

PUBLIC BANK LA

Overview

Vote Yes on Charter
Amendment B

publicbankla.com

PUBLIC BANK LA

PUBLIC MONEY FOR PUBLIC GOOD

Vote Yes on Charter Amendment B

CHARTER AMENDMENT B is the first step towards exploring the creation of a socially, economically, and environmentally responsible city-owned bank. The measure is cost-free. It simply removes one barrier to establishing a bank. A sound business plan would follow, to be approved by voters and officials.

Last year the City of Los Angeles paid \$170 million in banking fees and \$1.1 billion in interest to big banks and investors. At the same time, big banks receive billions of dollars in city deposits virtually interest-free. Legally, the banks own and control this money, which they have used to finance harmful industries including private prisons, fossil fuel extraction, and weapons manufacturing. Some of these banks have engaged in risky profit schemes and predatory lending, ignoring the impact on individuals, neighborhoods and small businesses.

In 2017, the City of Los Angeles divested its funds from Wells Fargo, which was fined billions of dollars for creating illegal customer accounts, has a history of discriminating against Latino and African-American homebuyers, and finances industries harmful to Angelenos. Local community banks are too small to manage the city's funds, but Wall Street is not the only alternative.

Banking as a public utility is a proven model worldwide. Public banks keep money local and cut costs by eliminating middlemen, shareholders and high-paid executives. During the 2008-09 Recession, the century-old public Bank of North Dakota safeguarded taxpayers' money and helped finance a statewide economic boom, while Wall Street banks needed billions in taxpayer bailouts.

Charter Amendment B clears a path for Los Angeles to declare its independence from Wall Street. A public bank would safeguard and grow the city's assets through loans to critical city projects and local businesses. The bank would be answerable not to politicians but to an independent board of governors comprised of residents. Its mission would be to serve Angelenos.

A public bank will ensure that Los Angeles tax dollars are invested in a way that measurably improves the community.

On November 6, 2018, vote "YES" on Charter Amendment B.

PUBLIC BANK LA 5 POINT AGENDA

1. Save money

THE city of Los Angeles pays \$100M a year in banking fees and interest. This could be reinvested into our communities instead of siphoned out by Wall Street. By depositing our public tax dollars into a publicly owned and accountable financial institution, Angelenos would keep our money in Our City, creating credit from our own revenue, instead of giving that power to Wall Street to finance wars, pipelines, private prisons, among other socially and environmentally harmful projects. Nearly 50% of the cost of all infrastructure projects go towards paying bank interest and fees – if we fund public projects ourselves through a public bank, we can halve the cost of infrastructure, doubling our power to invest in our own communities.

The Bank of North Dakota is the nation's only state-owned and operated bank. It is also the most profitable bank in the United States. With a nearly 17% return on investment, the BND is more profitable than Goldman Sachs, with a better credit rating than JPMorgan Chase. It withstood the economic crash of 2008 because, unlike large private banks, the BND does not engage in high-

risk financial schemes. Like the BND, a municipal bank for Los Angeles would be prohibited from unsafe and unsound banking practices.

2. Community Development

PRIVATE Wall Street banks are responsible for maintaining the stability of their bank system, our tax dollars are used to keep their doors open, instead of it being the other way around. With a public bank, we can focus on the long-term prosperity of our community through low-income housing, green energy infrastructure, co-ops, small businesses, etc. The city-owned Bank of Los Angeles would be a banker's bank, partnering with local credit unions and community banks, guaranteeing their loans for locally-directed economic development, public works financing, and jobs creation.

- Fund local projects for low-income housing and neighborhood stabilization efforts by extending credit lines through the public bank's loan portfolio. The public bank can directly loan money for housing projects below market interest rates; unlike private banks, they won't be bound by a need to maximize profit margins.
- Low interest loans or interest free loans for students to invest in education and stimulate the economy.
- Support small businesses and cooperative ownership structures by increasing the lending capabilities of local credit unions and community banks.
- Finance transition towards decarbonization and renewable energy. The German Sparkassen public banking networks have funded over 70% of investments for renewable energy infrastructure. Renewables are now Germany's top source of energy, with one-third of electricity derived from sources including wind and solar.

3. Ethical Allocation of Money

THE municipal public banking movement advocates for banks to be chartered with socially and environmentally responsible mandates. This includes a transparent Board of Directors and an anti-corruption ethos to ensure the bank operates under sustainable and ethical guidelines. The bank's lending activities would be subject to strict evaluation to determine adherence to its principles and fulfillment of its public policy goals.

