

EXCERPT FROM EXECUTIVE SUMMARY: PUBLIC BANKING FEASIBILITY STUDY FINAL REPORT¹

For the City of Santa Fe, The Oldest Capital City in the United States

(The report was completed in January 2016.)

A public banking initiative for the City of Santa Fe is feasible and has the potential to provide:

- 1) enhanced fiscal management
- 2) improved interest rates
- 3) more robust local lending

Recommended actions, most of which can be staged or launched prior to a bank or mutual fund State charter, include the following:

- 1) Fund more City capital improvements with internal funds to reduce interest rate difference at least 2 to 3% per year between borrowed funds and invested cash. Streamline fund balance accounting and clearly segregate operating and capital accounts.
- 2) To address the most under-banked segment of the market and combat predatory lending, alter the collateral policy of City and develop, with banks, strategies to increase local lending including increased funding to Community Development Financial institutions and Credit Unions.
- 3) Charter the City's banking operation and broaden the funding strategy to other public entities such as the County and School Districts if they choose to participate.
- 4) Instead of raising taxes or using bond proceeds, encourage use of crowdfunding techniques to help fund smaller loans including smaller City-sponsored capital improvement projects.
- 5) Participate upon request (and approval) in up to 50% of loans underwritten by banks that qualify under a Local Economic Development Plan.
- 6) A State Charter requires creation of an independent board which may raise confidence in the bank as an *independent* and more transparent public entity.
- 7) Legal and administrative requirements should be examined in a detailed implementation plan. Feasibility will depend on these crucial steps. A high degree of skepticism surrounds bank governance, which should be a major feature of any proposed public bank.

Study research suggests that such strategies are viable and beneficial to the City. Projected economic and fiscal impact to the City exceeds \$24 million during the first 7 years based on assumptions made in the study. In general, City constituents all want a program that enhances the City's financial well-being and transparency. We think this does both.

¹ The September 8, 2014, request for qualifications states: "Recognizing the vital importance of financial institutions within society, The City of Santa Fe, New Mexico is looking to further research the feasibility of establishing a publicly owned bank to help finance community projects, reduce risk to public funds in existing financial markets, and provide better financial returns on public investments. The City is requesting that a preliminary comparison on the City's current financial model, specifically on the benefits and risks of current banking and financing practices in Santa Fe, and contrasted with other models including public banks in other areas of the United States. Any analysis should take into account the financial and population demographics of the City of Santa Fe. It should also include measurable factors of city banking which include, but is not limited to, debt servicing costs, profits returned to the City, municipal and other tax revenue, and other key areas of economic concern. If this preliminary analysis demonstrates a well-founded need for further studies into a public bank, additional actions can be considered." The full report can be downloaded at <http://bankingonnewmexico.org> (go to "City of Santa Fe's Public Bank Feasibility Study").