

**SUMMARY OF ACTION
PUBLIC BANK TASK FORCE
MARKET STATION, ROUNDHOUSE ROOM
500 MARKET STREET, #4
WEDNESDAY, NOVEMBER 29, 2017, 5:30 PM**

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
CALL TO ORDER		1
ROLL CALL	QUORUM	1
APPROVAL OF AGENDA	APPROVED	1
APPROVAL OF MINUTES NOVEMBER 8, 2017	APPROVED	2
 <u>NEW BUSINESS</u>		
DEBRIEF - TAKEAWAYS FROM 11/20/17 PUBLIC FORUM	INFORMATION/DISCUSSION	2-10
AMENDMENTS FOR 12/4/17 FINANCE COMMITTEE	INFORMATION/DISCUSSION	10-11
ADJOURNMENT	ADJOURNED	11

**PUBLIC BANK TASK FORCE
MARKET STATION, ROUNDHOUSE ROOM
500 MARKET STREET, #4
WEDNESDAY, NOVEMBER 29, 2017, 5:30 PM**

1. CALL TO ORDER

The meeting of the Public Bank Task Force was called to order by David Buchholtz, Chair, at 5:30 pm, on Wednesday, November 29, 2017, at Market Station, Roundhouse Conference Room, 500 Market Station, #4, Santa Fe, New Mexico.

2. ROLL CALL

MEMBERS PRESENT

David Buchholtz, Chair
Brad Fluetsch for Adam Johnson, Finance Director
Randolph Hibben
Judy Cormier
Elaine Sullivan
Robert Mang
Kelly Huddleston

MEMBERS ABSENT

J. Wayne Miller, Excused
Darla Brewer, Excused

OTHERS PRESENT

Elizabeth Martin for Frances Lucero, Stenographer

3. APPROVAL OF AGENDA

Ms. Sullivan said we were going to come up with questions for a panel for the December 20th meeting. Can that be added to the agenda.

Chair Buchholtz said we have questions on the November 8th minutes about the nature of the panel. We need to discuss that under approval of minutes.

MOTION A motion was made by Mr. Fluetsch, seconded by Ms. Sullivan, to approve the agenda as presented.

VOTE The motion passed unanimously by voice vote.

**4. APPROVAL OF MINUTES
NOVEMBER 8, 2017**

MOTION A motion was made by Mr. Fluetsch, seconded by Mr. Hibben, to approve the minutes of November 8th.

Ms. Sullivan said as to corrections, in the description of who was speaking there was no Sawyer there. Where it says Sawyer it should be Sullivan.

Ms. Sullivan said on the last comments by Sullivan, the names and spellings are as follows: Mike Krauss and Curt Johnson. For Robert Mang comments, the second to the last sentence should say "serve".

Ms. Sullivan said in the discussion about a panel we were going to try to assemble a panel for our December 20th meeting of resources outside this Body and do questions ahead of time at this meeting.

Ms. Sullivan read the portion of the minutes on that topic

Chair Buchholtz said he thinks there is sufficient direction in that discussion to allow the formation of a subcommittee. He suggests that could be Randy, Bob and Elaine to work towards bringing those people forward for a panel and they can recommend to us through the Chair about expectations and questions. It is his interpretation that this is what they meant and he instructs the subcommittee to do the work. It would be appropriate, given the timing, it seem appropriate given the time constraints that if the panel persons could attend by telephone or Skype we would be better served.

Mr. Fluetsch said we need to have some discussion tonight on what is the purpose of our bank. That could be included under the new business debrief.

Chair Buchholtz said he agrees. It is awkward, but it seems those questions would be in order under debriefing from the public forum. We will hold it till then.

VOTE The motion passed unanimously by voice vote.

5. NEW BUSINESS

A. DEBRIEF - TAKE-AWAYS FROM 11/20/17 PUBLIC FORUM

Chair Buchholtz said we will now hear comments on member take-away from the public forum and on going forward.

Mr. Fluetsch said regarding the purpose of the bank, the Task Force was unable

to give a solid definition of what the bank would actually do and who it would serve. That was the biggest question in the room.

Chair Buchholtz said he agrees. At our next meeting we will try to pose that inquiry.

Mr. Fluetsch said he thinks December 20th is premature to bring in experts. We need to wait until the Task Force has narrowed down the purpose. We need to take the time to look at the Resolution and determine what the most probable attributes of the bank would be. The Task Force needs to answer those questions before we bring in any experts.