4. Local Self-Determination

THE City of Los Angeles pays \$3.14B in debt services, which is the cost to borrow money; billions of dollars of our city's interest payments are redirected into the coffers of Wall Street. A municipal public bank enables the people of the city to recapture public dollars and have a say over the financing of our own community. A chartered public bank maximizes public good within the community rather than maximizing profits globally. With municipal revenues and banking profits being returned to the public, the bank would issue loans to benefit the local economy, not private shareholders.

5. Serve the Unbanked and Underbanked

THREE out of ten Angelenos do not have either access or adequate access to a checking or savings account and therefore cannot build credit, and are susceptible to theft, fraud, and the predatory practices of financial alternatives such as payday lenders or check cashers. A public bank would help meet the financial needs of the unbanked and underbanked population, largely comprised of minority, working-class communities and immigrant households. A public bank could also provide banking services to the massively growing and unbanked cannabis industry, bringing legitimacy to the finances of this sector.

PUBLIC BANKING IS ON THE
BALLOT. VOTE YES.

City Council Puts It to the Voters

by David Jette, Legislative Director Public Bank LA

LOS ANGELES manages more than five billion dollars in annual revenue collected from tax, fee and fine payers, as much as the whole country of Iceland.

The city maintains bank accounts with between \$4B and \$12B in cash, and manages up to \$45B in investments for pensions and other funds. That money is currently held in accounts at commercial banks, where it earns next to zero interest. The city paid over \$109 million in transactional and origination fees to these commercial banks in 2016. Some of these banks have been downgraded by authorities for their risky or fraudulent practices. Many of the city's investments finance direct harm to the public, including over \$70M invested in tobacco companies alone. The firms who help manage these funds seek the highest possible fees for themselves, extracting the financial power of taxpayers to perpetuate bubbles in housing and capital markets, instead of economic development here at home.

Los Angeles recently disqualified Wells Fargo from providing banking services to the city, due to their non-admission-settlement of fraud charges from state and federal authorities. We should applaud the city council's efforts to better discriminate between the financial institutions to which we entrust public funds, and to disqualify those banks which have shown themselves to be unworthy of the public trust. And we should support responsible investment ordinances to prevent public funds from financing harm to the people of the city and the world.

But in an era of consolidation, where banks have grown too-big-to-fail, any discerning city will soon run out of options for where to put its money. We can and must go a step further. We should learn from the example of municipalities and states which have founded their own public banks. North Dakota, a dyed-in-the-wool red state, has operated the country's only public bank for nearly a century, and it is a great success. The German people operate a network of county-level public banks which provide unique regional benefits to their constituents, while out-performing their commercial competitors in reliability, security, growth and transparency. Now, we can proudly say that Los Angeles will be the first American city to vote directly on the founding of a public bank.

The Bank of Los Angeles would accept and insure city deposits, ensure liquidity, and provide all the banking and purchasing services the city requires. It would make prudent, targeted loans to the city itself, as well as to responsible parties in sectors of the local economy where capital would make a measurable difference in the lives of Angelenos. By recirculating our own money into lo-

cal loans and investments, a public bank would grow the economy faster than if that same money were invested on Wall Street and paid in fees to brokers. No longer would new bridges, schools and power plants be subject to exorbitant interest paid to bondholders, which currently makes up about 50% of all spending on infrastructure. A public bank would finance public works at a fraction of the price of private capital.

The public bank would be answerable to an independent board of governors made up of residents of Los Angeles including civil servants, and experts in public finance, banking, affordable housing and climate change mitigation. It would follow a strict mandate to safeguard and grow the city's assets through loans to local businesses and municipal entities. It would operate according to a mandate to act in the interest of the city and its people, and not for individual shareholders or executives. A bank whose employees are public servants, and whose mission is to measurably improve the lives of regular Angelenos.

Such an institution will require meticulous planning and strong leadership, as well as appropriate action from the City Council and Mayor's office, in coordination with the state and its regulatory authorities. The challenges such an effort would face are justified by the benefits it would provide: to grow revenues and cut costs for city government, to safeguard LA's assets in the event of another financial collapse, and to enable investment in Los Angeles by Los Angeles. We can and must take back this money power for the people of the city.

Los Angeles should vote yes to Charter Amendment B to amend the city charter and pave the way for the country's first municipal public bank.