



PROBLEM: The City of Albuquerque and Bernalillo County are experiencing budget shortfalls and many local needs are currently being unmet. The local economy is weak. Times are tough!

QUESTION: How can the City of Albuquerque and Bernalillo County increase revenue without increasing taxes and thereby help make our community more prosperous?

SOLUTION: ESTABLISH A CITY/COUNTY PUBLIC BANK!



5 GREAT REASONS TO CREATE a PUBLIC BANK



- TO BRING IN NON-TAX REVENUE TO THE CITY and COUNTY COFFERS
- TO SAVE The CITY and COUNTY MONEY by USING THE BANK TO REFINANCE EXISTING BONDS at LOWER INTEREST RATES WHEN POSSIBLE
- TO STRENGTHEN COMMUNITY BANKS and CREDIT UNIONS by HELPING these INSTITUTIONS as they SUPPORT BUSINESSES and PROJECTS that BENEFIT the LOCAL COMMUNITY, MEETING LOCAL NEEDS THAT MAY NOT APPEAL TO NATIONAL BANKS.
- TO PROTECT TAXPAYER FUNDS from POSSIBLE FAILURE OF NATIONAL and GLOBAL BANKS.
- TO USE an APPROACH THAT HAS BROUGHT EXCELLENT RESULTS in the STATE OF NORTH DAKOTA and is BEING PROPOSED and CONSIDERED in MANY COMMUNITIES throughout the UNITED STATES.

Our BANKING on CENTRAL NEW MEXICO TEAM is working to establish just such a bank for the City of Albuquerque, for Bernalillo County and for other government entities in Central NM. For more information, see attached comments and our website bankingnm.wordpress.com

How Does a Public Bank Bring in Non-Tax Revenue to a City or County and How Can it Save the City or Country Interest Costs?

Currently, most municipalities and counties across the U S deposit receipts and fees with large banks that provide security by pledging bank assets as deposit insurance. Large public deposits are very difficult for smaller community banks to insure. Therefore such banks receive very few public deposits. Bank deposits now earn very little interest. In FY2014 the City of Albuquerque earned just under 0.44% interest on its deposits and related financial investments. By contrast, with a public bank, a municipality can deposit its funds in its own bank and obtain greater yields by using deposit balances to make loans at attractive interest rates. For example, the Bank of North Dakota (BND) loans to resident students, desired economic development, housing, and agriculture. Local banks and credit unions originate and service these loans that are also reviewed and approved by BND.

Another way a government entity can earn money by having its own bank is to refinance its existing debt at lower interest rates as soon as such debt can be repaid. Plans for the Public Bank of Santa Fe, which could begin operations as early as 2017 according to one study, could potentially refinance \$45.5 million of the City's loan and bond debt at 4 percent, reducing current interest paid by the City. The bank could be profitable during its first year of operation.

As more debt is refinanced by a Public Bank and as lending into the community increases, bank income will continue to grow. Some of these returns will go into the City or County coffers while some could be used to grow the bank. The BND, which has been in existence since 1919, is an outstanding example of great benefits to be realized by the creation of a Public Bank. The BND serves a population that is less than that of the Albuquerque metro area. During the period 2003 - 2012, the BND averaged 22% return on equity. The amount of its earnings in 2012 was \$81.6 million.

How Can a Public Bank Strengthen Community Banks and Credit Unions?

As the BND has done for decades, a Public Bank can participate in loans in partnership with community banks and credit unions. This partnership enables local lenders to increase the amount of local loans, thus strengthening the local economy. A Public Bank may also buy down interest rates on loans, thereby helping more borrowers to qualify. As the "front office," local banks and credit unions perform due diligence on each loan (which is again reviewed by the public bank) and provide all loan origination and loan services. The Public Bank/community bank/credit union partnership has worked so well in ND that today there are 16 community banks and credit unions per 100,000 people in contrast to just 5 per 100,000 in the U.S. overall.

Why is a Public Bank More Secure Than Banking with Wall Street?

Many of the national and global banks that hold most municipal deposits also invest heavily in risky derivatives. In the event of another Wall Street crash, current law gives derivative holders "first priority" over bank assets. City and County deposits vastly exceed the \$250,000 maximum covered by FDIC insurance, hence the reliance on pledged bank assets to cover a bank failure. Legally, if a national bank should fail, such deposits could be subject to a "bail in" procedure. That is, portions of City or County deposits could be taken in exchange for bank stock. But, police and firemen cannot be paid with the stock in a failing bank! By having its own bank, a public entity can avoid such undesirable outcomes.