geographic area.[12] The JEPA provides a procedure for creation of an entity separate from the parties to the agreement.[13] It also specifies that the parties to the agreement may help fund the purpose agreed upon by the parties, as follows:[14]

"The parties to the agreement may provide that (a) contributions from the treasuries may be made for the purpose set forth in the agreement, (b) payments of public funds may be made to defray the cost of such purpose, (c) advances of

9 *See* Bank Holding Company Act of 1956 (12 U.S.C. § 1841(a)(2)(A), and Regulation Y.

10 *Id.*

11 *See* CA Fin. Code, §§1280 et seq.

12 *See* CA Gov't code, Sec. 6502.

13 *See* CA Gov't code, Sec. 6503.5.

14 *See* CA Gov't code, Sec. 6504. All funds would, of course, have to be strictly accounted for and reported on carefully. See CA Gov't code, Sec. 6505.

public funds may be made for the purpose set forth in the agreement, such advances to be repaid as provided in said agreement, or (d) personnel, equipment or property of one or more of the parties to the agreement may be used in lieu of other contributions or advances. The funds may be paid to and disbursed by the agency or entity agreed upon, which may include a nonprofit corporation designated by the agreement to administer or execute the agreement for the parties to the agreement."

Thus, if the public bank, or a holding company for the institution, or both were structured as non-profits, funds could go directly to that non-profit to help pay for its function. The above language is broad, without the restrictions on investments delineated in other parts of state law.

We are still investigating whether the JPEA language could be used to fund initial start-up costs of at least a bank holding company. Other regulatory requirements may make that difficult. The language would certainly not trump the more restrictive language regarding investments made by municipalities. The parties to the agreement would be required to designate a public officer or another officer (bonded) to have access to any property of the new entity or to have custody of new entities' resources and assures use of allocated funds in the ways to which parties have agreed.[15] Again, these requirements as written would seem on their face to create some challenges to use of funds for start-up costs for a municipal entity under a JPA. However, the terms of the act do specifically allow for the creation of a separate entity to serve the goals of the municipal parties, and that:

"...if the agency is one of the parties to the agreement but is a public entity ... authorized, in its own name, to do any or all of the following: to make and enter contracts, or to employ agents and employees, or to acquire, construct, manage, maintain or operate any building, works or improvements, or to acquire, hold or dispose of property or to incur debts, liabilities or obligations, ***said agency shall have the power to sue and be sued in its own name."***[16]

Under the JPEA, the entity formed by the participating municipalities can, in turn, have the authority to invest monies of the entity that are not needed for day to day operations.[17] If the new entity is a non-profit corporation, its investment rights are delimited to those of the investing agencies.[18] In terms of the power of participating municipalities to govern or provide oversight through the JPA, the JPA is authorized to issue shares of beneficial interest to participating public agencies representing a proportionate interest in any securities that the JPA may own.[19]

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15 *See* CA Gov't code, Sec. 6505.5.

16 *See* CA Gov't code, Sec. 6508.

17 *See* CA Gov't code, Sec. 6509.

18 *See* CA Gov't code, Sec. 6505.5.

19 See CA Gov't code, Sec. 6505.7. Note that there are additional requirements to be adhered to for compliance with this section.

In addition to the JPEA's clearly placing liability on the shoulders of the newly created entity, removing it from the shoulders of participating municipalities, JPAs may also be able to access insurance under one or more programs specific to ensuring such entities.[20]

There are examples of financing bodies in California that have been formed under a JPA, though not full-scale banks. One is the Golden State Finance Authority (GSFA), established in 1993 to support and provide affordable homeownership, which has functioned as an eleven county financial assistance program for homeowners and buyers in California. We have not had the opportunity yet to gather more information about its experience in having used the JPA to carry out its functions. Certainly, its functions are vastly limited compared to the type of operations that a public bank would carry out, and we are continuing our research on whether a JPA structure could make sense in the formation of a public bank by the City of Oakland and other interested municipalities.

The City of Oakland is a charter city, which gives it advantages over non-charter cities in terms of its legal authority to create laws regarding "municipal affairs" that may conflict with state laws. What is considered a municipal affair is partly a matter of definition under the California Constitution and partly decided on by way of precedent from litigation. Although California's Constitution does not define "municipal affair," it does list four categories that are deemed to be "municipal affairs." These are:

- regulation of the "city police force
- sub-government in all or part of a city
- conduct of city elections
- the manner in which . . . municipal officers [are] elected

Beyond this list, it is up to the courts to determine what is and is not a municipal affair.[21]

A JPA might shield localities from "Source of Strength" requirements. If a holding company owns the public bank, that holding company will be looked to as a source of financial strength for the bank. If municipalities own the public bank, they would certainly be looked to by federal regulators as a source of financial strength, meaning the municipalities have proven their ability to provide financial assistance to the bank in the event of financial need.[22] The FDIC could be a regulator of the public bank, even if state-chartered. The municipalities need to decide whether they want to form a state chartered bank or federally chartered. For a guide to basics of formation of a state bank, here's California's basic introduction: http://www.dbo.ca.gov/cacharter/guide.asp. The municipalities should work with their city attorney/county

20 *See* services and programs of the California Joint Powers Insurance Authority at https://cjpia.org/protection/coverage-programs. A link to their members' agreement is available at http://www.gsfahome.org/admin/resolutions/UNSIGNED_JPA_for_new_members.pdf

21 See Charter Cities, A Quick Summary for The Press and Researchers, at https://www.cacities.org/Resources-Documents/Resources-Section/Charter-Cities/Charter-Cities-A-Quick-Summary-for-the-Press-and-R

22 *See* 12 U.S. Code § 1831o-1 - Source of strength

counsel offices to bring on any additional expertise necessary to complete forms and steps. Some of the challenges include establishing a public bank in a changing banking environment.[23]

SOCIAL MISSION

The public bank's social mission can be mandated legally.

A key component for the public bank is the maintenance of its purpose or mission.[24] The nature of the mechanisms used to preserve adherence to their stated mission stem in part from the type of institutional structure chosen. For an institution that is directly owned or managed by the City of Oakland and/or other municipalities, whether by way of a governing board or shares, the City could build social responsibility language into chartering documents, as well as into staff training, and any supervisory board or advisory board guidelines. Building in periodic public reports to participating local governments in open session may also help to preserve the mission of the entity, creating some transparency. The City of Oakland or other entities may wish to alter their charter to further preserve social responsibility requirements for a public bank, but that is still not a guarantee that it will stay on course. If the municipalities want to use their charters as an additional tool for trying to imbed a public purpose in the public bank, therefore, they might want to talk to their city attorney's office about adding language to their local charter to address that.

In light of the current climate at the federal level of antagonism towards some core values of the City of Oakland, Alameda , Richmond and Berkeley, which are also held by our state with regard to treatment of immigrants, the cannabis industry and other concerns, choosing a California state-charter and taking steps to limit federal regulation might be wise. Choosing to establish the bank as a Legal Benefit Corporation under California State law would further bake the public mission of the public bank into its formative documents.[25] Entities formed under this section must demonstrate to state regulators their commitment to whichever public benefit activities have been delineated in its incorporation materials.

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[23] See Appendix 16 - The Copernican Revolution in Banking.

[24] Appendix 12: A Social Mission: Divestment

[25] *See* CA Corp. Code, §§14600-14604.

MUNICIPALITIES CAN LEGALLY INVEST

Municipalities appear to have legal means to invest in a public bank.

For municipalities to invest in the public bank, one source of funds could be a one-time appropriation from the General Fund. Municipalities could become stockholders in the public bank, and, if the bank offers common shares, then municipal investments will qualify as Tier I capital, which is particularly important for capital sufficiency regulatory requirements. Share owners would be entitled to any dividends distributed in an amount equivalent to their total shares held. State restrictions on investments are a concern and are enumerated below. It may be possible to create different share structures to encourage investment by local businesses and/or residents as well, without sacrificing the public mission of the entity.

LIMITS ON CANNABIS-RELATED INVESTMENTS

California law may limit the ability of a public bank to make cannabis-related investments.

California state law provides that cities and counties may issue debt instruments as securities in which banks, fiduciaries and others can invest legally.[26] If localities or the State of California create a cannabis industry derived financial instrument (from streams of money from that industry), then a possibility to consider for the future is that a public bank could invest in those securities. One advantage to the public bank (and any other investor) in these securities is that such a debt instrument (including any transfer or income from the instrument) cannot be taxed by the state or by any municipality of our state.[27]

[26] (27) See CA Gov't Code, Sec. 53595.45

[27] (28) See CA Gov't Code, Sec. 53595.50

As with all other cannabis-derived funding streams, the problem remains that this is a Schedule I, Controlled Substance under Federal law,[28] and accepting funds from or making investments in an instrument derived from cannabis funds runs the risk of being deemed an investment in an illegal enterprise. Such a finding could trigger account freezing or seizure by federal authorities, despite California's having legalized recreational and medical use of cannabis. However, should the federal environment change, creating and or investing in such instruments could be an option to support capitalization of the public bank. Notably, some banks are beginning to take cannabis dollars despite the risk, though we do not advise that for the proposed public bank.[29]

LIMITS ON RISKY INVESTMENTS

State law also limits the extent to which municipalities can make investments considered to be risky.

The State of California has embedded restrictions on investment by municipalities and public or municipal corporations in the Government Code, having specifically found that the solvency of localities (and/or particular departments in localities) is a matter of state interest.[30] As to matters of state interest, the fact that a municipality has charter status (like Oakland) does not protect it from the reach of state law on that particular matter. Thus, if, for example, the City of Oakland and/or partner municipalities were to decide to engage investments via a public bank that the state deemed to be too risky, that could be a violation of state law. That fact suggests that, in considering capitalization, or investments in cannabis, or cannabis derived instruments, the public bank, even if it is not closely related to the City of Oakland in terms of ownership or governance, could be deemed to be too risky for the City to conduct any business with such entities. We would suggest that the City discuss this concern with the appropriate offices of the State of California.

When it comes to the investment of public funds, California state law holds all governing bodies of local agencies as well as municipalities, public and municipal corporations, and those who are authorized to invest on their behalf, to the "prudent investor standard," as follows:

"...When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."[31]

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[28] (29) See 21 U.S.C. §802(32)(A), and 21 U.S.C. §813.

[29] For a quick summary of the current environment on cannabis acceptance by banks, see More Banks Are Welcoming Marijuana Businesses, Federal Data Shows (Jan. 2018), Forbes at https://www.forbes.com/sites/tomangell/2018/01/02/more-banks-welcome-marijuana-businesses-federal-data-shows/#6e9cfc727a64.

[30] See CA Gov't Code, Secs: 53600 – 53610, and specifically Sec. 53600.6.

[31] See CA Gov't Code, Sec: 53600.3

Specifically, "[when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the primary objective of a trustee shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under its control.]"[32]

State law requires that investments by local agencies shall only be in "legal investments for savings banks in the State" unless, in the case of a county, there is a four-fifths vote by the board of supervisors to invest in something else.[33]Thus, a county could vote for an investment of its surplus in an alternative that is not a legal investment for a savings bank of the state. There is not a similar provision for cities. This raises another issue for discussion with appropriate State of California staff regarding whether or not there is a need to change this language at the state level to create an exemption of some kind for cannabis or other types of investments that are not presently legal investments. There is an additional set of state law requirements for "...all local agencies that pool money in deposits or investments with other local agencies that have separate governing bodies."[34]

To the extent that the City of Oakland, Alameda County, Berkeley, Richmond or other interested localities or municipal agencies may consider pooling their money in deposits or investments, they should be aware of a specific set of California State Law restrictions with regard to investment in commercial paper, delimiting the amount of investment permissible.[35]

STATE COMMUNITY INVESTMENT STANDARDS

A public bank will probably be subject to state community investment standards.

Any public bank that is formed would have to meet additional restrictions in terms of community investment performance, which suggests that perhaps the City of Oakland and other interested municipalities would have to structure investment in the public bank at the start-up phase in a way that did not trigger this provision, or the City would want to discuss this provision with the State of California as another matter of law to be revamped. Municipalities and public corporations in California are also subject to a general restriction on where they can deposit any money in their custody, including a requirement that the depository entity has received a rating of "satisfactory" or better by its regulator as to its community investment performance in California.[36]

Given the wide variety of revenue streams or funds managed by the City of Oakland and other interested localities, we want to flag that particular types of monies may have restrictions particular to them. For example, the City of Oakland's Charter sets forth the types of entities and instruments in which retirement funds can be invested by the Police and Fire Retirement Board. Although the charter provides that the list is not intended to be exclusive, the City may want to

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32 *See* CA Gov't Code, Sec. 53600.5

33 *See* CA Gov't Code, Sec. 53602

34 *See* CA Gov't Code, Sec. 53601, referencing CA Gov't Code, Sec. 53635.

35 *See* CA Gov't Code, Section 53635.

36 *See* CA Gov't Code, Section 53635.2.

consider the possibility of adding a provision that specifically permits investment in a public bank and/or that also addresses the issue of investment in cannabis or institutions that bank or otherwise handle cannabis funds.[37]

FDIC INSURANCE

To accept municipal deposits, the public bank will probably need FDIC insurance.

Another state restriction on investment may need to be addressed prior to or simultaneous to the formation of a public bank if the City of Oakland decides to proceed forward with that effort. Municipalities that have the authority at the local level to invest funds must invest at a nationally or state chartered financial institution, and all deposits made by the municipality at that institution **must be FDIC or National Credit Union Administration insured,** and are restricted to depositing 30% of the agency's funds.[38] To the extent that a public bank formed would probably not qualify for FDIC insurance if cannabis-related businesses or investments were banked there, localities may want to explore with the state changing the current restriction under state law.

Please note that another California state restriction on municipal investments comes in the form of a requirement that municipal deposits above the FDIC insurance limit be collateralized.[39] How this collateralization takes place, or ways in which the state could support collateralization, should be part of the City of Oakland and other municipalities' discussions with the state.

State law also contains a provision permitting deposits at a state or federal credit union guaranteed by the California Credit Union Share Guaranty Corporation, or insured per Section 14858 of the Financial Code provided no member or person with decision making authority at the agency also serves in a key role at that credit union.[40]

However, the CCUSGC dissolved some years ago. California Financial Code Section 14858 permits the Commission heading the Department of Business Oversight to decide that alternative forms of insurance are acceptable, at its discretion. This would seem to leave room for non-federal insurance, perhaps developed under the umbrella of the State of California, to cover any proposed public financial institution if structured as a credit union instead of as a bank, perhaps avoiding the need for and restrictions of FDIC insurance. Alternatively, such an insurance fund could perhaps be developed to support a state chartered bank, in lieu of qualifying for FDIC insurance.

FDIC CAPITALIZATION REQUIREMENTS

[redacted]alifornia - Code of Ordinances, THE CHARTER OF THE CITY OF OAKLAND, ARTICLE XXVI - Added By: Stats. 1951; POLICE [redacted]t System, at [redacted]icode.com/ca/oakland/codes/code_of_ordinances?nodeId=THCHOA_ARTXXVIADST1951POFIRESY

[redacted]Code, Section 53635.8. The code permits insured deposits at a credit union but has some additional deposit insurance verification

[redacted]Code, Section 53652.

[redacted]Code, Section 53648.

To accept municipal deposits, the public bank will probably need FDIC insurance.

In 2014, the FDIC issued interim capitalization rules based on the outcome of the Basel III Committee Accords.[41]Capitalization adequacy has long been a focus of the Basel Committee meetings, and higher capital standards for banks globally resulted were adopted in December of 2010 under Basel III.[42] More specifically, the FDIC's final rule incorporated into its Prompt Corrective Action requirements "... a revised definition of regulatory capital, a new common equity tier 1 minimum capital requirement, a higher minimum tier 1 capital requirement, and, for FDIC-supervised institutions subject to the advanced approaches risk-based capital rules, a supplementary leverage ratio that incorporates a broader set of exposures in the denominator."[43]

The final rule also, for FDIC-supervised entities, adopted requirements regarding capital distributions by FDIC-supervised entities, certain bonus payments, and revised how risk-weighted assets are to be calculated.[44] Though so-called non-advanced approaches banks[45] are exempt from some of the Basel III requirements, they are not exempt from all.[46] For example, there are minimum capital requirements for all FDIC-insured entities and capital adequacy requirements, with specific methodologies required for calculation of compliance,[47] as well as a minimum liquidity standard from Basel III (the Net Stable Funding Ratio) which took effect January 1, 2018, and a liquidity coverage ratio (LCR) which has been phasing in since 2015, with its final stage to take effect on January 1, 2019. In determining possible impacts on a new public bank, we will examine the effects of these rules.

Even if an insurance alternative to the FDIC is created, any public bank formed by the City of Oakland and/or partner municipalities is likely to still be subject to FDIC rules related to capital quality and adequacy adopted pursuant to Basel III that apply to "Community Banks," which is defined to mean banks with consolidated assets of less than $10 billion that are not deemed systemically important. Two types of capital ratio requirements are applicable to all banks, including

41 Basel III is the latest of international accords by a committee of Central Banks and Banking Supervisors of 28 jurisdictions (originally named the Committee of Banking Regulations and Supervisory Practices, established in 1974 to stabilize currency and markets through improving bank supervision).

42 *See* Basel III: International framework for liquidity risk measurement, standards and monitoring at https://www.bis.org/publ/bcbs188.htm

43 *See Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk- weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule, and Market Risk Capital Rule,* 55340 Fed. Reg. 78 (Sept. 10, 2013), FDIC, at https://www.fdic.gov/news/board/2013/2013-07-09_notice_dis_a_res.pdf

44 *Id.*

45 Non-advanced approaches banking organizations have less than $250 billion in consolidated assets or less than $10 billion in consolidated on-balance sheet foreign exposures.

46 For highlights of key Basel III requirements, see *U.S. regulatory capital Basel III final rules, Key takeaways and highlights for U.S. banks,* (July, 2013), Deloitte, at https://www2.deloitte.com/content/dam/Deloitte/us/Documents/risk/us-aers-basel-III-final-rule-highlights-v8-final-112714.pdf

47 *See* 12 CFR, Sec. 324.1 et seq.

community banks: a risk-based capital ratio and a leverage ratio. Some key takeaways for community banks under Basel III rules are:

"On top of the tougher new minimum capital ratios, community banks must maintain a common equity capital conservation buffer of greater than 2.5% of risk-weighted assets (RWAs) to avoid restrictions on dividends, redemptions and executive bonus payments. "Compared with existing capital rules, U.S. Basel III will require community banks to deduct much more mortgage servicing assets (MSAs) and deferred tax assets (DTAs) from their common equity capital, shrinking their capital base. "Community banks can opt out of including accumulated other comprehensive income (AOCI) in their common equity capital. In other words, they can elect to keep the existing AOCI filter. "U.S. Basel III retains the existing capital treatment of residential mortgages and certain other types of exposures."[48]

Please note that a bill currently pending in Congress with bipartisan support would relax some of the above rules for community banks was updated on April 19, 2018.[49]

In addition to the above, the Basel Committee finally released, in December of 2017, a set of capital standards for banks that grew out of Basel III. Issues addressed in this recent release include:

- a revised standardised approach for credit risk, which will improve the robustness and risk sensitivity of the existing approach
- revisions to the internal ratings-based approach for credit risk, where the use of the most advanced internally modeled approaches for low-default portfolios will be limited
- revisions to the credit valuation adjustment (CVA) framework, including the removal of the internally modeled approach and the introduction of a revised standardised approach
- a revised standardised approach for operational risk, which will replace the existing standardised approaches and the advanced measurement approaches
- revisions to the measurement of the leverage ratio and a leverage ratio buffer for global systemically important banks (G-SIBs), which will take the form of a Tier 1 capital buffer set at 50% of a G-SIB's risk-weighted capital buffer
- an aggregate output floor, which will ensure that banks' risk-weighted assets (RWAs) generated by internal models are no lower than 72.5% of RWAs as calculated by the Basel III framework's standardised approaches. Banks will also be required to disclose their RWAs based on these standardised approaches.[50]

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48 *See Final Basel III Capital Rule—Less Impact on Community Banks* (2013), St. Louis Federal Reserve Board, at *https://www.stlouisfed.org/Publications/Central-Banker/Summer-2013/Final-Basel-III-Capital-RuleLess-Impact-on-Community-Banks.* See also *U.S. Basel III: Guide for Community Banks* (2013), Davis Polk & Wardwell, LLP, at https://prod.davispolk.com/files/Davis-Polk-Basel-3-Guide-for-Community-Banks.pdf.

49 *See Economic Growth, Regulatory Relief and Consumer Protection Act* (2017) available at https://www.banking.senate.gov/public/_cache/files/96d07158-bf57-4f2e-9bfe-888db5dad6ab/7EC24EE731A96E317839101D6AE8FF34.sil17981.pdf. For a summary of bill requirements, see *Bipartisan Senate Bill Would Provide Welcome Relief to Regional and Community Banks* (Nov, 2017), Davis Polk & Wardwell, LLP, at https://www.usbasel3.com/single-post/2017/11/20/Bipartisan-Senate-Bill-Would-Provide-Welcome-Relief-to-Regional-and-Community-Banks.

50 Governors and Heads of Supervision finalise Basel III reforms (December 2017), Bank for International Settlements at https://www.bis.org/press/p171207.htm.

These revised standards will take effect January 1, 2022, with phase-in provisions.
Should the City of Oakland decide to seek private deposit insurance instead of FDIC insurance, or if the State of California were to provide deposit insurance, it is uncertain what the capitalization standards would be of such an insurer. However, it seems likely that any non-FDIC insurer would still look to FDIC requirements as a set of best practice requirements and may not deviate from them.

THE RISK OF CANNABIS

Current federal law makes banking the cannabis industry a highly risky choice for depositories.

The SOW for this study includes an examination of banking cannabis related funds and offers commentary to the report on the topic issued by California's State Treasurer in November of 2017.[51] The report identifies that a key stumbling block to the banking of cannabis-related funds is that cannabis is still deemed a Schedule I controlled substance under federal law. As we have discussed earlier, banks accepting cannabis derived funds are subject to the possibility of criminal action against them by the federal government under the Bank Secrecy Act and US Patriot Act, which could result in the freezing and/or seizure of bank funds and, potentially, the closure of the financial institution.[52] Under the prior federal administration, the Justice Department's 2013 "Cole Memorandum" narrowed the enforcement priorities of the department vis-a-vis cannabis, but it did not change its status as an illegal controlled substance under federal law. Since the time when the Treasurer's report was issued, the new federal administration and the Justice Department specifically have built on its already demonstrated hostility towards the cannabis industry by withdrawing the Cole Memo.[53] Though this act flies in the face of the significant legalization momentum that the cannabis industry has across many states, including California, this is, in fact, the current reality. Thus, as much as there is a demonstrated will at the local and state level in California to bank industry funds, such activity by a financial institution exposes it to significant risk of enforcement activity by the federal government.

The Treasurer's study also correctly identifies that, as a result, accessing FDIC insurance for needed deposit insurance, or membership in the Federal Reserve Board for access to its electronic payments system (Automated Clearing House- ACH) is probably impossible if a new public bank is engaged in banking cannabis money in some fashion.[54]

Even if a public bank were chartered by the State of California, and were able to obtain private deposit insurance or to partner with the state in some fashion to acquire state-funded deposit insurance, banking cannabis funds would still subject a new public bank to the possibility of criminal enforcement activity by federal authorities.

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51 (52) BANKING ACCESS STRATEGIES FOR CANNABIS-RELATED BUSINESSES A Report From the State Treasurer's Cannabis Banking Working Group (Nov. 2017), California State Treasurer at http://www.treasurer.ca.gov/cbwg/resources/reports/110717-cannabis-report.pdf

52 *Id. at 7.*

53 *Exclusive: U.S. Justice Department blindsided banking agency on pot policy flip - sources* (Jan. 11, 2018), Reuters at http://mobile.reuters.com/article/amp/idUSKBN1EZ2Y8.

54 *Id. at 8.*

That current reality does not mean that the City of Oakland should assume that banking cannabis money would always remain highly risky. It is unclear whether the current federal administration will retain its control of Congress after 2018 elections, and seems unlikely that it would retain control in the next Presidential election cycle. Thus, thinking of a public bank as a possible venue for banking cannabis money when federal policy changes would seem a prudent course of action.

In the meantime, with significant public safety concerns created by the lack of access to banking services for the cannabis industry, the California State Treasurer's Office suggested non-banking strategies that localities could take for making tax and fee collection from this industry safer.[55] The report then goes on to encourage support of the industry's accessing banking services through supporting bank compliance with the now-withdrawn Cole Memo. Even when the Cole Memo was in force, it was never a law, but only a set of internal enforcement priorities for the federal Department of Justice, and thus it was always uncertain, at best, for entities to rely on the Cole Memo as a "safe harbor" for banking cannabis funds. Now, even that internal guidance has been retracted.

While the remainder of the Treasurer's memo discussed the possibility of the state of California forming a public bank, either just to bank cannabis funds or to also fund infrastructure and other needs, the memo reiterated that it would be unlikely that an institution to bank cannabis could successfully obtain a banking charter, much less access to deposit insurance of the ACH system.

55 *Id. at 11-15. (See FinCen.)*

THE NEED FOR A PUBLIC BANK AS A FINANCIAL ENTERPRISE

THE NEED FOR A PUBLIC BANK AS A FINANCIAL ENTERPRISE

The nation's only public bank, the Bank of North Dakota, was organized in 1919, well before most of the nation's current apparatus for supporting and regulating depository institutions was in place or well-established. In 1919, the Federal Reserve was only six years old and operated in far different fashion from today's Fed. The FDIC did not exist.[56][57]

Nevertheless, our research makes clear that a public bank can be organized under current state and federal law. In short, a depository institution owned by one or more public entities and providing loans and other banking services that further the purposes of these entities is legally feasible.

However, **the real impetus behind the public banking movement is that major private banks do a poor job of providing needed services, or tend to operate in a manner injurious to the public interest. The purpose of a public bank then is to offer an alternative to these banks.** The section examines the question: *Can a public bank offer services that are inadequately provided by large banks and in doing so become a viable institution?*

Our research and interviews with businesses, local residents and local government officials suggest that commercial banks generally do an acceptable job of providing these services.[58][59] There are, however, exceptions to this rule. Specifically—

- Certain business, student and mortgage borrowers find bank loans either difficult to obtain or unaffordable.
- Local and state laws often force municipal government to employ deposit and services from large banks whose lending and business practices may be out of alignment with the values of their municipal customers.
- Current municipal finance practices appear to result in higher fees and interest costs than a more efficient and innovative public finance market would produce.
- The cannabis industry is generally unable to obtain conventional banking services because marijuana remains illegal under federal law.

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56 Appendix 8: Relevant Market and Participating Members Information. Ron Surrat. 2018

57 Appendix 1: Private and Public Banking

58 Student Loan Hero, December 2016

59 Mercury News, February 2018

The following table shows what we found:

	HOUSEHOLDS	BUSINESSES	GOVERNMENTS
DEPOSIT	No complaints about demand or time deposit account offerings. Depositors have a wide range of choices.	Businesses have wide variety of deposit options from large number of competing banks in the Bay Area.	Governments typically have a large number of deposit accounts. Fees may be higher than desirable but represent a small percentage of assets and budgets. However, questionable lending and business practices of large banks has spurred movement for municipalities to sever ties with these institutions.
PAYMENT	Banks offer a wide range of checking, debit and credit card products. Credit card competition, among banks, is particularly robust.	Businesses of all sizes have a wide range of payment options, especially from larger banks.	Large banks provide a wide range of services, including debit and credit cards, sweep accounts and overdraft services upon which local governments depend. Again, many Bay Area cities are under pressure to sever relationships with large banks.
CREDIT	Although credit is available, evidence suggests that student and homebuyer concerns about high debt service costs.	Small businesses, especially those owned by people of color, complain about the unavailability of financing. Many have turned to emerging fintech lenders.	Municipal bond market dominated by large players. Room exists for new entrants and new technology to lower fees and interest rates.

These findings suggest that a public financial institution can play a role in:

- Making student, mortgage and business loans more affordable and available.
- Providing governments an alternative—and socially responsible—source of deposit and payment services.[60]
- However, the cash handling needs of cannabis businesses cannot appropriately be handled by a public bank, given the risk involved. Instead, a non-bank structure might be feasible, though we still not recommend that neither, localities or a public bank have any ownership interest in or affiliation with this alternative structure given the legal risks.

[60] The Atlantic, 2014

KEY CREDIT ACCESS PROBLEMS A PUBLIC BANK COULD HELP ADDRESS

STUDENT LOAN REPAYMENT

Student loans are a repayment headache for many borrowers:

- According to Goldman Sachs, the value of outstanding student loans has reached $1.3 trillion. Graduates in the Bay Area have student debt balances of between $15,000 and $24,000.[61]
- Some borrowers have much larger amounts of accumulated debt. During our interviews, we learned about an Oakland resident who owes $137,000 in student debt on which he pays $583 every month—in interest alone. On a salary of $42,000, another resident pays $700 monthly on $80,000 in student loans.
- Beyond monthly debt service burdens that borrowers face, mounting student loan debt poses broader problems to the Bay Area economy. According to one analysis,[62] high student debt stifles spending, slows the housing market, and reduces business formation.
- The emergence of marketplace lender such as SoFi and Credible allows borrowers with solid credit scores and relatively high earnings to refinance their loans—often at substantial monthly savings.
- However, for other borrowers—those with less stellar credit scores and lower earnings, refinancing at market rates is simply not an option.

SUMMARY: Most borrowers can obtain student loans. For lower-income residents, especially, the problem is not availability; it's the relative lack of affordability

61 San Francisco Federal Reserve Bank

62 Student Loan Hero, December 2016

MORTGAGE LOANS

Available mortgage loans often fail to meet borrower needs:

- The median price of housing in the Bay Areas is now around $750,000.[63] While median income is also up—to about $97,000—the income required to buy the typical house may be as high as $180,000.
- For middle-income homebuyers, insufficient income is not the only problem. Inadequate savings is an equally large barrier to homeownership.
- Here's one reason. The current ceiling for 3 percent FHA loans is about $680,000—about $70,000 less than the area's median house price. This means that families buying the typical home may need to come up with the difference in the form of a larger down-payment—perhaps $100,000 or more.
- Of course, the cost of homes in the outer reaches of the Bay Area—places like Antioch—is often under current FHA ceiling. The good news is that this allows lower-income families to buy homes under the FHA's 3 percent down program. The bad news is that the median home price in Antioch—about $432,000—still requires an annual income of almost $77,000. This is less than 80% of the Bay Area median, but more than 30 percent above the median for the area.

In the U.S., most mortgages have a maximum term of 30 years. Yet, there appears to be no reasonable explanation for this limit.

- The underlying collateral has an economic life far longer than 30 years.
- The median age of first-time homebuyers in the U.S. is about 32.[64] These borrowers can expect to live to be older than 62.
- Total interest payments on a 50-year mortgage would be substantially higher than those on a 30-year loan—if the loans were outstanding for their full term. However, the typical mortgage is paid off in less than 10 years. (Borrowers tend to refinance or move.)
- At one time, both Japan and Switzerland offered mortgages with terms as long as 100 years. Before the financial crisis of 2008, several California banks had begun experimenting with 50-year mortgages. Now might be a good time to re-introduce this idea through a public bank.
- As the following table shows, a $400,000, 4% mortgage with a 50-year term will have 20% lower debt service costs than a 30-year loan.

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63 Mercury News, February 2018

64 The Atlantic, 2014

	CONVENTIONAL	EXTENDED TERM
MORTGAGE AMOUNT	$400,000	$400,000
INTEREST	4.00%	4.00%
TERM	30	50
MONTHLY DEBT SERVICE	$1,910	$1,543
MONTHLY SAVINGS	$367	

Note: Interest is tax deductible to borrowers.

SUMMARY: Given the benefits that an extended term mortgage provides borrowers, it makes sense for a public bank to make such loans available through intermediaries.

SMALL BUSINESS LOANS

Small businesses often have difficulties obtaining loans.

- Alameda and Contra Costa Counties are home to about 230,000 small firms, almost half owned by members of minority groups.
- While it is unclear how many of these firms may have applied for loans, what is certain is that a significant percentage of their loan requests to banks will have been declined. The following table shows the small business loan approval rate by type of lender:

BIG BANKS	SMALL BANKS	INSTITUTIONS	ALTERNATIVE LENDERS	CREDIT UNIONS
25.0%	49.0%	64.0%	57.0%	40.0%

Source: Biz2Credit Small Business Lending Index, March 2018

Almost all research on small business lending shows that these fairly high loan denial rates have **three principal causes:** the borrower has poor or no credit history, the firm has insufficient cash flow to repay the requested loan, and the borrower has inadequate collateral to provide the lender a secondary source of repayment.

All three problems increase credit risk— the likelihood that a borrower will be unable or unwilling to repay a loan according to its terms.

Most states and localities operate programs to mitigate credit risk by operating programs that either make or guarantee small business loans. Two of the largest in California are—

- The California Capital Access Program (CalCAP): CalCAP is a small business insurance loan portfolio that works as follows. Whenever a bank makes a loan, the bank and borrower make a specified contribution to a loan loss reserve account in the bank's name. Typically, the borrower and the bank contribute from 3% to 7% of the loan amount; the state then matches the borrower/bank contribution with an additional 3% to 7%. Amounts in the bank's account are available to finance any losses incurred in its portfolio of enrolled loans. For example, where the lender and borrower each make a 1.5% loan-loss contribution, the loan-loss account balance for a $10 million portfolio of enrolled loans could be 6% or $600,000 (3%, in total, from the bank and borrower, 3% from the state). Amounts in the bank's account can typically be used to finance any combination of losses equaling $600,000. While CalCAP works as designed it lacks scale. According to its most recent report, only fifteen lenders use its portfolio insurances program.

- Small Business Loan Guarantee Program (SBLG): The SBLG Program is California's version of the SBA Loan Guarantee Program. SBLG guarantees are provided through a network of non-profit "financial development companies" that issue guarantees of up to 80 percent of loans made by commercial banks. The program's virtues are its simplicity and flexibility. Documentation requirements are limited and guarantees can generally be structured to meet a lender's specific needs.

- However, SBLG has two major disadvantages. Like CalCAP it lacks scale. The federal government backs SBA's guarantees. By contrast, SBLG is backed only by a dedicated reserve fund. (State law prohibits the pledging of the state's credit on behalf of private interests.) This means that SBLG can grow only as fast as its reserve fund. An equally important limitation is that SBLG guarantees cannot be sold. Many SBA lenders generate a significant share of their small business loan earnings by selling the guaranteed portion of their SBA loans to investors. SBLG Program guarantees are not similarly saleable, making them somewhat less attractive to lenders.

Again, small business loan denials occur because lenders fear loans won't be repaid according to their terms—because they're perceived to be risky. Both CalCAP and SBLG are designed to mitigate this risk. Unfortunately, their dependence on public subsidies prevents them from achieving the scale needed to have an appreciable impact on the availability of small business finance.

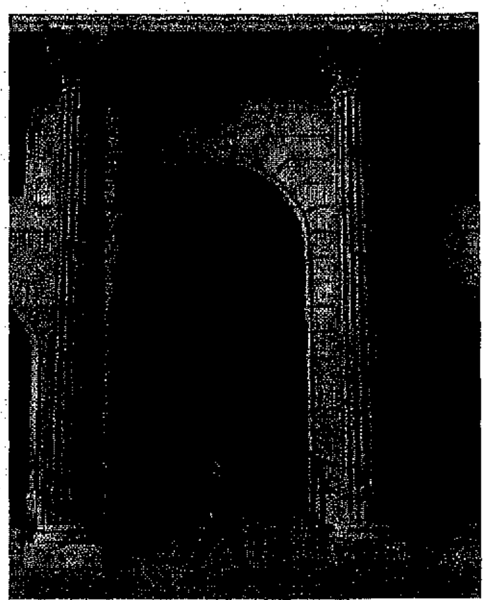
What might a public bank do? In addition to guarantees and insurance, lenders can protect themselves against credit risk by selling all or parts of their small business loans. This is a strategy that the Bank of North Dakota has used successfully and one that we believe can be successfully employed by a public bank to increase the availability of small business loans.[65][66]

65 Under the Federally-funded State Small Business Credit Initiative, the California State Treasurer's Office operates a loan participation program and a collateral support program. Both are designed to reduce lender risk—the first by reducing a bank's risk exposure, the second increasing the amount of security the lender has for its loans.

SUMMARY: Students and homebuyers can generally obtain loans; the problem is that debt service payments are often onerous. Small businesses, by contrast, have difficulty securing bank credit at any cost.

MUNICIPAL GOVERNMENT FUNDING

Cities are facing pressures that make it necessary to consider new ways of financing affordable housing, infrastructure, renewable energy and other long-term investments.



- Recently, the credit rating agency, Moody's Investors' Services, announced its intention to downgrade cities that lack adequate plans for dealing with the long-term problems stemming from climate change. This means that Bay Area cities will have to increase their borrowing for infrastructure repair and improvement.
- However, at the same time, recent tax law changes—such as reducing the corporate tax rate—threaten to make tax-exempt municipal bonds less attractive to corporate investors.
- Moreover, according to a recent credit rating agency report, Oakland's debt burden is relatively high. As a result, additional bond issuance could result in a downgrade of the city's credit rating. [67][68]

SUMMARY: Among the possibilities that the city might consider is that debt incurred by the public bank—for capital projects that the city would otherwise finance—would not be considered municipal debt and thus avoid triggering a possible downgrade.

The Public Bank would be able to package smaller loans into pools of loans that back asset back securities. This would allow the bank to increase the return on its loan portfolio and achieve a higher degree of liquidity.

CURRENT LENDING PROGRAMS

Oakland and its neighbor governments, as well as the state of California and the federal government, have long recognized many of the credit market gaps that exist, and established lending programs to address them. Different varieties of affordable housing lending and small business lending are mainstays of government lending programs, and have been for decades, even if significant gaps remain in both those areas.

[66] Appendix 8: Relevant Market and Participating Member Information. Ron Surratt.

[67] The Smart Path: Solving for Zero Assets with Blockchain Technology, 4/29/18. Brett Bartlett, Berkeley City Council

[68] https://bnd.nd.gov/credit-rating. BND has maintained a quality credit rating despite its community exposed loan portfolio.

The City of Oakland, for example, once offered a "Shared Appreciation Mortgage" in cooperation with local banks, as well as an Access Improvement Program and an Emergency Home Repair program, all of which were used to supply borrowing needs for affordable and low-income housing. The city currently offers loans to larger developers, and proceeds from the recent bond KK is available for land acquisition in Oakland itself.[69] Similar programs are on offer from virtually all the municipal governments in the study region, though budget shortfalls have curtailed many of the programs. Here are some sample loan programs:

- Homebuyer Programs:
  - First Time Homebuyers Mortgage Assistance
  - Shared Appreciation Mortgage
  - CalHome Program
  - Public Safety Employees - Teachers Downpayment Assistance
- Home Repair/Rehab Programs:
  - Access Improvement Homeowner (Owner-occupied)
  - Access Improvement Rental Property Owner
  - Emergency Home Repair
  - Home Maintenance & Improvement Loan
  - Lead Control / Paint Programs
  - Minor Home Repair Program
  - Neighborhood Housing
  - Rehabilitation Program

- Development:
  - Affordable Housing New Construction & Substantial
  - Rehabilitation Loan Program
  - Predevelopment Loan Program

- Linked Banking:
  - Linked Banking Ordinance:

> "Pursuant to Ordinance No. 11067 M.S. the City has established a Linked Banking Service Program. This reference applies to depositories for both the City of Oakland and the Port of Oakland banking needs. Depositories are defined within the Ordinance as "all banking services utilized by the City including the Port of Oakland operating fund, with the exception of investments made through investment banks and broker/dealers." Depositories providing services to the City and the Port of Oakland must provide to the City, annually, the information enumerated under Section 3 of the Ordinance."

Credit Unions and local banks must also meet the ordinance in order to do banking business with some participating members.

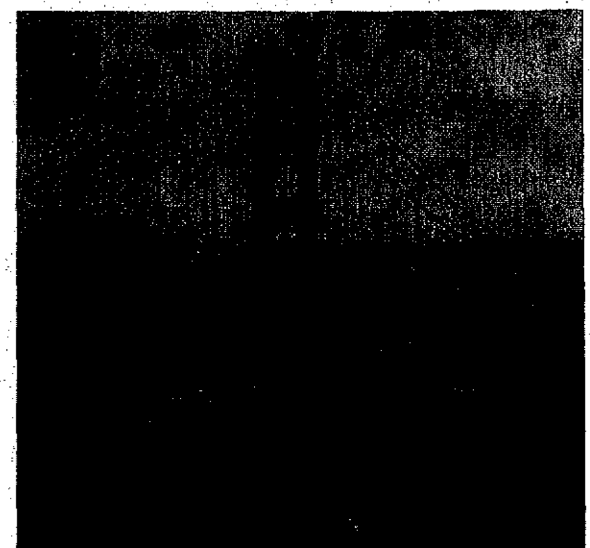
SUMMARY: Notably absent are any loan programs for small business, students and infrastructure.

[69] See the Oakland Housing and Community Development web pages for more.

LACK OF CREDIT AND THE COMMUNITY REINVESTMENT ACT

In order to more fully understand the lack of credit available in the East Bay, a contrast needs to be made; something that can help focus this issue more clearly. There's is no better way to do this than to take a cursory look at Bank of North Dakota's (BND) loan programs. As one would expect, loan programs are central to BND, the nation's only public bank. A review of the BND website shows loan programs of all different types for homeowners, students, municipalities and businesses. In fact, BND has thirteen business lending programs, all listed here:

- Accelerated Growth Loan
- Bank Participation Loan
- Bank Stock
- Beginning Entrepreneur Loan
- Business Development Loan
- Export Enhancement
- Flex PACE for Affordable Housing
- Flex PACE
- Match Program
- PACE Program
- SBA Guaranteed Loan Purchase
- USDA Government Loan Purchase
- Venture Capital Fund



In 2016, a series of 40 meetings were held with business and finance leaders across the state, resulting in new ways to address "financing gaps in economic development". The press release announcing the result of those meetings, a portion of which is captured in Appendix 6.

UNBANKED AND UNDERBANKED

"The United States is among the richest countries in all of history. But if you're not a corporate or political elite, you'd never know it. In the world working people inhabit, our infrastructure is collapsing, our schools are laying off teachers, our drinking water is barely potable, our cities are facing bankruptcy, and our public and private pension funds are nearing collapse. We – consumers, students, and homeowners – are loaded with crushing debt, but our real wages haven't risen since the 1970s. How can we be so rich and still have such poor services, so much debt and such stagnant incomes? ***The answer: runaway inequality – the ever-increasing gap in income and wealth between the super-rich and the rest of us."***

-- Les Leopold, President, TheLabor Institute

Oxfam, a nonprofit focused on alleviating poverty, recently released its World Inequality Report 2018. Central is the increasing disparity between the top 1 percent of income earners who claimed four-fifths of the wealth created in 2017, and everyone else. "Last year saw the biggest increase in billionaires in history, one more every two days. This huge increase could have ended global extreme poverty seven times over. 82% of all wealth created in the last year went to the top1%, and nothing went to the bottom 50%," the report says. Moreover, "Income inequality is worsening across the globe, which has a corrosive impact on social institutions, the standard of living for the poor and near-poor, and is linked to political unrest. The dangers of inequality aren't a new rallying point, yet despite a lip service lawmakers and the rich pay to it, the wealthy continue to pull away from the poor and middle class."

"In the last year, there has been a new billionaire created every two days, and of the wealth that got created, the top 1 percent got 82 percent of it, and the poorest half got nothing," said Paul O'Brien, vice president for policy and advocacy at Oxfam America, "That means 3.7 billion people got nothing of that new wealth.'

Wealth is increasingly concentrated with a small number of people.

Compounding wealth inequality is the very large percentage of people in California who are either underbanked (those with an underused bank account) or unbanked. The 2015 FDIC National Survey of Unbanked and Underbanked Households showed that, in California, over 25% of households are either unbanked or underbanked:

According to the 2015 Bank Status by State report, there are 14,484,000 Californian households. 6.2% of these households are unbanked, 19.1% are underbanked, 68.2%are fully banked and 6.5% are unknown.

In May 2017, the Federal Reserve issued a report that found that "about 25% of American adults can't cover all of their monthly bills, and 44% say they don't have enough savings to cover an unexpected expense of $400. Nearly a quarter said they had paid an unexpected medical expense over the last year, and more than 40% of those — representing about 24 million Americans — said they were still paying debt related to those expenses."[1]

There are more Pay Day loan and Lending services in the US than there are Mcdonalds. California has over 577 locations. One of the highest saturated locations is the East Bay area.

What do many people do in order to pay unexpected bills? According to the state Department of Business Oversight, in 2009, Californians took out $214 million in installment loans of between $2,500and $5,000, what is now the most common size of loan without a rate cap. In 2016 the volume was $1.6 billion. The LA Times states that "loans with triple-digit rates accounted for more than half, or $879 million -- a nearly40-fold increase since 2009.

