



## **PUBLIC BANKING: INVESTING IN LA'S FUTURE**

The Los Angeles Public Bank is a financial institution owned and operated by the local government agency with a public mandate to prioritize the needs of the community. It provides a sustainable and community-controlled financial solution to empower residents and direct funding toward local priorities. By leveraging its deposit base and lending power, the LA public bank can offer affordable housing, small business loans, and funding for modernizing public infrastructure, among other community needs. The LA Public Bank plays a critical role in promoting economic development, community investment, and financial stability for the city and its residents.

Los Angeles taxpayers currently pay a significant amount of money to Wall Street banks. Annually, over \$340 million in fees and \$1.3 billion in interest are paid to these banks, while over \$2 billion of city funds are invested in petrochemical and multinational banks, which often prioritize private profits over the public's needs. A public bank empowers our local government to redirect these funds away from private megabanks and the harmful activities they finance, such as fossil fuels, and towards projects that align with the community's priorities, such as regional development and environmental sustainability. A public bank will allow the city to take control of its finances and make decisions that truly benefit the community.

The Los Angeles Public Bank will prioritize social and environmental responsibility and serves the needs of marginalized and underserved communities. It will keep public funds within the community, returning profits and interest to the city, and supporting the long-term economic health of LA. As a publicly governed bank, it will promote democratic oversight and transparency in handling public funds, ensuring that it is accountable to LA communities and answerable to the people, not private shareholders. This results in more customized service at a lower cost while keeping our money local and our values front and center.

**Our Money. Our Values. Our Bank.**

**RESOURCE BOOK**

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# ADVANTAGES OF THE LOS ANGELES PUBLIC BANK

1. **Cost savings:** A public bank will enable local governments, such as the City of Los Angeles, to borrow from their own municipal bank, significantly reducing borrowing costs and increasing revenue for community-identified priorities. This means that the City will have more funds available to invest in public services, such as education, healthcare, and infrastructure.
2. **Support for local economies:** Public banks keep money in the local economy rather than allowing it to be drained out to distant shareholders. Public banks prioritize lending to local businesses and critical infrastructure projects, supporting sustainable growth and development of local economies.
3. **Transparency:** Public banks are owned by local governments and subject to democratic oversight.
4. **Positive impact:** Public banks can direct their investments towards socially and environmentally responsible projects, creating a positive social impact. By investing in projects that benefit the community, public banks can help to promote social and economic justice.
5. **Accountable:** Public banks are democratically controlled and accountable to the community, which means they can prioritize the needs of local businesses, individuals, and government agencies over the profit motive.
6. **Access to credit:** Public banks can partner with community banks, credit unions, and CDFI's to provide loans and other low-cost and affordable credit to underserved communities or businesses that may not qualify for loans from traditional banks.
7. **Stable funding:** Public banks can provide stable, low-cost funding for public infrastructure projects, such as schools, roads, and hospitals.

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## THE PUBLIC BANK OF LOS ANGELES WILL:

- **Strengthen Our Community** -- The Los Angeles Public Bank will leverage funds up to 10 times to maximize its impact. With a capitalization of \$150 million, it will have the capacity to provide \$25,000 in loans to 10,000 small businesses and funding for the development of 50,000 units of affordable housing, using a ratio of a \$1 million predevelopment loan per 50 units. By investing in local businesses and housing, the public bank will help to build local wealth and promote economic stability in the community, while providing flexible, low-interest loans to affordable housing developers to quickly acquire and preserve existing affordable housing.
- **Invest in a Sustainable Future** -- The Los Angeles Public Bank will ensure that the city's financial resources align with its values and priorities, through targeted, long-term investments in sustainable infrastructure such as green transportation networks. This will also enable large-scale goals like the development of 50,000 affordable housing units by providing efficient and streamlined financing options. Additionally, the bank will help to multiply local wealth across generations through public pension funds that are invested in the local community.
- **Bake-in Democracy and Equity** -- The Los Angeles Public Bank will be a democratically controlled institution, with a governance structure that prioritizes the needs of low-income communities and communities of color in its operations and long-term strategy. Through transparent, public platforms for guiding the use of city funds, the LA public bank will provide a powerful tool for civic engagement and participatory budgeting, allowing community members to have a direct say in how public money is used, and promoting accountability and transparency in decision making.

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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 historically considered safer investments compared to even triple-A-rated commercial debt, as rated by agencies such as Moody's. By issuing and purchasing its own debt, the City of Los Angeles can save up to 50% on debt-related expenses, compared to exporting taxpayer money to large corporations. By investing locally, the City can ensure that public funds are directed toward the benefit of its residents and fulfill its fiduciary duty to invest in the best interest of the community.
- Affordable housing developments in the City of Los Angeles often require multiple sources of capital to purchase and construct a site, typically from various local public agencies. This complex financing process can make affordable housing more expensive and regularly cause delays in the project.
- Small and micro-businesses, particularly those owned by people of color, face barriers in accessing loans and financial services, compared to larger businesses. These businesses are often neglected by traditional banks due to a lack of incentives from federal and state regulations to serve the needs of low-income and marginalized communities.
- The City of Los Angeles currently lacks a direct banking relationship with the federal government, making it fully dependent on commercial banks to finance its operations. This can lead to higher costs and less predictability, particularly in times of crisis. A public bank, such as the Los Angeles Public Bank, would provide a reliable and cost-effective alternative, by creating a public financial infrastructure that 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 Gavin Newsom in 2019, enables cities and regions to establish public banks. The process involves conducting a viability study and creating a business plan for the proposed bank, which must be approved by the state's regulatory agency before a public bank charter can be granted.

The Los Angeles City Council is set to award the winning bid for its public bank Request for Proposal (RFP) in the first quarter of 2023. The RFP, which was released in June 2022, sought consultants to conduct a study and develop a business plan for a proposed public bank in Los Angeles. This action followed a unanimous council vote in October 2021, which authorized the study and planning for a public bank. As per the legislation, the consultants selected by the city will be required to actively engage with community members to establish the priorities and principles for the proposed financial institution. The resulting business plan will be utilized as the city's application for a bank charter from the state, which is a crucial step in the formation of the Los Angeles Public Bank.

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