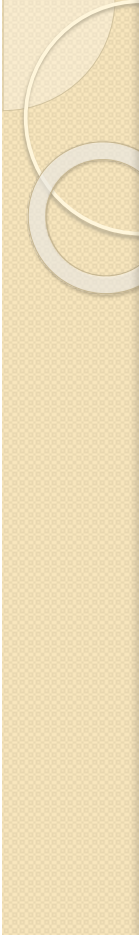


APPENDIX H
Task Force Sub-Committee Working Groups Summary Reports
Presented at the Public Form
November 20, 2017

i. Legal



Legal Sub-committee – Who have we contacted?

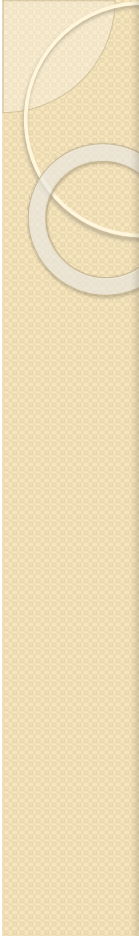
- City Attorney, Kelly Brennan - Review of relevant legal issues
- Mark Chaiken and Richard Virtue, Virtue & Najjar, PC - Review of legal opinion required by Resolution 2017-32



Legal Sub-committee – What are key considerations?


- Home Rule Authority
- Public Purpose Issues
- Borrowing Considerations
- Investment Authority
- Anti-Donation and Similar Constitutional Provisions
- Financial Institution Regulations

ii. Regulatory



Regulatory Sub-committee – Who have we contacted?

- Dr. Christopher Erickson, co-author of the Public Bank Feasibility Study
- Mary K. Root, Director NM Regulation & Licensing Department
- Christopher Moya, Acting Director, Kevin Graham & Rebecca Moore, Regulation & Licensing-Federal Institutions Division
- Adam Johnson, Christina Keyes & Bradley Fluetsch, City of Santa Fe Finance Division
- Mike McGonagle, retired banker Santa Fe



Regulatory Sub-committee – What did we learn?

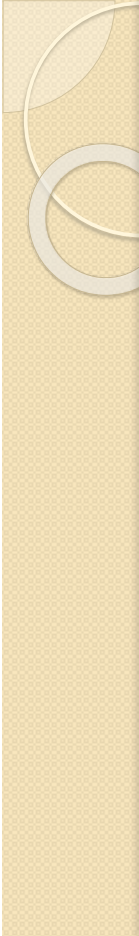
- Regulatory Issues & Concerns
 - Anti Donation Clause
 - Collateralization of City Deposits
 - FDIC Insurance
 - Federal Reserve Membership
 - No Limited Purpose Charters
 - Open Meetings Act
 - Independence of Management & Board of Directors
 - The Election Cycle
 - Dedicated Long Term Capital
- Available Liquidity, City of Santa Fe
- Best Practices, City of Santa Fe Treasury Division



Regulatory Sub-committee – What are the key opportunities and challenges?


- Interpretations of or Changes to Existing Law required for a Charter Application
 - “Anti Donation” Clause
 - Permissible Investment
 - Home Rule Powers
 - Collateral requirements for Public Monies
 - Open Meetings Act
- Cost of preparing the Various Applications Including a Detailed 5 Year Business Plan
- Operating Costs of a Public Bank
- Industry Opposition

iii. Governance




Governance Sub-committee – Who have we contacted?

- State Legislators
- Current and Former County Commissioners
- Former City Councilors
- Not-for-profit Executive Directors
- Leaders and retired leaders of the Financial Community
- Business Owners
- Public Banking Advocates Outside of Santa Fe
- Involved Community Members



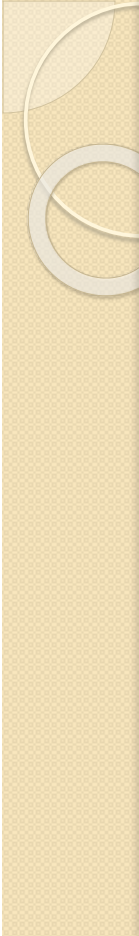
Governance Sub-committee – What did we learn?