SUMMARY: With 82% of the new wealth generated in 2017 being directed to the top 1%, with over 25% of California households being under or unbanked, with 44% of all American adults unable to meet an unexpected expense of $400, and with the California legislature unwilling to stem the high cost of the high end of payday

lending (loans of $2,500 or more), all while people are still recovering from the halving of their wealth because of the Great Recession, inequality is proving to be an intractable fixture of the economic landscape.[70]

WEALTH INEQUALITY

What does this mean for city or county with a public bank?

There are **many systemic approaches that remedy income and wealth inequality. These include a living wage, free higher education, divestment and re-investing locally, and single payer healthcare.** A public bank can be added to the list of these systematic approaches because it helps to level the playing field - it addresses some of the inequalities (most notably, lack of access to capital) inherent in our capitalist system. So, the bottom line is that the promise of a democratically governed public bank is to use the public's credit to remedy wealth inequality.

By placing government deposits into a public bank and releasing capital (in the form of loan programs) that fund new initiatives like East Bay Community Energy, overlooked renewable energy projects, capital starved worker-owned cooperatives, small businesses, affordable housing, student loans, and infrastructure, a public bank ends the cycle of wealth extraction. The Bank of North Dakota, the nation's only public bank, has over $6,300 per capita in loans outstanding. All things being equal, that would be the equivalent of $2.6 billion injected into the Oakland economy as low-cost credit, with the generated profits staying local. Even just a fraction of this credit would go a long way to alleviate income and wealth inequality in Oakland and the neighboring jurisdictions.

THE PUBLIC BANKING SOLUTION: LENDING

LENDING

Buying and participating in solid loans is the way to go.

Though banks claim that they provide loans to "every creditworthy borrower," there are important exceptions—mainly borrowers whose loans banks cannot remain on their books for regulatory or interest rate risk reasons. Examples include:

- **Solid small business loans where the borrower lacks adequate collateral:** Many of today's growing small firms are "asset-light"; their principal assets are people and software—neither of which can collateralize a loan. Such firms may have trouble securing credit even with solid credit histories and adequate cash flows, because they cannot offer the bank a secondary source of repayment—collateral in the form of real estate, equipment, inventory or a personal residence.
- **Mortgage loans that exceed 30 years:** Banks are often reluctant to make and retain long-term loans that they must fund with short-term deposits. Though large banks can make and securitize these loans, smaller banks have insufficient volume to do so.

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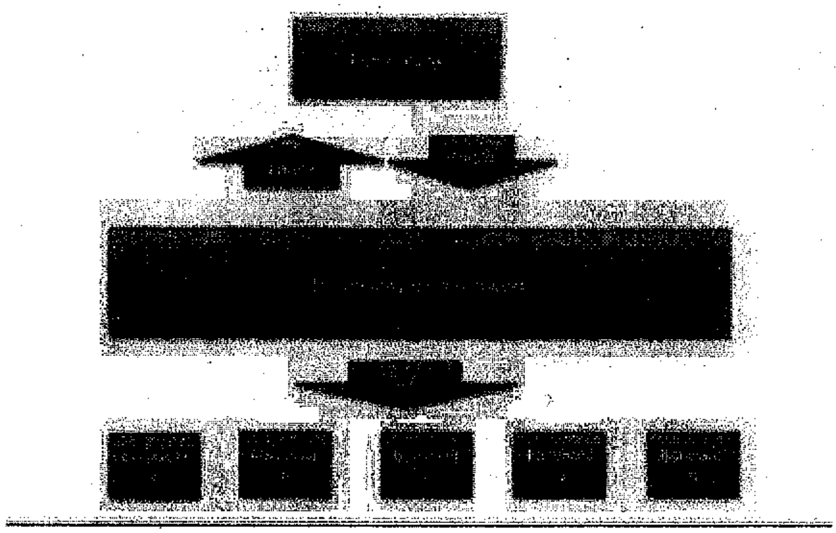
70 Appendix 23: The Winner Takes (almost all)

- **Loans exceeding the lenders' legal lending limit:** All banks have limits on the amount they can lend to a borrower. For example, national banks supervised by the Office of the Comptroller of the Currency, have a limit of 15% of the bank's capital and surplus. So a bank with $10 million in capital would be limited to loans no larger than $1.5 million. If a customer needs a loan that exceeds this limit, the bank must decline the request or find another lender to participate in the loan.
- **Loans that pose concentration risk:** Small banks tend to make the most of their loans in one geographic area and/or specialize in making one or two types of loan. While specialization gives the bank a competitive advantage in competing for some customers, it exposes the institution to significant loss should downturns in its favored communities or industries occur.

Community banks, local banks and/or CDFI's ability to make loans that its customers need—and have the demonstrated ability to repay— imposes a cost on both the bank and the borrower. The borrower can't finance the expansion of a business or home purchase; the bank risks losing both a customer and an earning asset.



The public bank can use a four-part strategy for its loan purchase program:

- Establish underwriting criteria for loans that it will purchase or in which it will participate. For example, small business borrowers might be required to have an "acceptable" credit score; and three years of successful operating history.
- Create a network of community banks and/or CDFI's to sell loans and loan participations. Participating governments can create an incentive for banks to join the network by offering to make low-cost deposits in participating institutions.
- Aggregate purchased loans into a homogeneous but geographically diverse pool. (Homogeneity would be achieved by ensuring all loans have similar credit scores and cash flow histories.)

- Give participating institutions bonds or notes collateralized by the pool of loans as payment for their loans.

EXAMPLES

The public bank's proposed loan purchase/participation program would provide participating banks several benefits:

- It would allow them to honor more of their customers' loan requests.
- It would increase the likelihood of retaining a valued customer relationship.
- It would provide an attractive earning asset (the collateralized bond) in exchange for a loan that it might otherwise have to decline.

Here are two examples of how actual transactions might work:

- Five years ago, Franco resigned his job at Google and started a company processing digital payments. The company has done well. After a rocky couple of years, it now has solid cash flow and is growing—so much so that Franco needs a $200,000 loan to expand the business. Unfortunately, Franco's company has almost no collateral—no buildings and very little valuable equipment. Franco himself, like so many in the Bay Area, has been unable to buy a house, so he can't pledge a personal residence as collateral. It's not his credit history. He has a FICO score of 770. He simply can't afford the cost. If it weren't for the lack of collateral the bank wouldn't hesitate to make the loan. To solve the problem, the public bank agrees to purchase the entire loan from Franco's bank. The public bank pools Franco's loan with 100 similar loans from other banks and gives Franco's bank back a bond collateralized by the pool of loans. (e.g. asset backed securities.)
- Melanie is a recent college graduate and middle school teacher who's struggling under her burden of $40,000 in student loans—high for California and for her personally. The monthly payments on her 10-year, 6% loan are almost $450 a month. She's got a good credit score and hasn't missed a payment in three years. Nevertheless, she'd like to lower the monthly payment to something more manageable. Based on the public bank's purchase commitment, her bank agrees to make a 15-year, 5% loan. Because the loan is for a longer term, meaning the principal will be outstanding for an extended period, the loan structure includes a 5% loan-loss reserve payment. However, even with the loan-loss reserve, the refinancing will lower her monthly payment to $332 from $450, a reduction of 25 percent. Again, in exchange for the loan, the bank takes back bonds collateralized by a pool of similar student loans.

GOVERNMENT LENDING

A public bank may be able to meet local governments' short-term borrowing needs.

In addition to financing small business, housing and student loans, the public bank may also be able to play a limited role in financing the short and long-term needs of participating governments:

- If permissible under California law, deposit funding from one local government could be used to finance the purchase of short-term notes from another, saving the borrowing local governments interest and fee costs. Say for example, Oakland has made a deposit of $10 million in the bank secured by $11 million in Treasuries. The public bank might sell the treasuries and purchase $11 million in short-term notes issued by Berkeley.
- As explained later, we believe that the public bank should have more capital than required under current banking regulations. Its excess liquidity could be invested in long-term bonds of participating localities, once again reducing their fees and interest costs. Assume, for example, that the public bank has $10 million in its reserve account at the Federal Reserve but needs only $5 million under current regulations. It might use the $5 million in excess liquidity to purchase $5 million in bonds from one of the participating governments.[71]

BENEFITS

Collectively, the budget for the governments of The City of Oakland, City of Berkeley, City of Richmond, and the County of Alameda total **over $3.3 billion in cash and investments and almost $9 billion in total liabilities, with a percentage of these budgets spent on servicing the combined $5 billion in long term liabilities.** A public bank with a lending capacity could be formed, and use of this credit to refinance existing bond obligations could be worth millions of dollars annually to this county and these cities in reduced debt service. Furthermore, the debt service payments would provide a positive cash flow to the public bank from the outset, allowing it to bypass the startup losses that are usually part of a bank's early history, thereby reducing overall risk. And, finally, because these participating governments will each own a share of the public bank, the interest payments they make will add to the value of their share. In essence, the interest they pay would be turned into an asset by being credited to their own fund balance. Clearly, being your own credit holder is strategically advantageous, with both near and long term benefits.

Other quantifiable benefits from these participating governments owning a public bank include opportunities to[72]:

- Determine if the profits from public bank operations are held as retained earnings by the public bank or returned to the participating governments.
- Access affordable lines of credit during times of disaster recovery.
- Access bank letters of credit at reasonable rates not available through other banks, thereby helping the participating governments to engage in infrastructure and other projects.
- Access low-cost funds from the regional Federal Home Loan Banks through the public bank.
- Increase the availability of local commercial credit by creating an after-market for local business lending, buying participation in loans made by existing financial institutions.

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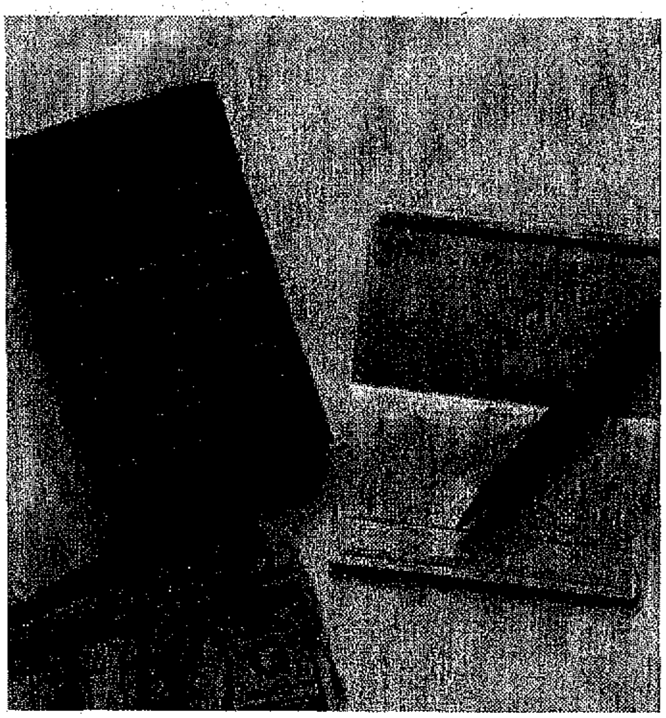
71 Appendix 7: Benefits
72

One of the main benefits of a public bank is the hard dollar cost savings from reducing debt service costs. After all, issuing your own debt is an essential role of a public bank. Moreover, even though a public bank has multiple value propositions, debt service reduction is the most distinct and quantifiable. But this benefit, of course, cannot be overplayed. The obvious risk is abuse of fiduciary duty by running up too much debt, but constraints can be put in place to prevent this from happening. These can include setting a limit to the percentage of the loan portfolio allocated for any one participating government and working with regulators to ensure that this limit is set in accordance with accepted banking standards that prevent too much concentration of the loan portfolio in any one sector.

COST

The challenge, of course, is how best to obtain these benefits without the investment of too much capital or the burden of excessive operating costs. Building this capacity so that profitability is realized sooner rather than later and so that capitalization is reasonable, but will be a challenge and can be better understood with pro formas (which are outside the scope of this study) that model alternative revenue and expense scenarios and with sources of capital clearly identified with written (and conditional) commitments.



Because the public bank would have a relatively small number of municipal customers, it could be effectively run by a fairly small staff, with technology applications and platforms outsourced. Important functions like check processing and account record keeping can be accomplished using bank and financial industry vendors, allowing the operation to be run with a minimum of staffing overhead, real estate expense, and other operating costs. On the credit side, the idea would be to rely on other institutions like Community Development Corporations (CDCs), nonprofit check cashing organizations, and revolving loan funds to make credit available to the public. The public bank would provide funds to capitalize or expand these programs and, because it would be a bank where the owners, depositors, and loan recipients were largely one and the same, the ability to manage profitability will be fairly straightforward.

Each county and city that participates in the bank will benefit from the investment made possible by extending low-cost lines of credit to CDCs, land trusts, and similar community organizations. These organizations are very low credit risks, but are generally unable to find short-term credit, except at high rates. As one example, lack of access to quick capital prevents CDCs from participating in short sales and tax sales and frequently forces them to sit on the sidelines as bargains are snapped up by others. Long-term financing for large projects is commonly provided by multiple banks acting as partners and who determine the terms. The public bank will have the capacity to become one of the partners for large housing construction projects and will be able to have a determinate role in setting terms.

In conclusion, the public bank's access to low cost money will keep participating governments' borrowing costs to a minimum, reversing recent increases in debt service costs. This lower cost approach to banking will provide a stronger bottom line to the owners because of reduced debt service costs. Even more important, a public bank will be their asset that appreciates with every interest payment they make. The increase of affordable credit will make existing government institutions more effective and responsive. Consolidation of accounts will provide finance directors with a more comprehensive -- and convenient -- way for cash management and accounting.

Because the initial customer base is, by and large, the same participating governments that own the bank, the risk of bank revenues not materializing is minimal, as is the risk of unwieldy operating costs. Because access to lower cost of money will be used to reverse the increasing debt service costs, positive cash flow is even more certain. Because affordable credit provides increased affordable housing opportunities, the value provided by the public bank will be an important way to address this shortage and will positively impact government employees, veterans, and other population segments needing affordable housing in the communities in which they work. And, finally, because banking is fundamental to our economy and, as such, is a business model that has been proven both in the private and public sector, with the limitations of banks in both sectors well understood, the risk of starting and successfully operating this kind of a public bank appears to be something that can be well-managed with clear policy direction and proper oversight provided by the governing board and with experienced and effective bank operating management.

For these reasons and more, the idea of a public bank for the Oakland area is eminently feasible.

THE PUBLIC BANKING SOLUTION: DEPOSITS

DEPOSITS: GOVERNMENTS, AGENCIES AND OTHERS

Collateralized and Safe Investments

- Participating members, agencies, other governments and others could make deposits into the bank to sustain revenue. Short term investments maturing in 9-12 months provide adequate liquidity necessary for participating members.
- For example, the County of Alameda could deposit $100 million from existing funds earmarked for deposits into local banks. In addition, the City of Oakland from existing funds earmarked to impact community or to reduce liabilities could make deposits and earn 2% interest.

CD'S - Community Focused

Buy CD's offered by the Public Bank. An example from Alameda County Treasurer, Henry Levy, is to match a purchase of a CD with what the depositor wants to achieve. In other words, a "community purpose linked-CD." The public bank deposits funds into these banks and other intermediaries who are taking out financing for low-income construction or affordable housing.

Criteria

Criteria must be established as a part of bank investment policies. Criteria for community-linked CD's should include the CRA (Community Reinvestment Act) rating, CRA enforcement and other important information related to the predetermined criteria embedded in the public bank governance policy, such as, a respectable CRA Rating.

Tax Deposits

The public bank could accept tax deposits on behalf of other jurisdictions for a reasonable fee. The deposit process could include data collection as a part of the service.

Fintech

Fintech companies provide some innovative solutions for managing data. For example, NCS (National Compliance Services), a Fintech company, assist with the data platform for some California counties. The platform aggregates data from multiple sources including track and trace, point of sale, taxation and socioeconomic data.[73] [74]

The California Cannabis Authority (CCA) created a Joint Powers Authority between counties with cannabis regulation or taxing authority.

DEPOSITS: SAFETY

Safe, sound and quality investments offered by the public bank could inspire participation by others.

GENERAL CREDIT QUALITY

It is important for participating members to maintain a quality credit rating. Short- term debt shall be rated at least "A-1" by Standard & Poor's Corporation, "P-1" by Moody's Investor Service, Inc. or "F-1" by Fitch. Long-term debt shall be rated at least "A" by Standard & Poor's Corporation, Moody's Investors Service, Inc., or Fitch.

The minimum credit requirement for each security is further defined within the Permitted Investments section of the investment policy for the city of Oakland. Neighboring jurisdictions abide by similar criteria.

[73] Appendix: 29- Fintech Collaboration and Outreach

[74] Appendix 15: CCA

If securities which are purchased for the Fund are downgraded below the credit quality required by the Fund, the Treasurer, in consultation with the Treasury Manager, will determine whether to retain or to sell the security. Evaluation of divestiture of securities will be determined on a case-by-case basis.

> *"Permitted Investments: U. S. Treasury Securities , Federal Agencies and Instrumentalities, Banker's Acceptances, Commercial Paper, Asset –Backed Commercial Paper, Local Agency Pooled Investment & Deposit, Commercial Paper Limits, Medium Term Notes, Negotiable Certificates of Deposit, Repurchase Agreements, Reverse Repurchase Agreements/ Secured Obligations and Agreements, Certificates of Deposit, Money Market Mutual Funds, State Investment Pool (Local Agency Investment Fund), Local City/Agency Bond, State of California Bonds, Other Local Agency Bonds[75] Private Placements are also an option.[76]"*

The public bank investment in treasury securities is one way to meet the quality investment criteria and, possibly the State of California, Department of Business Oversight requirements for insurance and/or collateral. In May, GIC met with Commissioner Jan Lynn Owen and the Department of Financial Institutions. As a result, of our interview, it was determined that treasury securities might be possibly be considered as an option for meeting collateral and insurance. More legal research would need to be completed to determine if it's feasible. It appears that without an application submission for a bank charter, by the participating members, there's not much need to explore such a concept on behalf of the DBO.

"RISK-FREE" INVESTING: U.S. TREASURY BONDS

The U.S. Treasury issues lots of different kinds of debt securities. Savings bonds, which can be purchased for small amounts and come in certificate form (making for nice bar mitzvah and birthday gifts), are just one of many kinds of investment options.

When investment people speak of Treasuries, they usually are not talking about savings bonds. Rather, they're talking about larger-denomination bonds known formerly as Treasury bills, Treasury notes, and Treasury bonds that are issued only in electronic (sometimes called book-entry) form.

All U.S. Treasury debt securities, whether a $50 savings bond or a $1,000 Treasury note, share four things in common:

- Every bond, an IOU of sorts from Uncle Sam, is backed by the "full faith and credit" of the United States government and, therefore, is considered by most investors to be the safest bet around.
- Because it is assumed that any principal you invest is absolutely safe, Treasury bonds, of whatever kind, tend to pay relatively modest rates of interest — lower than other comparable bonds, such as corporate bonds, that may put your principal at some risk.
- Although the United States government is very unlikely to go bankrupt anytime soon, Treasury bonds are nonetheless still subject to other risks inherent in the bond market. Prices on Treasury bonds, especially those with long-term

[75] Treasury Division, Financial Services Agency Adopted by the City Council and Oakland Redevelopment Agency On June 15, 2004

[76] Local%20Agency%20Investment%20Guideline.pdf1.pdf

maturities, can swoop up and down like hungry hawks in response to such things as prevailing interest rates and investor confidence in the economy.

- All interest on U.S. government bonds is off-limits to state and local tax authorities (just as the interest on most municipal bonds is off-limits to the Internal Revenue Service). But you do pay federal tax.

Differences Between Treasury Bills, Notes, and Bonds

The financial media often mentions three different terms relating to government bonds: Treasury bills, Treasury notes, and Treasury bonds. These securities are similar in that each is issued by the United States to fund its debt, and each is also backed by the full faith and credit of the U.S. government.

Two key differences exist between the three types of U.S. Treasuries:

- their maturity dates
- the way that they pay interest.

The variance in maturities of the three types of Treasury securities helps differentiate them. Treasury bills (or "T-bills") are short-term bonds that mature within one year or less from their time of issuance. T-bills are sold with maturities of four, 13, 26, and 52 weeks, which are more commonly referred to as the one-, three-, six-, and 12-month T-bills, respectively. The one-, three-, and six-month bills are auctioned once a week, while the 52-week bills are auctioned every four weeks. Since the maturities on Treasury bills are so short, they typically offer lower yields than those available on Treasury notes or bonds.

Treasury note issues have maturities of one, three, five, seven, and 10 years, while Treasury bonds (also called "long bonds") offer maturities of 20 and 30 years. **In this case, the only difference between notes and bonds is the length until maturity.**

The 10-year is the most widely followed of all maturities; it is used as both the benchmark for the Treasury market and the basis for banks' calculation of mortgage rates. Typically, the more distant the maturity date of the issue, the higher the risk of payback to investors, and so the higher the compensating yield.

INVESTING: U.S. TREASURIES

In contrast, both Treasury notes and bonds pay a traditional "coupon," or interest payment, every six months. When these securities are auctioned, they may sell at a price that translates to a yield to maturity higher, or lower, than that of the coupon. Investors can purchase bonds directly from the U.S. treasury, through its TreasuryDirect website. The Treasury's site explains how the interest rate and price of a bond are determined at auction.

Price Fluctuation

Once T-notes and T-bonds are issued, their prices fluctuate, so their yields remain linked to market prices.

For example, say the government issues a 30-year bond with a yield of 10 percent when interest rates are high. In the next 15 years, prevailing rates fall significantly, and new long bonds are being issued at 5 percent.

Investors will no longer be able to buy the older T-bond and still receive a yield of 10 percent; instead, its yield to maturity will fall, and its price will rise. In general, the longer time until the bond matures the greater price fluctuation it will experience. In contrast, T-bills experience very little in the way of price fluctuation since they mature in such a short amount of time.

U.S. Treasuries continues to be a prudent, safe and sound vehicle for investors.

One option to move funds from treasures to stakeholders is to establish a Secure Letter of Credit Program to back the loans issued to BIN's. (i.e. a group if intermediaries.) who distributes those funds based on the; public bank's criteria into the community and integrated partners. This strategy is common in the utilities space and public works. For example, the State Water Resource Board sets aside a percentage and builds up an in order fund to guarantee more loans. They created a loan loss reserve. Grants might also be created to also move funds after the sale of treasuries from the bank portfolio.

BUILDING AND FINANCING THE BANK

Beyond the need to serve large municipal customers, there are other reasons why a public bank, in particular, needs scale. One is that a larger bank is better able to diversify and manage risks.

First, what criteria are needed to assess a bank's ability to diversity risk?

Small bank loan portfolios are often concentrated in one geographic area or include a large percentage of one type of loan. For example, a community bank's portfolio might contain large numbers of commercial real estate loans to firms in Contra Costa County. The lack of diversification exposes the bank, to an unhealthy degree, to any downturn in the Contra Costa economy or in the commercial real estate industry. By contrast, a larger bank is more likely to have loans to different industries and borrowers all over the Bay Area. Downturns in one county or industry are much less likely to affect its financial health.

Second, big banks and small banks manage credit risk in entirely different ways.

As we pointed out earlier, small banks tend to be low-volume lenders and manage risk on a loan-by-loan basis. That is, they want to make sure that for each loan (a) the borrower has enough income to make required payments and (b) if something goes wrong, the collateral posted by the borrower will allow the lender to recover the outstanding principal.

Big banks, by contrast, tend to be high volume lenders and manage risk on a portfolio basis. Say, the bank knows that in a portfolio of 1,000 loans, the default rate will be 5%. It doesn't have to know which of the 1,000 will default. All it has to do is price its loans so that loss of any 50 of them will be completely covered by the income from the remaining 950.

This difference gives larger banks two important advantages:

- Because the performance of a large portfolio of geographically diverse loans tends to be more predictable than the performance of individual loans, large banks can more easily sell their loans for profit or liquidity reasons.
- The unit costs of servicing a large portfolio of loans is much lower than those of servicing a smaller portfolio. This means that, all other things being equal, larger banks are likely to have higher earnings on their portfolios.

Size also matters on the liability side of a bank's balance sheet. A large bank is much more likely to have the infrastructure and systems needed to provide deposit and payment services to larger customers such as municipal governments.

The final reason that scale is important is a simple one. Big banks simply can make a bigger difference in their communities than small ones. A bank with $3 billion in loan assets has ten times the impact of one with only $400 million in loans on its books.

According to some banking experts, the minimum amount of capital required to launch a new bank is $30 and $50 million.[77] Even though it will be chartered as a commercial bank, the public bank's unusual purpose and strategies may create the perception that it is somewhat riskier than other "de novo" banks and thus requires a larger than normal capital cushion.

SOURCES OF CAPITAL

Discussing the creation of a bank will always move to the source of the capital with which it is to be founded. The quantity and form of capital required to open the Public Bank will depend crucially on the purpose behind the bank. The purpose will suggest the size, and that will set a certain requirement for capital. Furthermore, some purposes will allow capital to come in the forms of performing loans or other assets, or even goodwill, while other purposes will require the capital to be real cash. **The capital can come in the form of permanent investments that might pay a dividend, or in the form of loans.** The capital requirements will become clear through the bank design, but it is worth considering the potential assets that could be applied to the purpose.

Though its border is fairly subjective, there are around two dozen cities within the study region, along with a comparable number of school districts, and at least two county governments. Collectively, they control well over $6.5 billion dollars in cash at any one time, along with notes, CDs, and other investments. This does not count funds held in trust or pension funds, only the cash and equivalents on hand, typically held in bank accounts and bond funds.

[77] Dinsmore & Shohl, LLP December 2017

In addition to these, there are public and non-profit agencies working in the area that might have an interest in seeing a public lending institution with which to ally. For example, the California Housing Finance Fund might be an organization to approach for capital in the form of a swap of performing loans for bank stock, since it is reasonable to think they might value the presence of another low-cost source of housing loans in the Oakland area. There are philanthropic organizations, too, that might be persuaded to contribute in a similar fashion

In addition to the capital, it is important to consider the liabilities that will compose the bank's balance sheet: the deposits from which loans will be made. The sections that follow will consider a few of the different potential sources of deposits, but it is possible to imagine a structure that can accommodate short-term investments from other sources, for example from one of the many cash-rich corporations in the area who might have an interest in ameliorating some of the affordable housing crunch they have participated in creating

We believe that any strategy for raising the required equity should include:[78]

- **Avoid seeking a large investment of existing public funds.** To most people in the Bay Area, a public bank represents a useful—but not urgent—use of public funds. Competing against more urgent demands would undermine the bank's limited support.
- **Aim at large investors with an appetite and capacity for risk.** The public bank is an untested idea. The impact investment market has now reached $300 billion and comprises large institutional investors looking to achieve social—rather than purely financial—returns. An investment in the nation's first urban public bank may have significant appeal.

CAPITALIZATION

Stock and Debt Equity

- Any revolving loan fund that can be replaced with credit. Specifically, existing loan programs that are funded with revolving loan funds.
- Existing pools of money that have been set aside for affordable housing and other programs that could use credit instead of hard dollars.
- Rainy day funds that could be replaced with an Emergency Loan program for cities and counties.
- Issue a state bond.
- Duplicate the Green Bay Packers ownership model, where constrained capital stock is issued to the public.
- Crowd-fund the bank with donors identified as "Founders" of the Public Bank of Charter City.
- Public Bank of Charter City issues corporate debt.
- Issue a Private Placement
- Public employee pension funds for long-term investing.

MANAGEMENT OF THE BANK

The public bank could be managed either by its own team or under management contract.

78 Appendix 1– Private and Public Banking

The public bank could be managed either by its own team or under management contract—the expertise of the management team and FinTech companies strategies developed will operate both the commercial public bank. The "debundling process", will take at least a year for staff to be positioned to transition bank services and accounts.

DEBUNDLING

Public banking is a movement throughout the nation in response to the need for responsive and responsible banking to the community.

The City of Berkeley and the City of Oakland have already begun to "debundle" services. For example, Oakland has separate contract for armored car and card services from JP Morgan Chase. Due to the complexity of their banking structure, staff concerns primarily include keeping the core credit card and depository services within the same bank. Investments, on the other hand, are one believed to be easier to transition by some staff.

Debundling banking services is similar to debundling large procurement contracts issued by municipalities. These large contracts are broken up into smaller contracts, so the small business can better compete for services. It's a way to support small business growth.

The other benefits of "debundling" s include:

- Creating local jobs
- Reaching divestment goals
- Placing money into local credit unions and small banks
- Establishing new banking criteria with a social mission
- Cost savings could supplement affordable housing and a programs

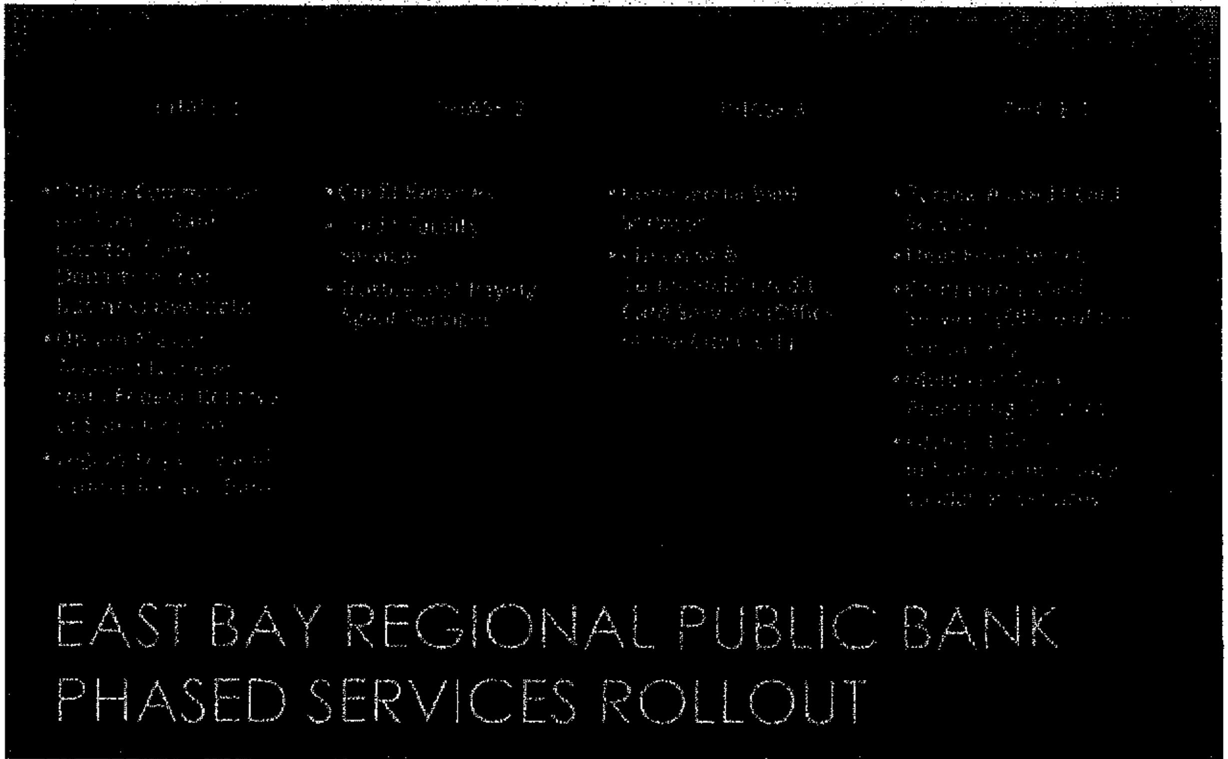
TRANSITION

The City of Berkeley developed its own transition plan for banking services. For reference find it attached in Appendix10. Because a public bank, as envisioned for the participating governments in the East Bay, will be circumspect in its deployment of banking services, technology will be less important than one might expect. However, when possible, technology will be rolled out to support key banking functions. We initially envision them as follows:

- Phase 1 - Obtain Bank Charter, Master Account Number, Organize and Establish.
- Phase 2 - Credit Services, Credit Facility Services, Trustee and Paying Agent Services.
- Phase 3 - Commercial Bank Services, Checking and Commercial Card Services (Office of the City Clerk).
- Phase 4 - Purchase Card Services, Fleet Fuel Services, Commercial Card Services (Office of the Comptroller),
  - Merchant Card Processing Services, Payment Card Industry Compliance Validation Services.

See Transition Phases Flowchart:

East Bay Regional Public Bank Transition Chart



Many, if not most, of these functions will likely require little customization and can be automated with cloud-based software services or can be contracted out to technology vendors.[79],[80]

CENTRALIZED LOAN SERVICING

The public bank could act as a banker's bank in other ways for community lenders, perhaps by providing centralized loan servicing, or data stores to inform underwriting decisions. It could also become a valuable source of short-term liquidity for community lenders, allowing them to extend themselves a little farther than they might without such a resource.

Affordable housing is an important community development priority in the Bay Area, and it is also one worth discussing in relation to a public bank. The Federal Home Loan Bank is an important resource to small banks, as a source of liquidity and collateral. Established to promote home ownership in the 1930s, the FHLB uses mortgages as its currency, so to speak. There would be a substantial benefit to the public bank becoming part of the FHLB network, giving it access to

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79 The Smart Path: Solving for Zero Assets with Blockchain Technology, 4/29/18. Brett Bartlett, Berkeley City Council.

80 https://getfuturebank.com/wp-content/uploads/2018/01/whitepaper.pdf

emergency liquidity, inexpensive collateral, and more, but the price of admission is to be involved in some fashion, in the home mortgage market.

FINANCIAL INFORMATION

Public Bank Capital and Sustainability Scenario:

An initial $50 million in deposits - invested in treasuries with an average return of 2.54% producing a gross profit on earnings (less .44% paid to depositors) - leaving 2% for the bank. Revenues after $1 million annual operating budget are estimated to be $51 million in the first year and $53 million in the second year.

CONCLUSION

In conclusion, a multi-jurisdictional public bank for the East Bay region is feasible. A holding company is one structure for limiting localities from liability which have examined is the use of the JPA for the purpose of forming a public bank a holding company for that bank or both.

A public bank could provide solutions to key unmet financial needs for communities exposed to the public bank with the exception of providing banking services to the cannabis industry under current federal law exposing public bank deposits exposes participating members to unwanted risk.

Participating members have common goals for a public bank, such as, the creation of:

- an institution that exists specifically for the purposes of keeping control of assets and investment choices local and an institution that is focused on supporting local business needs and the needs of municipalities for competitively priced financial services.
- an institution that frees residence and municipalities who reside within the region, of using mainstream financial service providers as their primary source so as to create better services for the community.

More extensive planning is needed for participating members. A detailed roadmap to establish and implement a regional bank is a vital step. Initiating a RFP issued by the MJPB Working Group or one of the Working Group participating members, for Multi-Jurisdictional Public Banking Services Business Plan for the region is recommend as a next step to establish a public bank.

It is estimated the cost to acquire a small community bank is $25-30 million plus $1 million for operations

Transitioning banking services from current banks to a new bank could take up to 18 months after the business plan; implementation plan and debundling of services plan have begun.

NEXT STEPS

- Members are considerate of stakeholder's input to a public bank in the Bay Area. Establish Multi-Jurisdictional Working Group (MJWG). The MJWG should formally decide on any next steps after discussions with the State Department of Business Oversight.
- Approve the issuance of an RFP to establish a business plan for guidance in implementing the East Bay Regional Public Bank.[81][82][83][84]
- Establish a business plan to evaluate the state charter strength based on the reasonableness and achievability of the banks' business objectives, lines of business, public benefit activities, proposed management, adequate checkpoints for oversight by state regulators and intermediaries[85]. If the decision to move forward includes acquisition as a part of the business plan, identify a $20-30 million community bank to acquire, capitalization levels, member participation and sources of capital.
- The participating members may want to consider the possibility of adding a provision that specifically permits investment in a public bank.
- Revisit divestment city and county directives set by each participating member for guidance.
- Revisit interested organizations and other stakeholders ready to partner with participating members on establishing a bank.
- Authorize GIC to coordinate the inaugural Public Municipal Bank Summit in partnership, under the guidance of the MJWG, with interested stakeholders and other jurisdictions. A fintech company, SafetyNet has offered to partially fund the event.

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81 Office of the Treasurer & Tax Collector, City and County of San Francisco Request for Qualifications for Office of the Treasurer & Tax Collector Municipal Bank Feasibility Quantitative Analysis, March 19, 2018.

82 See City of Los Angeles Banking Services Request for Proposal. County File 17-0330 – Office of Finance – Report Back On Divestment and Banking Services Request For Proposal

83 Banking and EBPP Services. Solicitation No.: RFP 16/17-23. Alameda County Water Department

84 Banking Services Request for Proposal. City of Berkeley. May 29, 2012.

85 Appendix 12 : A Social Mission: Divestment

CREDITS

APPENDICES

Appendix 1 Private and Public Banking

Appendix 2 -Outreach Summaries

Appendix 3 -SOW Task Checklist for Oakland Feasibility Study

Appendix 4 –Lending and Guiding Principles

Appendix 5 - Governance Considerations: PBI.org, and https://friendsofpublicbankofoakland.org/wp-content/uploads/2018/04/FOPB_public_bank_of_oakland_governance_proposal_040918.pdf

Appendix 6 -Summary of Cities and States Creating Socially Responsible Banking, Investment and Financial Services Policies

Appendix 7 - Benefits

Appendix 8 - Relevant Market and Participant Information

Appendix 9 - Association of Bay Area Governments Population Tables

Appendix 10 - City of Berkeley, "Resource Requirements to Implement a Change in Financial Institution." Attachment 3

Appendix 11 - Stakeholder's Feedback and Letters of Interest (https://friendsofpublicbankofoakland.org/supporting-organizations/)

Appendix 12 – A Social Mission - Divestment

Appendix 13 - Summary: German public banks help address climate change (Wolfram Morales, September 2017)

Appendix 14 - Relevant Cannabis Legislation

Appendix 15 – CCA- California Cannabis Authority

Appendix 16 - The Copernican Revolution in Banking. https://s3.amazonaws.com/qed-uploads/The+Copernican+Revolution+in+Banking+-+Publication+Version.pdf

Appendix 17 - Bruce Cahan, UrbanLogix. Adjunct Professor, Stanford University. GoodBank™ (IO), an independent teaching bank for high-transparency, impacts-aware commercial bankers. Credit scoring alternatives for sustainable banking.

Appendix 18 - David Polk & Wardwell Legal Memo, Bank Regulatory Considerations Related to Establishing a Public Bank in the State of California. November 18, 2017.

Appendix 19 - Virtue & Najjar Legal Memo, Establishment and Operation of a Chartered Public Bank by the City of Santa Fe, New Mexico, October 13, 2017.

Appendix 20- SB885, State Bank of New Jersey Act

Appendix 21- HB5431, Bank of Michigan Act

Appendix 22 - Refund America Project - Roosevelt Institute - Municipal Banking: An Overview Financing Socially Just and Sustainable Forms of Urban Development. Karl Beitel. April 2016.

Appendix 23 - The Winner Takes Almost All.

Appendix 24 – Report of the Commission to Study the Feasibility of Establishing a Bank Owned by the Commonwealth, August 2011.

Appendix 25 – California Alliance Public Banking Charter (Proposed)

Appendix 26 – Participating Members Municipal Funding

Appendix 27 – CRC Small Business Study, Displacement, Discrimination and Determination: Results from a Statewide Survey in California. CALIFORNIA REINVESTMENT COALITION Small Business Owners Struggle to Access Affordable Credit

Appendix 28 – Disaster Recovery

Appendix 29 – Fintech Collaboration and Outreach

ACKNOWLEDGMENTS

Adam Crabtree, CEO, Nationwide Compliance Services

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City of Berkeley

City of Hayward

City of Oakland

City of Richmond

CommonmicsUSA

Community Bank of the Bay

Community Reinvestment Commission (CRC)

County of Alameda

Ellen Brown, Public Banking Institute

Federal Reserve of San Francisco

Former Mayor, City of Oakland, Elihu M. Harris, JD

Friends of the Public Bank of Oakland

FutureBank

Harborside Wellness Center

Laurie Harris, Working Solutions

LendUp!

Los Angeles City Council Staff, Andrew Westhall

Los Angeles Councilmember, Herb Wesson

NorCal FDC

Prelim

Tom Sgorous

Ron Surratt

SafetyNet

State of California, Deputy Treasurer, Tim Schaefer

State of California Department of Business Oversight

State of California Department of Financial Institutions Division

Uphold

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Dante Torsetti

DISCLOSURES

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All investment strategies have the potential for profit or loss. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment or strategy will be suitable or profitable for a client's investment portfolio. Information provided is general in nature and does not constitute personalized investment advice. A professional adviser should be consulted before implementing any of the options presented. Any tax and estate planning information provided is general in nature and should not be construed as legal or tax advice. Always consult an attorney or tax professional regarding your specific legal or tax situation.

4

FINANCE & MANAGEMENT CMTTE
SEP 1 1 2018

ATTACHMENT B

16 NOV 15 PM 4:42

Revised Finance & Management Committee 11/15/2016

Approved as to Form and Legality

City Attorney's Office

OAKLAND CITY COUNCIL

RESOLUTION NO. 86483 C.M.S.

INTRODUCED BY COUNCILMEMBERS REBECCA KAPLAN, DAN KALB, AND ABEL GUILLEN

RESOLUTION DIRECTING THE CITY ADMINISTRATOR TO PREPARE AN INFORMATIONAL REPORT WITH THE COST ESTIMATES OF COMMISSIONING A STUDY ANALYZING THE FEASIBILITY AND ECONOMIC IMPACT OF ESTABLISHING A PUBLIC BANK FOR OR INCLUDING THE CITY OF OAKLAND, AND PROVIDING FUNDING OPTIONS FOR THE FEASIBILITY STUDY, INCLUDING THE OPTION OF ALLOCATING TO THE STUDY ANY REMAINDER OF THE MONEY THAT WAS BUDGETED FOR THE GOLDMAN SACHS DEBARMENT PROCEEDINGS.

WHEREAS, there is a desire for local funding solutions that reinvest public funds in the local community; and

WHEREAS, public banking operates in the public interest, through institutions owned by the people through their representative governments; and

WHEREAS, public banks are able to return revenue to the community and can provide low-cost financing in support of City policies; and

WHEREAS, a public bank can have investment priorities that focus on the creation of jobs in Oakland that spur local economic growth by providing affordable credit to small and medium-sized businesses that have been historically ignored by the larger, more established banks; and

WHEREAS, a public bank can have investment priorities that center on providing loans for low and moderate income housing to help relieve the current housing crisis facing Oakland; and

WHEREAS, a public bank can have investment priorities that provide loans for energy conservation, installation of solar panels and measures for conserving water in Oakland; and

WHEREAS, Wall Street banks seek short-term profits for their private shareholders by investing in stocks, derivatives, credit default swaps and other speculative financial instruments; and

WHEREAS, Some Wall Street banks have broken criminal statutes and violated civil and regulatory rules with impunity; and

WHEREAS, on September 8, 2016, Wells Fargo bank was fined $185 million for fraudulently opening up accounts without customers' consent, which then damaged customers' credit scores and caused customers to be charged illegal banking fees; and

WHEREAS, on May 20, 2015, Citigroup Inc. and JP Morgan Chase & Co. agreed to plead guilty to felony charges for conspiring to manipulate the price of U.S. dollars and euros exchanged in the foreign currency exchange spot market; and

WHEREAS, on May 20, 2015, Citigroup Inc. agreed to pay a criminal fine of $945 million and JP Morgan Chase & Co. agreed to pay a criminal fine of $550, for illegally manipulating the foreign exchange market; and

WHEREAS, on May 20, 2015, the Federal Reserve announced that it was imposing a separate set of fines on Citigroup, Inc. and JP Morgan Chase & Co. of $342 million for their illegal practices in the foreign exchange markets; and

WHEREAS, on March 9th, 2016, the Wall Street Journal reported that Wall Street banks had paid in total more than $100 billion in fines and penalties for mortgage-related fraud, and

WHEREAS, said Wall Street banks' criminal conduct and wrongful behavior should not be rewarded with future business dealings with Oakland; and

WHEREAS, the state of North Dakota created a state publicly-owned bank (the Bank of North Dakota) in 1919 for the benefit of the people of North Dakota; and

WHEREAS, the state of North Dakota, during the recent "Great Recession," escaped the credit crisis and maintained budget surpluses with zero public debt and had the lowest foreclosure rates and unemployment rates in the nation, the lowest credit card defaults, and no bank failures, due in large part to the Bank of North Dakota's willingness to provide loans to keep the state economy functioning while credit had been frozen elsewhere; and

WHEREAS, the Bank of North Dakota's total assets have increased seven-fold over the last two decades; and the Bank of North Dakota has returned $385 million to the General Fund of North Dakota over the last 20 years; and

WHEREAS, Community Banks in North Dakota, in large part due to their partnership with the Bank of North Dakota, averaged about $12,000 in lending per capita compared to an average of $3,000 for Community Banks in per capita lending nationwide; and

WHEREAS, the City of Philadelphia, by unanimous City Council Resolution, authorized the Council's Committee on Commerce and Economic Development to hold hearings regarding public banking; and

WHEREAS, a comprehensive feasibility study completed for the City of Santa Fe cost $50,000 and found that 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, a Resolution will soon come before the Santa Fe City Council to appoint a Public Bank for Santa Fe Task Force that will convene and develop a product that will define the process, resources, information and timelines to be met in order to be prepared to submit an application for a New Mexico Bank Charter for a Public Bank for Santa Fe; and

WHEREAS, other cities such as Manchester, New Hampshire, and Reading, Pennsylvania have taken steps to examine public banking; and

WHEREAS, on October 20th, the Oakland Cannabis Regulatory Commission approved a Resolution recommending that the City Council establish a public bank for Oakland; and

WHEREAS, the City of Oakland is tasked with holding and protecting the fundamental interest of the public as well as the financial wellbeing of the City; now, therefore be it

RESOLVED: That the Oakland City Council directs the City Administrator, or his/her designee, to prepare an informational report with the cost estimates of commissioning experts in public banking to conduct a study analyzing the feasibility and economic impact of establishing a public bank for the City of Oakland, including the legality and feasibility of providing banking services to the cannabis industry; and be it

FURTHER RESOLVED: That this informational report shall include funding options for the feasibility study, including the option of allocating to the study the remainder of the money that was budgeted for the Goldman Sachs Debarment Proceedings, and shall consider whether feasibility could be enhanced by partnering with other jurisdictions, such as via a Joint Powers Authority; and be it

FURTHER RESOLVED: That, in preparation from this informational report, the City Administrator, or his/her designee, shall, from community stakeholders who have interest or expertise in banking issues, solicit input and information regarding: studying feasibility; other government entities that could partner with Oakland in studying feasibility and/or establishing a public bank; potential contractors to conduct a feasibility study; and possible private funding sources for a feasibility study; and be it

FURTHER RESOLVED: That the City Administrator shall return to the Finance Committee with this informational report within ninety (90) days of adoption of this Resolution.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE: NOV 2 9 2016

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID AND PRESIDENT GIBSON MCELHANEY – 8

NOES – Ø

ABSENT – Ø

ABSTENTION Ø

ATTEST: LaTonda Simmons

LATONDA SIMMONS
City Clerk and Clerk of the Council of the
City of Oakland, California

ATTACHMENT C

CITY OF OAKLAND

CITY OF OAKLAND
TREASURY BUREAU
150 FRANK H. OGAWA PLAZA, SUITE 5330
OAKLAND, CA 94612

REQUEST FOR QUALIFICATION

(RFQ)

For

FEASIBILITY STUDY OF PUBLIC BANKING

Due Date: February 24, 2017

FEBRUARY 3, 2017

Oakland Rising Together !