Mr. Hibben said given that the City staff is determined that there are insufficient unrestricted funds to provide, and the significant regulatory hurdles to jump over, is it prudent to have experts at all. At what point in the discussion are we.

Mr. Mang said his sense is we need to establish if there is a need for something that does not exist today to enable Santa Fe to become more robust in its economic development and to save taxpayers. Given all the restraints Randy raised it seems to him we need to look at pointing out whether this effort is something the City should consider going ahead with or not. Also if there is a need for something of this sort that we would consider recommending what would we recommend that would serve the community in lieu of a public bank. We need to have that sort of discussion before we bring in experts. However, it would be helpful to have some expertise from people who have worked on this in other places to give us ideas about alternatives. It is the responsibility of the Task Force to try to address the needs of the City of Santa Fe in terms of its inability to stimulate and finance certain kinds of economic needs. Infrastructure, affordable housing and many other possible things are issues we should consider. He thinks our task should be to publicize those pluses and minuses in the context of what does Santa Fe need and ask for expertise to help us address that.

Ms. Sullivan said she thinks in her experience we did not accomplish what we intended with the public forum. We did a good job about informing the public about where we were. In part 2 where we were to get the public input, for her there was a big void. What she heard was a dominate collective voice opposed to a public bank. They had some important points. The areas she did not hear were in terms of balance. She was surprised we did not hear more about the purpose. There were people there in favor of it, but they left early or did not speak. Her research was that people felt intimidated by the strong voices against. She ended up being puzzled by the opposition voices and the fact that no voices said; it this way does not work, what about this. The other area that surprised her and was out of balance was that the people opposed to public banking spoke only about their opposition. She was listening for a statement such as did they agree with her position that the status quo is not working. The status quo is not working. She did not hear that what we have needs to be changed. No one gave other possibilities. She doesn't know if we, at this point, have the expertise to develop a

purpose statement.

Ms. Cormier said she was frustrated as well for similar reasons. We were formed to discuss a public bank and the interest for it. She is wondering if there is a more creative way to reach the public to get some input. Maybe an electronic survey to get a sense of what is driving this. She is struggling with this. If we are not getting the insight from the grassroots people who initiated this to begin with to the point that the Mayor said lets form a task force, how do we know what we are looking at building and what they want. We don't have a handle on what this is. Use a City website maybe.

Mr. Hibben said he thinks we need to be mindful of the Resolution and what we are tasked with in that Resolution. It is to provide the pros and cons of a public bank in Santa Fe.

Ms. Huddleston said looking at what we were supposed to do, it is to investigate, lay out obstacles, examine the procedures and hear the public input. Maybe we did not get all the positive input you hoped for. The advocates of public banking have made themselves very clear throughout this process. She does not feel like we are missing out on their voice at all.

Chair Buchholtz said there is unfortunate inconsistency in the Resolution title and the specific direction. The title says "creating a Task Force to determine the procedures and time lines necessary to charter a public bank and make recommendations to the Governing Body to enable an informed decision". In the direction it says the "sole purpose of the Task Force is to provide the Governing Body with the information needed to make an informed decision about the pros and cons of submitting a charter for a public bank in Santa Fe". There is disparity between them. It is his intention when we go to the Finance Committee to address that issue with the Committee. Short of knowing what they will tell us to do he does not know how to read that language. His lawyer side says it is narrow.

Mr. Fluetsch said for the December 4th Finance Committee meeting we are not on agenda. There are 60 items on the agenda. Chair Dominguez was supposed to get with Councilor Villarreal about this. We called the Chair this morning and have not heard back from him so at this time we are not on the agenda.

Chair Buchholtz asked what are their rules to get on the agenda

Mr. Fluetsch said we are past the deadline. We would only be able to get on with intervention by the Chair.

Chair Buchholtz said they are subject to the Public Meetings Act so there are publishing deadlines for the agenda. He had confidence that people would take care of that.

Mr. Fluetsch said it did not happen. We did not get the packet information to them either.

Chair Buchholtz said we suffer some because we do not have staff dedicated to these matters. It is not the obligation of the Chair. He had several discussions with Councilor Villarreal. These things can be challenging.

Chair Buchholtz said the Resolution said the Task Force shall report to the Finance Committee after 3 months of work. We have an obligation to report the progress of our work. What we would put together is a legitimate question. Some coalition of our minutes and materials from the Task Force.