- The Governance Model must create a relationship among the City (Staff and Council) and the Bank Oversight/Policy Board and the Citizens Advisory Board that is connected with the Bank Management to create an appropriate accountability.
- Though these separate Governance bodies must be deeply accountable and communicative, they also must be independent of one another.
- Bank Oversight/Policy Board and Citizen Advisory Board members are vetted by professional groups and/or community organizations in keeping with role/job descriptions provided by the City Council Ordinance.
- Final selection of members of the Bank Boards must include public input and be free of political influence.



Governance Sub-committee – What are the key challenges?

1. **How to ensure transparency**
2. **Current lack of understanding/trust in what a public bank could accomplish, apart from what can be accomplished by existing entities**
3. **Organization of an effective vetting process and qualified, available volunteers who reflect our entire community**
4. **Acceptance of public banking by city staff**
5. **Stepping outside the norm to do something that hasn't been done before**
6. **Maintaining commitment by community leaders to have the Public Bank move forward (when there are changes in elected officials)**



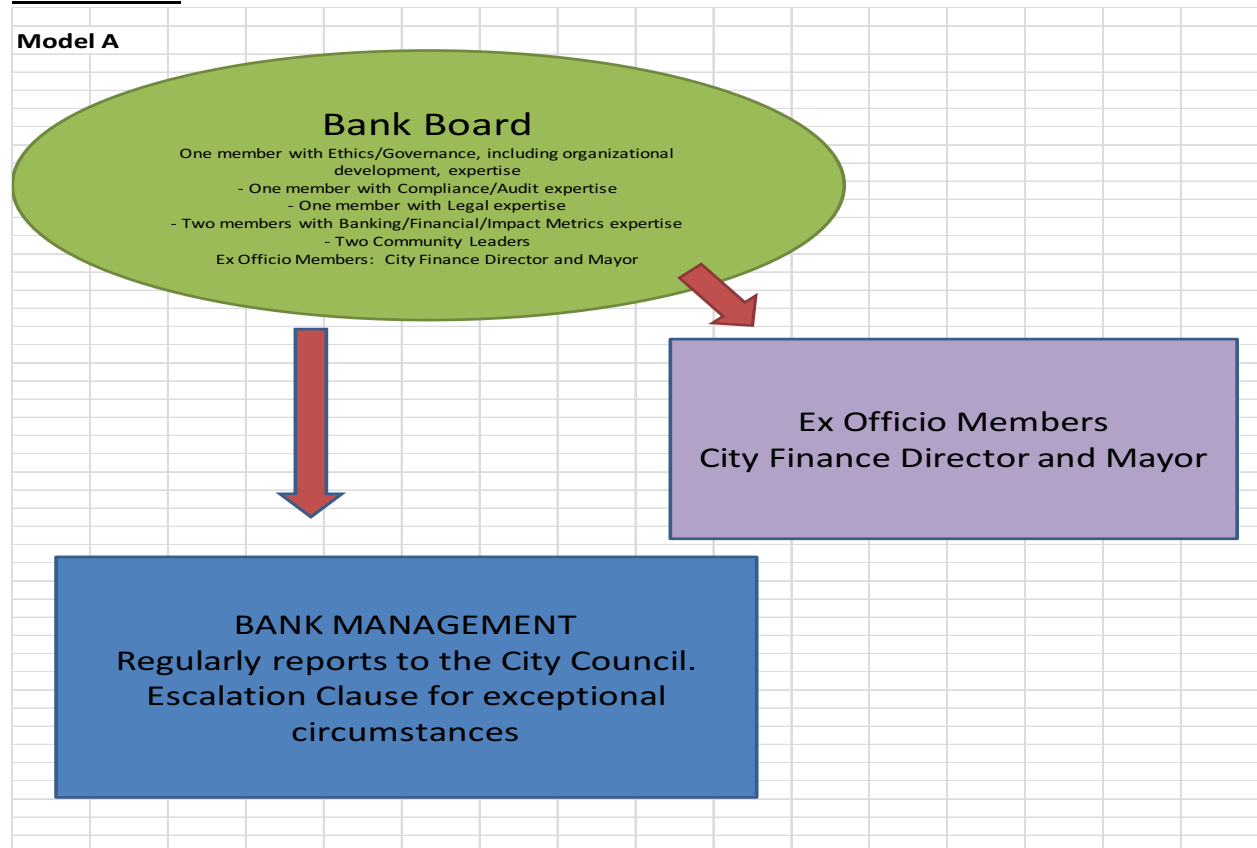
Governance Sub-committee – What are the key opportunities?