TABLE OF CONTENTS

The Combined Contract Schedules will be collected from the successful proposer before a final decision is made and up to full contract execution. It may be viewed at:
http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm or at 250 Frank H. Ogawa Plaza Suite 3341, Oakland, CA Contracts and Compliance Division. Also request a copy by email from isupplier@oaklandnet.com

1

I. INTRODUCTION

This Request for Qualifications (RFQ) is being issued by the City of Oakland, Finance Department (the "City").

Deadline for Questions: 2:00 PM, February 17, 2017 by email to the Katano Kasaine, Treasurer, kkasaine@oaklandnet.com

Due Date and Time: Friday, February 24, 2017 at 4:00 PM (PST)

Deliver To:

1. Hard Copies:

   Office of the City Administrator, Contracts and Compliance Division
   250 Frank Ogawa Plaza, Suite 3341, Oakland, CA 94612
   Phone: (510) 238-3190

2. Electronic Copies:

   Katano Kasaine, Treasurer: KKasaine@oaklandnet.com
   Dawn Hort, Principal Financial Analyst: dhort@oaklandnet.com

Proposals Must Be Received and Time Stamped by Contracts and Compliance Staff No Later Than - 4:00 P.M (PST).

The Contractor shall be required to comply with all applicable City programs and policies outlined in Attachment C. Details are presented in the project documents and will be discussed at the pre-proposal meeting. Discussions will include, but may not be limited to: ♦Equal Benefits for Registered Domestic Partners ♦Campaign Contribution ♦Post-project Contractor Evaluation ♦Prompt Payment ♦Arizona Boycott ♦ 50% L/SLBE (waived per availability analysis) ♦ Dispute Disclosure and ♦Living Wage ♦Minimum Wage

Contractors who wish to participate in the RFQ process are required to register in iSupplier in order to receive addenda, updates, announcements and notifications of contracting opportunities. We recommend updating your firm's primary email address regularly and periodically confirming that the "Products and Services" section fully represents the scope of products and services provided. If you have any questions, please email isupplier@oaklandnet.com.

For further information and detailed iSupplier registration instructions, please visit the following link http://www2.oaklandnet.com/oakca1/groups/ contracting/documents /webcontent/dowd021639.pdf.

Free copies of the RFQ documents and Addenda are available in iSupplier. Hard copies will NOT be available for purchase from the City. Please consult the City website for the Plan Holder list.

1. iSupplier Registration/Login: http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/index.htm. New registrants can email isupplier@oaklandnet.com for registration instructions. Allow 3 working days for approval to access bid documents through iSupplier
2. iSupplier Plan Holders List: http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/Construction/index.htm

Contact Information: The following City staffs are available to answer questions regarding this RFQ.

1. Project Manager: Katano Kasaine, Treasurer at kkasaine@oaklandnet.com
2. Contract Admin: Paula Peav at ppeav@oaklandnet.com or (510) 238-3190
3. Contract Compliance Officer: Vivian Inman at @oaklandnet.com or (510) 238-6261

In order to avoid confusion or inconsistent responses, contact with City staff or representatives not listed above is prohibited.

The following request for information is in regards to the City of Oakland exploring the idea of creating a local public bank. This document is in no way a commitment or legally binding resolution, draft, or memo regarding the establishment of a public bank.

II. SCOPE OF SERVICES (Feasibility Study of Public Banking for City of Oakland)

A. STATEMENT OF NEED

Recognizing the vital importance of financial institutions within society, The City of Oakland, California is looking to further research the legality and feasibility of establishing a publicly owned bank to help finance community projects, reduce risk to public funds in existing financial markets, and provide better financial returns on public investments.

The City is requesting that a preliminary comparison on the City's current financial model, specifically on the benefits and risks of current banking and financing practices in Oakland, and contrasted with other models including public banks in other areas of the United States. Any analysis should take into account the financial and population demographics of the City of Oakland. It should also include measurable factors of city banking which include, but is not limited to, debt servicing costs, profits returned to the City, municipal and other tax revenue, and other key areas of economic concern.

If this preliminary analysis demonstrates a well-founded need for further studies into a public bank, additional actions can be considered.

B. BACKGROUND

The City of Oakland is tasked with holding and protecting the fundamental interests of the public at large; this includes the financial wellbeing of the City. To this end, the City will explore alternative methods and practices, to ensure the stability and lasting success of the City. It is in this spirit that the RFQ is being issued. The response to the RFQ must cover, in depth, the following questions:

1.) Is a Public Bank in Oakland feasible? What factors make it feasible or not?
   a. If so, how could it be executed? What broad steps would be involved?
   b. If so, what issues would need to be addressed?

2.) What are the impacts of the legality and feasibility of providing banking services to the cannabis industry?

C. QUALIFICATIONS

Designated people interested in responding to this RFQ must hold the following listed qualifications to be considered viable resources. The person/entity must:

1.) Hold a professional understanding of the concept and purpose of a public bank, this includes the formal practices of public banking which include but are not limited to; lending capacities, capitalization, governance and accountability, annual returns, and financial modeling of public enterprises.

2.) Hold experience in, or demonstrate professional ability to, analyze financial documents, connect and explain complex financial systems, and proficiency in the City's documents such as;
   - The Annual Comprehensive Financial Report
   - The Annual Budget
   - Component Unit of the Government Financial Report

3.) Possess and demonstrate knowledge in current public banking models such as the Vermont Partnership Bank, Public Bank of North Dakota, or any other attempted public banks that reflect characteristics of Oakland either nationally or internationally, this includes knowing the models of governance of public banks, operational costs, and the economic impact it had their designated region.

4.) Have direct experience in conducting economic impact analysis, both micro and macro, in identifying economic models and tools that have public banks at the center of financial operations, and describe economic limitations or gains from these models and tools.

5.) Experience working with local and state governments where public banking proposals have been made.

6.) Have existing networks via private contractors or governments that demonstrate credibility in the field of public banking.

7.) Hold a professional level of experience in the banking industry or research into, be it private or public.

8.) Demonstrate professional knowledge in securing bank charters, municipal laws, state and federal banking laws, understanding how the formal process of securing a public bank begins and ends.

9.) Understanding of the cannabis industry and the legality and feasibility of providing banking services through a Public Bank for the cannabis industry and other unbanked industries.

III. THE PROPOSAL

A. GENERAL INFORMATION

1. The successful proposer selected for this service shall obtain or provide proof of having a current City of Oakland Business tax Certificate.

2. The City Council reserves the right to reject any and all bids.

3. <u>Local and Small Local Business Enterprise Program (L/SLBE) - **NOT APPLICABLE FOR THIS PROJECT**</u>

   a) *Requirement* – For Professional Services, **50% Local and Small Local Business Enterprise Program (L/SLBE):** there is a 50% minimum participation requirement for all professional services contracts over $50,000. Consultant status as an Oakland certified local or small local firm and subcontractor/subconsultant status as an Oakland certified local or small local firm are taken into account in the calculation. The requirement may be satisfied by a certified prime consultant and/or sub-consultant(s). A business must be certified by the City of Oakland in order to earn credit toward meeting the fifty percent requirement. The City has waived small local business enterprise (SLBE) subcontracting requirements for Oakland certified local businesses that apply for professional services contracts as the prime consultant with the City. The SLBE requirements still applies for non-certified LBEs and non-local business enterprises.

b) Good Faith Effort - In light of the fifty percent requirement, good faith effort documentation is not necessary.

c) Preference Points – Preference points are earned based on the level of participation proposed prior to the award of a contract. Upon satisfying the minimum fifty percent requirement, a consultant will earn two (2) preference points. Three additional preference points may be earned at a rate of one point for every additional ten percent participation up to eighty percent participation of the total contract dollars spent with local Oakland certified firms.

d) A firm may earn up to five (5) preference points for local Oakland business participation and additional preference points for being a long term certified business in Oakland regardless of size and for having an Oakland workforce.

e) In those instances where Very Small Local Business Enterprise (VSLBE) participation is evident, the level of participation will be double-counted towards meeting the requirement.

f) Additional Preference Points for Request for Proposals (RFP) and Request for Qualifications (RFQ) may be earned for having an Oakland resident workforce. **Prime consultants seeking additional preference points for having an Oakland resident workforce <u>must</u> submit a completed Schedule E-2 titled the "Oakland Workforce Verification Form" no more than 4 days after the proposal due date. A copy of Schedule E-2 is found on <u>http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm</u>.**

g) Earning extra preference points for having an existing work force that includes Oakland residents is considered added value. The Request for Proposal "evaluation" process allows for additional preference points over and above the number of points earned for technical expertise. Typically 100 points may be earned for the technical elements of the RFP. Preference points are awarded over and above the potential 100 points.

h) The Exit Report and Affidavit (ERA) – This report declares the level of participation achieved and will be used to calculate banked credits. The prime consultant must complete the Schedule F, <u>Exit Report and Affidavit</u> for, and have it executed by, each L/SLBE sub consultant and submitted to the Office of the City Administrator, Contracts and Compliance Unit, along with a *copy* of the final progress payment application.

i) Joint Venture and Mentor Protégé Agreements. If a prime contractor or prime consultant is able to develop a Joint Venture or "Mentor-Protégé" relationship with a certified LBE or SLBE, the mentor or Joint Venture partners will enjoy the benefit of credits against the participation requirement. In order to earn credit for Joint Venture or Mentor-Protégé relationships, the Agreement must be submitted for approval to the Office of the City Administrator, Contracts and Compliance Unit, prior to the project bid date for construction, and by proposal due date for professional services contracts. Joint Venture Applications and elements of City approved Mentor Protégé relation are available upon request.

j) Contractor shall submit information concerning the ownership and workforce composition of Contractor's firm as well as its subcontractors and suppliers, by completing Schedule D, Ownership, Ethnicity, and Gender Questionnaire, and Schedule E, Project Consultant Team, attached and incorporated herein and made a part of this Agreement.

k) All affirmative action efforts of Contractor are subject to tracking by the City. This information or data shall be used for statistical purposes only. All contractors are required to provide data regarding the make-up of their subcontractors and agents who will perform City contracts, including the race and gender of each employee and/or contractor and his or her job title or function and the methodology used by Contractor to hire and/or contract with the individual or entity in question.

l) In the recruitment of subcontractors, the City of Oakland requires all contractors to undertake nondiscriminatory and equal outreach efforts, which include outreach to minorities and women-owned businesses as well as other segments of Oakland's business community. The City Administrator will track the City's MBE/WBE utilization to ensure the absence of unlawful discrimination on the basis of age, marital status, religion, gender, sexual preference, race, creed, color, national origin, Acquired-Immune Deficiency Syndrome (AIDS), AIDS-Related Complex (ARC) or disability.

m) In the use of such recruitment, hiring and retention of employees or subcontractors, the City of Oakland requires all contractors to undertake nondiscriminatory and equal outreach efforts which include outreach to minorities and women as well as other segments of Oakland's business community.

4. <u>The City's Living Wage Ordinance</u>

This RFQ is subject to the Oakland Living Wage Ordinance. The Living Wage Ordinance requires that nothing less than a prescribed minimum level of compensation (a living wage) be paid to employees of service Contractors (contractors) of the City and employees of CFARs (Ord. 12050 § 1, 1998). The Ordinance also requires submission of the Declaration of Compliance attached and incorporated herein as <u>Declaration of Compliance – Living Wage Form</u>; and made part of this RFQ, and, unless specific exemptions apply or a waiver is granted, the contractor must provide the following to its employees who perform services under or related to this RFQ:

a. Minimum compensation – Said employees shall be paid an initial **hourly wage rate of $12.93 with health benefits or $14.86 without health benefits**. These initial rates shall be upwardly adjusted each year no later than April 1 in proportion to the increase at the immediately preceding December 31 over the year earlier level of the Bay Region Consumer Price Index as published by the Bureau of Labor Statistics, U.S. Department of Labor. **Effective July 1st of each year, contractor shall pay adjusted wage rates.**

b. Health benefits – Said full-time and part-time employees paid at the lower living wage rate shall be provided health benefits of at least **$1.93 per hour**. Contractor shall provide proof that health benefits are in effect for those employees no later than 30 days after execution of the contract or receipt of City financial assistance.

c. Compensated days off – Said employees shall be entitled to twelve compensated days off per year for sick leave, vacation or personal necessity at the employee's request, and ten uncompensated days off per year for sick leave. Employees shall accrue one compensated day off per month of full time employment. Part-time employees shall accrue compensated days off in increments proportional to that accrued by full-time employees. The employees shall be eligible to use accrued days off after the first six months of employment or consistent with company policy, whichever is sooner. Paid holidays, consistent with established employer policy, may be counted toward provision of the required 12 compensated days off. Ten uncompensated days off shall be made available, as needed, for personal or immediate family illness after the employee has exhausted his or her accrued compensated days off for that year.

d. Federal Earned Income Credit (EIC) - To inform employees that he or she may be eligible for Earned Income Credit (EIC) and shall provide forms to apply for advance EIC payments to eligible employees. For more information, web sites include but are not limited to: (1)

http://www.irs.gov and
http://www.irs.gov/individuals/article/0,,id=96466,00.html

e. Contractor shall provide to all employees and to Contracts and Compliance, written notice of its obligation to eligible employees under the City's Living Wage requirements. Said notice shall be posted prominently in communal areas of the work site(s) and shall include the above-referenced information.

f. Contractor shall provide all written notices and forms required above in English, Spanish or other languages spoken by a significant number of employees within 30 days of employment under this RFQ.

g. Reporting – Contractor shall maintain a listing of the name, address, hire date, occupation classification, rate of pay and benefits for each of its employees. Contractor shall provide a copy of said list to the Office of the City Administrator, Contracts and Compliance Unit, on a quarterly basis, by March 31, June 30, September 30 and December 31 for the applicable compliance period. Failure to provide said list within five days of the due date will result in liquidated damages of five hundred dollars ($500.00) for each day that the list remains outstanding. Contractor shall maintain employee payroll and related records for a period of four (4) years after expiration of the compliance period.

h. Contractor shall require subcontractors that provide services under or related to this RFQ to comply with the above Living Wage provisions. Contractor shall include the above-referenced sections in its subcontracts. Copies of said subcontracts shall be submitted to Contracts and Compliance.

5. Minimum Wage Ordinance

Oakland employers are subject to Oakland's Minimum Wage Law, whereby Oakland employees must be paid the current Minimum Wage rate. Employers must notify employees of the annually adjusted rates by each December 15th and prominently display notices at the job site. The law requires paid sick leave for employees and payment of service charges collected for their services.

For further information, please go to the following website:
http://www2.oaklandnet.com/Government/o/CityAdministration/d/MinimumWage/OAK051451

6. Equal Benefits Ordinance

This RFQ is subject to the Equal Benefits Ordinance of Chapter 2.32 of the Oakland Municipal Code and its implementing regulations. The purpose of this Ordinance is to protect and further the public, health, safety, convenience, comfort, property and general welfare by requiring that public funds be expended in a manner so as to prohibit discrimination in the provision of employee benefits by City Contractors (contractors) between employees with spouses and employees with domestic partners, and/or between domestic partners and spouses of such employees. (Ord. 12394 (part), 2001)

The following contractors are subject to the Equal Benefits Ordinance: Entities which enter into a "contract" with the City for an amount of twenty-five thousand dollars ($25,000.00) or more for public works or improvements to be performed, or for goods or services to be purchased or grants to be provided at the expense of the City or to be paid out of moneys deposited in the treasury or out of trust moneys under the control of or collected by the city; and Entities which enter into a "property contract" pursuant to Section 2.32.020(D) with the City in an amount of twenty-five thousand dollars ($25,000.00) or more for the exclusive use of or occupancy (1) of real property owned or controlled by the city or (2) of real property owned by others for the city's use or occupancy, for a term exceeding twenty-nine (29) days in any calendar year.

The Ordinance shall only apply to those portions of a Contractor's operations that occur (1) within the City; (2) on real property outside the City if the property is owned by the City or if the City has a right to occupy the property, and if the contract's presence at that location is connected to a contract with the City; and (3) elsewhere in the United States where work related to a City contract is being performed. The requirements of this chapter shall not apply to subcontracts or sub-contractors.

The Equal Benefits Ordinance requires among other things, submission of the attached and incorporated herein as **Schedule N-1**, Equal Benefits-Declaration of Nondiscrimination form. For more information, see http://library.municode.com/HTML/16308/level2/TIT2ADPE_CH2.32EQBEOR.html#TOPTITLE

7. Prompt Payment Ordinance OMC Section 2.06.070 Prompt Payment Terms Required in Notices Inviting Bids, Requests for Proposals/Qualifications and Purchase Contracts

   This RFQ is subject to the Prompt Payment Ordinance of Oakland Municipal Code, Title 2, Chapter 2.06. The Ordinance requires that, unless specific exemptions apply. Contractor and its subcontractors shall pay undisputed invoices of their subcontractors for goods and/or services within twenty (20) business days of submission of invoices unless the Contractor or its subcontractors notify the Liaison in writing within five (5) business days that there is a bona fide dispute between the Contractor or its subcontractor and claimant, in which case the Contractor or its subcontractor may withhold the disputed amount but shall pay the undisputed amount.

Disputed payments are subject to investigation by the City of Oakland Liaison upon the filing of a compliant. Contractor or its subcontractors opposing payment shall provide security in the form of cash, certified check or bond to cover the disputed amount and penalty during the investigation. If Contractor or its subcontractor fails or refuses to deposit security, the City will withhold an amount sufficient to cover the claim from the next Contractor progress payment. The City, upon a determination that an undisputed invoice or payment is late, will release security deposits or withholds directly to claimants for valid claims.

Contractor and its subcontractors shall not be allowed to retain monies from subcontractor payments for goods as project retention, and are required to release subcontractor project retention in proportion to the subcontractor services rendered, for which payment is due and undisputed, within five (5) business days of payment. Contractor and its subcontractors shall be required to pass on to and pay subcontractors mobilization fees within five (5) business days of being paid such fees by the City. For the purpose of posting on the City's website, Contractor and its subcontractors, are required to file notice with the City of release of retention and payment of mobilization fees, within five (5) business days of such payment or release; and, Contractors are required to file an affidavit, under penalty of perjury, that he or she has paid all subcontractors, within five (5) business days following receipt of payment from the City, The affidavit shall provide the names and address of all subcontractors and the amount paid to each.

Contractor and its subcontractors shall include the same or similar provisions as those set forth above in this section in any contract with a contractor or subcontractor that delivers goods and/or services pursuant to or in connection with a City of Oakland purchase contract.

Prompt Payment invoice and claim forms are available at the following City of Oakland website: http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm or at Contracts and Compliance, 250 Frank H. Ogawa Plaza, Suite 3341, Oakland, CA 94612. Invoice and claim inquiries should be directed to Vivian Inman, City of Oakland Prompt Payment Liaison, 510-238-6261 or email vinman@oaklandnet.com.

8. Non-Discrimination/Equal Employment Practices

Contractor shall not discriminate or permit discrimination against any person or group of persons in any manner prohibited by federal, state or local laws. During the performance of this RFQ, Contractor agrees as follows:

a. Contractor and Contractor's sub-contractors, if any, shall not discriminate against any employee or applicant for employment because of age, marital status, religion, gender, sexual preference, race, creed, color, national origin, Acquired-Immune Deficiency Syndrome (AIDS), AIDS-Related Complex (ARC) or disability. This nondiscrimination policy shall include, but not be limited to, the following: employment, upgrading, failure to promote, demotion or transfer, recruitment advertising, layoffs, termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

b. Contractor and Contractor's Sub-contractors shall state in all solicitations or advertisements for employees placed by or on behalf of Contractor that all qualified applicants will receive consideration for employment without regard to age, marital status, religion, gender, sexual preference, race, creed, color, national origin, Acquired-Immune Deficiency Syndrome (AIDS), AIDS-Related Complex (ARC) or disability.

c. Contractor shall make its goods, services, and facilities accessible to people with disabilities and shall verify compliance with the Americans with Disabilities Act by executing Declaration of Compliance with the Americans with Disabilities Act, attached hereto and incorporated herein.

d. If applicable, Contractor will send to each labor union or representative of workers with whom Contractor has a collective bargaining agreement or contract or understanding, a notice advising the labor union or workers' representative of Contractor's commitments under this nondiscrimination clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

e. Contractor shall submit information concerning the ownership and workforce composition of Contractor's firm as well as its sub Contractors and suppliers, by completing the Ownership, Ethnicity and Gender Questionnaire.

f. The Project Contractor Team attached and incorporated herein and made a part of this Agreement, Exit Report and Affidavit, attached and incorporated herein and made a part of this Agreement.

g. All affirmative action efforts of Contractors are subject to tracking by the City. This information or data shall be used for statistical purposes only. All Contractors are required to provide data regarding the make-up of their sub Contractors and agents who will perform City contracts, including the race and gender of each employee and/or Contractor and his or her job title or function and the methodology used by Contractor to hire and/or contract with the individual or entity in question.

h. The City will immediately report evidence or instances of apparent discrimination in City or Agency contracts to the appropriate State and Federal agencies, and will take action against Contractors who are found to be engaging in discriminatory acts or practices by an appropriate State or Federal agency or court of law, up to and including termination or debarment.

i. In the recruitment of sub Contractors, the City of Oakland requires all Contractors to undertake nondiscriminatory and equal outreach efforts, which include outreach to minorities and women-owned businesses as well as other segments of Oakland's business community. The City Administrator will track the City's MBE/WBE utilization to ensure the absence of unlawful discrimination on the basis of age, marital status, religion, gender, sexual preference, race, creed, color, national origin, Acquired-Immune Deficiency Syndrome (AIDS), AIDS-Related Complex (ARC) or disability.

j. In the use of such recruitment, hiring and retention of employees or sub Contractors, the City of Oakland requires all Contractors to undertake nondiscriminatory and equal outreach efforts which include outreach to minorities and women as well as other segments of Oakland's business community.

9. <u>Arizona and Arizona-Based Businesses</u>

Contractor agrees that in accordance with Resolution No. 82727 C.M.S., neither it nor any of its subsidiaries, affiliates or agents that will provide services under this agreement is currently headquartered in the State of Arizona, and shall not establish an Arizona business headquarters for the duration of this agreement with the City of Oakland or until Arizona rescinds SB 1070.

Contractor acknowledges its duty to notify Contracts and Compliance Division, Office of the City Administrator if it's Business Entity or any of its subsidiaries affiliates or agents subsequently relocates its headquarters to the State of Arizona. Such relocation shall be a basis for termination of this agreement.

10. Pending Dispute Disclosure Policy:

Contractors are required to disclose pending disputes with the City of Oakland when they are involved in submitting bids, proposals or applications for a City contract or transaction involving professional services. This includes contract amendments. Contractor agrees to disclose, and has disclosed, any and all pending disputes to the City prior to execution of this agreement. The City will provide a form for such disclosure upon Contractor's request. Failure to disclose pending disputes prior to execution of this amendment shall be a basis for termination of this agreement.

11. City of Oakland Campaign Contribution Limits

This RFQ is subject to the City of Oakland Campaign Reform Act of Chapter 3.12 of the Oakland Municipal Code and its implementing regulations if it requires Council approval. The City of Oakland Campaign Reform Act prohibits Contractors that are doing business or seeking to do business with the City of Oakland from making campaign contributions to Oakland candidates between commencement of negotiations and either 180 days after completion of, or termination of, contract negotiations. If this Agreement requires Council approval, Contractor must sign and date an Acknowledgment of Campaign Contribution Limits Form.

12. Nuclear Free Zone Disclosure

Contractor represents, pursuant to the combined form Nuclear Free Zone Disclosure Form that Contractor is in compliance with the City of Oakland's restrictions on doing business with service providers considered nuclear weapons makers. Prior to execution of this agreement, Contractor shall complete the combined form, attached hereto.

13. Sample Professional Service Agreement

This RFQ is subject to the attached Sample Professional Service Agreement.

14. Insurance Requirements

The Contractor will be required to provide proof of all insurance required for the work prior to execution of the contract, including copies of the Contractor's insurance policies if and when requested. Failure to provide the insurance proof requested or failure to do so in a timely manner shall constitute grounds for rescission of the contract award.

The Contractor shall name the City of Oakland, its Council members, directors, officers, agents, employees and volunteers as additional insured in its Comprehensive Commercial General Liability and Automobile Liability policies. If Contractor submits the ACORD Insurance Certificate, the additional insured endorsement must be set forth on a CG20 10 11 85 form and/or CA 20 48 - Designated Insured Form (for business auto insurance).

Please Note: A statement of additional insured endorsement on the ACORD insurance certificate is insufficient and will be rejected as proof of the additional insured requirement.

Unless a written waiver is obtained from the City's Risk Manager, Contractors must provide the insurance as found at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm (Schedule Q). A copy of the requirements are attached and incorporated herein by reference. Liability insurance shall be provided in accordance with the requirements specified.

When providing the insurance, include the Project Name and Project Number on the ACORD form in the section marked Description of Operations/Locations.

When providing the insurance, the "Certificate Holder" should be listed as: City of Oakland, Contracts and Compliance, 250 Frank H. Ogawa Plaza, Suite 3341, Oakland, CA 94612.

15. City Contractor Performance Evaluation

At the end of the project, the Project Manager will evaluate the Contractor's Performance in accordance with the City Contractor Performance Evaluation program.

16. Violation Of Federal, State, City/Agency Laws, Programs Or Policies:

The City or Agency may, in their sole discretion, consider violations of any programs and policies described or referenced in this Request for Proposal, a material breach and may take enforcement action provided under the law, programs or policies, and/or terminate the contract, debar contractors from further contracts with City and Agency and/or take any other action or invoke any other remedy available under law or equity.

17. Contractor's Qualifications

Contractor represents that Contractor has the qualifications and skills necessary to perform the services under this Agreement in a competent and professional manner without the advice or direction of the City. Contractor's services will be performed in accordance with the generally accepted principles and practices applicable to Contractor's trade or profession. The Contractor warrants that the Contractor, and the Contractor's employees and sub-contractors are properly licensed, registered, and/or certified as may be required under any applicable federal, state and local laws, statutes, ordinances, rules and regulations relating to Contractor's performance of the Services. All Services provided pursuant to this Agreement shall comply with all applicable laws and regulations. Contractor will promptly advise City of any change in the applicable laws, regulations, or other conditions that may affect City's program. This means Contractor is able to fulfill the requirements of this Agreement. Failure to perform all of the services required under this Agreement will constitute a material breach of the Agreement and may be cause for termination of the Agreement. Contractor has complete and sole discretion for the manner in which the work under this Agreement is performed. Prior to execution of this agreement, Contractor shall complete the Independent Contractor Questionnaire, Part A, attached hereto.

18. The following City staff are available to answer questions:

RFQ and Project related issues:
Project Manager: Katano Kasaine at kkasaine@oaklandnet.com
Contract Analyst: Paula Peav, (510) 238-3190
Compliance Officer: Vivian Inman, (510) 238-6261

In order to avoid confusion or inconsistent responses, contact with City staff or represented not listed above is prohibited. If inquiries regarding this RFQ are by email, subject line must include the words "Feasibility Study of Public Banking RFQ".

19. All responses to the RFQ become the property of the City.

20. The RFQ does not commit the City to award a contract or to pay any cost incurred in the preparation of the proposal.

21. The City reserves the sole right to evaluate each proposal and to accept or reject any or all proposals received as a result of the RFQ process.

22. The City reserves the unqualified right to modify, suspend, or terminate at its sole discretion any and all aspects of the RFQ and/or RFQ process, to obtain further information from any and all Contractor teams and to waive any defects as to form or content of the RFQ or any responses by any contractor teams

23. The City may require a service provider to participate in negotiations and submit technical information or other revisions to the service provider's qualifications as may result from negotiations.

24. Once a final award is made, all RFQ responses, except financial and proprietary information, become a matter of public record and shall be regarded by the City as public records. The City shall not in any way be liable or responsible for the disclosure of any such records or portions thereof if the disclosure is made pursuant to a request under the Public Records Act or the City of Oakland Sunshine Ordinance.

25. The Fair Political Practices Act and/or California Government Code Section 1090, among other statutes and regulations may prohibit the City from contracting with a service provider if the service provider or an employee, officer or director of the service providers' firm, or any immediate family of the preceding, or any sub Contractor or contractor of the service provider, is serving as a public official, elected official, employee, board or commission member of the City who will award or influence the awarding of the contract or otherwise participate in the making of the contract. The making of a contract includes actions that are preliminary or preparatory to the selection of a Contractor such as, but not limited to, involvement in the reasoning, planning and/or drafting of solicitations for bids and RFQs, feasibility studies, master plans or preliminary discussions or negotiations.

B. SUBMITTAL REQUIREMENTS

1. Submit six (6) copies of proposal (5 bound and 1 unbound copy). **The proposals are due at the Department of Contracts and Compliance, Office of the City Administrator, 250 Frank H. Ogawa Plaza, Suite 3341, Oakland, CA 94612 time stamped by no later than 4:00 P.M. February 24, 2017.**

   All proposals submitted via US Mail or common carrier must be delivered in a sealed package with the project name, submittal date, time and location of the proposals on the outside of the package or the documents.

2. In addition to hard copies, submit a copy by email to Katano Kasaine, Treasurer, at KKasaine@oaklandnet.com and Dawn Hort, Principal Financial Analyst, dhort@oaklandnet.com. Proposals must be received no later than 4:00 p.m. on Friday, February 24, 2017.

3. Complete, but concise proposals, are recommended for ease of review by the City. Proposals should provide a straightforward, concise description of the firm's capabilities to satisfy the requirements of the RFP. Marketing and sales type information should be excluded.

C. REQUIRED PROPOSAL ELEMENTS AND FORMAT

1. Transmittal Letter

   a. Addressed to Katano Kasaine, Treasurer, Treasury Bureau, 150 Frank Ogawa Plaza, Suite 5330, Oakland, California, 94612. (Please do not submit proposals to this address).

   b. Signed by an officer authorized by your firm to obligate your firm to perform the commitments contained in the proposal.

   c. The transmittal letter shall provide an executive summary of the proposal. Submission of the letter will constitute a representation by your firm that your firm is willing and able to perform the commitments contained in the response.

2. Information Requested

   a. Please provide a broad overview of your firm, including its background and history in providing the services requested herein, including copy of resume as it relates to all sections.

   b. Discussed in details how your firm would meet numbers 1-7 of the "Qualifications" section.

   c. Please provide one (1) to two (2) copies of previous work in economic, geographic, and demographic conditions including supply and demand analysis regarding public banking.

   d. Please provide your understanding of the legality and feasibility for providing services through a Public Bank for the cannabis industry or any other unbanked sector.

   e. Provide any previous business plans regarding public banking including establishing a detailed business plan that will sustain a bank's business operations, minimize risks, and achieve the stated goals.

   f. What do you see as some of the challenges, and how would your firm assist in addressing these challenges?

   g. Sub-Consultants (if used): list addresses, telephone numbers and areas of expertise of each. Briefly describe the project responsibility of each team member. Identify which contractors are MBE, WBE, Local Business Enterprises (LBE) and Small Local Business Enterprise (SLBE). Additionally, for LBEs/SLBEs, submit a copy of current business license and date established in Oakland.

5. References

   a. Letters of reference which can support numbers 1-4 of the "Qualifications" section.

6. Fee Proposal

   Please provide a comprehensive cost/fee proposal for the feasibility and economic impact of a public bank including the legality and feasibility of providing services to the cannabis industry. While fees and compensation are an important factor in the evaluation of responses, the City is not required to select the lowest cost bidder. We reserve the right to select the bid that demonstrates the "best value" overall, including proposed alternatives that meets the objectives at hand.

   Please disclose any professional or personal financial interest, which could be a possible conflict of interest in representing the City. The City also requires the firm to further disclose arrangements to derive additional compensation from various investment and reinvestment products, if applicable. The City may reject a Proposal from any firm that, in the City's opinion, would be in a conflict of interest if the firm is awarded a contract.

7. Body of Response

   a **Text** – In consideration of the audience reading your response, please use a *minimum 11-pt font*.

   b **Length** – Your response to the RFQ should be *limited to 15 pages* in length. Given the page constraints, we STRONGLY encourage a minimum of boilerplate marketing material. While you are allowed to include appendices, there are NO guarantees that the appendices will be taken into consideration during the evaluation of your response.

   c **Content** – Please be sure your response is clearly organized such that the reader can easily identify which question/section you are answering. Showing the question at the beginning of each response is highly encouraged.

8. Submittals are validated using the following RFQ Checklist.

   a Schedules (Required with submission)

      1. **Schedule E - Project Consultant Team**
      2. **Schedule O - Campaign Contribution Limits**

9. Other schedules must be submitted prior to full contract execution and are available at

http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm

10. Addenda - Proposal and Acknowledgment of all Addenda – if issued, please provide signed addenda and submit with proposal.

11. Proprietary Information: All responses to the RFQ become the property of the City. To withhold financial and proprietary information, please label each page as "confidential" or "proprietary".

12. Public Records Act or Sunshine Ordinance: Although a document may be labeled "confidential" or "proprietary", information is still subject to disclosure under the Public Records Act or Sunshine Ordinance, and is, at the City's discretion, based on the potential impact of the public's interests whether or not to disclose "confidential" or "proprietary" information.

D. REJECTION OF PROPOSAL ELEMENTS

The City reserves the right to reject any or all proposals, whether or not minimum qualifications are met, and to modify, postpone, or cancel this RFQ without liability, obligation, or commitment to any party, firm, or organization. The City reserves the right to request and obtain additional information from any candidate submitting a proposal. A proposal may be rejected for any of the following reasons:

- Proposal received after designated time and date.
- Proposal not in compliance with the City of Oakland Local/Small Local Business Enterprise Program. – **Not Applicable for this Project**
- Proposal not containing the required elements, exhibits, nor organized in the required format.
- Proposal considered not fully responsive to this RFQ.

E. EVALUATION OF PROPOSALS – SUBJECT TO CHANGE

The City of Oakland will conduct a fair and impartial evaluation of the proposals received in response to this RFQ. It is the City's intent to select a firm with the best overall qualifications. The factors to be used by the City in evaluating the proposals will include, but are not limited to, the following:

1) RFQ Understanding
   - Approach
   - Clarity
   - Analysis/Creativity of proposal

- Ability to provide services requested

2) General Experience and Qualifications of Firm/Assigned Personnel
   - Experience
   - Assigned Personnel
   - Any other resources assigned to the City

3) Fee Proposal

4) References

5) Other Factors
   - Presentation, completeness, organization, and responsiveness of proposal.

F. INTERVIEWS OF SHORT-LISTED FIRMS – SUBJECT TO CHANGE

Interviews of short-listed qualified candidates may be held if a selection is not made from the evaluation phase.

1) It is anticipated that approximately three teams will be invited to interview. The selected teams will be notified in writing.

2) The interviews will consist of the team's presentation and a question-and-answer period. The teams should be prepared to discuss at the interview their specific experience providing services similar to those described in the RFQ. Interviews will be held at a City of Oakland office (exact location to be determined).

3) Overall Rating Criteria: The following criteria will be used in evaluating and rating the short-listed firms:

   a) Presentation:
      - Relevant Experience
      - Qualifications
      - Organization
      - Approach
      - Reference
      - Other Factors

   b) Request for Proposal Submittal

   c) Interview / Questions

Only those contractors meeting the relevant experience and who have submitted a qualified proposal will be invited for interviews.

4) The City anticipates the **tentative schedule** of events to be as follows:
   - Distribution of RFQ — February 3, 2017
   - Deadline to submit Questions — 2:00pm, February 17, 2017
   - Submission of RFQ — 4:00pm, February 24, 2017

G. CONTRACT NEGOTIATIONS AND AWARD- SUBJECT TO CHANGE

1. The completion of this evaluation process will result in the contractor being numerically ranked. The contractor ranked first will be invited to participate in contract negotiations. Should the City and the first ranked contractor not be able to reach an agreement as to the contract terms within a reasonable timeframe, the City may terminate the negotiations and begin negotiations with the contractor that is next in line.

2. The contract amount (including reimbursements) shall be a not to exceed amount, to be established based upon a mutually agreeable Scope of Services and fee schedule.

3. The City will withhold the final 10% of contract amount pending successful completion of work.

4. Upon successful completion of the negotiations, the City Administrator will award the contract to the selected contractor.

5. A sample City standard professional services agreement is included in the RFQ as referenced as Attachment A "Sample Agreement". The selected contractor will be required to enter into a contract that contains similar terms and conditions as in the standard agreement. Please note that the City Attorney's Office is typically not inclined to make any modifications to the standard agreement terms and provisions.

6. Upon award the City will issue a Notice to proceed.

7. The selected contractor and its other members will be required to maintain auditable records, documents, and papers for inspection by authorized local, state and federal representatives. Therefore, the contractor and its other members may be required to undergo an evaluation to demonstrate that the contractor uses recognized accounting and financial procedures.

END OF RFQ

ATTACHMENT A

SAMPLE

PROFESSIONAL OR SPECIALIZED SERVICE AGREEMENT BETWEEN THE CITY OF OAKLAND AND Name of Contractor

Whereas, the City Council has authorized the City Administrator to enter into contracts for professional or specialized services if the mandates of Oakland City Charter Section 902(e) have been met.

Now therefore the parties to this Agreement covenant as follows:

1. Parties and Effective Date

   This Agreement is made and entered into as of **Month, date, year** between the City of Oakland, a municipal corporation, ("City"), One Frank H. Ogawa Plaza, Oakland, California 94612, and **Name of Contractor** ("Contractor")

2. Scope of Services

   Contractor agrees to perform the services specified in **Schedule A,** Scope of Services attached to this Agreement and incorporated herein by reference. Contractor shall designate an individual who shall be responsible for communications with the City for the duration of this Agreement. **Schedule A** includes the manner of payment. The Project Manager for the City shall be **Project Manager.**

3. Time of Performance

   Contractor's services shall begin on **Month, Date, Year** and shall be completed **Month, Date, Year.**

4. Compensation and Method of Payment

   Contractor will be paid for performance of the scope of services an amount that will be based upon actual costs but that will be "Capped" so as not to exceed **$Amount**, based upon the scope of services in **Schedule A** and the budget by deliverable task and billing rates in **Schedule B.** The maximum that will be charged for the entire scope of work will not exceed the Capped amount, even if the Contractor's actual costs exceed the Capped amount. Invoices shall state a description of the **deliverable** completed and the amount due. Payment will be due upon completion and acceptance of the deliverables as specified in the Scope of Services.

   In the aggregate, progress payments will not exceed ninety percent (90%) of the total amount of the contract, with the balance to be paid upon satisfactory completion of the contract. Progress, or other payments, will be based on at least equivalent services rendered, and will not be made in advance of services rendered.

In computing the amount of any progress payment (this includes any partial payment of the contract price during the progress of the work, even though the work is broken down into clearly identifiable stages, or separate tasks), the City will determine the amount that the contractor has earned during the period for which payment is being made, on the basis of the contract terms. The City will retain out of such earnings an amount at least equal to ten percent (10%), pending satisfactory completion of the entire contract.

5. Independent Contractor

   a. Rights and Responsibilities

   It is expressly agreed that in the performance of the services necessary to carry out this Agreement, Contractor shall be, and is, an independent contractor, and is not an employee of the City. Contractor has and shall retain the right to exercise full control and supervision of the services, and full control over the employment, direction, compensation and discharge of all persons assisting Contractor in the performance of Contractor's services hereunder. Contractor shall be solely responsible for all matters relating to the payment of his/her employees, including compliance with social security, withholding and all other regulations governing such matters, and shall be solely responsible for Contractor's own acts and those of Contractor's subordinates and employees. Contractor will determine the method, details and means of performing the services described in **Schedule A**.

   b. Contractor's Qualifications

   Contractor represents that Contractor has the qualifications and skills necessary to perform the services under this Agreement in a competent and professional manner without the advice or direction of The City. The Contractor warrants that the Contractor, and the Contractor's employees and sub-consultants are properly licensed, registered, and/or certified as may be required under any applicable federal, state and local laws, statutes, ordinances, rules and regulations relating to Contractor's performance of the Services. All Services provided pursuant to this Agreement shall comply with all applicable laws and regulations. Contractor will promptly advise City of any change in the applicable laws, regulations, or other conditions that may affect City's program. This means Contractor is able to fulfill the requirements of this Agreement. Failure to perform all of the services required under this Agreement will constitute a material breach of the Agreement and may be cause for termination of the Agreement. Contractor has complete and sole discretion for the manner in which the work under this Agreement is performed. Prior to execution of this agreement, Contractor shall complete **Schedule M,** Independent Contractor Questionnaire, attached hereto.

c. Payment of Income Taxes

Contractor is responsible for paying, when due, all income taxes, including estimated taxes, incurred as a result of the compensation paid by the City to Contractor for services under this Agreement. On request, Contractor will provide the City with proof of timely payment. Contractor agrees to indemnify the City for any claims, costs, losses, fees, penalties, interest or damages suffered by the City resulting from Contractor's failure to comply with this provision.

d. Non-Exclusive Relationship

Contractor may perform services for, and contract with, as many additional clients, persons or companies as Contractor, in his or her sole discretion, sees fit.

e. Tools, Materials and Equipment

Contractor will supply all tools, materials and equipment required to perform the services under this Agreement.

f. Cooperation of the City

The City agrees to comply with all reasonable requests of Contractor necessary to the performance of Contractor's duties under this Agreement.

g. Extra Work

Contractor will do no extra work under this Agreement without first receiving prior written authorization from the City.

6. Proprietary or Confidential Information of the City

Contractor understands and agrees that, in the performance of the work or services under this Agreement or in contemplation thereof, Contractor may have access to private or confidential information which may be owned or controlled by the City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City. Contractor agrees that all information disclosed by the City to Contractor shall be held in confidence and used only in performance of the Agreement. Contractor shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

7. Ownership of Results

Any interest of Contractor or its Subcontractors, in specifications, studies, reports, memoranda, computation documents prepared by Contractor or its Subcontractors in drawings, plans, sheets or other connection with services to be performed under this Agreement shall be assigned and transmitted to the City. However, Contractor may retain and use copies for reference and as documentation of its experience and capabilities.

8. Copyright

Contractor shall execute appropriate documents to assign to the City the copyright to works created pursuant to this Agreement.

9. Audit

Contractor shall maintain (a) a full set of accounting records in accordance with generally accepted accounting principles and procedures for all funds received under this Agreement; and (b) full and complete documentation of performance related matters such as benchmarks and deliverables associated with this Agreement.

Contractor shall (a) permit the City to have access to those records for the purpose of making an audit, examination or review of financial and performance data pertaining to this Agreement; and (b) maintain such records for a period of four years following the last fiscal year during which the City paid an invoice to Contractor under this Agreement.

In addition to the above, Contractor agrees to comply with all audit, inspection, recordkeeping and fiscal reporting requirements incorporated by reference.

