

In July 2017, Council instructed City staff to evaluate the feasibility, requirements, legislative barriers, and potential models for establishment of a Municipal Bank of Los Angeles (MBLA), as well as to provide an overview of existing City programs that may already accomplish the goals of a public bank. The Ad Hoc Committee on Comprehensive Job Creation Plan held several hearings and approved a number of actions related to improving banking services in the City of Los Angeles, but discovered that legislative barriers at the State level made formation of MBLA particularly difficult.

In February 2019, Assemblymembers Chiu and Santiago introduced AB 857 to create a framework for the establishment of public banks in California. AB 857 was intended to specify a process for a local agency to apply for a public bank license from the Department of Business Oversight (DBO). The local agency would need to meet the same general requirements and approval criteria as existing law requires of a private sector applicant, including deposit insurance provided by the FDIC. Under the proposed bill and existing law, both the DBO and FDIC would provide routine supervision and examinations of a public bank to evaluate the nature of the bank's operations, the adequacy of the bank's internal controls and its internal audit function, and the bank's compliance with laws and regulations.

On September 6, 2019, the Legislature approved AB 857 and the Governor has signed the bill into law. This now creates a framework under California law for the formation of public banks in the State. The law specifically limits the number of public banks that can be formed. It is essential that the City proceed at this time with obtaining consultants to help structure a public bank in Los Angeles and ensure that we are able to provide banking services necessary to meet the needs of our residents and businesses .

I THEREFORE MOVE that the City Council instruct the Chief Legislative Analyst, with the assistance of the City Administrative Officer, Office of Finance, Economic and Workforce Development Department, and City Attorney to obtain consultant services needed to establish a public bank in Los Angeles.

PRESENTED BY: 
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