1. Having a transparent institution handling our public funds
2. Greater involvement of the public in determining how our public funds will be put to work in our community.
3. Long-term partnering with other local institutions, with more capital circulating and meeting community needs.
4. A reduction in fees and costs that are paid to financiers who do not live within our community, which keeps more of our tax dollars local.
5. Our neighbors, friends, colleagues and community members will be involved in oversight and operation of the bank, which makes it easier to find out what is happening and holds people more accountable.

Three Governance Models

A common goal in these examples is creation of a relationship among the entities that is appropriately accountable and independent of one another. In the models below, aspects that would contribute to a firewall between management of the bank and political influence include the vetting process in all three examples and the citizen advisory board in Model C. Model A has more community involvement, and Model B places a stronger emphasis on elected officials' accountability to the public.

MODEL A:



Nomination Process for a Bank Board could have these parts:

- City Councilors encouraging application by qualified people in their districts with the aim of geographic diversity.
- Applications by members of the public.
- Vetting of these applications by the appropriate professional and community groups, i.e., attorney applications vetted by attorneys, public at large applications vetted by representatives of not-for-profits, faith communities, etc. (This step reflects experience of the Bank of North Dakota and NM Judiciary assignments.)
- Final selection of nominees done by the professional and community groups listed above.
- Confirmation hearings by City Council, with public input

BANK BOARD of seven members:

- One member with Ethics/Governance, including organizational development, expertise
- One member with Compliance/Audit expertise

- One member with Legal expertise
- Two members with Banking/Financial/Impact Metrics expertise
- Two Community Leaders

Ex Officio Members: City Finance Director and Mayor

This body would draft roles and responsibilities for the Bank Board and the Bank Management and submit to the City Council for review and passage of an Ordinance.