Mr. Mang said it seems like we may be able to cut through this a bit. We have been given a task with a responsibility to indicate what is needed if we are going to make application for a charter, and the pros and cons of doing so. We can easily make a statement on the cons. The pros is what we have not addressed. What is the purpose. Secondly it would be to construct or put together what the bank would look like. We need to look at why it is being considered at all so the Finance Committee and Council can evaluate not only whether to make application but also should they look at this differently in the future. We need to look more at the substance of what is expected of us as a Body. He doesn't think we need advice on this. We can interpret the Resolution the way we want to interpret it.

Mr. Fluetsch said on the pros when you look at that you have to look at what was in the June 5th memo from Finance Director Johnson. The City has actually achieved many of the potential pros identified in the feasibility study. Then get into what else would this entity be doing. There are a mountain of hurdles and constraints.

Mr. Mang said that is what we would present. The pros and progress Finance has made is impressive. What we have not addressed is if there is a need. What was behind the Resolution that the City Council unanimously approved that was a need that this might serve. That is not clear. We need to come up with if there is a need within the City for a public bank. If there is a need does a public bank have a way of fulfilling that. If not that is another con.

Ms. Sullivan said we will not have done our job if we do not put emphasis on the pros. Significant change never happens if pros are discounted because it is hard to do. Be honest with both.

Mr. Fluetsch said to clarify in the end we identify all the obstacles. A lot of the pros identified in the feasibility study have already been achieved without the bank. We are looking at, in addition to pros, what the cons are. It goes back to a cost benefit analysis. What are the needs. First of all what are the needs and can the bank actually address the needs and is a bank really the best vehicle to meet those needs. These are meaty questions.

Ms. Cormier asked are we hearing you say that we look at the feasibility study and whatever is not addressed is the remaining activity for us to focus on.

Mr. Fluetsch said that is an excellent place to start. In the feasibility study a lot of information was addressed on retail banking, lack of small business loans, predatory loans and other issues. A lot of the Finance Department things addressed the cash management of the City. Lets go in there and delineate what is in the feasibility study and what has not been done and look at those needs and see how a public bank would address those issues.

Ms. Sullivan said she thinks she would love to see us use the feasibility study as a guide and not a restraint. We, along the way, have learned some things to cause us to get curious. She would not like us to use the feasibility study as the only relative document.

Ms. Cormier said if we have to start with a content to focus on what is next the feasibility study is a place to start, but it is not the be all end all.

Mr. Fluetsch said he was expecting more of an outcry at the public meeting on what those needs are. Financial services not getting met. We did not hear any of that.

Mr. Mang said using the feasibility study is a good place to start in terms of what are the needs and what has been done and not done. Some bankers say they can do things a public bank can do. The question is are they doing those things. To what extent is the money deposited in Santa Fe banks actually lent back into Santa Fe. Are there additional areas of questions that will expose needs or not. We need to understand what this entity called a public bank would be directed toward before we can say what the purpose is. We should expand our view to see to what extent the City is able to bring financing into the community that would make a difference in the community in an economic way and education way and other ways. If we don't have something drawing us to say this is a problem, we don't have any reason to say this is the purpose. Look at the banking situation we need to ask ourselves are the citizens lacking anything from what currently exists.

Mr. Hibben said if the bulk of the benefit has been achieved by action of the City what you are left with is a diminished customer. Is this a subsidized entity. What are we left with.

Ms. Cormier said also the perception, reality or not, that a public bank would allow the City to retain the money it holds as a profit as opposed to putting it in another bank where we get interest only on the money that stays within Santa Fe. That is another piece.

Mr. Hibben asked can you justify that if the City has no liquidity left over.

Ms. Huddleston said it is a matter of efficiencies as well. If it is more expensive to handle in Santa Fe it could become a wash. Social justice and the altruistic part sound good, but that is not really a bank.

Mr. Fluetsch said the bulk of City assets are not invested in a bank. They are invested in securities. Almost all of the income comes back to the City and is used for operational services. Maybe the panel is not an external panel who do not understand New Mexico, but in order to address the needs have a panel of local bankers.

Chair Buchholtz said his sense was that such a panel would have a majority of local people on it. It might be interesting to hear from advocates on a national level, but it would not be complete without significant input from the local level. Not just out of state people.

Ms. Cormier said we all agreed that what we heard was that people want Santa Fe to benefit from the deposits. They also expect the money to be more available to more altruistic projects and they want transparency. Those 3 things don't necessarily mean a separate bank. Is it again a matter of is there some way the City of Santa Fe can do a better job of making sure the people understand where the money is going. What she kept hearing was they want the money to benefit Santa Fe, the ability to have better use of the money and transparency. She is not hearing we need a bank for that. We need to do what we do in the City better on some of those things and what does that look like.