10. Agents/Brokers

Contractor warrants that Contractor has not employed or retained any subcontractor, agent, company or person other than bona fide, full-time employees of Contractor working solely for Contractor, to solicit or secure this Agreement, and that Contractor has not paid or agreed to pay any subcontractor, agent, company or persons other than bona fide employees any fee, commission, percentage, gifts or any other consideration, contingent upon or resulting from the award of this Agreement. For breach or violation of this warranty, the City shall have the right to rescind this Agreement without liability or, in its discretion, to deduct from the Agreement price or consideration, or otherwise recover, the full amount of such fee, commission, percentage or gift.

11. Assignment

Contractor shall not assign or otherwise transfer any rights, duties, obligations or interest in this Agreement or arising hereunder to any person, persons, entity or entities whatsoever without the prior written consent of the City and any attempt to assign or transfer without such prior written consent shall be void. Consent to any single assignment or transfer shall not constitute consent to any further assignment or transfer.

12. Publicity

Any publicity generated by Contractor for the project funded pursuant to this Agreement, during the term of this Agreement or for one year thereafter, will make reference to the contribution of the City of Oakland in making the project possible. The words "City of Oakland" will be explicitly stated in all pieces of publicity, including but not limited to flyers, press releases, posters, brochures, public service announcements, interviews and newspaper articles.

City staff will be available whenever possible at the request of Contractor to assist Contractor in generating publicity for the project funded pursuant to this Agreement. Contractor further agrees to cooperate with authorized City officials and staff in any City-generated publicity or promotional activities undertaken with respect to this project.

13. Title of Property

Title to all property, real and personal, acquired by the Contractor from City funds shall vest in the name of the City of Oakland and shall be accounted for by means of a formal set of property records. Contractor acknowledges it is responsible for the protection, maintenance and preservation of all such property held in custody for the City during the term of the Agreement. The Contractor shall, upon expiration of termination of this Agreement, deliver to the City all of said property and documents evidencing title to same. In the case of lost or stolen items or equipment, the Contractor shall immediately notify the Police Department, obtain a written police report and notify the City in accordance with "Notice" section of this Agreement.

Contractor shall provide to the City Auditor all property-related audit and other reports required under this Agreement. In the case of lost or stolen items or equipment, the Contractor shall immediately notify the Police Department, obtain a written police report and notify the City in accordance with the "Notice" section of this Agreement.

Prior to the disposition or sale of any real or personal property acquired with City funds, Contractor shall obtain approval by the City Council and City Administrator in accord with the requirements for disposal or sale of real or personal surplus property set forth in the Oakland City Charter and/or Oakland Municipal Code Title 2.04, Chapter 2.04.120. Surplus supplies and equipment – Disposal or Destruction.

14. Insurance

Unless a written waiver is obtained from the City's Risk Manager, Contractor must provide the insurance listed **in Schedule Q,** Insurance Requirements. **Schedule Q** is attached at the end of this sample agreement and incorporated herein by reference.

15. Indemnification

a. Notwithstanding any other provision of this Agreement, Contractor shall indemnify and hold harmless (and at City's request, defend) City, and each of their respective Councilmembers, officers, partners, agents, and employees (each of which persons and organizations are referred to collectively herein as "Indemnitees" or individually as "Indemnitee") from and against any and all liabilities, claims, lawsuits, losses, damages, demands, debts, liens, costs, judgments, obligations, administrative or regulatory fines or penalties, actions or causes of action, and expenses (including reasonable attorneys' fees) caused by or arising out of any:

(i) Breach of Contractor's obligations, representations or warranties under this Agreement;

(ii) Act or failure to act in the course of performance by Contractor under this Agreement;

(iii) Negligent or willful acts or omissions in the course of performance by Contractor under this Agreement;

(iv) Claim for personal injury (including death) or property damage to the extent based on the strict liability or caused by any negligent act, error or omission of Contractor;

(v) Unauthorized use or disclosure by Contractor of Confidential Information as provided in Section 6 Proprietary of Confidential Information of the City above; and

(vi) Claim of infringement or alleged violation of any United States patent right or copyright, trade secret, trademark, or service mark or other proprietary or intellectual property rights of any third party.

b. For purposes of the preceding Subsections (i) through (vi), the term "Contractor" includes Contractor, its officers, directors, employees, representatives, agents, servants, sub-consultants and subcontractors.

c. City shall give Contractor prompt written notice of any such claim of loss or damage and shall cooperate with Contractor, in the defense and all related settlement negotiations to the extent that cooperation does not conflict with City's interests.

d. Notwithstanding the foregoing, City shall have the right if Contractor fails or refuses to defend City with Counsel acceptable to City to engage its own counsel for the purposes of participating in the defense. In addition, City shall have the right to withhold any payments due Contractor in the amount of anticipated defense costs plus additional reasonable amounts as security for Contractor's obligations under this Section 15. In no event shall Contractor agree to the settlement of any claim described herein without the prior written consent of City.

e. Contractor acknowledges and agrees that it has an immediate and independent obligation to indemnify and defend Indemnitees from any action or claim which potentially falls within this indemnification provision, which obligation shall arise at the time any action or claim is tendered to Contractor by City and continues at all times thereafter, without regard to any alleged or actual contributory negligence of any Indemnitee. Notwithstanding anything to the contrary contained herein, Contractor's liability under this Agreement shall not apply to any action or claim arising from the sole negligence, active negligence or willful misconduct of an Indemnitee.

f. All of Contractor's obligations under this Section 15 are intended to apply to the fullest extent permitted by law (including, without limitation, California Civil Code Section 2782) and shall survive the expiration or sooner termination of this Agreement.

g. The indemnity set forth in this Section 15 shall not be limited by the City's insurance requirements contained in Schedule Q hereof, or by any other provision of this Agreement. City's liability under this Agreement shall be limited to payment of Contractor in accord to the terms and conditions under this Agreement and shall exclude any liability whatsoever for consequential or indirect damages even if such damages are foreseeable.

16. Right to Offset Claims for Money

All claims for money due or to become due from City shall be subject to deduction or offset by City from any monies due Contractor by reason of any claim or counterclaim arising out of: i) this Agreement, or ii) any purchase order, or iii) any other transaction with Contractor.

17. Prompt Payment Ordinance

This contract is subject to the Prompt Payment Ordinance of Oakland Municipal Code, Title 2, Chapter 2.06 (Ordinance 12857 C.M.S, passed January 15, 2008 and effective

February 1, 2008). The Ordinance requires that, unless specific exemptions apply, the Contractor and its subcontractors shall pay undisputed invoices of their subcontractors for goods and/or services within twenty (20) business days of submission of invoices unless the Contractor or its subcontractors notify the Liaison in writing within five (5) business days that there is a bona fide dispute between the Contractor or its subcontractor and claimant, in which case the Contractor or its subcontractor may withhold the disputed amount but shall pay the undisputed amount.

Disputed late payments are subject to investigation by the City of Oakland Liaison, Division of Contracts and Compliance upon the filing of a complaint. Contractor or its subcontractors opposing payment shall provide security in the form of cash, certified check or bond to cover the disputed amount and penalty during the investigation. If Contractor or its subcontractor fails or refuses to deposit security, the City will withhold an amount sufficient to cover the claim from the next Contractor progress payment. The City, upon a determination that an undisputed invoice or payment is late, will release security deposits or withholds directly to claimants for valid claims.

Contractor and its subcontractors shall not be allowed to retain monies from subcontractor payments for goods as project retention, and are required to release subcontractor project retention in proportion to the subcontractor services rendered, for which payment is due and undisputed, within five (5) business days of payment. Contractor and its subcontractors shall be required to pass on to and pay subcontractors mobilization fees within five (5) business days of being paid such fees by the City. For the purpose of posting on the City's website, Contractor and its subcontractors, are required to file notice with the City of release of retention and payment of mobilization fees, within five (5) business days of such payment or release; and, Contractor is required to file an affidavit, under penalty of perjury, that he or she has paid all subcontractors, within five (5) business days following receipt of payment from the City. The affidavit shall provide the names and address of all subcontractors and the amount paid to each.

If any amount due by a prime contractor or subcontractor to any claimant for goods and/or services rendered in connection with a purchase contract is not timely paid in accordance the Prompt Payment ordinance, the prime Contractor or subcontractor shall owe and pay to the claimant interest penalty in the amount of ten percent (10%) of the improperly withheld amount per year for every month that payment is not made, provided the claimant agrees to release the prime contractor or subcontractor from any and all further interest penalty that may be claimed or collected on the amount paid. Claimants that receive interest payments for late payment Prompt Payment ordinance may not seek further interest penalties on the same late payment in law or equity.

Contractor and its subcontractors shall include the same or similar provisions as those set forth above in this section in any contract with another contractor or subcontractor that delivers goods and/or services pursuant to or in connection with this City of Oakland purchase contract.

Prompt Payment invoice and claim forms are available at the following City of Oakland website: http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm or at Contracts and Compliance, 250 Frank H. Ogawa Plaza, Suite 3341, Oakland, CA 94612. Invoice and claim inquiries should be directed to Vivian Inman, City of Oakland Prompt Payment Liaison, 510-238-6261 or email vinman@oaklandnet.com.

18. Arizona and Arizona-Based Businesses

Contractor agrees that in accordance with Resolution No. 82727 C.M.S., neither it nor any of its subsidiaries, affiliates or agents that will provide services under this agreement is currently headquartered in the State of Arizona, and shall not establish an Arizona business headquarters for the duration of this agreement with the City of Oakland or until Arizona rescinds SB 1070.

Contractor acknowledges its duty to notify the Purchasing Department if it's Business Entity or any of its subsidiaries affiliates or agents subsequently relocates its headquarters to the State of Arizona. Such relocation shall be a basis for termination of this agreement.

19. Dispute Disclosure

Contractors are required to disclose pending disputes with the City of Oakland when they are involved in submitting bids, proposals or applications for a City or Agency contract or transaction involving professional services. This includes contract amendments. Contractor agrees to disclose, and has disclosed, any and all pending disputes to the City prior to execution of this agreement. The City will provide a form for such disclosure upon Contractor's request. Failure to disclose pending disputes prior to execution of this amendment shall be a basis for termination of this agreement.

20. Termination on Notice

The City may terminate this Agreement immediately for cause or without cause upon giving (30) calendar days' written notice to Contractor. Unless otherwise terminated as provided in this Agreement, this Agreement will terminate on **month date year.**

21. Conflict of Interest

a. Contractor

The following protections against conflict of interest will be upheld:

i. Contractor certifies that no member of, or delegate to the Congress of the United States shall be permitted to share or take part in this Agreement or in any benefit arising therefrom.

ii. Contractor certifies that no member, officer, or employee of the City or its designees or agents, and no other public official of the City who exercises any functions or responsibilities with respect to the programs or projects covered by this Agreement, shall have any interest, direct or indirect in this Agreement, or in its proceeds during his/her tenure or for one year thereafter.

iii. Contractor shall immediately notify the City of any real or possible conflict of interest between work performed for the City and for other clients served by Contractor.

iv. Contractor warrants and represents, to the best of its present knowledge, that no public official or employee of City who has been involved in the making of this Agreement, or who is a member of a City board or commission which has been involved in the making of this Agreement whether in an advisory or decision-making capacity, has or will receive a direct or indirect financial interest in this Agreement in violation of the rules contained in California Government Code Section 1090 et seq., pertaining to conflicts of interest in public contracting. Contractor shall exercise due diligence to ensure that no such official will receive such an interest.

v. Contractor further warrants and represents, to the best of its present knowledge and excepting any written disclosures as to these matters already made by Contractor to City, that (1) no public official of City who has participated in decision-making concerning this Agreement or has used his or her official position to influence decisions regarding this Agreement, has an economic interest in Contractor or this Agreement, and (2) this Agreement will not have a direct or indirect financial effect on said official, the official's spouse or dependent children, or any of the official's economic interests. For purposes of this paragraph, an official is deemed to have an "economic interest" in any (a) for-profit business entity in which the official has a direct or indirect investment worth $2,000 or more, (b) any real property in which the official has a direct or indirect interest worth $2,000 or more, (c) any for-profit business entity in which the official is a director, officer, partner, trustee, employee or manager, or (d) any source of income or donors of gifts to the official (including nonprofit entities) if the income or value of the gift totaled more than $500 the previous year. Contractor agrees to promptly disclose to City in writing any information it may receive concerning any such potential conflict of interest. Contractor's attention is directed to the conflict of interest rules applicable to governmental decision-making contained in the Political Reform Act (California Government Code Section 87100 et seq.) and it's implementing regulations (California Code of Regulations, Title 2, Section 18700 et seq.).

vi. Contractor understands that in some cases Contractor or persons associated with Contractor may be deemed a "city officer" or "public official" for purposes of the conflict of interest provisions of Government Code Section 1090 and/or the Political Reform Act. Contractor further understands that, as a public officer or official, Contractor or persons associated with Contractor may be disqualified from future City contracts to the extent that Contractor is involved in any aspect of the making of that future contract (including preparing plans and specifications or performing design work or feasibility studies for that contract) through its work under this Agreement.

vii. Contractor shall incorporate or cause to be incorporated into all subcontracts for work to be performed under this Agreement a provision governing conflict of interest in substantially the same form set forth herein.

b. No Waiver

Nothing herein is intended to waive any applicable federal, state or local conflict of interest law or regulation

c. Remedies and Sanctions

In addition to the rights and remedies otherwise available to the City under this Agreement and under federal, state and local law, Contractor understands and agrees that, if the City reasonably determines that Contractor has failed to make a good faith effort to avoid an improper conflict of interest situation or is responsible for the conflict situation, the City may (1) suspend payments under this Agreement, (2) terminate this Agreement, (3) require reimbursement by Contractor to the City of any amounts disbursed under this Agreement. In addition, the City may suspend payments or terminate this Agreement whether or not Contractor is responsible for the conflict of interest situation.

22. Non-Discrimination/Equal Employment Practices

Contractor shall not discriminate or permit discrimination against any person or group of persons in any manner prohibited by federal, state or local laws. During the performance of this Agreement, Contractor agrees as follows:

a. Contractor and Contractor's subcontractors, if any, shall not discriminate against any employee or applicant for employment because of age, marital status, religion, gender, sexual orientation, gender identity, race, creed, color, national origin, Acquired-Immune Deficiency Syndrome (AIDS), AIDS-Related Complex (ARC) or disability. This nondiscrimination policy shall include, but not be limited to, the following: employment, upgrading, failure to promote, demotion or transfer, recruitment advertising, layoffs, termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

b. Contractor and Contractor's Subcontractors shall state in all solicitations or advertisements for employees placed by or on behalf of Contractor that all qualified applicants will receive consideration for employment without regard to age, marital status, religion, gender, sexual orientation, gender identity, race, creed, color, national origin, Acquired-Immune Deficiency Syndrome (AIDS), AIDS-Related Complex (ARC) or disability.

c. Contractor shall make its goods, services, and facilities accessible to people with disabilities and shall verify compliance with the Americans with Disabilities Act by executing **Schedule C-1,** Declaration of Compliance with the Americans with Disabilities Act, attached hereto and incorporated herein.

d. If applicable, Contractor will send to each labor union or representative of workers with whom Contractor has a collective bargaining agreement or contract or understanding, a notice advising the labor union or workers' representative of Contractor's commitments under this nondiscrimination clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

23. Local and Small Local Business Enterprise Program (L/SLBE)

a. *Requirement* – For Professional Services, **50% Local and Small Local Business Enterprise Program (L/SLBE):** there is a 50% minimum participation requirement for all professional services contracts over $50,000. Consultant status as an Oakland certified local or small local firm and subcontractor/subconsultant status as an Oakland certified local or small local firm are taken into account in the calculation. The requirement may be satisfied by a certified prime consultant and/or sub-consultant(s). A business must be certified by the City of Oakland in order to earn credit toward meeting the fifty percent requirement. The City has waived small local business enterprise (SLBE) subcontracting requirements for Oakland certified local businesses that apply for professional services contracts as the prime consultant with the City. The SLBE requirements still applies for non-certified LBEs and non-local business enterprises.

b. Good Faith Effort - In light of the fifty percent requirement, good faith effort documentation is not necessary.

c. Preference Points – Preference points are earned based on the level of participation proposed prior to the award of a contract. Upon satisfying the minimum fifty percent requirement, a consultant will earn two (2) preference points. Three additional preference points may be earned at a rate of one point for every additional ten percent participation up to eighty percent participation of the total contract dollars spent with local Oakland certified firms.

d. A firm may earn up to five (5) preference points for local Oakland business participation and additional preference points for being a long term certified business in Oakland regardless of size and for having an Oakland workforce.

e. In those instances where VSLBE participation is evident, the level of participation will be double-counted towards meeting the requirement.

f. Additional Preference Points. For Request for Proposal (RFP) and Request for Qualifications (RFQ), additional Preference Points may be earned for having an Oakland workforce on Non-Construction Contracts

g. Earning extra preference points for having an existing work force that includes Oakland residents is considered added value. The Request for Proposal "evaluation" process allows for additional preference points over and above the number of points earned for technical expertise. Typically 100 points may be earned for the technical elements of the RFP. Preference points are awarded over and above the potential 100 points.

h. The Exit Report and Affidavit (ERA) – This report declares the level of participation achieved and will be used to calculate banked credits. The prime consultant must complete the **Schedule F**, Exit Report and Affidavit for, and have it executed by, each L/SLBE sub consultant and submitted to the Office of the City Administrator, Contracts and Compliance Unit, along with a *copy* of the final progress payment application.

i. Joint Venture and Mentor Protégé Agreements. If a prime contractor or prime consultant is able to develop a Joint Venture or "Mentor-Protégé" relationship with a certified LBE or SLBE, the mentor or Joint Venture partners will enjoy the benefit of credits against the participation requirement. In order to earn credit for Joint Venture or Mentor-Protégé relationships, the Agreement must be submitted for approval to the Office of the City Administrator, Contracts and Compliance Unit, prior to the project bid date for construction, and by proposal due date for professional services contracts. Joint Venture Applications and elements of City approved Mentor Protégé relation are available upon request.

j. Contractor shall submit information concerning the ownership and workforce composition of Contractor's firm as well as its subcontractors and suppliers, by completing **Schedule D,** Ownership, Ethnicity, and Gender Questionnaire, and **Schedule E,** Project Consultant Team, attached and incorporated herein and made a part of this Agreement.

k. All affirmative action efforts of Contractor are subject to tracking by the City. This information or data shall be used for statistical purposes only. All contractors are required to provide data regarding the make-up of their subcontractors and agents who will perform City contracts, including the race and gender of each employee and/or contractor and his or her job title or function and the methodology used by Contractor to hire and/or contract with the individual or entity in question.

l. In the recruitment of subcontractors, the City of Oakland requires all contractors to undertake nondiscriminatory and equal outreach efforts, which include outreach to minorities and women-owned businesses as well as other segments of Oakland's business community. The City Administrator will track the City's MBE/WBE utilization to ensure the absence of unlawful discrimination on the basis of age, marital status, religion, gender, sexual preference, race, creed, color, national origin, Acquired-Immune Deficiency Syndrome (AIDS), AIDS-Related Complex (ARC) or disability.

m. In the use of such recruitment, hiring and retention of employees or subcontractors, the City of Oakland requires all contractors to undertake nondiscriminatory and equal outreach efforts which include outreach to minorities and women as well as other segments of Oakland's business community.

24. Living Wage Ordinance

If the contract amount of this Agreement is equal to or greater than $25,000 annually, then Contractor must comply with the Oakland Living Wage Ordinance. The Living Wage Ordinance requires that nothing less than a prescribed minimum level of compensation (a living wage) be paid to employees of service contractors (consultants) of the City and employees of CFARs (Ord. 12050 § 1, 1998). The Ordinance also requires submission of the Declaration of Compliance attached and incorporated herein as **Schedule N** and made part of this Agreement, and, unless specific exemptions apply or a waiver is granted, the consultant must provide the following to its employees who perform services under or related to this Agreement:

a. Minimum compensation – Said employees shall be paid an initial **hourly wage rate of $12.93 with health benefits or $14.86 without health benefits**. These initial rates shall be upwardly adjusted each year no later than April 1 in proportion to the increase at the immediately preceding December 31 over the year earlier level of the Bay Region Consumer Price Index as published by the Bureau of Labor Statistics, U.S. Department of Labor. **Effective July 1st of each year, contractor shall pay adjusted wage rates.**

b. Health benefits – Said full-time and part-time employees paid at the lower living wage rate shall be provided health benefits of at least $1.93 per hour. Contractor shall provide proof that health benefits are in effect for those employees no later than 30 days after execution of the contract or receipt of City financial assistance.

c. Compensated days off – Said employees shall be entitled to twelve compensated days off per year for sick leave, vacation or personal necessity at the employee's request, and ten uncompensated days off per year for sick leave. Employees shall accrue one compensated day off per month of full time employment. Part-time employees shall accrue compensated days off in increments proportional to that accrued by full-time employees. The employees shall be eligible to use accrued days off after the first six months of employment or consistent with company policy, whichever is sooner. Paid holidays, consistent with established employer policy, may be counted toward provision of the required 12 compensated days off. Ten uncompensated days off shall be made available, as needed, for personal or immediate family illness after the employee has exhausted his or her accrued compensated days off for that year.

d. Federal Earned Income Credit (EIC) - To inform employees that he or she may be eligible for Earned Income Credit (EIC) and shall provide forms to apply for advance EIC payments to eligible employees. There are several websites and other sources available to assist you. Web sites include but are not limited to: (1) http://www.irs.gov for current guidelines as prescribed by the Internal Revenue Service.

e. Contractor shall provide to all employees and to the Division of Contracts and Compliance, written notice of its obligation to eligible employees under the City's Living Wage requirements. Said notice shall be posted prominently in communal areas of the work site(s) and shall include the above-referenced information.

f. Contractor shall provide all written notices and forms required above in English, Spanish or other languages spoken by a significant number of employees within 30 days of employment under this Agreement.

g. Reporting – Contractor shall maintain a listing of the name, address, hire date, occupation classification, rate of pay and benefits for each of its employees. Contractor shall provide a copy of said list to the Division of Contracts and Compliance, on a quarterly basis, by March 31, June 30, September 30 and December 31 for the applicable compliance period. Failure to provide said list within five days of the due date will result in liquidated damages of five hundred dollars ($500.00) for each day that the list remains outstanding. Contractor shall maintain employee payroll and related records for a period of four (4) years after expiration of the compliance period.

h. Contractor shall require subcontractors that provide services under or related to this Agreement to comply with the above Living Wage provisions. Contractor shall include the above-referenced sections in its subcontracts. Copies of said subcontracts shall be submitted to the Division of Contracts and Compliance.

25. Minimum Wage Ordinance

Oakland employers are subject to Oakland's Minimum Wage Law, whereby Oakland employees must be paid the current Minimum Wage rate. Employers must notify employees of the annually adjusted rates by each December 15th and prominently display notices at the job site. The law requires paid sick leave for employees and payment of service charges collected for their services.

For further information, please go to the following website: http://www2.oaklandnet.com/Government/o/CityAdministration/d/MinimumWage/OAK051451

26. Equal Benefits Ordinance

This Agreement is subject to the Equal Benefits Ordinance of Chapter 2.32 of the Oakland Municipal Code and its implementing regulations. The purpose of this Ordinance is to protect and further the public, health, safety, convenience, comfort, property and general welfare by requiring that public funds be expended in a manner so as to prohibit discrimination in the provision of employee benefits by City contractors (consultants) between employees with spouses and employees with domestic partners, and/or between domestic partners and spouses of such employees. (Ord. 12394 (part), 2001)

The following contractors are subject to the Equal Benefits Ordinance: Entities which enter into a "contract" with the City for an amount of twenty-five thousand dollars ($25,000.00) or more for public works or improvements to be performed, or for goods or services to be purchased or grants to be provided at the expense of the City or to be paid out of moneys deposited in the treasury or out of trust moneys under the control of or collected by the city; and Entities which enter into a "property contract" pursuant to Section 2.32.020(D) with the City in an amount of twenty-five thousand dollars ($25,000.00) or more for the exclusive use of or occupancy (1) of real property owned or controlled by the city or (2) of real property owned by others for the city's use or occupancy, for a term exceeding twenty-nine (29) days in any calendar year.

The Ordinance shall only apply to those portions of a contractor's operations that occur (1) within the city; (2) on real property outside the city if the property is owned by the city or if the city has a right to occupy the property, and if the contract's presence at that location is connected to a contract with the city; and (3) elsewhere in the United States where work related to a city contract is being performed. The requirements of this chapter shall not apply to subcontracts or subcontractors of any contract or contractor

The Equal Benefits Ordinance requires among other things, submission of the attached and incorporated herein as **Schedule N-1,** Equal Benefits-Declaration of Nondiscrimination.

27. City of Oakland Campaign Contribution Limits

This Agreement is subject to the City of Oakland Campaign Reform Act of Chapter 3.12 of the Oakland Municipal Code and its implementing regulations if it requires Council approval. The City of Oakland Campaign Reform Act prohibits contractors that are doing business or seeking to do business with the City of Oakland from making campaign contributions to Oakland candidates between commencement of negotiations and either 180 days after completion of, or termination of, contract negotiations.

If this Agreement requires Council approval, Contractor must sign and date an Acknowledgment of Campaign Contribution Limits Form attached hereto and incorporated herein as **Schedule O**.

28. Nuclear Free Zone Disclosure

Contractor represents, pursuant to **Schedule P**, Nuclear Free Zone Disclosure Form, that Contractor is in compliance with the City of Oakland's restrictions on doing business with service providers considered nuclear weapons makers. Prior to execution of this agreement, Contractor shall complete **Schedule P**, attached hereto.

29. Political Prohibition

Subject to applicable State and Federal laws, moneys paid pursuant to this Agreement shall not be used for political purposes, sponsoring or conducting candidate's meetings, engaging in voter registration activity, nor for publicity or propaganda purposes designed to support or defeat legislation pending before federal, state or local government.

30. Religious Prohibition

There shall be no religious worship, instruction, or proselytization as part of, or in connection with the performance of the Agreement.

31. Business Tax Certificate

Contractor shall obtain and provide proof of a valid City business tax certificate. Said certificate must remain valid during the duration of this Agreement.

32. Abandonment of Project

The City may abandon or indefinitely postpone the project or the services for any or all of the project at any time. In such event, the City shall give thirty (30) days written notice of such abandonment. In the event of abandonment prior to completion of the final drawings, if applicable, and cost estimates, Contractor shall have the right to expend a reasonable amount of additional time to assemble work in progress for the purpose of proper filing and closing the job. Prior to expending said time, Contractor shall present to the City a complete report of said proposed job closure and its costs, and the City may approve all or any part of said expense. Such additional time shall not exceed ten percent (10%) of the total time expended to the date of notice of termination. All charges thus incurred and approved by the City, together with any other charges outstanding at the time of termination, shall be payable by the City within thirty (30) days following submission of a final statement by Contractor.

Should the project or any portion thereof be abandoned, the City shall pay the Contractor for all services performed thereto in accordance with the terms of this Agreement.

33. Validity of Contracts

This Agreement shall not be binding or of any force or effect until it is: i) approved by resolution of the City Council as required by the Oakland City Charter, Oakland Municipal Code Title 2.04 and Oakland City Council Rules of Procedure, ii) approved for form and legality by the Office of the City Attorney, and iii) signed by the City Administrator or his or her designee.

34. Governing Law

This Agreement shall be governed by the laws of the State of California.

35. Notice

If either party shall desire or be required to give notice to the other, such notice shall be given in writing, via facsimile and concurrently by prepaid U.S. certified or registered postage, addressed to recipient as follows:

(City of Oakland)
Agency/Department
Address
Oakland, CA
Attn: Project Manager

Name of Contractor
Address
City State Zip
Attn: Project Manager

Any party to this Agreement may change the name or address of representatives for purpose of this Notice paragraph by providing written notice to all other parties ten (10) business days before the change is effective.

36. Entire Agreement of the Parties

This Agreement supersedes any and all agreements, either oral or written, between the parties with respect to the rendering of services by Contractor for the City and contains all of the representations, covenants and agreements between the parties with respect to the rendering of those services. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not contained in this Agreement, and that no other agreement, statement or promise not contained in this Agreement will be valid or binding.

37. Modification

Any modification of this Agreement will be effective only if it is in a writing signed by all parties to this Agreement.

38. Severability/Partial Invalidity

If any term or provision of this Agreement, or the application of any term or provision of this Agreement to a particular situation, shall be finally found to be void, invalid, illegal or unenforceable by a court of competent jurisdiction, then notwithstanding such determination, such term or provision shall remain in force and effect to the extent allowed by such ruling and all other terms and provisions of this Agreement or the application of this Agreement to other situation shall remain in full force and effect.

Notwithstanding the foregoing, if any material term or provision of this Agreement or the application of such material term or condition to a particular situation is finally found to be void, invalid, illegal or unenforceable by a court of competent jurisdiction, then the Parties hereto agree to work in good faith and fully cooperate with each other to amend this Agreement to carry out its intent.

39. Time of the Essence

Time is of the essence in the performance of this Agreement.

40. Commencement, Completion and Close out

It shall be the responsibility of the Contractor to coordinate and schedule the work to be performed so that commencement and completion take place in accordance with the provisions of this Agreement.

Any time extension granted to Contractor to enable Contractor to complete the work must be in writing and shall not constitute a waiver of rights the City may have under this Agreement.

Should the Contractor not complete the work by the scheduled date or by an extended date, the City shall be released from all of its obligations under this Agreement.

Within thirty (30) days of completion of the performance under this Agreement, the Contractor shall make a determination of any and all final costs due under this Agreement and shall submit a requisition for such final and complete payment (including without limitations any and all claims relating to or arising from this Agreement) to the City. Failure of the Contractor to timely submit a complete and accurate requisition for final payment shall relieve the City of any further obligations under this Agreement, including without limitation any obligation for payment of work performed or payment of claims by Contractor.

41. Approval

If the terms of this Agreement are acceptable to Contractor and the City, sign and date below.

42. Inconsistency

If there is any inconsistency between the main agreement and the attachments/exhibits, the text of the main agreement shall prevail.

City of Oakland, a municipal corporation	**Name of Contractor**
______________________	______________________
(City Administrator's Office) (Date)	(Signature) (Date)
______________________	______________________
(Agency Director's Signature) (Date)	Business Tax Certificate No.
	______________________
______________________	Date of Expiration
Approved as to form and legality:	______________________
	Resolution Number

__________________________________ ______________________
(City Attorney's Office Signature) (Date) Accounting Number

END OF PROFESSIONAL SERVICES CONTRACT SAMPLE

ATTACHMENT B1
(Stand-Alone Schedules Required with Proposal)

SCHEDULE E
(PROJECT CONSULTANT TEAM LISTING)

An interactive version of this form can be downloaded from Contract s and Compliance website http://www2.oaklandnet.com/oakca1/groups/contracting/documents/form/oak023379.pdf or request for a copy from Paula Peav at ppeav@oaklandnet.com or phone number 510-238-3190

AND

SCHEDULE O
(CAMPAIGN CONTRIBUTION LIMITS)

An interactive version of this form can be downloaded from Contract s and Compliance website http://www2.oaklandnet.com/oakca1/groups/contracting/documents/form/oak023287.pdf or request for a copy from Paula Peav at ppeav@oaklandnet.com or phone number 510-238-3190

SCHEDULE E
PROJECT CONSULTANT TEAM LISTING

To be completed by prime consultants only.

Date

OAKLAND

Note:
The consultant herewith must list all subconsultants regardless of tier and their respective percentages of the project work. No other subconsultants, other than those listed below shall be used without prior written approval by the City of Oakland. Provide all information listed and check the appropriate boxes. Firms must be certified with he City of Oakland in order to receive Local/Small Local Business Enterprise credits.

Company Name:

Signed:

Type of Work	Company Name	Address and City	Phone Number	% of Project Work	Dollar Amount	Subcontractor	Local (LBE)	Small Local (SLBE)	* Ethnicity	** Gender

Attach additional page(s) if necessary.
Contractors are required to identify the ethnicity and gender of all listed firms majority owner. This information will be used for tracking purposes only.
* (AA=African American) (AI=Asian Indian) (AP=Asian Pacific) (C=Caucasian) (H=Hispanic) (NA=Native American) (O=Other) (NL=Not Listed)
** (M = Male) (F = Female)

(Revised as of 6/06)

CITY OF OAKLAND

SCHEDULE O

CONTRACTOR ACKNOWLEDGEMENT OF CITY OF OAKLAND CAMPAIGN CONTRIBUTION LIMITS

To be completed by City Representative prior to distribution to Contractor

City Representative ____________________ Phone ____________ Project Spec No. ________

Department ____________ Contract/Proposal Name ____________

This is an ___ Original ___ Revised form (check one). If Original, complete all that applies. If Revised, complete Contractor name and any changed data.

Contractor Name ______________________________ Phone ___-___-______

Street Address ______________________________ City ____________, State _____ Zip ______

Type of Submission (check one) ___ Bid ___ Proposal ___ Qualification ___ Amendment

Majority Owner (if any). A majority owner is a person or entity who owns more than 50% of the contracting firm or entity.

Individual or Business Name ______________________________ Phone ___-___-______

Street Address ______________________________ City ____________, State _____ Zip ______

The undersigned Contractor's Representative acknowledges by his or her signature the following:

The Oakland Campaign Reform Act limits campaign contributions and prohibits contributions from contractors doing business with the City of Oakland and the Oakland Redevelopment Agency during specified time periods. Violators are subject to civil and criminal penalties.

I have read Oakland Municipal Code Chapter 3.12, including section 3.12.140, the contractor provisions of the Oakland Campaign

Reform Act and certify that I/we have not knowingly, nor will I /we make contributions during the period specified in the Act.

I understand that the contribution restrictions also apply to entities/persons affiliated with the contractor as indicated in the Oakland Municipal Code Chapter 3.12.080.

If there are any changes to the information on this form during the contribution-restricted time period, I will file an amended form with the City of Oakland.

______________________________ ___/___/___
Signature Date

______________________________ ______________________________
Print Name of Signer Position

To be Completed by City of Oakland after completion of the form

Date Received by City: ___/___/___ By ______________________________

Date Entered on Contractor Database: ___/___/___ By ______________________________

ATTACHMENT B2
(Stand-Alone Schedules Required Prior to Contract Award)

SCHEDULE E-2
(OAKLAND WORKFORCE VERIFICATION)

An interactive version of this form can be downloaded from Contract s and Compliance website http://www2.oaklandnet.com/oakca1/groups/contracting/documents/form/oak023379.pdf or request for a copy from Paula Peav at ppeav@oaklandnet.com or phone number 510-238-3190

AND

SCHEDULE Q
(INSURANCE REQUIREMENTS)

An interactive version of this form can be downloaded from Contract s and Compliance website http://www2.oaklandnet.com/oakca1/groups/contracting/documents/form/oak023287.pdf or request for a copy from Paula Peav at ppeav@oaklandnet.com or phone number 510-238-3190

CITY OF OAKLAND

Oakland Workforce Verification

Schedule E-2

Date Submitted: ______________ Consultant/Service Provider: ______________________ Phone: __________

Address: ______________________ email: ______________________ # additional sheets attached: _____

PLEASE NOTE: All prime consultants seeking additional preference points for Oakland workforce must complete this form and submit with "required attachments" to Contracts and Compliance no later than four (4) days after proposal due date. For questions, please contact the assigned Compliance Officer named in the RFP/RFQ.

REQUIRED ATTACHMENTS — Please check box below to confirm attachments

	EMPLOYEE Use additional sheets if needed	CURRENT STREET ADDRESS	DATE OF HIRE	LAST 4 DIGITS OF Soc. Sec.#	WORK CLASSIFICATION	1 Valid Photo ID	2 Other Proof of Oakland Residency	3 DE9
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								

PLEASE NOTE BELOW:

1) A valid photo ID is required to prove Oakland residency. If the employee does not have a valid photo ID, the employer must submit at least two (2) other accetable forms of ID/Other acceptable proofs of residency. Valid photo IDs include: a) U.S. Passport, b) Employment Authorization Document, c) State Driver's license or ID Card, d) School ID Card, and or e) U.S. Military Card.

2) Other Acceptable Proofs of Oakland Residency: Utility Bills, Bank Account Statements, Auto Registration, Mortgage Statements, Rental Agreements, and/or Verification of Public Assistance.

<u>3) It is required that all firms submit their most recently filed DE6/9.</u>

ADDITIONAL SHEET

Consultant/Service Provider ______________________ **RFP/RFQ Title** ______________________

Additional Page # _____ **of** _____

REQUIRED ATTACHMENTS — Please check box below to confirm attachments

EMPLOYEE Use additional sheets if needed	CURRENT STREET ADDRESS	DATE OF HIRE	LAST 4 DIGITS OF Soc. Sec.#	WORK CLASSIFICATION	1 Valid Photo ID	2 Other Proof of Oakland Residency	3 DE6

Schedule Q

INSURANCE REQUIREMENTS

(Revised 01/13/17)

a. General Liability, Automobile, Workers' Compensation and Professional Liability

Contractor shall procure, prior to commencement of service, and keep in force for the term of this contract, at Contractor's own cost and expense, the following policies of insurance or certificates or binders as necessary to represent that coverage as specified below is in place with companies doing business in California and acceptable to the City. If requested, Contractor shall provide the City with copies of all insurance policies. The insurance shall at a minimum include:

i. **Commercial General Liability insurance** shall cover bodily injury, property damage and personal injury liability for premises operations, independent contractors, products-completed operations personal & advertising injury and contractual liability. Coverage shall be at least as broad as Insurance Services Office Commercial General Liability coverage (occurrence Form CG 00 01)

Limits of liability: Contractor shall maintain commercial general liability (CGL) and, if necessary, commercial umbrella insurance with a limit of not less than $2,000,000 each occurrence. If such CGL insurance contains a general aggregate limit, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

ii. **Automobile Liability Insurance.** Contractor shall maintain automobile liability insurance for bodily injury and property damage liability with a limit of not less than $1,000,000 each accident. Such insurance shall cover liability arising out of any auto (including owned, hired, and non-owned autos). Coverage shall be at least as broad as Insurance Services Office Form Number CA 0001.

iii. **Worker's Compensation insurance** as required by the laws of the State of California, with statutory limits, and statutory coverage may include Employers' Liability coverage, with limits not less than $1,000,000 each accident, $1,000,000 policy limit bodily injury by disease, and $1,000,000 each employee bodily injury by disease. The Contractor certifies that he/she is aware of the provisions of section 3700 of the California Labor Code, which requires every employer to provide Workers' Compensation coverage, or to undertake self-insurance in accordance with the provisions of that Code. The Contractor shall comply with the provisions of section 3700 of the California Labor Code before commencing performance of the work under this Agreement and thereafter as required by that code.

iv. **Professional Liability/ Errors and Omissions insurance, if determined to be required by HRM/RBD,** appropriate to the contractor's profession with limits not less than $________ each claim and $________ aggregate. If the professional liability/errors and omissions insurance is written on a claims made form:

a. The retroactive date must be shown and must be before the date of the contract or the beginning of work.
b. Insurance must be maintained and evidence of insurance must be provided for at least three (3) years after completion of the contract work.
c. If coverage is cancelled or non-renewed and not replaced with another claims made policy form with a retroactive date prior to the contract effective date, the contractor must purchase extended period coverage for a minimum of three (3) years after completion of work.

v. **Contractor's Pollution Liability Insurance:** If the Contractor is engaged in: environmental remediation, emergency response, hazmat cleanup or pickup, liquid waste remediation, tank and pump cleaning, repair or installation, fire or water restoration or fuel storage dispensing, then for small jobs (projects less than $500,000), the Contractor must maintain Contractor's Pollution Liability Insurance of at least $500,000 for each occurrence and in the aggregate. If the Contractor is engaged in environmental sampling or underground testing, then Contractor must also maintain Errors and Omissions (Professional Liability) of $500,000 per occurrence and in the aggregate.

vi. **Sexual/Abuse insurance.** If Contractor will have contact with persons under the age of 18 years, or Contractor is the provider of services to persons with Alzheimer's or Dementia, Contractor shall maintain sexual/abuse/molestation insurance with a limit of not less than $1,000,000 each occurrence. Insurance must be maintained and evidence of insurance must be provided for at least three (3) years after completion of the contract work.

b. <u>Terms Conditions and Endorsements</u>

The aforementioned insurance shall be endorsed and have all the following conditions:

i. Insured Status (Additional Insured): Contractor shall provide insured status naming the City of Oakland, its Councilmembers, directors, officers, agents, employees and volunteers as insured's under the Commercial General Liability policy. General Liability coverage can be provided in the form of an endorsement to the Contractor's insurance (at least as broad as ISO Form CG 20 10 (11/85) or both CG 20 10 and CG 20 37 forms, if later revisions used). If Contractor submits the ACORD Insurance Certificate, the insured status endorsement must be set forth on an ISO form CG 20 10 (or equivalent). A STATEMENT OF ADDITIONAL INSURED STATUS ON THE ACORD INSURANCE CERTIFICATE FORM IS INSUFFICIENT AND WILL BE REJECTED AS PROOF OF MEETING THIS REQUIREMENT; and

ii. Coverage afforded on behalf of the City, Councilmembers, directors, officers, agents, employees and volunteers shall be primary insurance. Any other insurance available to the City Councilmembers, directors, officers, agents, employees and volunteers under any other policies shall be excess insurance (over the insurance required by this Agreement); and

iii. Cancellation Notice: Each insurance policy required by this clause shall provide that coverage shall not be canceled, except with notice to the Entity; and

iv. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the City for all work performed by the contractor, its employees, agents and subcontractors; and

v. Certificate holder is to be the same person and address as indicated in the "Notices" section of this Agreement; and

vi. Insurer shall carry insurance from admitted companies with an A.M. Best Rating of A VII, or better.

c. Replacement of Coverage

In the case of the breach of any of the insurance provisions of this Agreement, the City may, at the City's option, take out and maintain at the expense of Contractor, such insurance in the name of Contractor as is required pursuant to this Agreement, and may deduct the cost of taking out and maintaining such insurance from any sums which may be found or become due to Contractor under this Agreement.

d. Insurance Interpretation

All endorsements, certificates, forms, coverage and limits of liability referred to herein shall have the meaning given such terms by the Insurance Services Office as of the date of this Agreement.

e. Proof of Insurance

Contractor will be required to provide proof of all insurance required for the work prior to execution of the contract, including copies of Contractor's insurance policies if and when requested. Failure to provide the insurance proof requested or failure to do so in a timely manner shall constitute ground for rescission of the contract award.

f. Subcontractors

Should the Contractor subcontract out the work required under this agreement, they shall include all subcontractors as insured's under its policies or shall maintain separate certificates and endorsements for each subcontractor. As an alternative, the Contractor may require all subcontractors to provide at their own expense evidence of all the required coverages listed in this Schedule. If this option is exercised, both the City of

Oakland and the Contractor shall be named as additional insured under the subcontractor's General Liability policy. All coverages for subcontractors shall be subject to all the requirements stated herein. The City reserves the right to perform an insurance audit during the course of the project to verify compliance with requirements.

g. Deductibles and Self-Insured Retentions

Any deductible or self-insured retention must be declared to and approved by the City. At the option of the City, either: the insurer shall reduce or eliminate such deductible or self-insured retentions as respects the City, its Councilmembers, directors, officers, agents, employees and volunteers; or the Contractor shall provide a financial guarantee satisfactory to the City guaranteeing payment of losses and related investigations, claim administration and defense expenses.

h. Waiver of Subrogation

Contractor waives all rights against the City of Oakland and its Councilmembers, officers, directors, employees and volunteers for recovery of damages to the extent these damages are covered by the forms of insurance coverage required above.

i. Evaluation of Adequacy of Coverage

The City of Oakland maintains the right to modify, delete, alter or change these requirements, with reasonable notice, upon not less than ninety (90) days prior written notice.

j. Higher Limits of Insurance

If the contractor maintains higher limits than the minimums shown above, The City shall be entitled to coverage for the higher limits maintained by the contractor.

ATTACHMENT C: City Schedules and Policies

<u>PLEASE READ CAREFULLY</u>: It is the prospective primary proposer's/bidder's/grantee's responsibility to review all listed City Schedules, Ordinances and Resolutions.

If you have questions regarding any of the schedules, Ordinances or Resolutions, please contact the assigned Contract Compliance Officer listed on the Request for Proposals (RFP), Notice Inviting Bids (NIB), Request for Qualifications (RFQ) and Grant announcements.

By submitting a response to this RFP/Q, NIB, or Grant opportunities, to the City Of Oakland the prospective primary participant's authorized representative hereby certifies that your firm or not-for profit entity has reviewed all listed City Schedules, Ordinances and Resolutions and has responded appropriately.

Note: additional details are available on our website as follows:
http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/policies/index.htm.