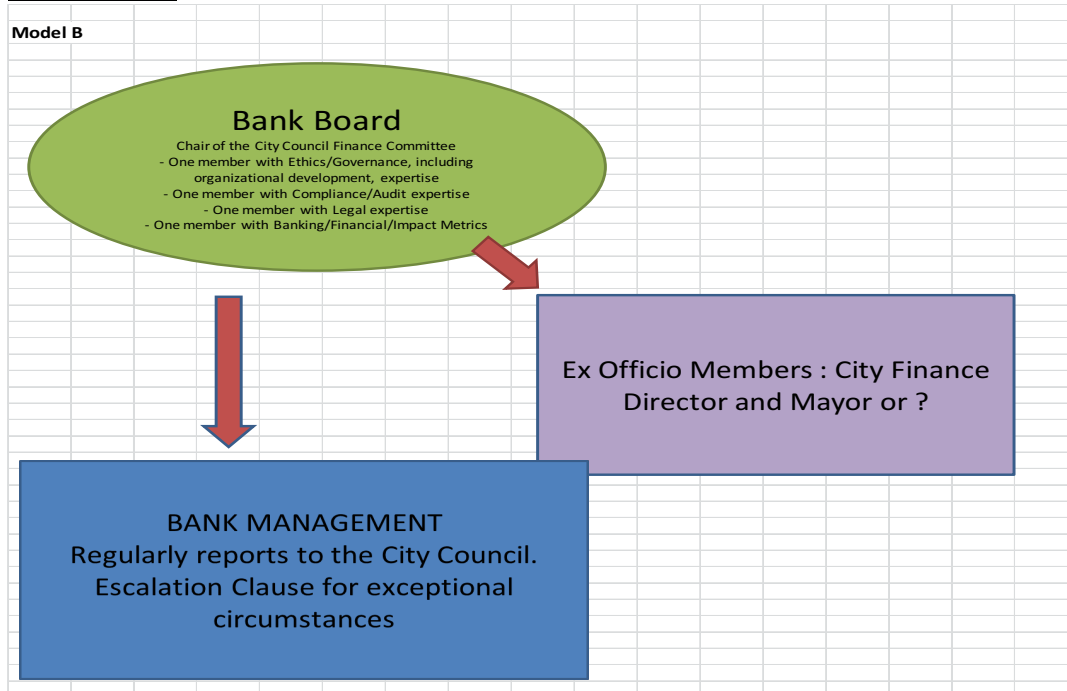
Term limits of three years.

BANK MANAGEMENT

Bank Management will report regularly to the City Council.

Policies will include an escalation clause for exceptional circumstances (probably involving larger bonds, etc. than authorized) for review by the Bank Board and/or City Council.

MODEL B:



Nomination Process for a Bank Board could have these parts:

- City Councilors encouraging application by qualified people in their districts with the aim of geographic diversity.
- Applications by members of the public.
- Vetting of these applications by the appropriate professional and community groups, i.e., attorney applications vetted by attorneys, public at large applications vetted by representatives of not-for-profits, faith communities, etc. (This step reflects experience of the Bank of North Dakota and NM Judiciary assignments.)
- Nominations submitted to the Mayor for selection.
- Mayoral selections to the City Council for confirmation hearings open to the public.

BANK BOARD of seven members

- Chair of the City Council Finance Committee
- One member with Ethics/Governance, including organizational development, expertise
- One member with Compliance/Audit expertise
- One member with Legal expertise
- One member with Banking/Financial/Impact Metrics expertise
- Two Community Leaders

Ex Officio Members: City Finance Director and Mayor or...?

This body would draft roles and responsibilities for the Bank Board and the Bank Management and submit to the City Council for review and passage of an Ordinance.

Term limits of three years.