Ms. Sullivan said add to the list the safety of the money such as not putting any dollars into the Wall Street system.

Ms. Huddleston asked are you talking about safety in investments.

Ms. Sullivan said the bail-in clause in Dodd Frank has to do with banks ability to take public dollars in exchange for stock.

Mr. Hibben said if it is corporately collateralized it would not have that issue.

Chair Buchholtz said our public funds are not in banks, but in securities. Our money is not just in the bank. Wells Fargo being fiscal agent does not mean our money is all in that bank. They are administrators.

Chair Buchholtz said Judy has a good point about providing education about where our money is.

Mr. Hibben said it is important to point out also that if the City deposits at a public bank and the funds are used for social justice that the taxpayers are moving up the risk ladder. That might be ok. If the City is going to serve a need in the community like low income housing with a public bank those deposits would have been collateralized. If it is

suggested that you lift those requirements, that raises risk.

Ms. Cormier said the question is if we did not have a public bank how with what we have today can we address low income housing. She is not hearing a need for a public bank and is trying to understand what is driving this. If social responsibility of the money is what is driving this, it goes back to the question of is it being done today and how do we tell people it is being done today.

Mr. Fluetsch said the City staff has talked extensively about financial literacy. We met with the Santa Fe Community Foundation a number of times. We are working with them about how we can start financial literacy programs. We have talked about Homewise and their financial literacy program. LANB goes into schools and teaches financial literacy. We have a meeting next week with our fiscal administrator on that. We also looked at how we can help our City employees. We found that financial literacy is a very attractive program for accountability. You can measure how successful a financial literacy program is. About risk, US Treasury Bills are considered risk free. Making a small business loan to a start up business is way up the spectrum. Social investment almost always has to be subsidized. Local bankers are measuring if they want to take that financial risk.

Ms. Sullivan said she does not picture this as a social justice institution that creates a big risk for taxpayers. The bank of North Dakota describes themselves as a hybrid. They are a for profit. That is what she pictured.

Mr. Mang said we keep concentrating on what the Finance Department can do and what money it has and what regular banks in the community are doing. What we are not getting to is if there is a gap and a need for a public bank. What he has found is the City has a tremendous infrastructure need at this point. They are going to try to go at it with a \$10 million to \$12 million bond. It will take a long time for that. Affordable housing is not about subsidizing poor people, the public bank cannot get into that. Employees of the City, Police officers of Santa Fe and teachers are commuting in to Santa Fe from other places where they can afford the housing. We need to find a way for them to live here and spend their money here instead of other communities. We have a deficit in money going out. How to create loans for infrastructure and higher density housing and where the private banking community does not address needs is what we need to discuss. Solar loans are another example. He serves on the Sustainability Commission. The Mayor talked with us about the need to come up with help for the City to put solar stuff on their roofs. He tried to point out that the City is already spending money for electricity. If could create a long term loan where payments to the utility could go to a loan for citizens who are already doing some of that and who have good credit that is not a risk. That too is the kind of thing the City cannot do. They cannot make loans to individuals, but a public bank could. The City's aim is to be carbon neutral by 2040. The point he is trying to make is Santa Fe is not doing well on an economic basis. The City itself is not doing well on an economic basis. There is a huge infrastructure need. The public bank as with North Dakota can cover emergency

periods with leverage to create new loans. That is one advantage. The second one is that the public bank can do things that the City Finance is prohibited from doing making loans at low risk. We need to define those things. He will send to the Task Force members a report that his group put out. Once we know those needs and what banks or financing could create then that will lead us to the question of what can the Finance Department do to help this and what can the private banking industry do to help with this and is there a gap.

Chair Buchholtz said he wants to leave the Task Force with this thought. There has been a lot of good discussion this evening about concerns on what things we need to determine going forward and our frustration with the lack of diversified public comment and a diversity of interest. He did not hear tonight what our task is. What are our next steps. Practical steps. We can articulate our concern and hopes, but we have to do something. At this point he is not sure he understands what our task is other than to report our work. He hears a yearning that there are more things we need to be doing, but not how do we do those things.

Ms. Cormier said if we use the feasibility study as our compass, not end destination, as to what was recommended and what was done that is the first step.

Chair Buchholtz asked are you saying at our next meeting or before, someone or some group should do that work and report back to us or our next meeting.