1. <u>**Schedule B-2**</u> - (Arizona Resolution) – **Applies to all agreements and is part of the "Combined Contract Schedules".**

    i. This Agreement is subject to Resolution No. 82727 C.M.S. For full details of the Resolution please go to the City's website http://www2.oaklandnet.com/Government /o/CityAdministration/d/CP/s/policies/index.htm.

    ii. *Excerpt:* (Resolution #82727) RESOLVED: That unless and until Arizona rescinds SB 1070, the City of Oakland urges City departments to the extend where practicable, and in instances where there is no significant additional cost to the city or conflict with law, to refrain from entering into any new or amended contracts to purchase goods or services from any company that is headquartered in Arizona.

    iii. Prior to execution of this agreement and/or upon request, the contractor shall complete the <u>Schedule B-2</u> form and submit to the City. The form can be found on our website at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/ s/FormsSchedules/index.htm *(see Combined Schedules)*

2. <u>**Schedule C-1**</u> - (Declaration of Compliance with the Americans with Disabilities Act) – **Applies to all agreements and is part of the "Combined Contract Schedules".**

    i. This Agreement is subject to the Americans with Disabilities Act (ADA). It requires that private organizations serving the public make their goods, services and facilities accessible to people with disabilities. Furthermore, the City of Oakland requires that all of its Contractors comply with their ADA obligations and verify such compliance by signing this Declaration of Compliance.

4

FINANCE & MANAGEMENT CMTTE
SEP 1 1 2018

(1) You certify that you will comply with the Americans with Disabilities Act by:
(2) Adopting policies, practices and procedures that ensure non-discrimination and equal access to Contractor's goods, services and facilities for people with disabilities;
(3) Providing goods, services and facilities to individuals with disabilities in an integrated setting, except when separate programs are required to ensure equal access;
(4) Making reasonable modifications in programs, activities and services when necessary to ensure equal access to individuals with disabilities, unless fundamental alteration in the nature of the Contractor's program would result;
(5) Removing architectural barriers in existing facilities or providing alternative means of delivering goods and services when removal of barriers is cost-prohibitive;
(6) Furnishing auxiliary aids to ensure equally effective communication with persons with disabilities;
(7) If contractor provides transportation to the public, by providing equivalent accessible transportation to people with disabilities.

ii. Prior to execution of this agreement and/or upon request, the contractor shall complete the Schedule C-1 form and submit to the City. The form can be found on our website at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm *(see Combined Schedules)*

For Declaration of ADA compliance for facility and other special events agreements please reference C-2 on the above web site.

3. Schedule D – (Ownership, Ethnicity, and Gender Questionnaire) – **Applies to all agreements and is part of the "Combined Contract Schedules".** *Please be advised that ethnicity and gender information will be used for reporting and tracking purposes ONLY.*

This agreement is subject to the reporting of Ownership, Ethnicity and Gender questionnaire form. Prior to execution of this agreement and/or upon request, the contractor shall complete the Schedule D form and submit to the City. The form can be found on our website at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm *(see Combined Schedules)*

4. Schedule E – (Project Consultant or Grant Team). **Applies to Non-Construction agreements and is a "stand alone Schedule[1]" and must be submitted with proposal.**

i. This Agreement is subject to the attached hereto and incorporated herein as Schedule E form, this form is required to be submitted with the proposal.

ii. The form can also be found on our website at http://www2.oaklandnet.com/

[1] Stand Alone Schedule is not part of the "Combined Schedule".

Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm.

iii. This form is use for establishing level of certified local Oakland for profit and not for profit participation and calculating compliance with council's 50% local participation policy.

iv. In response to this RFP/Q or grant opportunity, the prime shall be a qualified for profit or not-for profit entity.

v. Sub-Consultants (if used) or sub-grantees must be listed to include: addresses, telephone numbers and areas of expertise/trace category of each. Briefly describe the project responsibility of each team member. Identify if contractors are certified MBE, WBE, Local Business Enterprises (LBE) and Small Local Business Enterprise (SLBE), Locally Produced Goods or Very Small Local Business Enterprise. Additionally, for LBEs/SLBEs, please submit a copy of current business license local business certificate and date established in Oakland.

5. Schedule E-2 (Oakland Workforce Verification Form) – **Referenced in Attachment B. Applies to Non-Construction agreements and is a "stand alone Schedule", and must be submitted with proposal if seeking extra preference points for an Oakland Workforce.**

i. All prime consultants, contractors, or grantees seeking *additional preference* points for employing an Oakland workforce must complete this form and submit with "required attachments" to Contracts and Compliance no later than four (4) days after the proposal due date. For questions, please contact the assigned Compliance Officer named in the RFP/Q, NIB, and competitive grant opportunity.

ii. The Schedule E-2 form can be found on our website at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm

6. **Schedule F** – (Exit Report and Affidavit) – **Applies to all agreements and is a "stand alone Schedule".**

i. This Agreement is subject to the Exit Reporting and Affidavit form. The Schedule F form can be found on our website at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm.

ii. The Prime Contractor/Consultant/Grantee must complete this form as part of the close-out process. Each LBE/SLBE sub-contractor/sub-consultant and sub-grantee (including lower tier LBE/SLBE sub-contractors/sub-consultants, sub-grantees, suppliers and truckers). The Exit Report and Affidavit must be submitted to Contracts and Compliance with the final progress payment application. (Remember to please complete an L/SLBE Exit Report for each listed L/SLBE sub-contractor/sub-consultant or sub-grantee).

7. Schedule G – (Progress Payment Form) – **Applies to all agreements and is a "stand alone Schedule".**

   This Agreement is subject to the reporting of subcontractor progress payments on a monthly basis. The Schedule G form can be found on our website at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm.

8. **Schedule K** – (Pending Dispute Disclosure Policy) – **Applies to all agreements and is part of the "Combined Contract Schedules".**

   i. Prior to execution of this agreement and/or upon request the contractor shall complete the Schedule K form and submit to the City. The form can be found on our website at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm *(see Combined Schedules)*
   ii. Policy – All entities are required to disclose pending disputes with the City of Oakland when they submit bids, proposals or applications for a City contract, contract amendments or transaction involving:
      (1) The purchase of products, construction, non-professional or professional services, Contracts with concessionaires, facility or program operators or managers, Contracts with project developers, including Disposition and Development Agreements, lease Disposition and Development Agreements and other participation agreements Loans and grants, or acquisition, sale, lease or other conveyance of real property, excluding licenses for rights of entry or use of city facilities for a term less than thirty (30) consecutive calendar days.
      (2) Disclosure is required at the time bids, proposals or applications are due for any of the above-described contracts or transactions when an entity is responding to a competitive solicitation and at the commencement of negotiations when bids, proposals or applications are solicited by or submitted to the City in a non-bid or otherwise non-competitive process.
      (3) The disclosure requirement applies to pending disputes on other City and Agency contracts or projects that: (1) have resulted in a claim or lawsuit against the City of Oakland (2) could result in a new claim or new lawsuit against the City of Oakland or (3) could result in a cross-complaint or any other action to make the City of Oakland a party to an existing lawsuit. "Claim" includes, but is not limited to, a pending administrative claim or a claim or demand for additional compensation.
      (4) Entities required to disclose under this Disclosure Policy include (1) any principal owner or partner, (2) any business entity with principal owners or partners that are owners or partners in a business entity, or any affiliate of such a business entity, that is involved in a pending dispute against the City of Oakland or Agency.
      (5) Failure to timely disclose pending disputes required by this policy may result in (1) a determination that a bid is non-responsive and non-responsible for price-based awards, or (2) non-consideration of a bid or proposal for a professional service contract or other qualification-based award. The City may

elect to terminate contracts with entities that failed to timely disclose pending disputes and/or initiate debarment proceedings against such entities.

9. Schedule M – (Independent Contractor Questionnaire, Part A). – **Applies to all agreements and is part of the "Combined Contract Schedules".**

Prior to execution of this agreement and/or upon request, the contractor shall complete the Schedule M form and submit to the City. The form can be found on our website at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm *(see Combined Schedules)*

10. Schedule N - (LWO - Living Wage Ordinance) – **Applies to Non-Construction agreements and is part of the "Combined Contract Schedules".**

    i. This Agreement is subject to the Oakland Living Wage Ordinance. The full details of the Living Wage Ordinance can be found on the City's website (https://library.municode.com/HTML/16308/level2/TIT2ADPE_CH2.28LIWAOR.html#TOPTITLE).
    ii. Prior to execution of this agreement and/or upon request the contractor shall complete the Schedule N form and submit to the City. The form can be found on our website at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm *(see Combined Schedules)*

11. Schedule N-1 - (EBO - Equal Benefits Ordinance) – **Applies to Non-Construction agreements over $25,000 and is part of the "Combined Contract Schedules".**

    i. This Agreement is subject to the Equal Benefits Ordinance of Chapter 2.32 of the Oakland Municipal Code and its implementing regulations. The full details of the Equal Benefits Ordinance can be found on the City website at http://library.municode.com/HTML/16308/level2/TIT2ADPE_CH2.32EQBEOR.html#TOPTITLE.

    ii. Prior to execution of this agreement and/or upon request the contractor shall complete the Schedule N-1 form and submit to the City. The form can be found on our website at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm *(see Combined Schedules)*

12. **Schedule O** – (City of Oakland Campaign Contribution Limits Form) - **Applies to all agreements and is a "stand alone Schedule", and must be submitted with proposal.**

    i. This Agreement is subject to the City of Oakland Campaign Reform Act of Chapter 3.12 of the Oakland Municipal Code and its implementing regulations if it requires Council approval. The City of Oakland Campaign Reform Act prohibits Contractors that are doing business or seeking to do business with the City of Oakland from making campaign contributions to Oakland candidates between commencement of negotiations and either 180 days after completion of, or termination of, contract negotiations. If this Agreement requires Council approval, Contractor must sign and date an Acknowledgment of Campaign Contribution Limits Form attached hereto and incorporated herein as **Schedule O.**

ii. The form is also available on our website at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm

13. Schedule P – (Nuclear Free Zone Disclosure) - **Applies to all agreements and is part of the "Combined Contract Schedules".**

i. This agreement is subject to the Ordinance 11478 C.M.S. titled "An Ordinance Declaring the City of Oakland a Nuclear Free Zone and Regulating Nuclear Weapons Work and City Contracts with and Investment in Nuclear Weapons Makers". The full details of the Ordinance 111478 C.M.S. can be found on our website at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/policies/index.htm.

ii. Prior to execution of this agreement and/or upon request the contractor shall complete the Schedule P form and submit to the City. The form can be found on our website at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm *(see Combined Schedules)*

14. Schedule Q - (Insurance Requirements) - **Applies to all agreements and is a "stand alone Schedule", and evidence of insurance must be provided.**

i. This Agreement is subject to the attached hereto and incorporated herein as Schedule Q Insurance Requirements. Unless a written waiver is obtained from the City's Risk Manager, Contractors must provide the insurance as found at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm Schedule Q.

ii. A copy of the requirements are attached and incorporated herein by reference. Liability insurance shall be provided in accordance with the requirements specified.

iii. When providing the insurance, include the Project Name and Project Number on the ACORD form in the section marked Description of Operations/Locations.

iv. When providing the insurance, the "Certificate Holder" should be listed as: City of Oakland, Contracts and Compliance, 250 Frank H. Ogawa Plaza, Suite 3341, Oakland, CA 94612.

15. Schedule R – (Subcontractor, Supplier, Trucking Listing) – **applies to Construction agreements only and is a "stand alone Schedule".**

i. This Agreement is subject to the attached hereto and incorporated herein as Schedule R form. The form can also be found on our website at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm.

ii. For establishing level of certified local Oakland for profit and not for profit participation and calculating compliance with council's 50% local participation policy.

iii. In response to this Notice Inviting Bids (NIB) opportunity, the prime shall be a qualified for profit or not-for profit entity.

iv. The contractor herewith must list all subcontractors and suppliers with values in excess of one-half of 1 percent of the prime contractor's total bid or ten thousand dollars ($10,000) whichever is greater regardless of tier and all trucking and dollar amount regardless of tier to be used on the project. The contractor agrees that no changes will be made in this list without the approval of the City of Oakland. Provide the address, type of work, dollar amount and check all boxes that apply. Bidders that do not list all subcontractors and suppliers with values greater than one half of one percent and all truckers regardless of tier and dollar amount shall be deemed non-responsive.

v. Identify if contractors are certified MBE, WBE, Local Business Enterprises (LBE) and Small Local Business Enterprise (SLBE), Locally Produced Goods or Very Small Local Business Enterprise.

16. Schedule V – (Affidavit of Non-Disciplinary or Investigatory Action) - **Applies to all agreements is part of the "Combined Contract Schedules".**

This Agreement is subject to the Schedule V - Affidavit of Non-Disciplinary or Investigatory Action. The form can be found on our website at http://www2.oaklandnet.com/Government/o/CityAdministration/d/CP/s/FormsSchedules/index.htm (see Combined Schedules)

PLEASE NOTE: *By submitting an RFP/Q, NIB or Grants to the City Of Oakland the prospective primary participant's authorized representative hereby obligates the proposer(s) to the stated conditions referenced in this document.*

ATTACHMENT D
PUBLIC BANKING FEASIBILITY STUDY
STATEMENT OF WORK

The City of Oakland, together with other East Bay jurisdictions recognized the vital importance of financial institutions within society, therefore, requests for a feasibility study for establishing a publicly owned bank to help finance community projects, reduce risks the public finds in existing financial markets, and provide better financial returns on public investments. This Statement of Work (SOW) will specifically address the followings for structuring a multi-jurisdiction public bank:

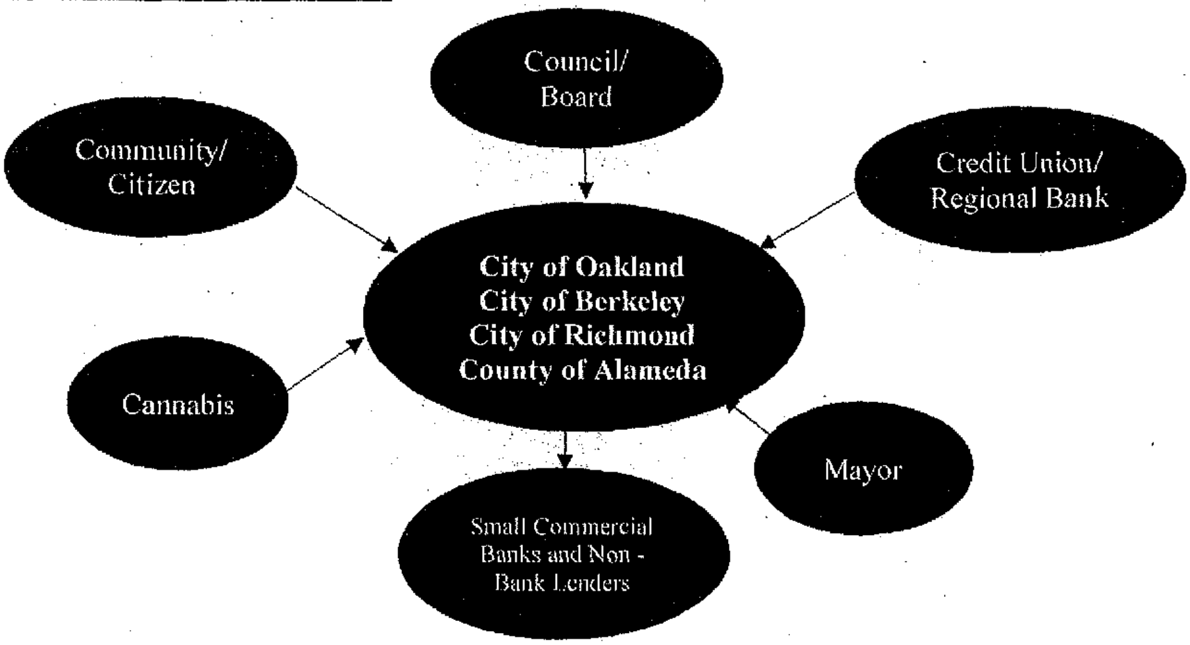
1. Research the feasibility of Public Bank Options
   a. Public Bank for Municipalities (full service depository bank and related structures (sweep accounts, lockbox, targeted balance, etc.))
   b. Unbanked/Cannabis Industry
   c. Community Reinvestment/Lending (small business lending, consumer loans, etc.)

2. Interview Stakeholders

This Statement of Work (Exhibit A) to the Agreement between the City of Oakland (the "City") and Global Investment Company (the "Contractor") provides an overview of the services to be provided. Exhibit A is intended to be comprehensive and sufficiently detailed as to allow a full understanding of the scope of services to be provided by the Contractor.

The feasibility study shall include major components of a public bank that addresses the general banking requirements, the ability to provide community benefit lending and the ability to handle cannabis business deposits. The study would also include the costs and governance structures as well as provide the benefits and risks to establishing a public bank under each of the three public banking options. The Contractor shall prepare a feasibility study that addresses the three public banking options identified above for establishing a multi-jurisdictions public bank. At a minimum it should include the following:

<u>Section. 1 Identify Stakeholders</u>



Section 2. Research Public Bank Options

Option A: Public Bank for Municipalities

1. Provide a mission statement.
2. Describe the structure of the public bank including the types of services to be provided.
3. Identify the banking services that a public bank would provide that are not currently being provided (or provided adequately or affordably) by community banks and credit unions.
4. Determine the initial investment requirement for a public bank to assume the responsibility of banking services to municipal customers. This raises the question of the optimal scale of a public bank given a range of customers, including but not limited to municipalities.
5. Identify options, sources and needs for initial capitalization of the public bank.
6. Identify potential revenue stream(s) for operational of a public bank.
7. Identify institutions and steps needed to obtain regulatory approval for the establishment of a public bank. Include required licenses, insurance, governance structure, etc., including the feasibility of obtaining each.
8. Meet with various stakeholders to obtain feedback based on approved questionnaires (Approved on____________ by the City.)
9. Describe requirements to ensure sustainability and continued alignment with the social responsibility objectives established by participating jurisdictions.
10. Describe any opportunities for partnership with existing credit unions, commercial banks, non-bank lenders and small business lending and mortgage companies.
11. Provide a risk analysis including fiscal, legality and any other constraints. Also, quantify the impact of the transfer of investments and banking services to a public bank, or providing capital to a public bank, on the credit rating of the City of Oakland and other participating East Bay jurisdictions.
12. Develop a credit scoring model that equitably reflects the risks of lending to underserved residents.
13. What would be the credit rating(s) of the public bank?
14. Identify the challenges or opportunities for a public bank.
15. Provide a comprehensive summary of why this structure is feasible or not. If so, please provide a timeline for implementation – from approval of concept to market readiness.

Option B: Unbanked/Cannabis

1. Identify the capital requirements and the sources of that capital.
2. Provide a risk analysis including fiscal, legality and any other constraints. Also, quantify the impact of the transfer of investments and banking services to a public bank, or providing capital to a public bank, on the credit rating of the City of Oakland and other participating East Bay jurisdictions.

3. Describe what method can be used to identify unbanked communities and what outreach programs are available. Identify any challenges and how to overcome these challenges.
4. For the purposes of attracting unbanked individual depositors, describe how a public bank would succeed where other community banks may not have succeeded in the past.
5. Since banks are overseen and insured by federal agencies, describe in detail how a public bank that serves the cannabis industry might overcome these federal rules and the Federal Reserve System; since without an account at the Federal Reserve, a bank is "nothing but a huge cash vault."
6. Address how a public bank serving the cannabis industry will meet the requirements for Federal Deposit Insurance Corporation (FDIC) insurance. Describe the challenges of securing deposits if FDIC insurance is not available.
7. Describe how it might be possible for a cannabis bank to get private insurance, describe the benefits, costs, and risks of obtaining private insurance.
8. Describe the most important functions and services of a bank which cannabis businesses need. For instance, do cannabis businesses need merchant services, payroll functions, technological features, etc.? Can a public bank easily provide these services? Please address the fact that the only other Public Bank in the United States, the Bank of North Dakota, is a wholesale bank and probably does not provide these retail services.
9. Describe the risks associated with lending activities (i.e., loans) to the cannabis industry.
10. Is there any potential liability for members of a public agency including city officials and employees, if a public bank takes cannabis clients?
11. What entity will regulate the public bank? What entity will examine the public bank? If the public bank loses money, what entity will absorb the loss?
12. Finally, for a public bank which accepts cannabis clients, comment on the recent State Treasurer's report and describe how a local public bank could succeed where—in the Treasurer's opinion—a state public bank could not at present succeed.

Option C: Community Reinvestment/Lending

1. Identify what the needs are.
2. What services have not been met and why? How much of the reason is that potential borrowers are not creditworthy? And how much is because of an unwillingness by banks to lend to creditworthy borrowers for other reasons?
3. Advocacy for undocumented.
4. What would be the methodology used for developing certain mortgage products or small loans (business and consumer) to mitigate risks, given the overall impact of the great recession of 2007-2009, which left small business vulnerable to and battered by the financial crisis of 2007-2008, real estate hit hard by the subprime mortgage crisis, and financial institutions to constrain lending, citing the need to conserve capital and make fewer risky loans?
5. Identify opportunities and risks associated with servicing the student loan market.
6. What entity would bear the risk of any non-performing loans?

Section 3. Provide Case Study

Provide a case study associated with each of the optioned identified in Section 2 of the SOW.

Section 4. Cost Analysis for Each Option

Provide a detail cost analysis for each of the option identified Section 2 of the SOW.

Section 5. Identify the Next Steps

If an option is proposed, identify the next steps and associated costs.

Section 6. Payment Schedule

The City shall pay the Contractor an initial payment in the amount of $25,000 on or about February 15, 2018, the remaining balance of the contract ($73,900) will be payable upon completion and acceptance of the final feasibility report.

4

LIMITATIONS ON CREDIT UNION MEMBER BUSINESS LENDING COMPARED TO THE COMMERCIAL LOAN POWERS OF NATIONAL BANKS

LIMITATIONS	CREDIT UNIONS[1]	NATIONAL BANKS [2]
Limits on Net Worth and Total Assets	A federally insured credit union's member business lending (MBL) on loans above $50,000 is restricted. Such lending generally may not exceed the lesser of 1.75% of its net worth or 12.25% of total assets.[3] 12 U.S.C. § 1757a; 12 C.F.R. §723.16(a).	National banks face no such specific restrictions on commercial loans. 12 U.S.C. §24; 12 C.F.R. part 32.
Restriction on Loan Borrowers	Credit unions may only make MBLs to borrowers identified in the credit union's specific field of membership or geographic area, and may not make MBLs to the CEO and other executive officers, or to any associated member or immediate family member of any such officer. 12 C.F.R. § 701.1; 12 C.F.R. § 723.2.	National banks face no such restrictions on their borrowers; they can make commercial loans to anyone from the general public. Also, national banks may make loans to their executive officers, directors, and principal shareholders. 12 C.F.R. part 215.
Personal Liability and Guarantee Requirement	Credit union MBLs generally require the personal liability and guarantee of the principal. 12 C.F.R. § 723.7.	National banks do not have a personal liability and guarantee requirement on commercial loans.
Restriction on New MBLs	Credit unions that are classified as ''undercapitalized'' with a net worth ratio of 6% or lower may not make new MBLs. 12 C.F.R. § 702.202.	National banks do not have a similar mandatory, regulatory requirement. 12 C.F.R § 6.
Specific Collateral Requirements	Credit union MBLs generally must meet specific regulatory collateral requirements. 12 C.F.R. § 723.7. • The maximum loan-to-value (LTV) ratio for all liens may not exceed 80% unless the value in excess of 80% is covered through private mortgage insurance or equivalent type of insurance, or insured, guaranteed, or subject to advance commitment to purchase by an agency of the federal government, an agency of a state or any of its political subdivisions, but in no case may the ratio exceed 95%; • A borrower may not substitute any insurance, guarantee, or	National banks do not have similar regulatory collateral requirements.

[1] Credit unions may be state or federally chartered. This document references provisions of the Federal Credit Union Act that generally apply to Federal credit unions. However, state chartered credit unions have generally similar provisions and limitations in a number of areas, but these may vary by state.
[2] A complete listing of the extensive lending and other powers of national banks prepared by the Office of the Comptroller of the Currency may be found here.
[3] Exceptions to this rule include credit unions that have a low-income designation and credit unions that were chartered primarily for the purpose of making member business loans.

	advance commitment to purchase by any agency of the federal government, a state or any political subdivision of such state for the collateral requirements of this paragraph. 12 C.F.R. § 723.7. In the aggregate, credit unions may not make unsecured MBLs in excess of 10% of a credit union's net worth. 12 C.F.R. § 723.7.	
Specific Board-Approved MBL Policy	Credit unions that offer MBLs must have a specific, written board-approved policy on MBLs that is reviewed at least annually. 12 C.F.R. § 723.5. At a minimum, this policy must include: • Types and trade area of MBLs; • Maximum amount of assets relative to net worth that will be: invested in secured and unsecured MBLs, invested in a given category or type of MBL, and loaned to one member; • Qualifications and experience of personnel with a minimum of 2 years in making and administering MBLs; • Analysis of the ability of the borrower to repay the loan consistent with appropriate underwriting and due diligence, which also addresses the need for periodic financial statements, credit reports, and other data when necessary to analyze future loans and lines of credit, such as, borrower's history and experience, balance sheet, cash flow analysis, income statements, tax data, environmental impact assessment, and comparison with industry averages, depending upon the loan purpose; • Collateral requirements, including LTV ratios, determination of value, determination of ownership, steps to secure various types of collateral; and how often the credit union will reevaluate the value and marketability of collateral; • Interest rates and maturities of business loans; • General loan procedures, including loan monitoring; servicing and follow-up; and collection; and • Identification of those individuals prohibited from receiving member business loans. 12 C.F.R. § 723.5.	National banks do not have a board-approved regulatory policy requirement on commercial loans that is as specific as a credit union's board-approved MBL policy.

Loan Underwriting Requirements	Credit unions must follow strict MBL underwriting requirements, which include analysis of both the business and the guarantor. Analysis of the business includes: commercial and individual credit reports, balance sheet and income statements, cash flow statements, and ratio analysis. In addition, credit unions must consider regulatory limits and the guarantor's financial strength, which includes: cash flow analysis, net worth, collateral, and financial statements. 12 C.F.R. § 723.6.	While national banks and credit unions have some similarities regarding loan underwriting, such as with business and financial analysis, national banks do not have the statutory and regulatory restrictions on commercial loans that apply to credit unions, and national banks have broader and more extensive commercial loan powers.
Construction Loans	Credit union MBLs that are construction and development loans generally require the borrower to have a minimum of 25% equity interest in the project being financed. 12 C.F.R. § 723.3(b).	National banks do not have a similar regulatory requirement for construction loans.
Loans to One Borrower Limit	• Credit union MBLs to one member or group of associated members generally may not exceed the greater of 15 percent of the credit union's net worth or $100,000. 12 C.F.R. § 723.8. • The aggregate of the unsecured MBLs to any one member or group of associated members may not exceed the lesser of $100,000 or 2.5% of a credit union's net worth.	National bank loans to one borrower generally may not exceed 15 percent of the bank's capital[4] and surplus. An additional 10 percent is permissible if fully secured by readily marketable collateral. 12 U.S.C. § 84(a); 12 C.F.R. part 32.
Other MBL Restrictions	• Credit unions that make MBLs must use the services of an individual with at least two years of experience in business lending. 12 C.F.R. § 723.5. • The maturity of credit union loans generally may not exceed 12 years. 12 C.F.R. § 701.21(c)(4).	National banks do not have similar regulatory restrictions on commercial loans.

[4] Banks may raise additional capital through the issuance of stock. 12 U.S.C. § 51a; credit unions may only build net worth through retained earnings.

Stanford SOCIAL INNOVATION REVIEW

Too Good to Fail

By James E. Post & Fiona S. Wilson

Stanford Social Innovation Review
Fall 2011

Too Good to Fail

In August 2010 the US government closed ShoreBank, one of the country's leading social enterprises. Why did ShoreBank fail? And what lessons can be learned from its 37-year record of innovation?

BY JAMES E. POST & FIONA S. WILSON

On Aug. 20, 2010, the Illinois Department of Financial & Professional Regulation closed ShoreBank, the nation's first and leading community bank, and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. The closure was not unexpected. Reports of the bank's problems—and a potential rescue—had been circulating for months. But the closure brought to a bitter end an iconic example of progressive social enterprise.

During its 37 years, ShoreBank Corporation became the United States' leading social enterprise of its kind: its for-profit bank subsidiary was the largest certified Community Development Financial Institution (CDFI) in the nation. Its social impact was significant: more than $4.1 billion in mission investments and more than 59,000 units of affordable housing financed. In 2008, ShoreBank had more than $2.4 billion in assets and earned more than $4.2 million in net income. It had inspired a national movement of community development financial institutions, shaped federal community investment legislation, and served as a role model for dozens of progressive banks. The company also had influence abroad, overseeing social and economic development projects in more than 60 countries and working with Muhammad Yunus to capitalize Grameen Bank and administer microloans to the poor.

So why did ShoreBank fail? What lessons can the social enterprise community learn from its record of success? And what can be learned from its closure?

The full answers to these questions will take years to answer, as the legal and regulatory process of winding up the bank's affairs continues and the FDIC will not complete its study of the bank until August 2013. This has limited the freedom of participants to speak fully about their experience. But we have had the privilege to speak with two of ShoreBank's founders and others who are familiar with the bank's history and activities.[1]

To extract lessons from ShoreBank's failure one must understand its remarkable history. ShoreBank innovated at every turn—economically, socially, and organizationally. For almost four decades, it stood for the proposition that neither race nor wealth nor geographic location should bar an individual from access to capital to buy a home, build a business, or develop a community. The bank's motto, "Let's Change the World," served as a marketing device and a rallying cry for progressive community activism. In time, however, it also became a political red flag, stirring to action opponents of the causes ShoreBank advocated.

Various explanations have been offered about why ShoreBank failed. One view holds that the bank was capsized by the financial tsunami brought on by the subprime mortgage crisis. Another view holds that it was management errors and misjudgments by regulators that made the bank vulnerable. And still another view holds that it was the highly partisan politics of Washington, D.C., that prevented the needed capital infusion. Although there is some evidence for each theory, none is complete in itself.

Part of the challenge of extracting lessons from ShoreBank's failure is to disentangle various economic, governance, and political factors and understand how each contributed to the bank's demise. In his famous study of the Cuban Missile Crisis, *The Essence of Decision*, Graham Allison examined the actors, events, and conditions of the 1962 confrontation through three conceptual lenses: rational decision making, bureaucratic decision making, and political decision making. No single lens provided an adequate perspective to understand all that took place, but the three perspectives complemented one another and shed light on the considerations facing President John F. Kennedy and his administration. We employ a comparable approach, looking at ShoreBank's operating environment, culture, and decision making to illuminate what is known—and not known—about the organization.

A DIFFERENT BANK

ShoreBank was founded in 1973 in Chicago by a small group of colleagues from the Hyde Park Bank. In the late 1960s, Ronald Grzywinski, Hyde Park Bank's president, and his colleagues Milton Davis, Jim Fletcher, and Mary Houghton had launched a successful urban development division focused on a minority-owned small business loan program. They were community activists as well as bankers, with a passion for changing the economic future of inner-city neighborhoods. These were the days of redlining, a banking practice that systematically denied credit to people in urban, low-income, minority neighborhoods. Nonprofit economic development organizations, although strongly mission driven, were limited

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Fiona S. Wilson is assistant professor of strategy, sustainability, and social entrepreneurship at the Whittemore School of Business & Economics at the University of New Hampshire.

ShoreBank's Kenwood Branch on Chicago's South Side, three months before the bank was closed by the FDIC.

PHOTOGRAPH BY CARLOS JAVIER ORTIZ

by their ability to attract philanthropic support. As professional bankers, the colleagues envisioned a different approach to address the twin problems of access to capital and urban decay.

The vision was simple and radical: The bank would become an "agent of change," promoting economic redevelopment by supporting viable inner-city businesses that would provide goods, services, jobs, and housing. A commercial bank could leverage capital from deposits and make loans to amplify the impact of its shareholder equity.

A 1970 amendment to the Bank Holding Company Act placed all bank holding companies under the supervision of the Federal Reserve Board. Two years later, the board issued a list of permissible activities, which included allowing bank holding companies to invest in community development corporations *if* the primary purpose was community development for low- and middle-income people. "That led us to expand our idea—from using a bank to using a bank *holding* company," remembered Mary Houghton, a ShoreBank co-founder. Luckily, the Federal Reserve Board then issued a favorable interpretation of its own regulation that reinforced the belief that the bank could *be* a community development organization.

In August 1973, the founders acquired a small bank, the South Shore National Bank, with $800,000 of equity capital from a small group of private investors and a $2.25 million loan from American National Bank. After the Federal Reserve Board approved the creation of ShoreBank Corporation in December of the same year, the new bank began operating under the auspices of the holding company. This structure enabled the founders to join regulated banking activities with economic development activities. Grzywinski and his co-founders believed that access to credit was only one of the keys to successful community development. Affiliated for-profit and nonprofit organizations were needed to support local entrepreneurs with higher risk lending and to provide technical assistance services. As a bank holding company, ShoreBank could offer a more potent mix of financial products and tools to boost economic development. In 1973, this dual mission approach was a radical idea.

The intention, explained Grzywinski in a 2008 interview, was to "use all of the bank's resources to bring about redevelopment" in an "almost totally minority neighborhood with all of the symptoms of deterioration." Said Houghton: "Our goal was to actually reverse the deterioration in the housing market [in Chicago] and be a catalyst for appreciation in a specific local market. If we hadn't concentrated our efforts but had ... dispersed our lending in a larger catchment area, we wouldn't have really changed the nature of a market."

ShoreBank differed from traditional banks in both what it did and how it did it. These differences created social value for the community, but they presented challenges because they often came at a financial cost. According to the bank's founders, it took a decade to achieve breakeven for banking operations. On the deposit side, lower deposit minimums—designed to make the bank available to all regardless of socioeconomic level—meant smaller account balances than the industry average. Time and creativity were needed to create a sustainable model for serving these accounts profitably. Moreover, ShoreBank's loan business had smaller average transaction sizes than traditional banks, which meant that fees collected as a percentage of administering the loan were less than larger loans typical in upper income markets, although they required the same administrative time. And, as Houghton explained, loan officers were asked to make assessments of community improvement a priority: If it was good for the community long-term, then they were asked "to go to extra lengths to find a way to structure the deal so that it was bankable."

Mission mattered. The ethos of moderate financial returns and strong social returns was made possible, in part, by the expectations of ShoreBank's investors. ShoreBank stock was privately held by a small group of shareholders (which ultimately grew to 75), including religious organizations, nonprofits, and community organizations, as well as insurance companies, banks, and trusted corporations and individuals. As Grzywinski explained, this composition meant that all the investors in ShoreBank "invested with the understanding that the primary purpose of their investment is to do development and not maximize return on capital."

CASE STUDY QUESTIONS

What lessons does ShoreBank's sustained success—and its ultimate failure—offer to social entrepreneurs?

How should one measure the impact of social enterprises?

Are some social enterprises too good to fail?

At the same time, ShoreBank needed ongoing access to growth capital, in part because of the bank's modest profitability and the limited pool of socially inclined capital available in the United States. The closely held nature of ShoreBank by a small number of mission-aligned investors created some long-term structural issues. Grzywinski explained that none of the shareholders, including the founders, had any liquidity for their shares. "That's a real problem," he said, "and it's a real limitation on growth."

THE GROWTH YEARS

For the first decade ShoreBank focused almost entirely on the South Shore area of Chicago because the bank founders wanted to work with local decision makers who had a deep understanding of the markets in which they were working. In the early 1980s ShoreBank began lending to a growing number of people and businesses in adjacent neighborhoods, and in 1986 it opened a new branch in another Chicago neighborhood with similar needs.

This expansion was tied to the founders' goal of creating a replicable model. That belief was realized in 1987 when an invitation came from the Winthrop Rockefeller Foundation for ShoreBank to help start a banking operation in rural Arkansas, called Southern Development Bancorporation. ShoreBank helped raise the capital and managed the bank for a number of years until Southern Development Bancorporation's board took over. Not long after the Arkansas project, ShoreBank initiated a program in Michigan, and then in Cleveland and later in Detroit.

In 1997, ShoreBank became the first banking corporation in the United States to address environmental issues. Through a partnership with Ecotrust, an environmental organization in Portland, Ore., ShoreBank Pacific was created as a federally regulated bank focused on the underbanked area of environmental business development. The mission was timely and the founders viewed it as an opportunity to expand ShoreBank's deposits and operations.

In each market where ShoreBank created a federally regulated bank, it also created an associated nonprofit—such as ShoreBank Enterprise Cleveland, ShoreBank Enterprise Detroit, and ShoreBank Enterprise Pacific (later renamed ShoreBank Enterprise Cascadia)—which predominantly focused on higher risk business lending. The founders saw these additional activities as critical to their theory of change. Incorporated as nonprofits, the organizations were largely self-financing through their operations, supplemented by grants, and were not financed by the ShoreBank holding company.

ShoreBank also started other nonprofits and for-profits to further its social mission. For example, the Center for Financial Services Innovation grew out of an opportunity to deliver asset-building services to the underbanked. ShoreBank executives often were asked to speak in the United States and abroad about their mission-driven approach to banking and to partner with other social entrepreneurs. In 1988, ShoreBank organized a for-profit consulting company to manage all of this activity professionally.

By 2008, the ShoreBank Corporation was a complex organization consisting of three circles of activity. (See "The ShoreBank Corporation Network, 2008" on page 69.) The center circle—ShoreBank, the for-profit, federally regulated banking business—accounted for the bulk of its $2.4 billion of assets, making a variety of community-focused loans. The second circle included the nonprofit organizations that provided complementary services to banking and nonbanking clients. A third circle was composed of the contractual and consulting services, which enabled ShoreBank Corporation to assist other mission-driven organizations. It is important to note that the FDIC's closing of ShoreBank affected the Midwest bank, but not the other components of the holding company, which now operate as independent organizations.

ShoreBank's growth brought problems, however. In *Community Capitalism*, Richard P. Taub described internal challenges created by ShoreBank's rapid expansion. He noted the heavy travel schedule of ShoreBank's founders, and a management structure that required much direct supervision. He also noted that ShoreBank had difficulty hiring future leaders who had top banking skills and a commitment to social values. ShoreBank's Cleveland and Detroit banks were never as robust as the original Chicago bank, and Taub pointed to the challenges of operating in neighborhoods that suffered even greater levels of deterioration than Chicago's South Shore.[2] In our interviews, the ShoreBank founders discussed how they realized that markets such as Cleveland and Detroit required more management oversight than the bank was sometimes able to deploy as well as banking tools that were matched to cities with failing manufacturing industries and less homogeneous economic conditions.

These challenges were seen as part of the learning process; they never forced a rethinking of ShoreBank's mission or its business model. Over time, the ShoreBank Corporation was "modestly profitable," to use Grzywinski's words. From 1998 to 2008, the bank achieved about an 8 percent return on equity with net loan losses only slightly higher than those of commercial banks. By the end of 2009 ShoreBank Corporation was the nation's leading entity of its kind. The for-profit bank was the largest certified CDFI in the United States. And the holding company's subsidiaries and affiliates had made $4.1 billion in mission-driven loans. Through its international activities, ShoreBank provided consulting services in more than 60 countries and trained almost 4,000 bankers who provided approximately $1 billion a year in international community development loans.

This catalytic role was one of the most satisfying outcomes for the bank's surviving founders, Grzywinski and Houghton. "We have made it legitimate for ourselves and others to use the nation's banking system to advance the cause of development," said Grzywinski. More broadly, we have contributed ... to democratizing the availability of private nongovernment credit to low-income and otherwise disadvantaged people. And we have done that in many parts of the world."

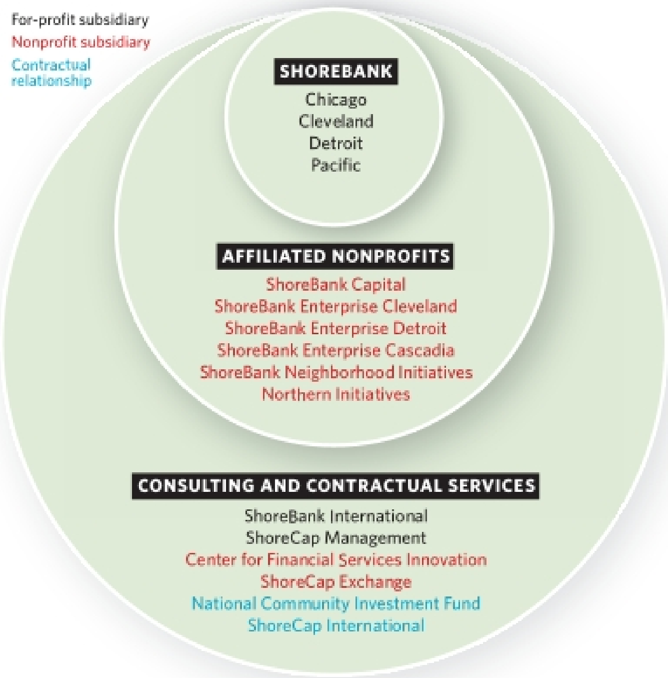
Unfortunately, the world was about to change.

FINANCIAL MELTDOWN HITS CHICAGO

ShoreBank's social enterprise accomplishments ran headlong into the 2008 financial crisis. The impact was most severe on the bank's risk management and capital requirements. Management felt strongly that lending money, particularly to lower income people disproportionately affected by the economic crash, was imperative. It focused on customers who had been the victims of subprime lenders, and started a 2008 Rescue Loan Program to help refinance mortgages. But as the financial crises deepened, loan losses accelerated. Precise data are not publicly available, but by the end of 2008 ShoreBank had increased its loan loss estimate to $42 million (vs. $6 million in 2007) and recorded a net loss of $13 million (vs. net income of $4 million in 2007).

The FDIC and Illinois Department of Financial & Professional Regulation took formal action to address ShoreBank's deteriorating financial condition in 2009. In April, the regulators rated ShoreBank as a "problem bank." (Their January 2008 ranking was "fundamentally sound.") This led to a visit from state and regional FDIC officials and, at ShoreBank's request, a meeting with FDIC officials in Washington, D.C. The parties entered into a consent decree—known as a "cease and desist" order—that was formalized on July 20. Loans were revalued downward, and the need for new capital grew.

The ShoreBank Corporation Network, 2008



Capital is to a bank what water is to a person in the desert—the key to survival. ShoreBank began raising capital by issuing shares of common stock to private investors in the first quarter of 2009. The bank initially needed $20 million, but as its situation worsened throughout 2009, capital needs were reassessed. By July 2009, the bank was seeking $50 million to $60 million; this was revised to $80 million, and then $100 million by the end of 2009.[3]

The capital campaign was by turns difficult and exciting. The challenge of raising money during the nation's most severe financial crisis since the Great Depression was daunting. But progress was made. By May 2010, ShoreBank had raised $146.3 million from 53 investors. But private capital alone wasn't sufficient in the nation's new banking environment. The private funds were placed in escrow, contingent upon ShoreBank's receipt of $72 million from the Treasury Department's Community Development Capital Initiative (CDCI), part of the wider Troubled Asset Relief Program (TARP) initiative. In late 2009, President Obama approved extending TARP to cover CDFI banks, thrifts, and credit unions certified as targeting more than 60 percent of their activities to underserved communities.

As ShoreBank's fundraising continued, a new management team was installed. On April 30, 2010, George Surgeon, longtime senior ShoreBank executive and CEO of ShoreBank's banking operations since 2009, assumed the role of CEO of the entire holding company. At the same time, David Vitale, a highly regarded Chicago banking executive and civic leader, came on board to raise capital. The new leadership submitted ShoreBank's CDCI application on March 1, a full month before the deadline, and on May 19 the FDIC's Chicago Regional Office recommended that ShoreBank receive CDCI funds and forwarded the bank's application to the FDIC's Division of Supervision and Consumer Protection for further action. On May 26, ShoreBank Corporation announced further changes, bringing in a new executive leadership team to support Surgeon. Vitale became executive chair and a new president, chief operating officer, and CFO were announced—all of whom had successful track records in the mainstream banking industry. Grzywinski and Houghton officially retired.

ShoreBank's situation was in public view, and a number of Illinois supporters, notably Rep. Jan Schakowsky (D-Ill.) urged the Treasury Department's acceptance of the CDCI request. Rumors circulated that ShoreBank had "friends in high places," particularly at the Obama White House.[4] On May 21, television personality Glenn Beck set out to "expose" ShoreBank as something other than a "really good local bank." He asked why Wall Street heavyweights such as Goldman Sachs were pledging millions to assist ShoreBank, insinuating political motives. Republican legislators openly questioned the administration's support for ShoreBank at the same time new rules were being drawn for the financial services industry.[5] The political temperature of the rescue escalated.

ShoreBank's funding request required a review and vote by an interagency group representing the FDIC and other federal banking agencies. This CDCI Interagency Council considered ShoreBank's request on May 26 and again on June 2—and, according to FDIC Inspector General Jon T. Rymer, deferred a vote both times because of concerns about asset losses and the bank's ability to raise capital. Each time, the bank renewed efforts to reassure regulators. In early June a rumor surfaced that unnamed Federal Reserve Board staffers believed ShoreBank would need $300 million of additional capital to survive. Finally, on June 15, ShoreBank's application was considered for a third time. The council remained divided: The FDIC recommended that ShoreBank receive CDCI funds, but representatives from the Office of the Comptroller of the Currency, Federal Reserve Board, and Office of Thrift Supervision voted no. As a result, the application was not forwarded to the Treasury Department for further consideration. Without CDCI funds, the assembled private capital could not be released from escrow, leaving the bank severely undercapitalized. That settled ShoreBank's fate—it would have to be closed.

