

LOS ANGELES NEEDS A PUBLIC BANK

Public banking serves as a powerful tool to keep taxpayer dollars in local communities. Public banks are lending and depository institutions owned by a local agency, like a city or county, with a non-profit public purpose governed by a public mandate responsive to local needs. The Los Angeles Public Bank will leverage its deposit base and lending power to benefit LA residents with affordable housing, small business loans, modernization of public infrastructure and other community needs.

Los Angeles taxpayers currently pay Wall Street banks over \$340 million in fees and \$1.3 billion in interest yearly. Right now, more than \$2 billion of city funds are invested in petrochemical companies and multinational banks. Our City is supporting private profits at a public cost. By accepting deposits and handling banking services, a public bank empowers the City of Los Angeles to move public funds out of private megabanks which finance harmful activities such as fossil fuels and projects that place profit over local communities, regional development, and care for the planet.

The Los Angeles Public Bank will be chartered with socially and environmentally responsible mandates and strive to serve the needs of the community by ensuring the meaningful participation of members underserved by private commercial banks. LA's Public Bank will keep public money locally, returning profit and interest to invest in the long term economic health of our city. A public bank will bring democracy and transparency to the banking and investment of public funds.

The Los Angeles Public Bank will be accountable to Los Angeles communities—answerable to the people, not private shareholders. The result is more customized service at less cost, while keeping our money local and our values front and center.

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THE PUBLIC BANK OF LOS ANGELES WILL:

- **Strengthen Our Community** -- The Bank of Los Angeles will leverage funds up to 10x. \$150 million capitalization translates to \$25,000 loans for 10,000 businesses, and start-up funding for 50,000 units of housing (~\$1m predevelopment loan = 50 units). Money spent at a small business stays in the local economy and builds wealth locally. Flexible low-interest loans to affordable housing developers will allow them to move quickly to buy and preserve existing affordable housing.
- **Invest in a Sustainable Future** -- The Bank of Los Angeles will align the city's money with its values. Implementing a green transportation network requires long-term, low-cost targeted investments in infrastructure. Building 50,000 units of affordable housing is only possible with streamlined and efficient financing for each unit. Public pension funds that invest locally and multiply wealth across generations.
- **Bake-in Democracy and Equity** -- The Bank of Los Angeles will be owned and run by the public. Its democratic governance will center the needs of low-income communities of color in its operational mandate and its long-term strategy. By creating a transparent, public platform to guide the use of city funds, the LA public bank will be both a tool for civic engagement and participatory budgeting.

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BUSINESS AS USUAL IS NOT WORKING:

- The City of Los Angeles spends more than \$2 billion of city funds to invest in petrochemical companies and multi-national banks. **Our City is supporting private profits at a public cost.**
- Municipal bonds are a historically safer investment than even triple-A rated commercial debt (Moody's). If the City issued and purchased its own debt, it would save as much as 50% on its debt-related expenses, rather than exporting taxpayer money to large corporations. **The City's "fiduciary duty" is to invest locally.**
- A single affordable housing development built in the City needs as many as 12 different sources of capital to buy and build on a site, often from different local public agencies. Complicated financing makes affordable housing more expensive and regularly causes project delays. Los Angeles needs to streamline and centralize the financing of affordable housing.
- Small and micro-businesses, especially those run by people of color, do not have the same access to loans as large businesses, and are often neglected altogether. Black business owners were twice as likely to shutter their business during the pandemic. Federal and state regulation does not create enough incentive for banks to serve the needs of low-income communities.
- The City of Los Angeles does not have a banking relationship with the federal government, making it completely dependent on the commercial banking network to finance itself. This is more expensive, and less predictable, in an emergency. The Bank of Los Angeles will build public financial infrastructure the City can rely on.

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NEXT STEPS FOR THE LA PUBLIC BANK:

The California Public Banking Act, signed into law by Governor Newsom in 2019, creates a series of steps for cities and regions to receive a public bank charter. A local agency must conduct a study to assess viability and develop a business plan for the proposed public bank, and then granted approval from the state's regulatory agency.

The Los Angeles City Council released a Request for Proposal (RFP) in June 2022 to hire consultants to prepare the viability study and business plan of the LA public bank. The RFP release followed a unanimous council vote last October approving the study and planning of a public bank. The legislation requires the city's consultants to engage directly with Angelenos to set the priorities and principles of their financial institution. The plan formed by the consultant will constitute the city's application to the state for a bank charter, thereby eventually authorizing the formation of the LA public bank.

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