Ms. Cormier said she recommends 2 options. Give everyone homework to read the study again and bullet out what is needed to be done and what they think has already been done. Then at the next meeting go through it as a working meeting.

Chair Buchholtz said it seems to be consistent that we need to hear from a panel of experts on the questions we think should be addressed to experts.

Ms. Cormier said for her yes we need to do that. What is left to be done and what does that imply. Also does that need to be done by a public bank.

Ms. Huddleston said since we have met for over 3 months in terms of what we have to do, we have to present written materials within 6 months. We are running out of time. She wants more concrete steps to increase our time or how to move forward.

Chair Buchholtz said he is hopeful to be able to go to the Finance Committee and explain where we are and the limitations of the budget. He doesn't know who to task with the writing of a report. Maybe our facilitator could be paid and engaged, but her budget has run out. He knows the ability we have to draw on resources of City staff is constrained. He is hoping to get a sense of expectations. He was expecting to report to them about the task of a business plan and the impossibility of this group to do that.

Ms. Cormier said if we get on the agenda if anything on the agenda does not get

addressed does it get carried over. If we put ourselves on knowing they will not get through the entire agenda at least it would be there for the record that we made the attempt.

It was stated that the deadline for the agenda publication has passed.

Mr. Fluetsch said it is a blessing that we are not on the December agenda. He envisions you have the subcommittee reports and can use those 4 reports as a written report. They show the work and are half of our mission. The other half is going through the feasibility study and determine that these have been addressed and these have not. That can give the Governing Body and the Finance Committee a complete picture of where we are at. We can dovetail that with the 3 amendments. Identify these hurdles and constraints and these pros and put the onus on the Governing Body. If the unmet need is significant we need a budget. We can do that at the January meeting.

Chair Buchholtz said he wants to speak to the Finance Committee in person and publicly to get immediate reaction. January is fine. Make sure we are on for January. The first one in January.

Ms. Sullivan said that gives us the December meeting to do what was suggested. Also we need to commit to read the report that Robert is going to give us from In Santa Fe.

Chair Buchholtz said he is hearing that we need 3 things to continue our preparation for organizing a report at the January Finance meeting. To do the subcommittee work described in regard to the feasibility study and to have some input in the report Robert sends out.

Ms. Cormier said we also should be looking at Adam's memo as a comparative document.

Mr. Fluetsch said he will volunteer for making sure the Task Force is on the January agenda and that a packet is prepared.

Mr. Mang said we ought to have something about what questions we still have that we need professional input on.

Mr. Fluetsch said we should do that after the Finance Committee. If we propose 3 amendments to the Resolution that will have to go to the full Body in 2 weeks. The Finance Committee cannot authorize a budget.

Chair Buchholtz said we need staff to get work done. It would be manageable with a small budget.

B. AMENDMENTS FOR 12/4/17 FINANCE COMMITTEE

The amendment process was discussed previously.

Chair Buchholtz asked if there was anyone from the public who wished to address the Task Force. 2 minutes each would be allowed.

Valarie Romero. Ms. Romero said she wants to make sure her demographic has accessibility. People with disabilities, on fixed incomes and people with behavioral health issue. She wants to ensure that people with disabilities have an opportunity to be involved. Thank you.

Nichole Lichen. Ms. Lichen said she wants to thank the Task Force for their work. You have had to pick up a lot of inadequacies that the Task Force that did the feasibility study left. People across the country are studying this and encountering the same questions. They are identifying a way through the obstacles. She thinks that is your obligation. We presented at your meeting our 6 year model and got helpful information from Judy and Randy and would like to meet with Task Force members who have an interest in regulation and financial constraints. In regards to working with Regulation and Licensing that is not a one time meeting. It is something that is part of an ongoing conversation to help expand the conversation. This afternoon the Brass Tacks Team spent a couple of hours discussing liquidity and our inability to see clearly what the constraints are. In order to really understand what is liquid we need to see better detail. We think liquidity is there, but is not visible. We would like to see the steps necessary to pave a path forward for a public bank.

Ms. Cormier said that is not addressed in the geneses of what we were tasked to do to go forward.

Chair Buchholtz said thank you for coming and bearing with us.

6. ADJOURNMENT

MOTION A motion was made by Mr. Hibben, seconded by Ms. Cormier, to adjourn.

VOTE The motion passed unanimously by voice vote.

There being no further business to come before the Task Force the meeting adjourned at 7:35 pm.

David Buchholtz, Chair



Elizabeth Martin, Stenographer