From June to August, negotiations took place as to how ShoreBank would be closed. There were few bidders. Negotiations among FDIC officials, ShoreBank's new officers, state regulators, and potential investors gave rise to the idea of creating a newly chartered institution to purchase the assets of ShoreBank—including banking operations in the Midwest, but not the other assets of the holding company. This became reality with the creation of Urban Partnership Bank, which was granted an application for deposit insurance and a state charter by Illinois on Aug. 16, 2010. Four days later, ShoreBank was closed by order of the state of Illinois and Urban Partnership purchased its assets.

Urban Partnership Bank currently operates as an FDIC-insured bank whose mission includes promoting economic sustainability and serving the needs of low- and moderate-income groups in Chicago, Cleveland, and Detroit. It is owned by the financial institutions, foundations, companies, and individuals that sought to continue ShoreBank. Twenty-two of the 53 investors, representing $139 million of the $146 million pledged to save ShoreBank, transferred their investments to Urban Partnership Bank. Three of Urban Partnership Bank's current senior leaders were executives who had joined ShoreBank during the period of FDIC supervision and resolution.

LESSONS LEARNED

The closing of ShoreBank presents a fascinating set of puzzles for analysts. Conventional wisdom suggests that ShoreBank was a victim of simple economic realities: too little capital in the face of an unexpectedly deep recession. Some might argue that this shortage was caused, in turn, by ineffective risk management and a history of operating decisions that settled for a below-market return on investments. But we believe these arguments are flawed or, at best, incomplete. The bank needed capital, true, but so did hundreds of other US banks during the financial meltdown. The bank's operating policies and risk management had succeeded for 35 years, through recessions and industry crises, and it was rated highly by regulators until the 2008 financial crisis. It responded well to the crisis, and the regional FDIC office recommended it receive CDCI funds.

Another possible analysis is that ShoreBank suffered because it was *not* seen as "too big to fail." Had it been much larger, the federal government might have saved it from collapse. But the federal government was not concerned about smaller banks or banks that were socially beneficial, in other words, "too good to fail." Had ShoreBank's catalytic role in the communities it served been more broadly understood and accepted, it might have mustered the necessary political support for a rescue package.

A third possibility is that the interagency vote against CDCI funding for ShoreBank was a politicized vote. On May 14, Fox Business Network commentator Charlie Gasparino reported that Wall Street bankers "personally" told him there was "political pressure put on them to bail out ShoreBank." No details were offered. The support of Democratic legislators and past contacts between ShoreBank executives with members of the Obama administration, including Senior Advisor Valerie Jarrett and President Obama himself, prompted Republicans to challenge the ShoreBank bailout. John D. McKinnon and Elizabeth Williamson reported in *The Wall Street Journal* on May 20, 2010—before the interagency votes—that questions raised by members of Congress about ShoreBank's alleged use of political influence were greatly complicating its efforts to raise private capital from large banks and CDCI funds.

"Republican lawmakers began two inquiries into the rescue of a pioneering Chicago community bank by some of Wall Street's biggest financial firms, saying political considerations appear to be at work," McKinnon and Williamson wrote. "Goldman Sachs Group Inc. Chief Executive Lloyd Blankfein was personally making fundraising calls to other banking executives, seeking private sector pledges totaling $125 million for the failing community development lender, Chicago's ShoreBank Corp. After initially declining to invest, Goldman itself promised at least $20 million in recent days."

According to McKinnon and Williamson, on May 19 Rep. Darrell Issa of California, ranking Republican on the House Committee on Oversight and Government Reform, wrote a letter to the White House to complain. "It is important to avoid even the mere appearance that Mr. Blankfein is attempting to curry favor with the administration by contributing money to save the White House's favorite community bank," Issa wrote. In a second letter to President Obama, Republican lawmakers cited assertions by some bank representatives that the White House pressed them to contribute to the ShoreBank fundraising. Rep. Spencer Bachus of Alabama, the top Republican on the House Committee on Financial Services (a long-standing critic of community development banks), and Rep. Judy Biggert (R-Ill.) said the allegations "raised questions as to whether the government was rescuing a politically connected bank while letting hundreds of others fail." [6]

The ShoreBank story virtually defines the toxic politics of Washington today. Rather than spend $72 million, with the potential of repayment, to support a bank with a multi-decade track record of adequate liquidity and positive economic development impact—objectives favored by both Democratic and Republican administrations—the Deposit Insurance Fund has been saddled with a loss of more than $330 million. The reason? After ShoreBank was closed, the FDIC entered into a loss-sharing agreement with Urban Partnership Bank in which FDIC absorbed a large share of $329 million of losses to provide the new bank with a healthy balance sheet. (This estimate was revised to $452 million in January 2011.) Meanwhile, the investigation by Rymer, prompted by Republican members of Congress, concluded there was no wrongdoing by either ShoreBank or the FDIC. According to Rymer, the large investors in ShoreBank and Urban Partnership Bank invested "primarily because they believed in ShoreBank's mission and they did not feel pressure to invest as a result of the FDIC chairman's calls." [7]

ShoreBank Co-founders Mary Houghton and Ronald Grzywinski say the bank democratized the availability of credit.

PHOTOGRAPH BY STACIE FREUDENBERG/ AP

Beyond this lesson in toxic politics, there are several big-picture lessons to be gleaned from the closing of ShoreBank. First, an organization's social mission must be balanced with financial realities. A social mission should serve as a powerful incentive to strengthen an organization's operating systems from the harsh consequences of the economy, competition, or a hostile environment. Clearly adequate for normal times, ShoreBank's credit and risk management processes were not sufficient to withstand the full force of the financial meltdown. Concentrating most of its loans among low- and moderate-income people and businesses in inner-city Chicago, Cleveland, and Detroit fulfilled the bank's social mission, but it also exposed it to significant risk during an economic downturn. The rapid deterioration of the bank's assets and loan portfolios was magnified by regulatory resets, as loan portfolios had to be revalued downward with the deepening recession. This damaged the bank's balance sheet and exacerbated the need for new capital. The lesson here is clear: For market-based social ventures, mission should be highly integrated with and responsive to the changing realities of the market.

ShoreBank also provides a cautionary lesson about new organizational models and resource limitations. There was genius in the idea of using a bank holding company to own and operate for-profit and nonprofit entities focused on the same social mission. And the founders' passion for replicating the model and assisting others to learn from it was admirable. Like all experimental ventures, there were failures and successes and demands for ongoing learning and refinement. At the same time, legitimate questions remain about whether the resources of the holding company were sufficient for the breadth of its activities. Could ShoreBank have achieved the same results through partnerships with independent nonprofits rather than by housing them within the holding company structure? There is an argument for coordination and control through a holding company structure, but particularly in the new economy, there is a counterargument for more flexible, less burdened organizational models.

Lastly, did ShoreBank succeed in hiring enough new leaders—both strong in banking knowledge and passionate about the social mission—who could run the many pieces of the holding company? Operations in Cleveland and Detroit were disappointing, but the operations were not shut down. Should they have been? Could resources have been more effectively used elsewhere, in some of the more specialized lines of business that produced healthier financial and social impact? Experimentation is necessary and expected, but learning—and making changes, including some that are painful—is vital.

In the end, ShoreBank leaves an almost four-decade legacy of innovative ideas: It demonstrated that careful re-engineering of the market-based banking system can achieve adequate profitability and deliver strong social impact. ShoreBank also proved to be a catalytic presence in its community, in the banking industry, and throughout the world. We believe this is a dual legacy that matters and endures.

ShoreBank's commitment to progressive banking lives on in the community development banks it inspired and, more directly, in the Urban Partnership Bank, whose mission is closely aligned with what ShoreBank's once was.[8] ShoreBank Pacific lives on through OneCalifornia Bank (now One PacificCoast Bank) and ShoreBank International is now a leading financial advisory firm. Last, many of the nonprofit entities now operate as independent nonprofits (mostly under revised names) and continue their original missions of aiding economic development through investment, research, and consulting services.

Taken together, ShoreBank provides an important lesson about value creation that is social in nature. In late 2008, Grzywinski said that although ShoreBank had failed to prove that a broader social usage of capital was an idea whose time had arrived, "certainly it was an idea we think is on the right side of history." Indeed, the world needs radical, more effective, scalable approaches to address social problems. These will come only from those who are willing to operate in uncharted territory. Innovative organizations like ShoreBank, which harness the capitalist system to produce positive social outcomes, continue to offer promise for the future.

ShoreBank was never perfect, but it was too good to fail.

Notes

1 Interviews with ShoreBank founders Ron Grzywinski and Mary Houghton were conducted in 2008 and 2009.

2 Richard P. Taub, *Community Capitalism: The South Shore Bank's Strategy for Neighborhood Revitalization*, Harvard Business School Press, 1988.

3 In the first quarter of 2010, the bank reset its target at $125 million and later concluded that it would apply for federal funding through the CDCI Program (a program related to TARP), which it did in March 2010. This chronology is documented in FDIC Office of the Inspector General Report No. EVAL-11-001 (www.fdicig.gov).

4 Becky Yerak, "'Friends in High Places' Help ShoreBank Raise Capital," *Chicago Tribune*, May 10, 2010.

5 Glenn Beck Show, Fox Network, "Shore Bank Exposure," May 21, 2010. http://www.youtube.com/watch?v=ulfKtrepHVU

6 John D. McKinnon and Elizabeth Williamson, "GOP Lawmakers Probe Chicago Bank Bailout," *The Wall Street Journal*, May 20, 2010.

7 FDIC Office of the Inspector General, *Recapitalization and Resolution Efforts Associated with ShoreBank, Chicago, Illinois*, Report No. EVAL-11-001, March 2011.

8 See www.upbnk.com.

CITY OF MILWAUKIE

BUDGET COMMITTEE STAFF REPORT

To: Budget Committee

Date Written: Feb. 15, 2022

Reviewed: Ann Ober, City Manager
Keith McClung, Assistant Finance Director

From: Bonnie Dennis, Administrator Services Director

Subject: **Financial Policies**

ACTION REQUESTED

The Budget Committee is asked to discuss proposed changes to the city's financial policies. No formal action is necessary prior to the budget hearings starting in April.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

May 14, 2018: The Budget Committee approved the budget recommending to the City Council the budget along with the changes to the financial policies to include dates for meetings.

May 23, 2020: The Budget Committee approved the budget recommending to the City Council the budget that included no changes to the financial policies.

ANALYSIS

During the 2018 budget hearings, the financial policies were amended under the section Accounting and Financial Reporting Policies to reflect specific meeting dates for the budget committee. These changes were recommended and updated based on a previous budget committee member that is no longer active. Although the intent was to provide an outline of dates on a consistent basis, city staff are routinely adjusting dates to fit schedules, holidays and the meetings associated with the bi-annual budget hearings. Based the last four years and making these adjustments where needed, city staff recommends the following changes to the financial policies under the accounting and financial reporting section:

> Quarterly Financial Report (Report) comparing actual to budgeted revenues and expenditures will be prepared as of September 30, December 31, March 31 and June 30. The Report will be posted with the agenda for the budget committee meeting no later than one week before the scheduled meeting or the day before or after a holiday. ~~The~~ A tentative meeting schedule will be set by the budget committee during the first quarter meeting of the fiscal year. ~~for the following year will be set at the last scheduled meeting of the prior fiscal year (May); standing~~ Typically, committee meetings will be scheduled the 3rd week of the 2nd month after the end of the quarter unless a majority of the committee agrees in advance to alter the schedule when ~~it is set annually~~ needed. The Budget Committee will review the Report at its quarterly meeting. The Report will also be posted to the finance page of the city's website.

QUARTERLY FINANCIAL REPORT

SECOND QUARTER ENDED DECEMBER 31, 2021

relating to FISCAL YEAR 2022

CITY OF **MILWAUKIE**

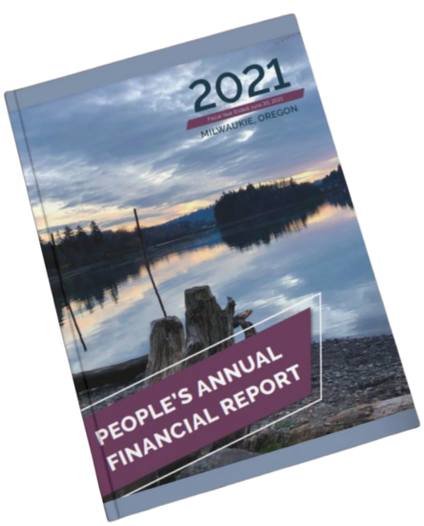
City of Milwaukie
Quarterly Financial Report
Second Quarter for Fiscal Year Ending 2022

Quarterly Highlights

- Unaudited city-wide fund balances increased in Q2 FY 2022 to $59.9 million, which is an increase of $6.7 million over Q1 FY 2022. The increase was driven by receipt of the property taxes of $9.2 million and offset by capital expenditures of $2.5 million.
- The average interest paid by the Local Government Investment Pool (LGIP) remained at 0.45%, discussed in the previous meeting, as expected.
- New State Gas Tax revenue received this quarter was $421K, consistent with the prior two quarters. Total for FY 2022 is $836K.
- The city received the first tranche of funds from the American Rescue Plan Act (ARPA) in August of $2.3 million. The second tranche is expected in August 2022 for $2.3 million. Additionally, the city received ARPA-Parks funds of $2.25 million that is expected in the third quarter of fiscal year 2022.

Audited Financial Statements

The City of Milwaukie Finance department completed the audit of FY 2021 and has included the audited financials within this report. The audit was completed by the CPA firm Merina & Co., LLC and concluded with an unmodified "clean" opinion for the city. This is the third and final year of the audit with Merina as the firm is pivoting their services. The city will issue a request for proposal in the coming months to select a new audit firm. The Audit Committee and City Council received a full report regarding this change and the financials by Tonya Moffit, Partner at Merina and Mack Stilson, Audit Committee Chair.



In addition to the audit, the city prepares the People's Annual Financial Report (PAFR). The PAFR is specifically designed to be readily accessible and easily understandable to the public and other interested parties without a background in public finance.

If you would like to see our most recent audited financial statements from FY 2021, they can be found on the City of Milwaukie Finance webpage: www.milwaukieoregon.gov/finance

Triple Crown Award Winner in Financial Documents

Milwaukie recently received the Triple Crown Award which is a testament to the commitment we have in producing annual reports that embodies the spirit of full disclosure and transparency. This special Triple Crown Award recognizes that the city received all three Government Finance Officers Association (GFOA) awards for 2020:

♕ ***Award in Annual Comprehensive Financial Report (ACFR)***

To receive this award, a government unit must publish an easily readable and efficiently organized report whose contents conform to program standards and satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

♕ ***Award in Popular Annual Financial Reporting Award (PAFR)***

The city renamed the report to the People's Annual Financial Report for FY 2020 to coincide with recent trends. To receive this award, a government unit must publish a report whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

♕ ***Distinguished Budget Presentation Award***

This award is the highest form of recognition in governmental budgeting. Its attainment represents a significant accomplishment by a governmental entity, its financial staff, and its management.

We are proud to announce that the FY 2020 ACFR, PAFR and FY 2021-22 adopted budget received these awards. These are prestigious national awards that recognize conformance with the highest standards for preparation of state and local government financial reports.

During your review of this quarterly report, we welcome your questions, comments, and any suggestions you may have by sending an email to dennisb@milwaukieoregon.gov

Respectfully,

Bonnie J. Dennis, MBA
Administrative Services Director

Property Taxes

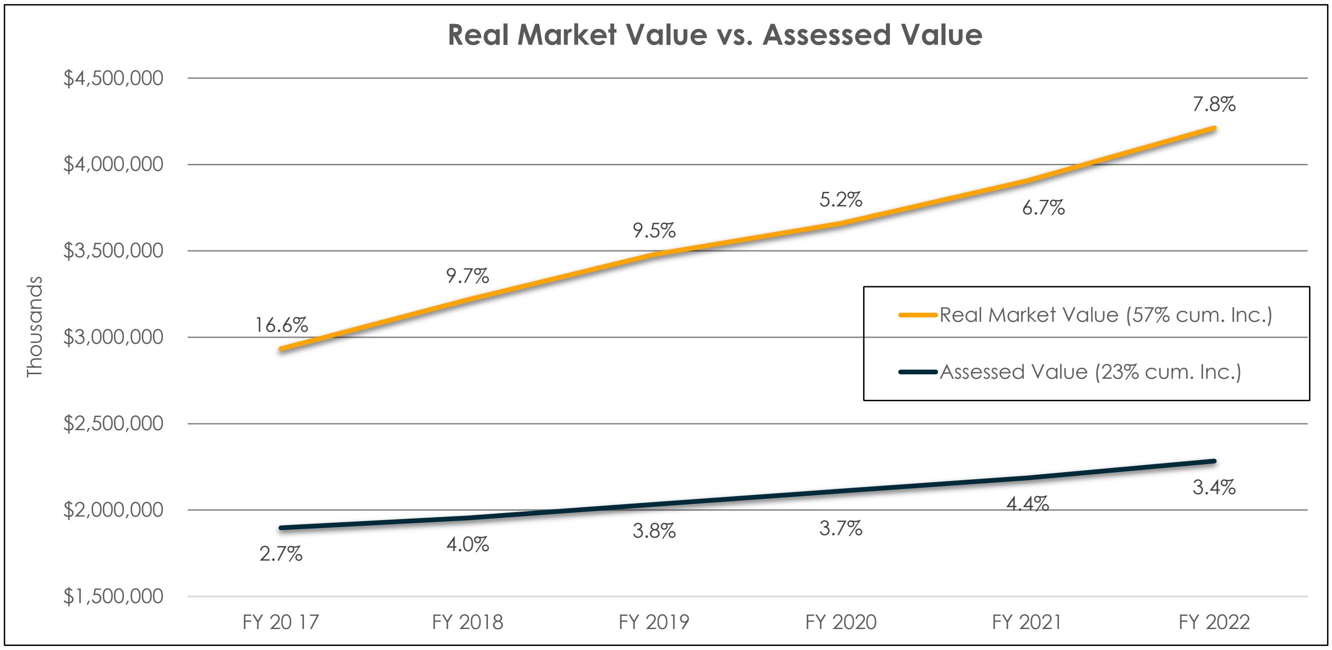
Property taxes, the largest source of revenue in the General Fund are used to pay for services such as police, code enforcement, community development, library, and other services. The State constitution limits the property taxes on existing properties to no more than 3% growth annually. As new construction is placed on the tax rolls, property tax revenue to Milwaukie increases. Additionally, the assessed value of the commercial and industrial sectors may grow at more than 3% depending upon the value of personal property and equipment.

Both Clackamas and Multnomah counties collect and distribute property taxes to Milwaukie, primarily in the second quarter of the fiscal year. Fiscal year 2022 assessed property values increased from $2,283,755,489 to $2,362,203,648, which is approximately $78 million or a 3% increase over fiscal year 2021. Since assessed values are capped at 3% on existing real estate, Real market values increased from $3,906,181,487to $4,211,897,617, which is approximately $306 million or an 8% increase over fiscal year 2021. The real market value of property in Milwaukie is therefore currently 71% higher than the assessed value. The reasons for the disparity are detailed below. The counties collected $9,606,138 in property taxes per the City's permanent tax rate of 4.1367 per $1,000 of assessed value. This is consistent with the budget projections in the General Fund.

Property tax revenue is influenced by cycles in the housing market, but the variances on the downside are moderated by the fact that real market values must decline substantially before they are lower than the assessed values. Because of Measures 5 and 50 of the State constitution, there is not an equal or direct relationship of taxes collected to real market value due to the 3% assessed value cap; therefore, tax revenues are constrained to this level, even when real market values are increasing. Although property values have increased substantially over the past several years, the city's actual property tax revenues are unable to benefit from the 5% to 16% real market increases as shown by comparing the top orange line of the graph to the lower blue line. Any increases in revenue received above the 3% are primarily related to new construction or due to increases in the commercial and industrial sectors.

Within the chart on the next page, the blue lower line of the graph is the assessed value of the total properties as calculated by the Counties. As illustrated, the year-over-year increases in assessed value have remained relatively flat over the past six years due to the 3% cap.

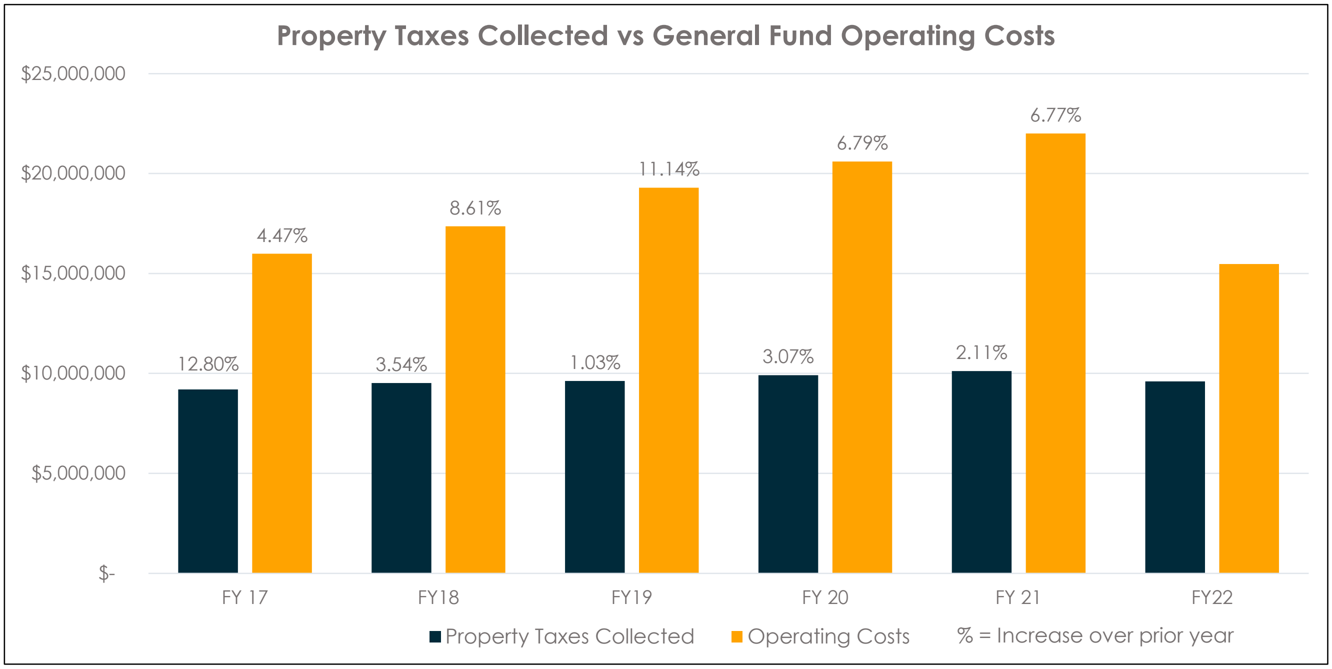
Property Taxes, *continued*



How do Measures 5 and 50 impact Milwaukie residents? The relationship between collected property tax revenue and the general operating costs of the city are increasingly imbalanced. As the General Fund expenditures are driven by routine inflationary pressures as well as the community's demand for services, there is a growing disconnect between property tax revenue and the city's increasing costs just to cover existing services. This occurs over time due to baseline cost pressures which include inflationary increases to supplies, fuel, utilities, etc., as well as the personnel costs associated with the people who perform the city's services. These personnel costs include adjustments related to cost-of-living, healthcare, and the Public Employees Retirement System (PERS), even before consideration of adding staff associated with increased demand for services over time. Measures 5 and 50's impact does not allow the City's property tax revenue to increase in relation to the built-in baseline general operating costs.

To further highlight this disparity, the following graph compares the difference in year-over-year increases of taxes collected compared to operating costs. The lower blue bars demonstrate how much property tax revenue has been received, by showing the year-over-year percentage increases, while the taller orange bars show the year over year increases in operating costs in the General Fund. It is clear from this chart that the operating costs' increase is now more than double the rate of the increase in the property tax revenues received. Because of this disconnect, relying on property tax revenues as the primary source of income for city services is becoming more problematic.

Property Taxes, *continued*



The first issue of concern is that the current property tax revenue is covering a smaller proportion of Milwaukie's general operating costs year by year. The second is that if the housing market were to decline substantially, as occurred during the Great Recession, property tax revenue could decline. Therefore, it is prudent for the General Fund to maintain a healthy fund balance contingency for unforeseen circumstances that could arise in property tax declines. The more intractable, and growing, problem of systemically-limited revenues to cover baseline costs – for Milwaukie and all public entities - will continue under Oregon's current property tax provisions.

Franchise Fees

Franchise fees are related to the privilege of using the city's streets, facilities, and right-of-way. The fees act to defray regulatory expenses and are collected in the General Fund. The city has issued a request for quote for Right-of-Way code update services for later this fiscal year. The request for quote includes establishing the required code changes to allow or specify the assessment and collection of fees specific to wireless carriers. Large wireless carriers like Verizon are providing data services in the right of way but only paying a portion tied to telecommunications. The code update would expand language and broaden the city's ability to impose a franchise fee.

During the second quarter, franchise fees tracked to budgeted amounts based on the routine receipt delay. However, as expected, the city did not receive the Q2 Comcast payment for fees related to information services. In City of Eugene v. Comcast of Oregon II, Inc. (359 Or 528 (2016)) the Sixth Circuit ruled that the City did have the right to impose an additional fee for Comcast's use of City right-of-way for telecommunications services, in addition to its existing franchise fee for cable (e.g., TV) services.

In 2020 Comcast sued the City of Beaverton in the Oregon U.S. District Court over Beaverton's collection of past due fees, which Beaverton imposed in compliance with the Eugene case in 2016. The outcome of this litigation will set the precedent to determine how Oregon cities including Milwaukie will be able to calculate and collect past-due and ongoing right-of-way fees from Comcast. As of January 10, 2022, both parties have filed responses to the other's motion for summary judgment.

Utility Fees

Fees & charges collected through utility billing includes water, wastewater, stormwater fees as well as the street maintenance fee and SAFE fee in the transportation fund.

Customers that are past due (red highlighted below) typically have their water shut-off for non-payment and the receivable would not grow. Staff will continue to watch the receivable over the next several quarters to ascertain the potential revenue losses, which are increasing.

Outstanding Receivable Balances as of December 31, 2021

	Current	+1 Month	+2 Month	+3 Month	+4 Month	Totals
Water	$ 320,144	$ 50,585	$ 24,235	$ 21,923	$ 78,638	**$ 495,525**
Wastewater	746,753	161,775	46,566	34,746	111,113	**1,100,953**
Stormwater	434,723	52,570	23,821	15,891	69,629	**596,634**
Street Maintenance (SSMP)	81,881	9,135	4,914	3,743	14,722	**114,395**
Safe Access For Everyone (SAFE)	97,749	10,032	5,399	4,100	16,203	**133,483**
Total Receivable	**$ 1,681,250**	**$ 284,097**	**$ 104,935**	**$ 80,403**	**$ 290,305**	**$ 2,440,990**

$$\underbrace{\$\ 104{,}935 \quad \$\ 80{,}403 \quad \$\ 290{,}305}_{\text{Customers Past Due } \$\ 475{,}643}$$

Customers Past Due **$ 475,643**

Customers Past Due > 4 months as of:

	12/31/2021		9/30/2021	
Type	#	Amount	#	Amount
Commercial	11	$ 12,130	11	$ 19,539
Residential	408	263,099	365	178,270
Multi-fam	10	15,076	7	10,385
Total	**429**	**$ 290,305**	**383**	**$ 208,194**

Staffing Levels

The following table illustrates movements in the levels of staffing throughout the city in comparison to the budget. Notable items in this quarter include:

- City Manager and Community Development included a temporary transfer due to the Assistant City Manager taking on the duties of the Community Development Director position for approximately six months. The new Community Development Director was hired November 1, 2021.
- Engineering has had a vacant position since September that is currently being recruited.
- Finance includes an administrative assistant position that was vacant as the incumbent was promoted to the City Recorder department. The vacancy was filled in February.
- Information Technology had a vacant position starting in August that was filled in October.
- Planning had two vacant position that were filled in November.
- Police includes three vacant sworn officer positions, however one of those positions has been filled. The department is currently recruiting for a lateral and entry level police officer.

Department	FY 2021 Adopted Budgeted FTE	Adopted Budget Transfers	Current Budgeted FTE	Actual FTE	Quarter Variance with Actual FTE +/(-)
City Manager	6	1	7	**5.4**	-1.6
City Attorney	1		1	**1**	0
Community Development	4.5		4.5	**3.69**	-0.81
Public Works Administration	7		7	**7.64**	0.64
Engineering	10.5		10.5	**9.48**	-1.02
Facilities	3		3	**3**	0
Finance	8.5	-1	7.5	**7.22**	-0.28
Fleet	3		3	**3**	0
Human Resources	2		2	**2**	0
Information Technology	3		3	**2.83**	-0.17
Municipal Court	1.5	-1	0.5	**0.5**	0
Planning	5		5	**3.91**	-1.09
Code Enforcement	2		2	**2**	0
City Recorder	3		3	**2.5**	-0.5
Police Department	38.5		38.5	**35.31**	-3.19
Building	3		3	**3**	0
Library	18.25		18.25	**18.47**	0.22
Streets	5.5	0.75	6.25	**5.5**	-0.75
Water	7.5	0.5	8	**7.51**	-0.49
Wastewater	4.5		4.5	**4.5**	0
Stormwater	8		8	**7.88**	-0.12
Grand Total	**145.25**	**0.25**	**145.50**	**136.34**	**-9.16**
Total Full-Time Positions	142.95	-1	141.95	**134.03**	-7.92
Total Part-Time FTE	2.3	1.25	3.55	**2.3**	-1.25
Total Full-Time Equivalents (FTEs)	**145.25**	**0.25**	**145.5**	**136.33**	**-9.17**

Summer seasonal employees added using CARES Act dollars to recover from 2020.

Annual Revenue Forecast Assumptions

The table below illustrates the timing of revenue by source and fund. The city uses this table to forecast cash flow and to gauge the expected revenue with actual revenues received. For example, the city expects the largest distribution of property taxes to be received in November, although subsequent distributions arrive in December, March, and June, while the Transportation Fund receives Local Gas Tax distributions from the State every month. This table and what the city receive on average in a quarter is reflected in the flexible budget column that is in the summary tables.

Revenue Forecasting Assumptions

Revenue	Fund	Month Received
Business Registrations Renewals	General Fund	December, January
Cigarette Tax	General Fund	Monthly
Franchise Fee - Comcast	General Fund	July, October, January, April
Franchise Fee - Electric Service Providers	General Fund	July, October, January, April
Franchise Fee - Northwest Natural	General Fund	August, February
Franchise Fee - PEG	General Fund	August, November, February, May
Franchise Fee - Portland General Electric	General Fund	March
Franchise Fee - Solid Waste	General Fund	July, October, January, April
Franchise Fee - Telecoms	General Fund	July, October, January, April
Liquor Tax	General Fund	Monthly
Privilege Franchise Fee - Portland General Electric	General Fund	March
Property Taxes	General Fund	1st Distribution in November then December, March, June
State Revenue Sharing	General Fund	August, December, March, May
Library District Distribution	Library Fund	January, June
Ready to Read Grant	Library Fund	December
Street Maintenance Fee (SSMP)	Transportation Fund	Monthly with Utility Bills
SAFE fee	Transportation Fund	Monthly with Utility Bills
Local Gas Tax	Transportation Fund	Monthly
State Gas Tax	Transportation Fund	Monthly
Vehicle Registration Fee	Transportation Fund	Monthly
Water User Fees	Water Fund	Monthly with Utility Bills
Wastewater User Fees	Wastewater Fund	Monthly with Utility Bills
Stormwater User Fees	Stormwater Fund	Monthly with Utility Bills

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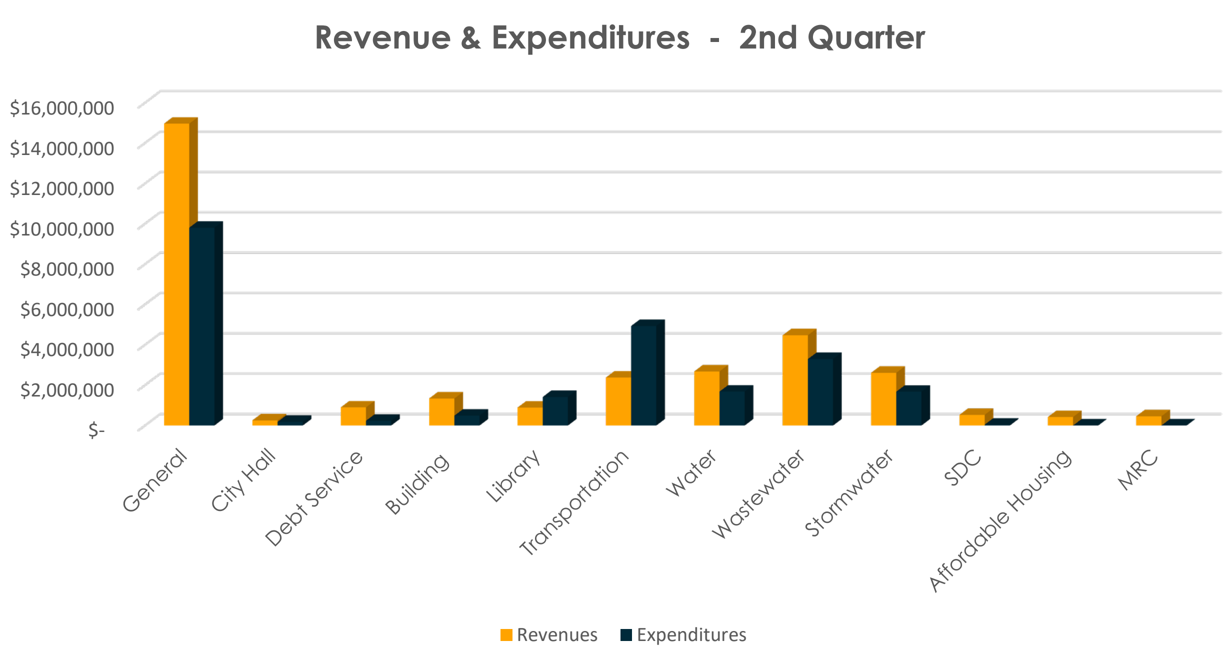
	Beginning Fund Balance as of July 1, 2021	Second Quarter of Fiscal Year 2022 Revenues	Second Quarter of Fiscal Year 2022 Expenditures	Ending Fund Balance as of December 31, 2021	Change in Fund Balance
General Fund	$ 12,062,282	$ 14,959,519	$ 9,804,626	$ 17,217,176	$ 5,154,894
City Hall Fund	1,248,750	253,697	180,291	1,322,156	73,406
Debt Service Fund	442,433	897,219	233,220	1,106,431	663,999
Building Fund	2,567,038	1,338,870	487,718	3,418,189	851,152
Library Fund	809,174	886,467	1,415,776	279,865	(529,309)
Transportation Fund	15,220,320	2,378,281	4,933,345	12,665,256	(2,555,064)
Water Fund	4,546,202	2,682,746	1,681,279	5,547,669	1,001,467
Wastewater Fund	5,453,875	4,473,734	3,294,429	6,633,180	1,179,305
Stormwater Fund	6,089,842	2,611,598	1,676,495	7,024,946	935,104
System Development Fund	1,700,194	527,598	40,730	2,187,062	486,868
Affordable Housing Fund	665,410	419,779	-	1,085,189	419,779
MRC - Urban Renewal Fund	990,273	458,098	1,400	1,446,972	456,698
Total ALL Funds	**$ 51,795,794**	**$ 31,887,606**	**$ 23,749,308**	**$ 59,934,092**	**$ 8,138,298**



City of Milwaukie
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GENERAL FUND

	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget	NOTE
	Through the 2nd Quarter Ended December 31, 2021							
REVENUE								
Property taxes	$ 15,836,000	15,677,640	$ 8,084,761	$ 7,543,924	$ 15,628,685	$ (48,955)	100%	1
Franchise fees	4,660,000	3,479,500	2,452,264	373,498	2,825,761	(653,739)	81%	2
Intergovernmental	2,879,000	1,737,500	1,395,052	2,725,798	4,120,850	2,383,350	237%	3
Fines and forfeitures	1,540,000	1,167,500	413,837	215,357	629,193	(538,307)	54%	4
Licenses and permits	1,425,000	1,062,500	568,682	306,469	875,150	(187,350)	82%	5
Investment earnings	150,000	115,000	69,673	59,460	129,133	14,133	112%	
Miscellaneous	190,000	150,000	131,213	100,014	231,227	81,227	154%	
Total Operating Revenues	**26,680,000**	**23,389,640**	**13,115,481**	**11,324,519**	**24,440,000**	**1,050,360**	**104%**	
Other Financing Sources								
Transfers in	14,270,000	10,635,000	7,000,000	3,635,000	10,635,000	-	100%	
Total Transfers	**14,270,000**	**10,635,000**	**7,000,000**	**3,635,000**	**10,635,000**	**-**	**100%**	
TOTAL REVENUES	**40,950,000**	**34,024,640**	**20,115,481**	**14,959,519**	**35,075,000**	**1,050,360**	**204%**	
EXPENDITURES								
City Council	289,000	222,500	121,411	48,909	170,320	(52,180)	77%	
City Manager	2,949,000	2,207,500	1,139,340	600,072	1,739,412	(468,088)	79%	6
City Attorney	524,000	389,500	208,981	107,872	316,853	(72,647)	81%	
Community Development	3,408,000	2,394,000	712,633	244,339	956,972	(1,437,028)	40%	7
Public Works Administration	2,182,000	1,627,500	942,231	511,509	1,453,740	(173,760)	89%	
Engineering Services	3,212,000	2,401,000	1,329,756	682,485	2,012,241	(388,759)	84%	8
Facilities Management	3,298,000	2,504,000	1,325,631	670,243	1,995,875	(508,125)	80%	9
Finance	3,029,000	2,264,000	1,380,586	666,725	2,047,312	(216,688)	90%	10
Fleet Services	1,365,000	1,015,000	550,121	311,100	861,221	(153,779)	85%	
Human Resources	874,000	654,500	374,562	199,817	574,379	(80,121)	88%	
Information Technology	3,104,000	2,329,500	1,289,103	825,176	2,114,279	(215,221)	91%	11
Municipal Court	543,000	404,500	241,368	57,038	298,406	(106,094)	74%	
Planning Services	1,899,000	1,419,000	820,690	348,433	1,169,122	(249,878)	82%	12
Code Enforcement	531,000	395,000	209,562	116,560	326,122	(68,878)	83%	
City Recorder	878,000	653,500	362,941	172,312	535,253	(118,247)	82%	
Police Department	15,070,000	11,243,500	6,871,475	3,666,645	10,538,119	(705,381)	94%	13
PEG (Public, Education, Gov't)	36,000	27,000	5,123	4,724	9,846	(17,154)	36%	
Non-Departmental	2,271,000	1,775,000	1,289,956	570,668	1,860,623	85,623	105%	
TOTAL EXPENDITURES	**45,462,000**	**33,926,500**	**19,175,469**	**9,804,626**	**28,980,095**	**(4,946,405)**	**85%**	
Revenue over (under) expenditures	(4,512,000)	98,140	940,011	5,154,894	6,094,905	5,996,765		
FUND BALANCE - Beginning	11,122,271	11,122,271	11,122,271	12,062,282	11,122,271	-		
FUND BALANCE - Ending	**$ 6,610,271**	**$ 11,220,411**	**$ 12,062,282**	**$ 17,217,176**	**$ 17,217,176**	**$ 5,996,765**		

EXPENDITURES BY TYPE:	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget
	Through the 2nd Quarter Ended December 31, 2021						
Personnel services	30,470,000	22,658,500	13,654,393	6,811,779	20,466,172	(2,192,328)	90%
Materials and services	10,901,000	8,232,500	4,218,726	2,737,106	6,955,833	(1,276,667)	84%
Capital outlay	2,825,000	1,999,000	477,882	146,084	623,965	(1,375,035)	31%
Debt service	902,000	672,500	460,469	109,657	570,125	(102,375)	85%
Transfers out	364,000	364,000	364,000	-	364,000	-	100%
TOTAL EXPENDITURES	**$ 45,462,000**	**$ 33,926,500**	**$ 19,175,469**	**$ 9,804,626**	**$ 28,980,095**	**$ (4,946,405)**	**85%**

Notes are on located on the next page.

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GENERAL FUND

GENERAL FUND NOTES:

Revenue

1. The majority of property taxes are received in Q2 of the fiscal year. FY 2021 actuals were above expectations, resulting in an increase of $250K. FY 2022 is trending similar and the City expects the$ 49K gap to close by the end of Q3, 2022.

2. Franchise fee payments are routinely received on a delayed basis. Payments of $1.0 million are expected to be received in Q3 related to NW Natural and PGE. With the exception of Comcast, franchise fees are tracking as expected. For Comcast, Q2 was the first quarter of not paying the right-of-way fees related to information services. See Franchise Fee discussion above.

3. Intergovernmental Revenues increased with the receipt of $2.3 million in ARPA funds.

4. Fines and Forfeitures includes traffic citations; 493 citations issued in Q2 FY 2022, consistent with Q2 FY 2021 of 469 citations. Traffic citations remain well below target amount, driving the continued decline in fines and forfeiture revenue.

5. Licenses and permits are trending light of budgeted amounts as a result of the FY 21/22 COVID pandemic. FY 2022 is continuing to be impacted by COVID as liquor, parking permits, and business registration have not returned to pre-pandemic levels.

Expenditures

6. City Manager expenses are trending light due to staffing vacancies as the Assistant City Manager was costed to the Community Development department when she served as Acting Director for six months. Other reductions include cancelled events, employee training, and public art.

7. Community Development expenses are trending light due to the delay of completing a feasibility analysis related to various capital projects.

8. Engineering department costs are trending light as the Civil Engineer position is vacant and costs related to professional services and other services were delayed due to project delays.

9. Facilities Management expenses reflect savings related to project delays and lower operating costs for city buildings that were not at full utilization.

10. Finance department expense reductions include costs related to right-of-way services not contracted, and the payment of the final audit invoice was open at 12/31.

11. The server replacement and backup storage projects came in under budget. A partial staffing vacancy during Q1 drove payroll costs lower than anticipated.

12. The natural resources inventory and comprehensive plan have not been started, resulting in lower expenses. Partial staffing vacancies in Q1 and Q2 drove payroll costs lower than anticipated.

13. LOCOM expense came in under budget by $100K in FY 2022 and two officer vacancies throughout Q1 and Q2 are driving payroll costs lower than expected.