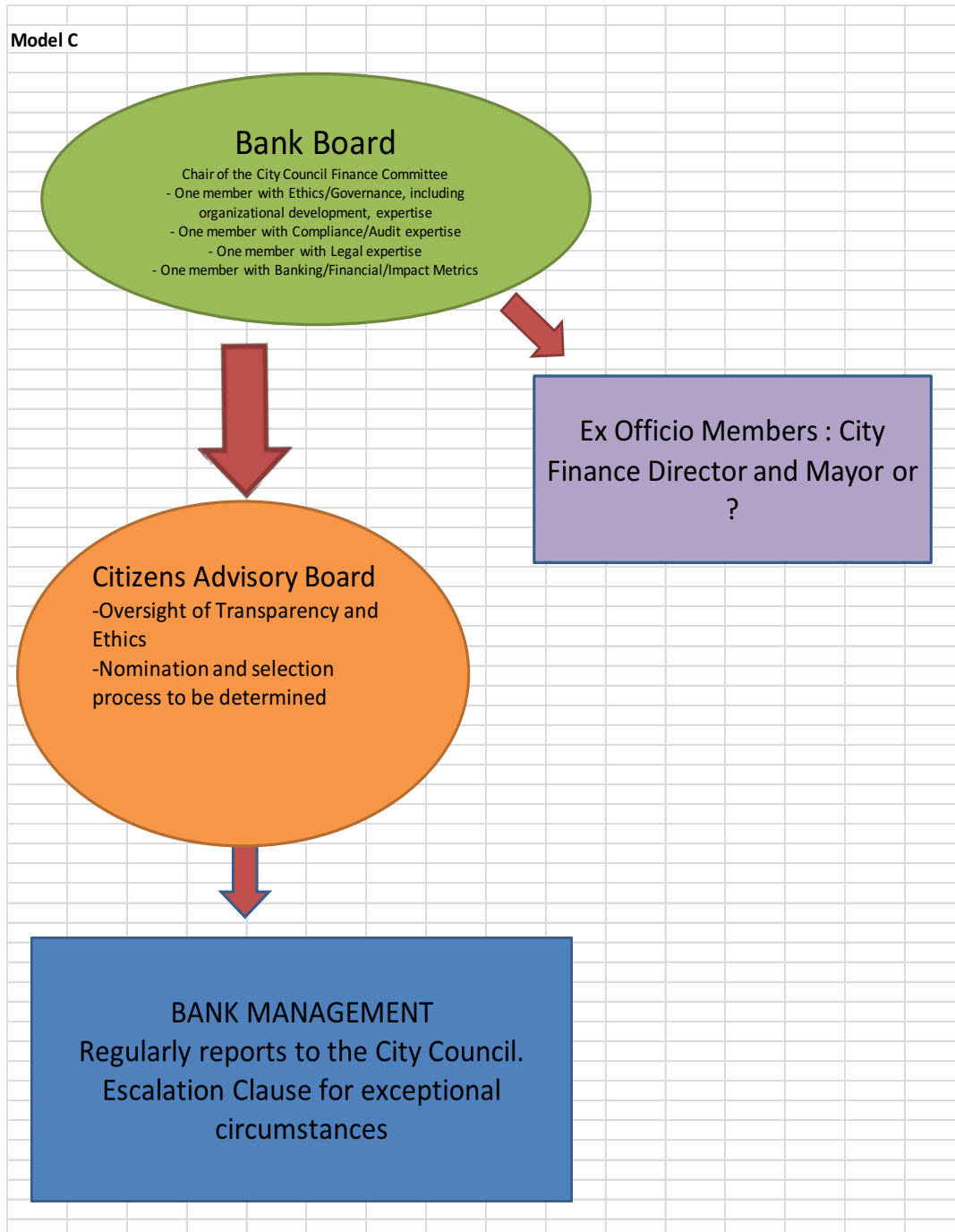
BANK MANAGEMENT

Management regularly reports to the City Council.

Policies will include an escalation clause for exceptional circumstances (probably involving larger bonds, etc. than authorized) for review by the Bank Board and/or City Council.

MODEL C:

This model would include a fourth body, a Citizen Advisory Board, with responsibility for oversight of transparency and ethics. Nomination and selection process to be determined.



iv. Capitalization

CAPITALIZATION SUBCOMMITTEE REPORT

- We assume that capital for a City of Santa Fe Public Bank would have to come from or be collateralized by the City of Santa Fe. Thus, we have limited our search for capital to discussions with the City's Finance Department.
- The Finance Department advises that raising capital by:
 - ❖ Using General Obligation Bonds and/or the City's liquid assets would jeopardize the City's bond rating;
 - ❖ Using Revenue Bonds are a possibility based on the public bank's viability and probably requiring City voters approving use of property taxes as a backup; and
 - ❖ Investment from the City's few funds that are not restricted, would require an offering that the different boards, who are fiduciaries for the different funds, to study and decide whether to invest or not.
- **Our conclusion at this point is that if the public bank has a business plan that demonstrates a compelling value to Santa Fe then it would be worthwhile to pursue this further. But not until then.**

Submitted by Sub-Committee Members: Wayne Miller and Bob Mang 11/20/17
