

MEMORANDUM

To: City of Seattle
From: Public Bank Feasibility Study Stakeholder Group
Date: October 5, 2018
Re: Recommended Actions regarding the Public Bank Feasibility Study

The stakeholder group has received the final feasibility study from HR&A Advisors. We are grateful to the City of Seattle for affording us the opportunity to engage with the study, to the members of the City Council for sponsoring it, and to HR&A for their research and efforts.

Though we come from different backgrounds—from activism, to community banking, to small business—the members of this committee are united by a common belief: the current financial system is discordant with the City of Seattle’s values and delinquent in meeting the needs of its people. Furthermore, we believe that public banks, as financial institutions directly accountable to the people they serve, have the potential to remedy these shortcomings while also keeping investment local and delivering new kinds of services to populations in need.

We therefore believe that, despite their rarity in the United States, a public bank is still worth pursuing, whether within the current regulatory environment system or enabled by changes in state and federal law. We also believe other efforts to change the financial system for the better, such as replacing the City’s banking services provider with a local institution rather than a national bank, increasing the amount of capital available for investment public priorities such as affordable housing and infrastructure, and creating partnerships to deliver financial services to those in need, are complimentary to pursuit of a public bank and do not preclude its establishment in the future.

Though the feasibility study itself is neutral in stance and the prerogative to determine its next steps is vested with the City, given what we have learned throughout the study, we believe the City should take, at a minimum, the following actions:

1. **During the current budget session, allocate funding for a public bank business plan.** In addition to being a prerequisite for approval by regulators, a business plan would spell out the operational structure of a public bank and thereby enable the City and public to make informed decisions about required funding and charter amendments. A business plan would also enable the City to act quickly to fund and staff the bank given its approval.
2. **Instruct the department of Finance and Administrative Services to begin a multi-stage procurement process, seeking to replace Wells Fargo with an accountable financial services provider.** Continuing to negotiate contract extensions with Wells Fargo sends the wrong message about the City’s priorities and is only a temporary fix for the City’s banking needs. HR&A’s conversations with local bankers revealed a high degree of interest in providing banking services to Seattle, but that key restrictions and logistical issues during the City’s last procurement process prevented them from applying. A multi-stage process such as an RFI or RFQ, enabled by revised guidance from the Council that makes its preferred socially

responsible banking practices more flexible, would allow the City to collaborate with these providers to define contract terms, reducing the chances of a “no bid” outcome.

3. **Investigate the possibilities for expanding the City’s housing levy.** The levy already funds affordable housing site acquisition and direct homeowner assistance. If expanded, it could have the capacity to support an “infrastructure bank” or revolving loan fund that could, for example, lend at low interest to non-profits developing affordable housing. Thus, it would increase the level of capital available for public purposes, a key feature of a public bank, without the need for regulatory approval. Eventually, its activities could be incorporated into a public bank.
4. **Work with its staff in Olympia to support the State’s public bank planning process.** The State has the unique ability to clarify or change banking regulatory requirements and so the outcome of its public bank business planning process could pave the way for Seattle’s creating a public bank or for participating in the State’s bank. Currently, the City is not participating in this process to our knowledge, which, if true, means that it cannot influence the operational parameters of the State’s bank and any legal changes to come. Given the scheduled release of the State’s business plan in December 2018, the City should immediately begin to work with the Treasury Department on these changes.

Again, the stakeholder group is grateful to the City, the City Council, and HR&A for this study. We continue to be optimistic regarding the creation of a public bank for Seattle and look forward to participating in the City’s next steps.

Sincerely,

Selected members of the Public Bank Feasibility Study Stakeholder Group, listed below

- Nikkita Oliver
- Alec Connon
- Matt Remle
- Wayne Lau
- John Burbank
- Dennis Ortblad
- John Repp