GENERAL FUND, *continued*

	2nd Quarter Actuals				Prior Year Change		
	FY 2019	FY 2020	FY 2021	FY 2022	FY19/FY20	FY20/FY21	FY21/FY22
REVENUE							
Property taxes	$ 7,266,955	$ 7,344,174	$ 7,379,096	$ 7,543,924	1%	0%	2%
Franchise fees	284,078	362,885	367,698	373,498	28%	1%	2%
Intergovernmental	524,392	398,509	393,579	2,725,798	-24%	-1%	86%
Fines and forfeitures	409,233	438,154	252,096	215,357	7%	-42%	-17%
Licenses and permits	264,429	257,546	170,638	306,469	-3%	-34%	44%
Investment earnings	205,764	254,727	137,077	59,460	24%	-46%	-131%
Miscellaneous	141,229	84,462	248,303	100,014	-40%	194%	-148%
Total Operating Revenues	**9,096,080**	**9,140,457**	**8,948,487**	**11,324,519**	**0%**	**-2%**	**21%**
Other Financing Sources							
Transfers	3,129,667	3,266,500	3,500,000	3,635,000	4%	7%	4%
TOTAL REVENUES	**12,225,747**	**12,406,957**	**12,448,487**	**14,959,519**	**5%**	**0%**	**17%**
EXPENDITURES							
City Council	49,965	51,153	72,451	48,909	2%	42%	-48%
City Manager	468,306	521,502	538,518	600,072	11%	3%	10%
City Attorney	111,390	98,109	97,539	107,872	-12%	-1%	10%
Community Development	405,197	284,250	357,331	244,339	-30%	26%	-46%
Public Works Administration	414,075	421,573	480,860	511,509	2%	14%	6%
Engineering Services	526,372	730,480	661,080	682,485	39%	-10%	3%
Facilities Management	482,938	481,119	595,542	670,243	0%	24%	11%
Finance	665,696	657,043	696,044	666,725	-1%	6%	-4%
Fleet Services	294,415	249,290	237,011	311,100	-15%	-5%	24%
Human Resources	180,905	172,972	185,945	199,817	-4%	8%	7%
Information Technology	749,624	734,574	775,757	825,176	-2%	6%	6%
Municipal Court	148,912	171,314	111,464	57,038	15%	-35%	-95%
Planning Services	412,561	382,466	351,999	348,433	-7%	-8%	-1%
Code Enforcement	79,495	103,782	105,583	116,560	31%	2%	9%
City Recorder	175,136	188,900	177,199	172,312	8%	-6%	-3%
Police Department	3,748,776	3,681,180	3,714,686	3,666,645	-2%	1%	-1%
Public, Educational, Government (PEG)	9,874	1,761	730	4,724	-82%	-59%	85%
Non-Departmental	835,277	529,907	571,753	570,668	-37%	8%	0%
TOTAL EXPENDITURES	**9,758,914**	**9,461,375**	**9,731,492**	**9,804,626**	**-3%**	**3%**	**1%**
Revenue over (under) expenditures	$ 2,466,833	$ 2,945,582	$ 2,716,995	$ 5,154,894	19%	-8%	47%

EXPENDITURES BY TYPE:	FY 2019	FY 2020	FY 2021	FY 2022	FY19/FY20	FY20/FY21	FY21/FY22
Personnel services	$ 6,347,933	$ 6,681,968	$ 6,851,735	$ 6,811,779	5%	3%	-1%
Materials and services	3,179,557	2,581,791	2,484,371	2,737,106	-19%	-4%	9%
Capital outlay	231,424	68,988	277,975	146,084	-70%	303%	-90%
Debt service	-	128,628	117,411	109,657	0%	-9%	0%
	$ 9,758,914	**$ 9,461,375**	**$ 9,731,492**	**$ 9,804,626**	-3%	3%	1%

City of Milwaukie
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CITY HALL FUND

Through the 2nd Quarter Ended December 31, 2021

	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget
REVENUE							
Proceeds from lease	$ 1,008,000	$ 756,000	$ 504,000	$ 252,000	$ 756,000	$ -	100%
Investment earnings	-	-	14,536	1,697	16,233	16,233	0%
Miscellaneous	-	-	17,000	-	17,000	17,000	0%
TOTAL REVENUES	**1,008,000**	**756,000**	**535,536**	**253,697**	**789,233**	**33,233**	**71%**
EXPENDITURES							
Capital outlay	120,000	75,000	-	39,291	39,291	(35,709)	-
Transfers out	1,008,000	645,000	504,000	141,000	645,000	-	100%
TOTAL EXPENDITURES	**1,128,000**	**720,000**	**504,000**	**180,291**	**684,291**	**(35,709)**	0%
Revenue over (under) expenditures	(120,000)	36,000	31,536	73,406	104,942	68,942	
FUND BALANCE - Beginning	1,217,214	1,217,214	1,217,214	1,248,750	1,217,214	-	
FUND BALANCE - Ending	**$ 1,097,214**	**$ 1,253,214**	**$ 1,248,750**	**$ 1,322,156**	**$ 1,322,156**	**$ 68,942**	

	2nd Quarter Actuals				Prior Year Change		
	FY 2019	FY 2020	FY 2021	FY 2022	FY19/FY20	FY20/FY21	FY21/FY22
REVENUE							
Lease proceeds	$ -	$ -	$ 294,000	$ 252,000	0%	0%	-17%
Miscellaneous	-	-	17,000	1,697	0%	0%	-902%
Investment earnings	-	-	3,910	-	0%	0%	-100%
Total Operating Revenues	**-**	**-**	**314,910**	**253,697**	**0%**	**0%**	**-24%**
TOTAL REVENUES	**-**	**-**	**314,910**	**253,697**	0%	0%	0%
EXPENDITURES							
Transfers	-		252,000	141,000	0%	0%	0%
	-	**-**	**252,000**	**141,000**	**0%**	**0%**	**-79%**
TOTAL EXPENDITURES	**-**	**-**	**252,000**	**141,000**	**0%**	**0%**	**-79%**
Revenue over (under) expenditures	$ -	$ -	$ 62,910	$ 112,697	0%	0%	44%

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DEBT SERVICE FUND

Through the 2nd Quarter Ended December 31, 2021

	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget
REVENUE							
Property taxes	$ 1,718,000	1,700,820	$ 862,000	$ 743,822	$ 1,605,822	$ (94,998)	94%
Intergovernmental	170,000	127,500	85,200	11,400	96,600	(30,900)	76%
Investment earnings	-	-	6,251	997	7,248	7,248	0%
Transfers In	1,008,000	645,000	504,000	141,000	645,000	-	100%
Total Operating Revenues	**2,896,000**	**2,473,320**	**1,457,451**	**897,219**	**2,354,669**	**(118,651)**	**95%**
TOTAL REVENUES	**2,896,000**	**2,473,320**	**1,457,451**	**897,219**	**2,354,669**	**(118,651)**	**95%**
EXPENDITURES							
Debt Service	2,888,000	1,744,000	1,374,568	233,220	1,607,788	(136,212)	92%
TOTAL EXPENDITURES	**2,888,000**	1,744,000	**1,374,568**	**233,220**	**1,607,788**	**(136,212)**	**92%**
Revenue over (under) expenditures	8,000	729,320	82,883	663,999	746,881	17,561	
FUND BALANCE - Beginning	359,550	359,550	359,550	442,433	359,550	-	
FUND BALANCE - Ending	**$ 367,550**	**$ 1,088,870**	**$ 442,433**	**$1,106,431**	**$ 1,106,431**	**$ 17,561**	

	2nd Quarter Actuals				Prior Year Change		
	FY 2019	FY 2020	FY 2021	FY 2022	FY19/FY20	FY20/FY21	FY21/FY22
REVENUE							
Property taxes	$ 780,154	$ 756,904	$ 756,410	$ 743,822	-3%	0%	-2%
Intergovernmental	14,625	13,800	12,600	11,400	-6%	-9%	-10%
Investment earnings	5,754	7,987	1,562	997	39%	-80%	-36%
Transfers in	-	-	252,000	141,000	0%	0%	-44%
Total Operating Revenues	**800,533**	**778,691**	**1,022,572**	**897,219**	**-3%**	**31%**	**-12%**
TOTAL REVENUES	**800,533**	**778,691**	**1,022,572**	**897,219**	-3%	31%	-12%
EXPENDITURES							
Debt Service	183,652	176,178	241,870	233,220	-4%	37%	-4%
TOTAL EXPENDITURES	**183,652**	**176,178**	**241,870**	**233,220**	**-4%**	**37%**	**-4%**
Revenue over (under) expenditures	$ 616,881	$ 602,513	$ 780,702	$ 663,999	-2%	30%	-15%

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BUILDING FUND

Through the 2nd Quarter Ended December 31, 2021

	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget	NOTES
REVENUE								
Fees and Charges	$ 912,000	$ 729,500	$ 1,041,957	$ 1,327,036	$ 2,368,993	$ 1,639,493	325%	1
Intergovernmental	2,000	1,500	2,666	6,220	8,886	7,386	592%	
Investment earnings	40,000	32,000	17,945	4,120	22,065	(9,935)	69%	
Miscellaneous	2,000	2,000	1,466	1,494	2,960	960	148%	
TOTAL REVENUES	**956,000**	**765,000**	**1,064,034**	**1,338,870**	**2,402,904**	**1,637,904**	**314%**	
EXPENDITURES								
Personnel services	902,000	669,000	403,943	217,505	621,448	(47,552)	93%	
Materials and services	208,000	165,000	117,855	125,213	243,068	78,068	147%	2
Transfers	560,000	415,000	270,000	145,000	415,000	-	100%	
TOTAL EXPENDITURES	**1,670,000**	**1,249,000**	**791,799**	**487,718**	**1,279,517**	**30,517**	**102%**	
Revenue over (under) expenditures	(714,000)	(484,000)	272,236	851,152	1,123,387	1,607,387		
FUND BALANCE - Beginning	2,294,802	2,294,802	2,294,802	2,567,038	2,294,802	-		
FUND BALANCE - Ending	**$ 1,580,802**	**$ 1,810,802**	**$ 2,567,038**	**$ 3,418,189**	**$ 3,418,189**	**$ 1,607,387**		

NOTES:

1. Increased fees and charges are related to new residential and commercial developments.
2. Increased materials and services are related to inspection services needed for the additional permits.

	2nd Quarter Actuals				Prior Year Change		
	FY 2019	FY 2020	FY 2021	FY 2022	FY19/FY20	FY20/FY21	FY21/FY22
REVENUE							
Fees and Charges	$ 1,367,784	$ 550,346	$ 487,615	$ 1,327,036	-60%	-11%	172%
Intergovernmental	2,366	1,952	1,526	6,220	-17%	-22%	308%
Investment earnings	16,908	33,665	7,365	4,120	99%	-78%	-44%
Miscellaneous	655	1,738	926	1,494	165%	-47%	61%
TOTAL REVENUES	**1,387,713**	**587,701**	**497,432**	**1,338,870**	**-58%**	**-15%**	**169%**
EXPENDITURES							
Personnel services	151,515	196,007	199,387	217,505	29%	2%	9%
Materials and services	105,674	51,244	37,778	125,213	-52%	-26%	231%
Transfers	109,500	109,500	135,000	145,000	0%	23%	7%
TOTAL EXPENDITURES	**366,689**	**356,751**	**372,165**	**487,718**	**-3%**	**4%**	**31%**
Revenue over (under) expenditures	$ 1,021,024	$ 230,950	$ 125,267	$ 851,152	**-77%**	**-46%**	**579%**

City of Milwaukie
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AFFORDABLE HOUSING FUND – CONSTRUCTION EXCISE TAX FUND[1]

Through the 2nd Quarter Ended December 31, 2021

	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget	NOTE
REVENUE								
Excise Tax								
Developer Incentives Residential	$ 47,000	$ 38,000	$ 9,331	$ 48,744	$ 58,075	$ 20,075	153%	
Developer Incentives Commercial (50%)	60,000	48,500	9,998	48,744	58,742	10,242	121%	
Program & Incentives ED Commercial (50%)	59,000	47,500	59,748	177,800	237,548	190,048	500%	2
Program & Incentives	32,000	25,500	41,824	124,460	166,284	140,784	652%	2
Intergovernmental	123,000	123,000	132,000	-	132,000	9,000	107%	
Investment earnings	4,000	3,000	5,809	1,152	6,961	3,961	232%	
Miscellaneous	9,000	7,000	6,212	18,879	25,091	18,091	358%	
TOTAL OPERATING REVENUES	**334,000**	**292,500**	**264,922**	**419,779**	**684,701**	**392,201**	234%	
Other Financing Sources								
Transfers In	132,000	132,000	132,000	-	132,000	-	100%	
TOTAL REVENUES	**466,000**	**424,500**	**396,922**	**419,779**	**816,701**	**392,201**	**192%**	
EXPENDITURES								
Materials and services								
Business Relief Grants	123,000	123,000	132,000	-	132,000	9,000	107%	
Developer Incentives Commercial (50%)	60,000	48,500	-	-	-	(48,500)	0%	
Program & Incentives ED Commercial (50%)	59,000	47,500	-	-	-	(47,500)	0%	
Program & Incentives	32,000	25,500	-	-	-	(25,500)	0%	
TOTAL EXPENDITURES	**274,000**	**244,500**	**132,000**	**-**	**132,000**	**(112,500)**	54%	
Revenue over (under) expenditures	60,000	48,000	264,922	419,779	552,701	504,701		
FUND BALANCE - Beginning	400,488	400,488	400,488	665,410	400,488	354,252		
FUND BALANCE - Ending	**$ 460,488**	**$ 448,488**	**$ 665,410**	**$ 1,085,189**	**$ 953,189**	**$ 858,953**		

NOTES:

1. The Affordable Housing Fund is related to Construction Excise Tax revenue received to be used towards assistance needs. This fund will be renamed during the next budget cycle.
2. Program & Incentives are higher than anticipated due to new developments.

	2nd Quarter Actuals				Prior Year Change		
	FY 2019	FY 2020	FY 2021	FY 2022	FY19/FY20	FY20/FY21	FY21/FY22
REVENUE							
Excise Tax	$ 245,272	$ 93,759	$ 57,119	$ 399,748	-62%	-39%	600%
Intergovernmental	-	-	122,433	-			
Interest income	1,276	9,672	1,401	1,152	658%	-86%	-18%
Miscellaneous	-	-	2,419	18,879	0%	0%	680%
TOTAL REVENUES	**246,548**	**103,431**	**183,372**	**419,779**	**-58%**	**77%**	**129%**
EXPENDITURES							
Materials and services	-	-	122,433	-	0%	0%	-100%
TOTAL EXPENDITURES	**-**	**-**	**122,433**	**-**	0%	0%	-100%
Revenue over (under) expenditures	$ 246,548	$ 103,431	$ 60,939	$ 419,779	**-58%**	**-41%**	**589%**

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LIBRARY FUND

Through the 2nd Quarter Ended December 31, 2021

	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget	NOTE
REVENUE								
Property taxes (General Fund)	$ 1,896,000	$ 1,825,286	$ 963,000	$ 862,286	$ 1,825,286	$ 0	100%	1
Intergovernmental - library district	3,721,000	1,833,000	1,874,093	-	1,874,093	41,093	102%	
Intergovernmental - ready to read grant	10,000	5,000	5,898	-	5,898	898	118%	
Fines	70,000	52,500	3,334	17,359	20,693	(31,807)	39%	2
Investment earnings	20,000	15,000	-	439	439	(14,561)	-	
Miscellaneous	12,000	9,500	5,169	6,383	11,552	2,052	122%	
Total Operating Revenues	**5,729,000**	**3,740,286**	**2,851,494**	**886,467**	**3,737,961**	**(2,325)**	**100%**	
TOTAL REVENUES	**5,729,000**	**3,740,286**	**2,851,494**	**886,467**	**3,737,961**	**(2,325)**	**100%**	
EXPENDITURES								
Personnel services	3,739,000	2,774,000	1,667,912	939,809	2,607,721	(166,279)	94%	3
Materials and services	419,000	314,500	229,157	75,967	305,124	(9,376)	97%	
Transfers	1,580,000	1,180,000	780,000	400,000	1,180,000	-	100%	
TOTAL EXPENDITURES	**5,738,000**	**4,268,500**	**2,677,069**	**1,415,776**	**4,092,845**	**(175,655)**	**96%**	
Revenue over (under) expenditures	(9,000)	(528,214)	174,425	(529,309)	(354,884)	173,330		
FUND BALANCE - Beginning	634,749	634,749	634,749	809,174	634,749	-		
FUND BALANCE - Ending	**$ 625,749**	**$ 106,535**	**$ 809,174**	**$ 279,865**	**$ 279,865**	**$ 173,330**		

NOTES:

1. The majority of property taxes are received in Q2 of the fiscal year.
2. Library Fines are now being collected as library foot traffic increases.
3. Due to the COVID-19 pandemic, personnel service expense is trending light which is inconsistent with the staffing summary. Note that the staffing summary includes all on-call FTE even though staff may not be working.

	2nd Quarter Actuals				Prior Year Change		
	FY 2019	FY 2020	FY 2021	FY 2022	FY19/FY20	FY20/FY21	FY21/FY22
REVENUE							
Property taxes (General Fund)	$ 747,113	$ 734,778	$ 843,727	$ 862,286	-2%	15%	2%
Intergovernmental	18,800	81,962	5,898	-	336%	-93%	-100%
Fines	15,692	14,451	92	17,359	-8%	-99%	18768%
Interest income	102,183	316	653	439	-100%	107%	-33%
Miscellaneous	4,719	31,131	7,391	6,383	560%	-76%	-14%
Total Operating Revenues	**888,507**	**862,638**	**857,761**	**886,467**	**-3%**	**-1%**	**3%**
Other Financing Sources							
Transfers in	311,000	-	-	-	-100%	0%	0%
TOTAL REVENUES	**1,199,507**	**862,638**	**857,761**	**886,467**	**-28%**	**-1%**	**3%**
EXPENDITURES							
Personnel services	813,734	838,150	836,754	939,809	3%	0%	12%
Materials and services	66,529	135,724	67,322	75,967	104%	-50%	13%
Capital outlay	793,941	3,686,551	-	-	364%	-100%	0%
Transfers	280,167	350,500	390,000	400,000	25%	11%	3%
TOTAL EXPENDITURES	**1,954,371**	**5,010,925**	**1,294,076**	**1,415,776**	**156%**	**-74%**	**9%**
Revenue over (under) expenditures	$ (754,864)	$ (4,148,287)	$ (436,315)	$ (529,309)	**450%**	**-89%**	**21%**

City of Milwaukie
Quarterly Financial Report
Second Quarter for Fiscal Year Ending 2022

TRANSPORTATION FUND

	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget	NOTE
	Through the 2nd Quarter Ended December 31, 2021							
REVENUE								
Dedicated to SSMP Program:								
Street maintenance fee	$ 1,969,000	$ 1,467,000	$ 956,423	$ 487,353	$ 1,443,776	$ (23,224)	98%	
Franchise fee - Portland General Electric	560,000	420,000	337,381	-	337,381	(82,619)	80%	
Intergovernmental (local gas tax)	328,000	246,000	116,386	33,127	149,513	(96,487)	61%	1
Investment earnings	70,000	52,500	64,896	33,261	98,157	45,657	187%	2
Proceeds from debt	6,000,000	3,000,000	-	-	-	(3,000,000)	0%	3
Total SSMP Program	**8,927,000**	**5,185,500**	**1,475,087**	**553,741**	**2,028,828**	**(3,156,672)**	**39%**	
Dedicated SAFE program:								
Safe Access fee	2,359,000	1,757,500	1,136,104	581,324	1,717,428	(40,072)	98%	
Intergovernmental	-	-	230,273	-	230,273	230,273	100%	4
Investment earnings	70,000	52,500	49,212	28,123	77,335	24,835	147%	2
Proceeds from debt	10,000,000	5,000,000	-	-	-	(5,000,000)	0%	3
Total SAFE Program	**12,429,000**	**6,810,000**	**1,415,589**	**609,447**	**2,025,037**	**(4,784,963)**	**30%**	
Dedicated State Gas Tax program:								
Intergovernmental								
State Gas Tax	2,752,000	2,064,000	1,559,105	557,433	2,116,538	52,538	103%	
County Vehicle Registration Fee	704,000	352,000	410,639	154,678	565,317	213,317	161%	
Other	4,200,000	2,650,000	158,887	-	158,887	(2,491,113)	6%	4
Impact fees (from utility funds)	1,824,000	1,358,000	892,000	466,000	1,358,000	-	100%	
Investment earnings	70,000	52,500	(27,669)	23,423	(4,247)	(56,747)	0%	
FILOC revenue	-	-	14,034	-	14,034	14,034	0%	
Proceeds from debt	5,000,000	2,500,000	-	-	-	(2,500,000)	0%	3
Miscellaneous	150,000	112,500	12,443	13,559	26,003	(86,498)	23%	
Total State Gas Tax Program	**14,700,000**	**9,089,000**	**3,019,439**	**1,215,093**	**4,234,532**	**(4,854,468)**	**47%**	
Total Operating Revenues	**36,056,000**	**21,084,500**	**5,910,115**	**2,378,281**	**8,288,396**	**(12,796,104)**	**39%**	
Other Financing Sources								
Transfers in	49,000	49,000	49,000	-	49,000	-	100%	
TOTAL REVENUES	**36,105,000**	**21,133,500**	**5,959,115**	**2,378,281**	**8,337,396**	**(12,796,104)**	**12%**	
EXPENDITURES								
Personnel services	1,317,000	980,000	563,376	334,483	897,860	(82,140)	92%	
Materials and services	1,542,000	1,065,500	385,584	163,822	549,405	(516,095)	52%	5
Debt service	2,637,000	2,316,500	1,995,331	320,416	2,315,747	(753)	100%	
Capital outlay	14,247,000	10,953,500	4,714,975	3,069,624	7,784,599	(3,168,901)	71%	6
Transfers	4,120,000	3,075,000	2,030,000	1,045,000	3,075,000	-	100%	
TOTAL EXPENDITURES	**23,863,000**	**18,390,500**	**9,689,266**	**4,933,345**	**14,622,611**	**(3,767,889)**	**80%**	
Revenue over (under) expenditures	12,242,000	2,743,000	(3,730,151)	(2,555,064)	(6,285,215)	(9,028,215)		
FUND BALANCE - Beginning	18,950,471	18,950,471	18,950,471	15,220,320	18,950,471	-		
FUND BALANCE - Ending	**$ 31,192,471**	**$ 21,693,471**	**$ 15,220,320**	**$ 12,665,256**	**$ 12,665,256**	**$ (9,028,215)**		

TRANSPORTATION FUND, Continued

OBLIGATED FUNDS	**Remaining Contract Amount**
SSMP - Harvey Street improvements	$ 3,440
SSMP - 43rd Avenue	1,959
SSMP - Ardenwald North improvements	2,605
SAFE - Linwood Ave - Safe Routes to School (construction)	130,891
SAFE - Public Info/Engagement	31,188
SAFE - Lake Rd & 34th Ave traffic signal modifications	14,456
SAFE - Lake Road improvements	3,784
SAFE - On-call arborist services *(various projects)*	6,975
SAFE - Ardenwald North improvements	3,952
State Gas Tax - Main Street sidewalk design	6,863
State Gas Tax - Lake Road improvements	33,053
State Gas Tax - Lake Road improvements (on-call construction)	59,566
State Gas Tax - Linwood Ave - Safe Routes to School	331,634
State Gas Tax - 43rd Avenue	59,236
Total Obligated Funds	**$ 689,602**

% of Obligated & Expenditures to Budget	
Flexible Budget	18,390,500
Total Obligated plus Total Expenditures	15,312,213
	83%

NOTES:

1. Local and State Gas tax revenues have a two-month delay but are expected to adjust out by the end of the fiscal year.

2. Cash balances remained higher than anticipated due to lower capital expenditures.

3. Debt previously planned in the budget has not been issued because of construction delays and additional funding sources received.

5. M&S are under projections due to a decrease in professional service associated with delayed projects.

6. Projects slated for FY 2022 have not yet been completed or are in progress from prior year.

TRANSPORTATION FUND, continued

	2nd Quarter Actuals				Prior Year Change		
	FY 2019	FY 2020	FY 2021	FY 2022	FY19/FY20	FY20/FY21	FY21/FY22
REVENUE							
Dedicated to SSMP Program:							
Street maintenance fee	$ 438,003	$ 457,789	$ 479,135	$ 487,353	5%	5%	2%
Intergovernmental (local gas tax)	51,348	49,492	39,900	33,127	-4%	-19%	-17%
Investment earnings	42,268	110,522	22,187	33,261	161%	-80%	50%
Proceeds from debt	6,499,899	-	-	-	-100%	0%	0%
Miscellaneous	-	9,750	-	-	0%	-100%	0%
Total SSMP Program	**7,031,518**	**627,553**	**541,222**	**553,741**	**-91%**	**-14%**	**2%**
Dedicated SAFE program:							
Safe Access fee	525,790	543,493	569,211	581,324	3%	5%	2%
Intergovernmental	-	705,155	72,380	-	0%	-90%	-100%
Investment earnings	47,871	139,818	22,196	28,123	192%	-84%	27%
Proceeds from debt	10,179,714	-	-	-	-100%	0%	0%
Total SAFE Program	**10,753,375**	**1,388,466**	**663,787**	**609,447**	**-87%**	**-52%**	**-8%**
Dedicated State Gas Tax program:							
Intergovernmental - State Gas Tax	656,064	532,387	509,071	557,433	-19%	-4%	10%
County vehicle registration fee	-	-	159,468	154,678			
Intergovernmental - other	34,691	215,027	36,557	-	520%	-83%	-100%
Impact fees (from utility funds)	483,000	516,500	446,000	466,000	7%	-14%	4%
Investment earnings	33,748	76,807	13,939	23,423	128%	-82%	68%
FILOC revenue	868	868	-	-	0%	-100%	0%
Proceeds from debt	3,962,048	-	-	-	-100%	0%	0%
Miscellaneous	24,297	34,901	6,202	13,559	44%	-82%	119%
Total State Gas Tax Program	**5,194,716**	**1,376,490**	**1,171,237**	**1,215,093**	**-74%**	**-15%**	**4%**
Total Operating Revenues	**22,979,609**	**3,392,509**	**2,376,246**	**2,378,281**	**(0.85)**	**(0.30)**	**0.00**
					0%	0%	0%
TOTAL REVENUES	**22,979,609**	**3,392,509**	**2,376,246**	**2,378,281**	**-85%**	**-30%**	**0%**
EXPENDITURES							
Personnel services	254,355	297,171	257,224	334,483	17%	-13%	30%
Materials and services	242,522	234,515	136,275	163,822	-3%	-42%	20%
Debt service	356,535	383,415	352,665	320,416	8%	-8%	-9%
Capital outlay	812,081	3,534,761	838,622	3,069,624	335%	-76%	266%
Transfers	967,500	957,000	1,015,000	1,045,000	-1%	6%	3%
TOTAL EXPENDITURES	**2,632,993**	**5,406,862**	**2,599,786**	**4,933,345**	**105%**	**-52%**	**90%**
Revenue over (under) expenditures	$ 20,346,616	$ (2,014,353)	$ (223,540)	$ (2,555,064)	**-110%**	**-89%**	**1043%**

City of Milwaukie
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WATER FUND

Through the 2nd Quarter Ended December 31, 2021

	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget	NOTE
REVENUE								
Fees and charges	$ 8,259,000	$ 6,135,000	$ 4,448,969	$ 2,580,823	$ 7,029,792	$ 894,792	115%	1
Investment earnings	80,000	60,000	1,870	6,637	8,507	(51,493)	14%	
Miscellaneous	203,000	152,000	77,012	95,286	172,298	20,298	113%	
Total Operating Revenues	8,542,000	6,347,000	4,527,851	2,682,746	7,210,597	863,597	114%	
Other Financing Sources								
Transfers in	55,000	55,000	55,000	-	55,000	-	100%	
TOTAL REVENUES	**8,542,000**	**6,402,000**	**4,582,851**	**2,682,746**	**7,265,597**	**863,597**	**113%**	
EXPENDITURES								
Personnel services	1,866,000	1,379,000	873,422	460,199	1,333,621	(45,379)	97%	
Materials and services	1,858,000	1,413,000	925,623	384,693	1,310,316	(102,684)	93%	
Capital outlay	4,655,000	3,543,500	1,587,661	166,386	1,754,048	(1,789,452)	50%	2
Transfers	2,620,000	1,950,000	1,280,000	670,000	1,950,000	-	100%	
TOTAL EXPENDITURES	**10,999,000**	**8,285,500**	**4,666,706**	**1,681,279**	**6,347,985**	**(1,937,515)**	**77%**	
Revenue over (under) expenditures	(2,457,000)	(1,883,500)	(83,855)	1,001,467	917,612	2,801,112		
FUND BALANCE - Beginning	4,630,057	4,630,057	4,630,057	4,546,202	4,630,057	4,630,057		
FUND BALANCE - Ending	**$ 2,173,057**	**$ 2,746,557**	**$ 4,546,202**	**$ 5,547,669**	**$ 5,547,669**	**$ 7,431,169**		
CASH FROM OPERATIONS								
Revenue*	$ 8,542,000	$ 6,402,000	$ 4,582,851	$ 2,682,746	$ 7,265,597	$ 863,597		
Operating costs**	(6,344,000)	(4,742,000)	(3,079,045)	(1,514,892)	(4,593,937)	148,063		
Total cash from operations	**$ 2,198,000**	**$ 1,660,000**	**$ 1,503,806**	**$ 1,167,854**	**$ 2,671,660**	**$ 1,011,660**		

* Includes interest and misc.
** Operating costs includes personnel services, materials and services, and transfers.

Notes are located on the next page.

City of Milwaukie
Quarterly Financial Report
Second Quarter for Fiscal Year Ending 2022

WATER FUND, *continued*

OBLIGATED FUNDS	Remaining Contract Amount
SCADA	$ 97,838
Well #2	157,170
Stanley Reservoir (Design)	34,478
Ardenwald North improvements	2,418
Total Obligated Funds	**$ 291,904**

% of Obligated & Expenditures to Budget	
Flexible Budget	8,285,500
Total Obligated plus Total Expenditures	6,639,889
	80%

NOTES:

1. New connections and usage continue to be higher than projected during the second quarter.

2. Projects slated for FY 2022 have not yet been completed or are in progress from prior year.

	2nd Quarter Actuals				Prior Year Change		
	FY 2019	FY 2020	FY 2021	FY 2022	FY19/FY20	FY20/FY21	FY21/FY22
REVENUE							
Fees and charges	$ 2,556,742	$ 2,345,520	$ 2,493,265	$ 2,580,823	-8%	6%	4%
Investment earnings	45,526	75,879	14,053	6,637	67%	-81%	-53%
Miscellaneous	45,600	32,728	22,778	95,286	-28%	-30%	318%
TOTAL REVENUES	**2,647,868**	**2,454,127**	**2,530,096**	**2,682,746**	**-7%**	**3%**	**6%**
EXPENDITURES							
Personnel services	394,018	369,407	436,294	460,199	-6%	18%	5%
Materials and services	433,417	399,229	382,873	384,693	-8%	-4%	0%
Capital outlay	76,172	456,553	370,711	166,386	499%	-19%	-55%
Transfers	600,500	624,500	640,000	670,000	4%	2%	5%
TOTAL EXPENDITURES	**1,504,107**	**1,849,689**	**1,829,878**	**1,681,279**	23%	**-1%**	**-8%**
Revenue over (under) expenditures	$ 1,143,761	$ 604,438	$ 700,218	$ 1,001,467	-47%	**16%**	**43%**

City of Milwaukie
Quarterly Financial Report
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WASTEWATER FUND

Through the 2nd Quarter Ended December 31, 2021

	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget	NOTE
REVENUE								
Fees and charges	$ 15,646,000	$ 11,619,000	$ 8,070,393	$ 4,288,000	$ 12,358,393	$ 739,393	106%	1
Proceeds from reimbursement district	102,000	76,500	43,076	160,568	203,644	127,144	266%	2
Tree permits and fees	-	-	-	13,584	13,584	13,584	-	
Investment earnings	200,000	150,000	14,722	8,440	23,162	(126,838)	15%	3
Miscellaneous	14,000	10,500	4,195	3,143	7,338	(3,162)	70%	
Total Operating Revenues	15,962,000	11,856,000	8,132,386	4,473,734	12,606,120	750,120	106%	
Other Financing Sources								
Transfers in	49,000	49,000	49,000	-	49,000	-	100%	
TOTAL REVENUES	**16,011,000**	**11,905,000**	**8,181,386**	**4,473,734**	**12,655,120**	**750,120**	**106%**	
EXPENDITURES								
Personnel services	1,097,000	825,000	448,205	244,644	692,850	(132,150)	84%	3
Materials and services	11,485,000	8,567,500	5,537,092	2,269,495	7,806,587	(760,913)	91%	4
Capital outlay	3,392,000	2,710,500	885,528	67,061	952,589	(1,757,911)	35%	5
Debt service	204,000	153,000	101,522	48,229	149,751	(3,249)	98%	
Transfers	2,610,000	1,945,000	1,280,000	665,000	1,945,000	-	100%	
TOTAL EXPENDITURES	**18,788,000**	**14,201,000**	**8,252,348**	**3,294,429**	**11,546,777**	**(2,654,223)**	**81%**	
Revenue over (under) expenditures	(2,777,000)	(2,296,000)	(70,962)	1,179,305	1,108,343	3,404,343		
FUND BALANCE - Beginning	5,524,837	5,524,837	5,524,837	5,453,875	5,524,837	-		
FUND BALANCE - Ending	**$ 2,747,837**	**$ 3,228,837**	**$ 5,453,875**	**$ 6,633,180**	**$ 6,633,180**	**$ 3,404,343**		
CASH FROM OPERATIONS								
Revenue*	$ 16,011,000	$ 11,905,000	$ 8,181,386	$ 4,473,734	$ 12,655,120	$ 750,120		
Operating costs**	(15,192,000)	(11,337,500)	(7,265,298)	(3,179,139)	(10,444,437)	893,063		
Total cash from operations	**$ 819,000**	**$ 567,500**	**$ 916,088**	**$ 1,294,595**	**$ 2,210,683**	**$ 1,643,183**		

* Includes interest and misc.
** Operating costs includes personnel services, materials and services, and transfers.

Notes are located on the next page.

WASTEWATER FUND, *continued*

OBLIGATED FUNDS	Remaining Contract Amount
SCADA	$ 51,435
Ardenwald North improvements	2,795
Total Obligated Funds	**$ 54,230**

% of Obligated & Expenditures to Budget	
Flexible Budget	14,201,000
Total Obligated plus Total Expenditures	11,601,007
	82%

NOTES:

1. New connections and usage continue to be higher than projected during the second quarter.
2. Cash balances and LGIP rate are trending lower than original forecast.
3. Several position vacancies existed throughout FY 2021 and Q1/Q2 of FY 2022.
4. M&S reductions include facility repairs and utility assistance.
5. Projects slated for FY 2022 have not yet been completed or are in progress from the prior year.

	2nd Quarter Actuals				Prior Year Change		
	FY 2019	FY 2020	FY 2021	FY 2022	FY19/FY20	FY20/FY21	FY21/FY22
REVENUE							
Fees and charges	$ 4,028,793	$ 4,100,513	$ 4,084,601	$ 4,288,000	2%	0%	5%
Proceeds from reimbursement district	65,864	63,351	21,751	160,568	-4%	-66%	638%
Investment earnings	60,517	83,873	16,368	8,440	39%	-80%	-48%
Miscellaneous	2,432	3,181	2,340	3,143	31%	-26%	34%
TOTAL REVENUES	**4,157,606**	**4,250,918**	**4,125,060**	**4,460,150**	**2%**	**-3%**	**8%**
EXPENDITURES							
Personnel services	230,583	257,011	241,135	244,644	11%	-6%	1%
Materials and services	2,243,833	2,311,046	2,297,645	2,269,495	3%	-1%	-1%
Capital outlay	856,839	30,486	103,807	67,061	-96%	241%	-35%
Debt service	48,229	48,229	48,229	48,229	0%	0%	0%
Transfers	524,000	551,000	640,000	665,000	5%	16%	4%
TOTAL EXPENDITURES	**3,903,484**	**3,197,772**	**3,330,816**	**3,294,429**	**-18%**	**4%**	**-1%**
Revenue over (under) expenditures	$ 254,122	$ 1,053,146	$ 794,244	$ 1,165,721	**314%**	**-25%**	**47%**

City of Milwaukie
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STORMWATER FUND

Through the 2nd Quarter Ended December 31, 2021

	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget	NOTE
REVENUE								
Fees and charges	$ 10,127,000	$ 7,564,000	$ 5,117,836	$ 2,590,496	$ 7,708,332	$ 144,332	102%	1
Intergovernmental	-	-	307,540	-	307,540	307,540	0%	2
Investment earnings	80,000	65,000	24,772	8,646	33,418	(31,582)	51%	
Proceeds from issuance of debt	2,500,000	2,500,000	-	-	-	(2,500,000)	0%	3
Miscellaneous	54,000	40,500	33,563	12,457	46,019	5,519	114%	
Total Operating Revenues	12,761,000	10,169,500	5,483,711	2,611,598	8,095,309	(2,074,191)	80%	
Other Financing Sources								
Transfers in	56,000	56,000	56,000	-	56,000	-	100%	
TOTAL REVENUES	**12,817,000**	**10,225,500**	**5,539,711**	**2,611,598**	**8,095,309**	**(2,074,191)**	**80%**	
EXPENDITURES								
Personnel services	1,747,000	1,293,000	701,191	373,930	1,075,121	(217,879)	83%	4
Materials and services	1,491,000	1,132,500	660,081	336,274	996,355	(136,145)	88%	5
Capital outlay	6,962,000	5,407,500	1,860,262	256,291	2,116,553	(3,290,947)	39%	6
Debt service	185,000	-	-	-	-	-	-	
Transfers	2,780,000	2,070,000	1,360,000	710,000	2,070,000	-	100%	
TOTAL EXPENDITURES	**13,165,000**	**9,903,000**	**4,581,535**	**1,676,495**	**6,258,029**	**(3,644,971)**	**63%**	
Revenue over (under) expenditures	(348,000)	322,500	958,176	935,104	1,837,280	1,570,780		
FUND BALANCE - Beginning	5,131,666	5,131,666	5,131,666	6,089,842	5,131,666	-		
FUND BALANCE - Ending	**$ 4,783,666**	**$ 5,454,166**	**$ 6,089,842**	**$ 7,024,946**	**$ 6,968,946**	**$ 1,570,780**		
CASH FROM OPERATIONS								
Revenue*	$ 12,817,000	$ 10,225,500	$ 5,539,711	$ 2,611,598	$ 8,095,309	$ (2,074,191)		
Operating costs**	(6,018,000)	(4,495,500)	(2,721,272)	(1,420,204)	(4,141,476)	354,024		
Total cash from operations	**$ 6,799,000**	**$ 5,730,000**	**$ 2,818,438**	**$ 1,191,395**	**$ 3,953,833**	**$ (1,720,167)**		

* Includes interest and miscellaneous.
** Operating costs includes personnel services, materials and services, and transfers.

Notes are located on the next page.

City of Milwaukie
Quarterly Financial Report
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STORMWATER FUND, *continued*

OBLIGATED FUNDS	Remaining Contract Amount
Meek Street Installation (Design)	$ 4,006
Linwood Ave - Safe Routes to School	353,832
Washington St Pipe Replacement (Design)	205,230
43rd Avenue SAFE/SSMP	2,969
Ardenwald North improvements	870
Lake Road improvements	21,833
Total Obligated Funds	**$ 588,740**

% of Obligated & Expenditures to Budget	
Flexible Budget	9,903,000
Total Obligated plus Total Expenditures	6,846,769
	69%

NOTES:

1. New connections and usage continue to be higher than projected during the second quarter.
2. Cash balances and LGIP rate are trending lower than original forecast.
3. Debt scheduled for issue during the biennium has not occurred.
4. Various M&S reductions noted including sampling and utility assistance.
5. Projects slated for FY 2022 have not yet been completed or are in progress from prior year.

	2nd Quarter Actuals				Prior Year Change		
	FY 2019	FY 2020	FY 2021	FY 2022	FY19/FY20	FY20/FY21	FY21/FY22
REVENUE							
Fees and charges	$ 2,162,838	$ 2,475,194	$ 2,560,795	$ 2,590,496	14%	3%	1%
Intergovernmental	-	35,741	18,295	-	0%	-49%	-100%
Investment earnings	46,836	79,722	15,773	8,646	70%	-80%	-45%
Miscellaneous	11,273	14,426	17,581	12,457	28%	22%	-29%
TOTAL REVENUES	**2,220,947**	**2,605,083**	**2,612,444**	**2,611,598**	**17%**	**0%**	**0%**
EXPENDITURES							
Personnel services	360,665	364,833	353,884	373,930	1%	-3%	6%
Materials and services	221,731	284,011	270,723	336,274	28%	-5%	24%
Capital outlay	469,830	208,282	565,115	256,291	-56%	171%	-55%
Transfers	648,000	674,000	680,000	710,000	4%	1%	4%
TOTAL EXPENDITURES	**1,700,226**	**1,531,126**	**1,869,722**	**1,676,495**	**-10%**	**22%**	**-10%**
Revenue over (under) expenditures	$ 520,721	$ 1,073,957	$ 742,722	$ 935,104	**106%**	**21%**	**26%**

City of Milwaukie
Quarterly Financial Report
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SYSTEM DEVELOPMENT CHARGES FUND – SUMMARY

Through the 2nd Quarter Ended December 31, 2021

	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget	NOTE
REVENUE								
System development charges	$ 711,000	$ 530,500	$ 170,865	$ 524,136	$ 695,001	$ 164,501	131%	1
Investment earnings	40,000	30,000	10,160	2,903	13,063	(16,937)	44%	
Miscellaneous	-	-	1,435	559	1,994	1,994	0%	
Total Operating Revenues	751,000	560,500	182,460	527,598	710,058	149,558	127%	
Other Financing Sources								
Transfers in	23,000	23,000	23,000	-	23,000	-	0%	
TOTAL REVENUES	**751,000**	**560,500**	**205,460**	**527,598**	**733,058**	**149,558**	**131%**	
EXPENDITURES								
Capital outlay	2,103,000	1,797,500	279,997	40,730	320,727	(1,476,773)	18%	2
TOTAL EXPENDITURES	**2,103,000**	**1,797,500**	**279,997**	**40,730**	**320,727**	**(1,476,773)**	**18%**	
Revenue over (under) expenditures	(1,352,000)	(1,237,000)	(74,537)	486,868	412,331	1,626,331		
FUND BALANCE - Beginning	1,774,731	1,774,731	1,774,731	1,700,194	1,774,731	1,774,731		
FUND BALANCE - Ending	**$ 422,731**	**$ 537,731**	**$ 1,700,194**	**$ 2,187,062**	**$ 2,187,062**	**$ 3,401,062**		

OBLIGATED FUNDS	**Remaining Contract Amount**
Water System Master Plan	$ 17,776
Water Master Plan (Seismic Resiliency)	25,003
Wastewater System Master Plan	22,589
Total Obligated Funds	**$ 65,368**

% of Obligated & Expenditures to Budget	
Flexible Budget	1,797,500
Total Obligated plus Total Expenditures	386,095
	21%

NOTES:

1. The Monroe Street Apartments permit was issued in October and the city collected amounts higher than forecasted.
2. Projects slated for FY 2022 have not yet been completed or are in progress from prior year.

City of Milwaukie
Quarterly Financial Report
Second Quarter for Fiscal Year Ending 2022

SYSTEM DEVELOPMENT CHARGES FUND – TRANSPORTATION

	Through the 2nd Quarter Ended December 31, 2021						
	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget
REVENUE							
System development charges	$ 558,000	$ 416,500	$ 88,539	$ 150,460	$ 238,999	$ (177,501)	57%
Investment earnings	10,000	7,500	4,590	2,776	7,366	(134)	98%
Miscellaneous	14,000	14,000	359	-	359	(13,641)	3%
TOTAL REVENUES	**582,000**	**438,000**	**93,488**	**153,236**	**246,723**	**(191,277)**	**56%**
EXPENDITURES							
Material & Services	100,000	100,000	-	-	-	(100,000)	0%
Capital outlay	1,108,000	892,500	62,004	-	62,004	(830,496)	7%
TOTAL EXPENDITURES	**1,208,000**	**992,500**	**62,004**	**-**	**62,004**	**(930,496)**	**6%**
Revenue over (under) expenditures	(626,000)	(554,500)	31,484	153,236	184,720	739,220	
FUND BALANCE - Beginning	655,000	655,000	379,854	411,338	411,338	104,708	
FUND BALANCE - Ending	**$ 29,000**	**$ 100,500**	**$ 411,338**	**$ 564,574**	**$ 596,058**	**$ 843,928**	

SYSTEM DEVELOPMENT CHARGES – WATER

	Through the 2nd Quarter Ended December 31, 2021						
	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget
REVENUE							
System development charges	$ 51,000	$ 38,000	$ 16,869	$ 56,531	$ 73,400	$ 35,400	193%
Investment earnings	10,000	7,500	4,590	726	5,316	(2,184)	71%
Miscellaneous	-	-	359	140	498	498	0%
Total Operating Revenues	61,000	45,500	21,818	57,397	79,214	33,714	174%
TOTAL REVENUES	**61,000**	**45,500**	**21,818**	**57,397**	**79,214**	**33,714**	**174%**
EXPENDITURES							
Capital outlay	175,000	175,000	108,037	29,152	137,189	(37,811)	78%
TOTAL EXPENDITURES	**175,000**	**175,000**	**108,037**	**29,152**	**137,189**	**(37,811)**	
Revenue over (under) expenditures	(114,000)	(129,500)	(86,220)	28,245	(57,975)	71,525	
FUND BALANCE - Beginning	214,000	214,000	174,517	88,297	174,517	(39,483)	
FUND BALANCE - Ending	**$ 100,000**	**$ 84,500**	**$ 88,297**	**$ 116,542**	**$ 116,542**	**$ 32,042**	

SYSTEM DEVELOPMENT CHARGES FUND – WASTEWATER

	Through the 2nd Quarter Ended December 31, 2021						
	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget
REVENUE							
System development charges	$ 51,000	$ 38,000	$ 38,246	$ 222,339	$ 260,585	$ 222,585	686%
Investment earnings	10,000	7,500	4,590	726	5,316	(2,184)	71%
Transfers in	9,000	9,000	359	140	498	(8,502)	6%
TOTAL REVENUES	**70,000**	**54,500**	**43,195**	**223,205**	**266,399**	**211,899**	**489%**
EXPENDITURES							
Capital outlay	540,000	540,000	109,956	11,578	121,534	(418,466)	23%
TOTAL EXPENDITURES	**540,000**	**540,000**	**109,956**	**11,578**	**121,534**	**(418,466)**	**23%**
Revenue over (under) expenditures	(470,000)	(485,500)	(66,761)	211,626	144,866	630,366	
FUND BALANCE - Beginning	878,000	878,000	775,256	708,495	775,256	(102,744)	
FUND BALANCE - Ending	**$ 408,000**	**$ 392,500**	**$ 708,495**	**$ 920,122**	**$ 920,122**	**$ 527,622**	

SYSTEM DEVELOPMENT CHARGES – STORMWATER

	Through the 2nd Quarter Ended December 31, 2021						
	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget
REVENUE							
System development charges	$ 51,000	$ 38,000	$ 35,514	$ 94,806	$ 130,320	$ 92,320	343%
Investment earnings	10,000	7,500	4,590	726	5,316	(2,184)	61%
Miscellaneous	-	-	359	140	498	498	0%
Total Operating Revenues	61,000	45,500	40,463	95,672	136,134	90,634	89%
TOTAL REVENUES	**61,000**	**45,500**	**40,463**	**95,672**	**136,134**	**90,634**	**89%**
EXPENDITURES							
Capital outlay	180,000	90,000	-	-	-	(90,000)	0%
TOTAL EXPENDITURES	**180,000**	**90,000**	**-**	**-**	**-**	**(90,000)**	0%
Revenue over (under) expenditures	(119,000)	(44,500)	40,463	95,672	136,134	180,634	
FUND BALANCE - Beginning	256,000	256,000	199,572	240,035	199,572	(56,428)	
FUND BALANCE - Ending	**$ 137,000**	**$ 211,500**	**$ 240,035**	**$ 335,706**	**$ 335,706**	**$ 124,206**	

City of Milwaukie
Quarterly Financial Report
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MILWAUKIE REDEVELOPMENT COMMISSION (URA) FUND

Through the 2nd Quarter Ended December 31, 2021

	Adopted BN Budget	Flexible Budget	FY 2021 Actual	FY 2022 Actual	Total Biennium To-Date Actual	Over (Under) Flexible Budget	% of Flexible Budget	NOTE
REVENUE								
Property taxes	$ 456,000	$ 210,993	$ 469,886	$ 456,107	$ 925,993	$ 715,001	439%	1
Investment earnings	2,000	1,500	7,241	1,720	8,960	7,460	597%	
Miscellaneous	-	-	328	272	599	599	0%	
Proceeds from issuance of debt	2,000,000	1,000,000	-	-	-	(1,000,000)	0%	2
TOTAL REVENUES	**2,458,000**	**1,212,493**	**477,454**	**458,098**	**935,553**	**(276,940)**	**77%**	
EXPENDITURES								
Materials and services	170,000	90,000	-	1,400	1,400	(90,000)	2%	4
Capital outlay	1,000,000	625,000	-	-	-	(625,000)	0%	3
Debt service	200,000	100,000	-	-	-	(100,000)	0%	
TOTAL EXPENDITURES	**1,370,000**	**815,000**	**-**	**1,400**	**1,400**	**(815,000)**	**0%**	
Revenue over (under) expenditures	1,088,000	397,493	477,454	456,698	934,153	538,060		
FUND BALANCE - Beginning	512,819	512,819	512,819	512,819	95,236	95,236		
FUND BALANCE - Ending	**$ 1,600,819**	**$ 910,312**	**$ 990,273**	**$ 969,517**	**$ 1,029,389**	**$ 633,296**		

NOTES:

1. Property taxes are favorable to the budget related to prior year development that was not previously accounted for in the estimates during the budget adoption process.
2. Debt scheduled for issue during the biennium has not occurred.
3. Projects slated for FY 2022 have not yet been completed or are in progress from prior year.
4. Costs are related to a delay in the consulting study for the redevelopment commission strategy.

	2nd Quarter Actuals				Prior Year Change		
	FY 2019	FY 2020	FY 2021	FY 2022	FY19/FY20	FY20/FY21	FY21/FY22
REVENUE							
Property taxes	$ 158,815	$ 215,444	$ 426,564	$ 456,107	36%	98%	7%
Investment earnings	1,511	5,131	1,895	1,720	240%	-63%	-9%
Miscellaneous	89	121	17	272	36%	-86%	1497%
TOTAL REVENUES	**160,415**	**220,696**	**428,476**	**458,098**	**38%**	**94%**	**7%**
EXPENDITURES							
Materials and services	-	-	-	1,400	0%	0%	0%
Capital outlay	-	-	-	-	0%	0%	0%
TOTAL EXPENDITURES	**-**	**-**	**-**	**1,400**	0%	0%	0%
Revenue over (under) expenditure	$ 160,415	$ 220,696	$ 428,476	$ 456,698	**38%**	**94%**	**7%**

ENGINEERING DEPARTMENT STATUS MEMO TO CITY COUNCIL

&

CAPITAL IMPROVEMENT PROJECTS STATUS REPORT

CITY OF MILWAUKIE

Memorandum

To: City Council
From: Jennifer Garbely, Assistant City Engineer
Through: Kelly Brooks, Assistant City Manager
Date: 2/16/ 2022
Re: Engineering Dept. Projects – City Council Update for March 1, 2022

CAPITAL IMPROVEMENT PROJECTS:

Washington Street Area Improvements

Summary: This project combines elements of the SAFE, SSMP, Water, Stormwater, and Wastewater programs. Safe improvements include upgrading and adding ADA compliant facilities along 27th Ave, Washington St, and Edison St. Street Surface maintenance is planned for Washington Street, 27th Avenue, and Edison Street. The Spring Creek culvert under Washington Street at 27th Avenue is to be removed and a new structure added. The water system along Washington Street will be upsized from a 6" mainline to an 8" mainline. The stormwater system along Washington Street will be upsized from to 24" storm lines.

Update:
The Washington Street Area Improvements is under contract with AKS as the design consultant.

42nd Avenue & 43rd Avenue SAFE Improvements

Summary: The combined 42nd and 43rd Avenues SAFE project will install measures to increase safety for bikes and pedestrians. Some utility work is included in the scope.

- 42nd SAFE: Reconstruct portions of the sidewalk and many sidewalk ramps for ADA accessibility. Install curb islands and other improvements to slow vehicle speeds and increase pedestrian and bicyclist safety. Water system improvements include transferring existing services from the 4" main to the existing 12" main. Sewer pipe replacement between Fieldcrest Avenue and Olsen Street.
- 43rd SAFE: Install a combination of sidewalks and shared bike/pedestrian paths along 43rd Avenue from King Road to Howe Street. Install sidewalks and shared bike/travel lane markings along Howe Street from 43rd Avenue to 42nd Avenue. Replace a problematic sanitary sewer line along 43rd Avenue from Rockwood Street to Covell

Street. Ongoing discussions with an adjacent property owner will likely necessitate transitioning from a multiuse path to sidewalk and sharrows immediately south of SE Rhodesa St on the west side.

Update: Tapani, Inc is mobilized onsite. The sewer work on 43rd is complete and they are currently working on the sewer work on 42nd. ADA ramps and spot sidewalk fixes on the westside of 42nd Avenue are in progress. On an as need basis detours are being used throughout this project. Currently we are detouring on 42nd in order to install the sewer pipeline.

Lake Road Improvements

Summary: The Lake Road Improvements Project includes full depth reconstruction of the roadway from 23rd Avenue to Guilford Drive. The road will also be widened to accommodate the existing lane configuration and provide bike lanes in each direction for the full length. This project will install pervious pavement, stormwater planters, traffic signal upgrades at Lake Road and Oatfield Drive, and school zone flasher upgrades. Twelve curb ramps will be upgraded as part of this project.

Update: The new signal at Lake and 34th/Oatfield passed all inspections and is turned on. Temporary striping was placed at the intersection and along Lake Road in order to turn the signal on and for safety. The permeant striping will occur in the springtime when weather temperatures increase, and precipitation decreases. Remaining work includes final striping, water quality facilities, landscaping, signage, a couple asphalt driveways, and cleanup work.

Linwood Avenue SAFE Improvements

Summary: Shared bike/ped path on both sides of Linwood Avenue from just north of Harmony Road to Monroe Street. Permanent improvements will be made to the temporary diverter at the Monroe/Linwood intersection.

Update: Working on punch list, striping, signage, landscaping, and clean up.

Meek Street Storm Improvements

Summary: Project was identified in the 2014 Stormwater Master Plan to reduce flooding within this water basin. The project was split into a South Phase and a North Phase due to complications in working with UPRR.

Update: Meek North Phase is moving slowly with getting property and easement documents to move forward with the purchase from the Railroad.

SAFE & SSMP FY 2021 Improvements (Home Ave & Wood Ave)

Summary: Project includes the Home Avenue and the Wood Avenue SSMP improvements.

- Home Avenue: Construct sidewalk on one side of Home Avenue from King Road to Railroad Avenue. Full road reconstruction and installation of four inches of pavement from King Road to Railroad Avenue. Replace sewer pipe to improve lift station capacity on Harrison Street from 47th Avenue to Home Avenue, and on Home Avenue from Harrison Street to Monroe Street)

- Wood Avenue: Full road reconstruction and installation of four inches of pavement Railroad Avenue to Park Street.

Update: As soon as DEQ erosion permit is issued construction will begin, we are anticipating late February.

Harvey Street Improvements

Summary: Project includes water service improvements on Harvey Street from 32nd Avenue to 42nd Avenue, on 42nd Avenue from Howe Street to Harvey Street, as well as 33rd Avenue and 36th Avenue. The project also includes sidewalk construction and roadway paving on Harvey Street from 32nd Avenue to 42nd Avenue.

Harvey Street: Project is under design.

FY 2021 Wastewater Improvements

Summary: Project includes replacement of old or high maintenance sanitary sewer mainline at 3 locations: Kent Street, 37th Avenue, Washington Street.

Update: Project is under design an approaching 50%.

Ardenwald North Improvements

Summary: Project includes street and sidewalk improvements on Van Water Street, 32nd Avenue, and Roswell Street. The stormwater system will be replaced on Van Water Street, the water system will be upsized on 29th Avenue, 30th Avenue, 31st Avenue, and Roswell Street, and there will be wastewater improvements on 28th Avenue, Van Water Street, 29th Avenue, and 31st Avenue to address multiple bellies and root intrusion to reduce debris buildup.

Update: Staff is preparing a contract with Commonstreet Consulting for property appraisal of a parcel of private land under the existing city street. Once appraised, the city will work with the property owner to acquire the approximately 1,275 sq ft of land into public right-of-way.

Milwaukie Bay Park

Summary: Provided grant support letters for two state grants. Worked with NCPRD to contract for the dock to be removed and repaired.

Update: City Council and City Manager are negotiating with NCPRD on construction IGA.

Wavery Heights Sewer Reconfiguration

Summary: Waverly Heights Wastewater System Reconfiguration was identified in our 2010 Wastewater System Master Plan. The existing sewer collection system is in a residential neighborhood within the City of Milwaukie; some 3,700 feet of pipe may need replacing.

Update: Project delayed until FY 2023.

Monroe Street Greenway

Summary: The Monroe Street Greenway will create a nearly four-mile, continuous, low-stress bikeway from downtown Milwaukie to the I-205 Multi-Use path. Once complete, it will serve as the spine of Milwaukie's active transportation network connecting users to the Max Orange Line, Max Green Line, Trolley Trail, 17th Avenue Bike Path, I-205 path, neighborhoods, schools, and parks. Funding grants through ODOT and Metro will allow the city to complete the 2.2 miles of our section of the Monroe Greenway from the Trolley Trail to Linwood Ave in the next five years.

Update: Staff have provided edits back to ODOT for the RFFA funding and expect to move to signature soon. ODOT also initiated a STIP / MTIP amendment to move $1.5M in safety leverage funds to the city. Once approved by JPACT the city and ODOT will execute a second IGA regarding the terms associated with these funds prior to transfer. Since the last update, the Milwaukie Redevelopment Commission included funding for segment C in its five-year action plan and city staff provided a funding request to Rep. Karin Power to help fully fund segments D&E.

The intersection updates at Monroe and 224 are scheduled to be constructed in 2024. The city is working to align our improvements to A / B/ & hopefully C (depending on railroad) to the same timeline.

Kellogg Creek Dam Removal

Summary: Project to remove the Kellogg Creek dam, replace the bridge, and improve fish passage.

Update: The city is working with NCWC and other partners to pursue possible federal funds for the project.

TRAFFIC / PARKING PROJECTS, ISSUES

RIGHT-OF-WAY (ROW) PERMITS (includes tree, use, construction, encroachment)

Downtown Trees and Sidewalks

Summary: A downtown business owner applied for a permit to remove 5 trees at 10909 SE Main Street. Peter and Steve met with the applicant to propose retaining the trees by allowing for larger tree wells and raising the sidewalk to allow more space for roots under them. The city has offered to demolish and reinstall the curb; but the property owner will be responsible for replacement of the sidewalk and all future maintenance of sidewalks. Owner expressed concerns that any changes with sidewalk elevation may allow storm runoff to shed towards the front doors of the businesses.

Update: Staff is working on a contract with AKS.

PRIVATE DEVELOPMENT – PUBLIC IMPROVEMENT PROJECTS (PIPS)

Monroe Apartments - 234 units

Update: Guardian Real Estate Services (same developer of Axeltree) has taken over the project. They chose to stay with the same layout and design which JDA had put together. We have held pre-construction meetings and the contractor will mobilize to the site in the next week or two. Due to the community interest, we have seen on this project, we have chosen to set up a project construction web page on our website.

Railroad Estates Subdivision – 6 lot subdivision at Railroad Ave. & 56th Ave.

Update: The pre-construction meeting for this project was held on June 2nd. Construction has been delayed and is now expected to start by spring 2022.

Walnut Addition Subdivision – 9 lot subdivision at Roswell St. & 33rd Ave.

Update:

While the subdivision was platted some 40 years ago, it was never fully constructed. Staff has reviewed and commented on construction plans submitted for the project; we anticipate going forward with a pre-construction meeting in the near future.

Elk Rock Estates – 5 lot subdivision at 19th Ave & Sparrow St.

Update: No change.

Construction plans have been approved. Waiting on developer to request a pre-construction meeting and for a performance bond and insurance certificate to be submitted.

32nd & Olsen – 4-story, 18 unit mixed use building

Update: No change.

Updated plans were received last week of July. Revised plans are currently under review by staff.

Birnam Oaks Apartments (formerly Waverly Woods) - 130 units (all phases)

Update: No change.

Public Improvement plans have been received and are under review for the first phase of this project, Building A1 (30 units).

DOCUMENT ADMINISTRATION

Master Plans

Summary: Water and Wastewater System Master Plans are under contract and are being managed by Peter Passarelli.

Update: Review draft chapters in the water and wastewater master plans. Transportation Systems Plan (TSP): the city was recently awarded a Transportation and Growth Management (TGM) grant through ODOT to help fund updating and revising our TSP.

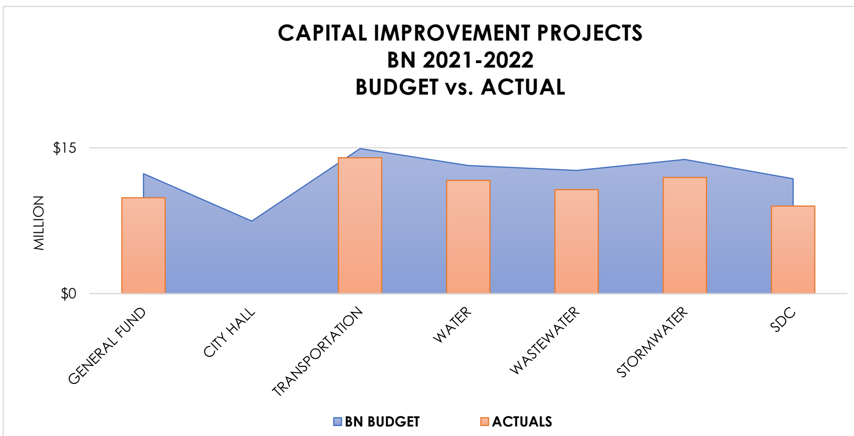
DEQ Stormwater Report

Summary: The Department of Environmental Quality (DEQ) requires an annual update report documenting how the City of Milwaukie is meeting the MS4 DEQ Permit requirements. This report is submitted annually by Public Works.

Update: Engineering is tracking CIP and PIP stormwater work to be included in the annual report.

City of Milwaukie
Capital Improvement Projects Update - TOTAL BY FUND
Second Quarter for Fiscal Year Ending 2022
(Amounts in Thousands $100 = $100,000)

FUND	BUDGET FY 2021	BUDGET FY 2022	ADJUSTMENTS	UPDATED BN BUDGET	FY 2021 ACTUAL EXPENDITURE	BN ACTUAL EXPENDITURES	BUDGET REMAINING	% OF BUDGET REMAINING
GENERAL FUND	$ 1,086	$ 1,652	$ -	$ 2,738	$ 478	$ 556	$ 2,182	80%
CITY HALL	-	120	-	120	-	-	120	100%
TRANSPORTATION	7,660	6,587	-	14,247	4,714	7,784	6,463	45%
WATER	2,432	2,223	-	4,655	3,508	1,754	2,086	45%
WASTEWATER	2,029	1,363	-	3,392	886	953	2,439	72%
STORMWATER	3,853	3,109	-	6,962	1,861	2,117	4,845	70%
SDC	1,108	831	-	1,939	280	321	1,618	83%
TOTAL CITY-WIDE	**$ 18,168**	**$ 15,885**	**$ -**	**$ 34,053**	**$ 11,727**	**$ 13,485**	**$ 19,753**	**58%**



City of Milwaukie
Capital Improvement Projects Update - GENERAL FUND
Second Quarter for Fiscal Year Ending 2022
(Amounts in Thousands $100 = $100,000)

GENERAL FUND PROJECT NAME	DEPARTMENT	BUDGET FY 2021	BUDGET FY 2022	ADJUSTMENTS	Tickmark	UPDATED BN BUDGET	FY 2021 ACTUAL EXPENDITURE	FY 2022 ACTUAL EXPENDITURE	BN ACTUAL EXPENDITURES	BUDGET REMAINING	% OF BUDGET REMAINING	PROJECT SPECIFIC NOTE
Fleet / Vehicles	City Manager	$ 20	$ -	$ -		$ 20	$ -	$ -	$ -	$ 20	100%	Removed
Dogwood Park Improvements	Community Development	10	-	-		10	-	-	-	10	100%	Deferred
Dogwood Park Improvements - METRO BOND	Community Development	60	-	-		60	-	-	-	60	100%	Deferred
Fleet / Vehicles	Community Development	-	20	-		20	-	20	20	-	0%	Complete
Landbanking	Community Development	50	50	-		100	16	-	16	84	84%	
Milwaukie Bay Park Final Design Implementation - METRO BOND	Community Development	-	750	-		750	-	-	-	750	100%	Finalizing construction IGA
Milwaukie Bay Park Final Design Implementation	Community Development	250	-	-		250	-	-	-	250	100%	Finalizing construction IGA
Scott Park Master Plan & Implementation	Community Development	60	-	-		60	-	-	-	60	100%	
Scott Park Master Plan & Implementation - METRO BOND	Community Development	-	317	-		317	-	-	-	317	100%	
Badge Reader Installation	Facilities	-	40	-		40	21	-	21	19	48%	In progress
Citywide Security System Panel Upgrade	Facilities	-	35	-		35	11	-	11	24		In progress
Community Development Roof Paint	Facilities	140	-	-		140	116	-	116	24	17%	Complete
Harvey Street Campus Fiber Ring Connection	Facilities	-	15	-		15	-	-	-	15	100%	
Harvey Street Campus Storage Building Roof Repair	Facilities	-	50	-		50	46	-	46	4	8%	Complete
Johnson Creek Campus Diesel Tank Installation	Facilities	-	40	-		40	1	-	1	39	98%	Soliciting for contractors
Johnson Creek Campus Fuel Tank Removal	Facilities	100	-	-		100	-	-	-	100	100%	Soliciting for contractors
Public Safety Building Security System Server	Facilities	-	60	-		60	-	-	-	60	100%	
Public Safety Building Seismic Retrofit Design	Facilities	175	-	-		175	-	53	53	122	70%	Undergoing seismic evaluation
Public Safety Building South Entrance Door Replacement	Facilities	-	25	-		25	-	-	-	25	100%	
Camera & Data Backup Storage Replacement	Information Technology	80	80	-		160	51	-	51	109	68%	Complete
Server Replacement	Information Technology	-	70	-		70	31	-	31	39	56%	Complete
Fleet / Vehicles	Police Department	141	100	-		241	185	5	190	51	21%	
	GENERAL FUND TOTAL	**$ 1,086**	**$ 1,652**	**$ -**		**$ 2,738**	**$ 478**	**$ 78**	**$ 556**	**$ 2,182**	**80%**	

City of Milwaukie
Capital Improvement Projects Update - GITY HALL FUND
Second Quarter for Fiscal Year Ending 2022
(Amounts in Thousands $100 = $100,000)

CITY HALL PROJECT NAME	DEPARTMENT	BUDGET FY 2021	BUDGET FY 2022	ADJUSTMENTS	Tickmark	UPDATED BN BUDGET	FY 2021 ACTUAL EXPENDITURE	BUDGET REMAINING	% OF BUDGET REMAINING	PROJECT SPECIFIC NOTE
Window Seals	City Hall	$ -	$ 20	$ -		$ 20	$ -	$ 20	100%	
Chambers Video Equipment	City Hall									
Art in Public Places	City Hall	-	100	-		100	-	100	100%	
	CITY HALL FUND TOTAL	**$ -**	**$ 120**	**$ -**		**$ 120**	**$ -**	**$ 120**	**100%**	

City of Milwaukie
Capital Improvement Projects Update - INFRASTRUCTURE
Second Quarter for Fiscal Year Ending 2021
(Amounts in Thousands $100 = $100,000)

INFRASTRUCTURE PROJECT NAME	DEPARTMENT	Project #	BUDGET FY 2021	BUDGET FY 2022	ADJUSTMENTS	Tickmark	UPDATED BN BUDGET	FY 2021 ACTUAL EXPENDITURE	FY 2022 ACTUAL EXPENDITURE	BN ACTUAL EXPENDITURES	BUDGET REMAINING	% OF BUDGET REMAINING	PROJECT SPECIFIC NOTE
22nd Avenue & River Road SAFE Improvements	SAFE	A07	$ 434	$ 265	$ -		$ 699	$ 624	$ 1	$ 625	$ 74	11%	Construction complete; in warranty phase
	SSMP	S20	232	155	-		387	385	-	385	2	1%	
	STORMWATER	Y36	159	106	-		265	261	-	261	4	2%	
	WASTEWATER	-	18	-	-		18	-	-	-	18	100%	
	WATER	W57	292	195	-		487	652	-	652	(165)	-34%	
23rd Avenue & River Road SAFE Improvements			**$ 1,135**	**$ 721**	**$ -**		**$ 1,856**	**$ 1,922**	**$ 1**	**$ 1,923**	**$ (67)**	**-4%**	
42nd Avenue & 43rd Avenue Improvements	SAFE	A05, A10,	$ 397	$ 382	$ -		$ 779	$ 161	$ 18	$ 179	$ 600	77%	Construction anticipated to start winter 2022
	SSMP	S16	79	71	-		150	21	-	21	129	86%	
	STATE GAS TAX	S16, T50	541	492	-		1,033	13	19	32	1,001	97%	
	STORMWATER	Y35	275	257	-		532	30	-	30	502		
	WASTEWATER	X31	335	-	-		335	32	-	32	303	90%	
	WATER	-	50	-	-		50	-	-	-	50	100%	
42nd Avenue & 43rd Avenue Improvements			**$ 1,677**	**$ 1,202**	**$ -**		**$ 2,879**	**$ 257**	**$ 37**	**$ 294**	**$ 2,585**	**90%**	
Ardenwald North Improvements	SAFE	W61	$ 30	$ 669	$ -		$ 699	$ -	$ 12	$ 12	$ 687	98%	In-house design in progress
	SSMP	W61	-	313	-		313	-	5	5	308	98%	
	STORMWATER	W61	-	160	-		160	-	2	2	158	99%	
	WASTEWATER	W61	-	476	-		476	-	8	8	468	98%	
	WATER	W61	50	854	-		904	-	15	15	889	98%	
Ardenwald North Improvements			**$ 80**	**$ 2,472**	**$ -**		**$ 2,552**	**$ -**	**$ 42**	**$ 42**	**$ 2,510**	**98%**	
Downtown Curb Improvements	STATE GAS TAX	T58	$ 15	$ -	$ -		$ 15	$ 6	$ 7	$ 13	$ 2	13%	Consultant design upcoming
Downtown Curb Improvements			**$ 15**	**$ -**	**$ -**		**$ 15**	**$ 6**	**$ 7**	**$ 13**	**$ 2**	**13%**	
Downtown Public Area Requirements	STATE GAS TAX	-	$ -	$ 250	$ -		$ 250	$ -	$ -	$ -	$ 250	100%	Consultant design upcoming
	TRANSPORTATION - SDC	-	-	250	-		250	-	-	-	250	100%	
Downtown Public Area Requirements			**$ -**	**$ 500**	**$ -**		**$ 500**	**$ -**	**$ -**	**$ -**	**$ 500**	**100%**	

INFRASTRUCTURE PROJECT NAME	DEPARTMENT	Project #	BUDGET FY 2021	BUDGET FY 2022	ADJUSTMENTS	Tickmark	UPDATED BN BUDGET	FY 2021 ACTUAL EXPENDITURE	FY 2022 ACTUAL EXPENDITURE	BN ACTUAL EXPENDITURES	BUDGET REMAINING	% OF BUDGET REMAINING	PROJECT SPECIFIC NOTE
El Puente Safe Routes to School Improvements	SAFE	A13	$ 100	$ 190	$ -		$ 290	$ -	$ -	$ -	$ 290	100%	AKS Engineering selected as design consultant
	SSMP	-	30	64	-		94	-	-	-	94	100%	
	STORMWATER	-	100	166	-		266	-	-	-	266	100%	
	WASTEWATER	-	-	37	-		37	-	-	-	37	100%	
	WASTEWATER - SDC	-	-	220	-		220	-	-	-	220	100%	
	WATER	-	20	21	-		41	-	-	-	41	100%	
El Puente Safe Routes to School Improvements			**$ 250**	**$ 698**	**$ -**		**$ 948**	**$ -**	**$ -**	**$ -**	**$ 948**	**100%**	
Fleet / Vehicles	STORMWATER	Y12	$ 15	$ -	$ -		$ 15	$ 10	$ -	$ 10	$ 5	33%	In progress
	WASTEWATER	X15	15	635	-		650	612	-	612	38	6%	Research and testing vactor trucks
	WATER	W42	56	60	-		116	111	-	111	5	4%	In progress
	STATE GAS TAX	T39	15	-	-		15	10	-	10	5	33%	In progress
Fleet / Vehicles			**$ 101**	**$ 695**	**$ -**		**$ 796**	**$ 743**	**$ -**	**$ 743**	**$ 53**	**7%**	
FRA Quiet Zone Study	STATE GAS TAX	T56	$ 15	$ -	$ -		$ 15	$ -	$ -	$ -	$ 15	100%	Submitted to FRA; completed
FRA Quiet Zone Study			**$ 15**	**$ -**	**$ -**		**$ 15**	**$ -**	**$ -**	**$ -**	**$ 15**	**100%**	
Harvey Street Improvements	SAFE	W56	$ 30	$ 503	$ -		$ 533	$ 27	$ -	$ 27	$ 506	95%	In-house design in progress
	SSMP	W56	50	700	-		750	-	11	11	739	99%	
	STATE GAS TAX	-	-	341	-		341	-	-	-	341	100%	
	STORMWATER	-	-	336	-		336	-	-	-	336	100%	
	WASTEWATER	-	-	5	-		5	-	-	-	5	100%	
	WATER	-	-	983	-		983	-	-	-	983	100%	
Harvey Street Improvements			**$ 80**	**$ 2,868**	**$ -**		**$ 2,948**	**$ 27**	**$ 11**	**$ 38**	**$ 2,910**	**99%**	
King Road Improvements	SAFE	-	$ -	$ 80	$ -		$ 80	$ -	$ -	$ -	$ 80	100%	Upcoming
	SSMP	-	-	20	-		20	-	-	-	20	100%	
King Road Improvements			**$ -**	**$ 100**	**$ -**		**$ 100**	**$ -**	**$ -**	**$ -**	**$ 100**	**100%**	
Kronberg Park Stormwater Improvements	STORMWATER	-	$ 100	$ -	$ (100)	A	$ -	$ -	$ -	$ -	$ -	0%	Complete
Kronberg Park Stormwater Improvements			**$ 100**	**$ -**	**$ (100)**		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**0%**	

INFRASTRUCTURE PROJECT NAME	DEPARTMENT	Project #	BUDGET FY 2021	BUDGET FY 2022	ADJUSTMENTS	Tickmark	UPDATED BN BUDGET	FY 2021 ACTUAL EXPENDITURE	FY 2022 ACTUAL EXPENDITURE	BN ACTUAL EXPENDITURES	BUDGET REMAINING	% OF BUDGET REMAINING	PROJECT SPECIFIC NOTE
Lake Road Improvements 2021	SAFE	S26	$ 720	$ -	$ -		$ 720	$ 195	$ 348	$ 543	$ 177	25%	Under construction
	SSMP	S26	1,407	-	-		1,407	529	1,095	1,624	(217)	-15%	
	STATE GAS TAX	S26	531	-	-		531	264	320	584	(53)	-10%	
	STATE GAS TAX - FILOC	-	127	-	-		127	-	-	-	127	100%	
	STORMWATER	S26	650	-	-		650	291	135	426	224	34%	
	WASTEWATER	S26	86	-	-		86	80	4	84	2	2%	
	Lake Road Improvements 2021		**$ 3,521**	**$ -**	**$ -**		**$ 3,521**	**$ 1,359**	**$ 1,902**	**$ 3,261**	**$ 260**	**7%**	
Lift Station Pump & SCADA Controls Replacement	WASTEWATER	-	$ 100	$ 50	$ -		$ 150	$ -	$ -	$ -	$ 150	100%	Consultant developing plans and specifications
	Lift Station Pump & SCADA Controls Replacement		**$ 100**	**$ 50**	**$ -**		**$ 150**	**$ -**	**$ -**	**$ -**	**$ 150**	**100%**	
Linwood Avenue SAFE Improvements	SAFE	A04	$ 626	$ 426	$ -		$ 1,052	$ 1,118	$ 960	$ 2,078	$ (1,026)	-98%	Under construction
	STATE GAS TAX	T48	319	213	-		532	399	158	557	(25)	-5%	
	STORMWATER	Y31	492	328	-		820	817	113	930	(110)	-13%	
	Linwood Avenue SAFE Improvements		**$ 1,437**	**$ 967**	**$ -**		**$ 2,404**	**$ 2,334**	**$ 1,231**	**$ 3,565**	**$ (1,161)**	**-48%**	
Logus Road & 40th Avenue Improvements	SAFE	-	$ -	$ 15	$ -		$ 15	$ -	$ -	$ -	$ 15	100%	Upcoming
	SSMP	-	-	10	-		10	-	-	-	10	100%	
	WASTEWATER	-	-	5	-		5	-	-	-	5	100%	
	WATER	-	-	10	-		10	-	-	-	10	100%	
	Logus Road & 40th Avenue Improvements		**$ -**	**$ 40**	**$ -**		**$ 40**	**$ -**	**$ -**	**$ -**	**$ 40**	**100%**	
McBrod Avenue Improvements	SSMP	S07	$ 464	$ -	$ -		$ 464	$ 540	$ -	$ 540	$ (76)	-16%	Construction complete; in warranty phase
	STATE GAS TAX	T49	370	-	-		370	359	-	359	11	3%	
	STORMWATER	Y29	20	-	100	A	120	275	-	275	(155)	-129%	
	WASTEWATER	X34	4	-	-		4	3	-	3	1	25%	
	WATER	W47	59	-	-		59	67	-	67	(8)	-14%	
	McBrod Avenue Improvements		**$ 917**	**$ -**	**$ 100**		**$ 1,017**	**$ 1,244**	**$ -**	**$ 1,244**	**$ (227)**	**-22%**	

INFRASTRUCTURE PROJECT NAME	DEPARTMENT	Project #	BUDGET FY 2021	BUDGET FY 2022	ADJUSTMENTS	Tickmark	UPDATED BN BUDGET	FY 2021 ACTUAL EXPENDITURE	FY 2022 ACTUAL EXPENDITURE	BN ACTUAL EXPENDITURES	BUDGET REMAINING	% OF BUDGET REMAINING	PROJECT SPECIFIC NOTE
Meek Street Improvements, North Phase	STORMWATER	Y11	$ 1,390	$ 1,504	$ -		$ 2,894	$ 177	$ 3	$ 180	$ 2,714	94%	In progress
	STORMWATER - SDC	-	-	180	-		180	-	-	-	180	100%	
Meek Street Improvements, North Phase			**$ 1,390**	**$ 1,684**	**$ -**		**$ 3,074**	**$ 177**	**$ 3**	**$ 180**	**$ 2,894**	**94%**	
Meek Street Improvements, South Phase	STORMWATER	-	$ 400	$ -	$ -		$ 400	$ -	$ -	$ -	$ 400	100%	Complete
Meek Street Improvements, South Phase			**$ 400**	**$ -**	**$ -**		**$ 400**	**$ -**	**$ -**	**$ -**	**$ 400**	**100%**	
Monroe Street Greenway Improvements	SAFE	-	$ -	$ 400	$ -		$ 400	$ -	$ -	$ -	$ 400	100%	Pre-design phase
	TRANSPORTATION - SDC	T38	677	81	-		758	62	-	62	696	92%	
Monroe Street Greenway Improvements			**$ 677**	**$ 481**	**$ -**		**$ 1,158**	**$ 62**	**$ -**	**$ 62**	**$ 1,096**	**95%**	
Request for Service Fund	SAFE	-	$ 50	$ 50	$ -		$ 100	$ -	$ -	$ -	$ 100	100%	In progress
Request for Service Fund			**$ 50**	**$ 50**	**$ -**		**$ 100**	**$ -**	**$ -**	**$ -**	**$ 100**	**100%**	
SAFE & SSMP FY 2021 Improvements	SAFE	A01, A02,	416	376	-		792	46	7	53	739	93%	Kerr Contractors selected; construction anticipated to start winter 2022
	SSMP	A12	339	339	-		678	-	5	5	673	99%	
	STATE GAS TAX	T59	17	17	-		34	-	104	104	(70)	-206%	
	STATE GAS TAX - FILOC	-	41	41	-		82	-	-	-	82	100%	
	STORMWATER	-	2	2	-		4	-	-	-	4	100%	
	WASTEWATER	-	360	-	-		360	-	-	-	360	100%	
	WASTEWATER - SDC	-	180	-	-		180	-	-	-	180	100%	
SAFE & SSMP FY 2021 Improvements			**$ 1,355**	**$ 775**	**$ -**		**$ 2,130**	**$ 46**	**$ 116**	**$ 162**	**$ 1,968**	**92%**	
SCADA Design and Construction	WASTEWATER	X21	$ 530	$ 105	$ -		$ 635	$ 159	$ 55	$ 214	$ 421	66%	Consultant finalizing design for field automation and communication; expected completion 2021
	WATER	W44	935	-	-		935	162	55	217	718	77%	
SCADA Design and Construction			**$ 1,465**	**$ 105**	**$ -**		**$ 1,570**	**$ 321**	**$ 110**	**$ 431**	**$ 1,139**	**73%**	
Signal Upgrades	STATE GAS TAX	T57	$ 100	$ -	$ -		$ 100	$ 17	$ -	$ 17	$ 83	83%	In progress
Signal Upgrades			**$ 100**	**$ -**	**$ -**		**$ 100**	**$ 17**	**$ -**	**$ 17**	**$ 83**	**83%**	

INFRASTRUCTURE PROJECT NAME	DEPARTMENT	Project #	BUDGET FY 2021	BUDGET FY 2022	ADJUSTMENTS	Tickmark	UPDATED BN BUDGET	FY 2021 ACTUAL EXPENDITURE	FY 2022 ACTUAL EXPENDITURE	BN ACTUAL EXPENDITURES	BUDGET REMAINING	% OF BUDGET REMAINING	PROJECT SPECIFIC NOTE
Stanley Reservoir Design and Construction (Well #6)	WATER	W23	$ 35	$ -	$ -		$ 35	$ -	$ 1	$ 1	$ 34	97%	
Stanley Reservoir Design and Construction (Well #6)			**$ 35**	**$ -**	**$ -**		**$ 35**	**$ -**	**$ 1**	**$ 1**	**$ 34**	**97%**	
Stormwater Capital Maintenance Program	STORMWATER	Y22	$ 250	$ 250	$ -		$ 500	$ -	$ 3	$ 3	$ 497	99%	
Stormwater Capital Maintenance Program			**$ 250**	**$ 250**	**$ -**		**$ 500**	**$ -**	**$ 3**	**$ 3**	**$ 497**	**99%**	
Transportation Capital Maintenance Program (Crack Seal/Slurry Seal)	SSMP	-	$ 15	$ 15	$ -		$ 30	$ -	$ -	$ -	$ 30	100%	Complete
	STATE GAS TAX	-	150	150	-		300	-	-	-	300	100%	
Transportation Capital Maintenance Program (Crack Seal/Slurry Seal)			**$ 165**	**$ 165**	**$ -**		**$ 330**	**$ -**	**$ -**	**$ -**	**$ 330**	**100%**	
Transportation Systems Plan Update	TRANSPORTATION - SDC	-	$ -	$ 100	$ -		$ 100	$ -	$ -	$ -	$ 100	100%	RFP set for spring 2022; city awarded $250k Oregon TGM grant
Transportation Systems Plan Update			**$ -**	**$ 100**	**$ -**		**$ 100**	**$ -**	**$ -**	**$ -**	**$ 100**	**100%**	
Wastewater Capital Maintenance Program	WASTEWATER	-	$ 50	$ 50	$ -		$ 100	$ -	$ -	$ -	$ 100	100%	
Wastewater Capital Maintenance Program			**$ 50**	**$ 50**	**$ -**		**$ 100**	**$ -**	**$ -**	**$ -**	**$ 100**	**100%**	
Wastewater System Improvements FY 2021	WASTEWATER	-	$ 466	$ -	$ -		$ 466	$ -	$ -	$ -	$ 466	100%	In-house design in progress
Wastewater System Improvements FY 2021			**$ 466**	**$ -**	**$ -**		**$ 466**	**$ -**	**$ -**	**$ -**	**$ 466**	**100%**	
Wastewater System Master Plan	WASTEWATER	-	$ 65	$ -	$ -		$ 65	$ -	$ -	$ -	$ 65	100%	Draft complete; finalizing SDC analysis
	WASTEWATER - SDC	X35	$ 135	$ -	$ -		135	110	12	122	13	10%	
Wastewater System Master Plan			**$ 200**	**$ -**	**$ -**		**$ 200**	**$ 110**	**$ 12**	**$ 122**	**$ 78**	**39%**	
Water Capital Maintenance Program	WATER	W53, W5!	$ 100	$ 100	$ -		$ 200	$ 136	$ 16	$ 152	$ 48	24%	Purchased new filter media for treatment facilities
Water Capital Maintenance Program			**$ 100**	**$ 100**	**$ -**		**$ 200**	**$ 136**	**$ 16**	**$ 152**	**$ 48**	**24%**	
Water Master Plan	WATER	-	$ 120	$ -	$ -		$ 120	$ -	$ -	$ -	$ 120	100%	Draft complete; finalizing CIP
	WATER - SDC	W49	116	-	-		116	108	29	137	(21)	-18%	
Water Master Plan			**$ 236**	**$ -**	**$ -**		**$ 236**	**$ 108**	**$ 29**	**$ 137**	**$ 99**	**42%**	
Waverly South Improvements	SAFE	-	$ -	$ 20	$ -		$ 20	$ -	$ -	$ -	$ 20	100%	Upcoming survey with bulk of project to be done FY23
	SSMP	-	-	20	-		20	-	-	-	20	100%	
Waverly South Improvements			**$ -**	**$ 40**	**$ -**		**$ 40**	**$ -**	**$ -**	**$ -**	**$ 40**	**100%**	

INFRASTRUCTURE PROJECT NAME	DEPARTMENT	Project #	BUDGET FY 2021	BUDGET FY 2022	ADJUSTMENTS	Tickmark	UPDATED BN BUDGET	FY 2021 ACTUAL EXPENDITURE	FY 2022 ACTUAL EXPENDITURE	BN ACTUAL EXPENDITURES	BUDGET REMAINING	% OF BUDGET REMAINING	PROJECT SPECIFIC NOTE
Well #2 Rehabilitation & Relocation	WATER	W10	$ 545	$ -	$ -		$ 545	$ 460	$ 79	$ 539	$ 6	1%	Under construction; awaiting pump delivery
	Well #2 Rehabilitation & Relocation		**$ 545**	**$ -**	**$ -**		**$ 545**	**$ 460**	**$ 79**	**$ 539**	**$ 6**	**1%**	
Well #5 Reconditioning	WATER	-	$ 170	$ -	$ -		$ 170	$ -	$ -	$ -	$ 170	100%	Contract in process for well house roof replacement
	Well #5 Reconditioning		**$ 170**	**$ -**	**$ -**		**$ 170**	**$ -**	**$ -**	**$ -**	**$ 170**	**100%**	
	TOTAL CITY-WIDE INFRUSTRUCTURE PROJECTS		**$ 17,082**	**$ 14,113**	**$ -**		**$ 31,195**	**$ 9,329**	**$ 3,600**	**$ 12,929**	**$ 18,266**	**59%**	

City of Milwaukie
Capital Improvement Projects Update - TRANSPORTATION FUND
First Quarter for Fiscal Year Ending 2021
(Amounts in Thousands $100 = $100,000)

TRANSPORTATION PROJECT NAME	DEPARTMENT	BUDGET FY 2021	BUDGET FY 2022	ADJUSTMENTS	Tickmark	UPDATED BN BUDGET	FY 2021 ACTUAL EXPENDITURE	BUDGET REMAINING	% OF BUDGET
22nd Avenue & River Road SAFE Improvements	SAFE	$ 434	$ 265	$ -		$ 699	$ 624	$ 74	11%
42nd Avenue & 43rd Avenue Improvements	SAFE	397	382	-		779	161	600	77%
Ardenwald North Improvements	SAFE	30	669	-		699	-	687	98%
El Puente Safe Routes to School Improvements	SAFE	100	190	-		290	-	290	100%
Harvey Street Improvements	SAFE	30	503	-		533	27	506	95%
King Road Improvements	SAFE	-	80	-		80	-	80	100%
Lake Road Improvements 2021	SAFE	720	-	-		720	195	177	25%
Linwood Avenue SAFE Improvements	SAFE	626	426	-		1,052	1,118	(1,026)	-98%
Logus Road & 40th Avenue Improvements	SAFE	-	15	-		15	-	15	100%
Monroe Street Greenway Improvements	SAFE	-	400	-		400	-	400	100%
Request for Service Fund	SAFE	50	50	-		100	-	100	100%
SAFE & SSMP FY 2021 Improvements	SAFE	416	376	-		792	46	739	93%
Waverly South Improvements	SAFE	-	20	-		20	-	20	100%
22nd Avenue & River Road SAFE Improvements	SSMP	232	155	-		387	385	2	1%
42nd Avenue & 43rd Avenue Improvements	SSMP	79	71	-		150	21	129	86%
Ardenwald North Improvements	SSMP	-	313	-		313	-	308	98%
El Puente Safe Routes to School Improvements	SSMP	30	64	-		94	-	94	100%
Harvey Street Improvements	SSMP	50	700	-		750	-	739	99%
King Road Improvements	SSMP	-	20	-		20	-	20	100%
Lake Road Improvements 2021	SSMP	1,407	-	-		1,407	529	(217)	-15%
Logus Road & 40th Avenue Improvements	SSMP	-	10	-		10	-	10	100%
McBrod Avenue Improvements	SSMP	464	-	-		464	540	(76)	-16%
SAFE & SSMP FY 2021 Improvements	SSMP	339	339	-		678	-	673	99%
Transportation Capital Maintenance Program (Crack Seal/Slurry Seal	SSMP	15	15	-		30	-	30	100%
Waverly South Improvements	SSMP	-	20	-		20	-	20	100%
42nd Avenue & 43rd Avenue Improvements	STATE GAS TAX	541	492	-		1,033	13	1,001	97%
Downtown Curb Improvements	STATE GAS TAX	15	-	-		15	6	2	13%
Downtown Public Area Requirements	STATE GAS TAX	-	250	-		250	-	250	100%
Fleet / Vehicles	STATE GAS TAX	15	-	-		15	10	5	33%
FRA Quiet Zone Study	STATE GAS TAX	15	-	-		15	-	15	100%
Harvey Street Improvements	STATE GAS TAX	-	341	-		341	-	341	100%
Lake Road Improvements 2021	STATE GAS TAX	531	-	-		531	264	(53)	-10%
Linwood Avenue SAFE Improvements	STATE GAS TAX	319	213	-		532	399	(25)	-5%
McBrod Avenue Improvements	STATE GAS TAX	370	-	-		370	359	11	3%
SAFE & SSMP FY 2021 Improvements	STATE GAS TAX	17	17	-		34	-	(70)	-206%
Signal Upgrades	STATE GAS TAX	100	-	-		100	17	83	83%
Transportation Capital Maintenance Program (Crack Seal/Slurry Seal	STATE GAS TAX	150	150	-		300	-	300	100%
Lake Road Improvements 2021	STATE GAS TAX - FILOC	127	-	-		127	-	127	100%
SAFE & SSMP FY 2021 Improvements	STATE GAS TAX - FILOC	41	41	-		82	-	82	100%
TOTAL TRANSPORTATION FUND PROJECTS		**$ 7,660**	**$ 6,587**	**$ -**		**$ 14,247**	**$ 4,714**	**$ 6,463**	**45%**

CITY OF MILWAUKIE, OREGON
CITY HALL – FINANCE DEPARTMENT
10722 SE MAIN STREET
MILWAUKIE, OR 97222