



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: 1st & 3rd District
Supervisor
Department No.: 011 – Board of Supervisors
For Agenda Of: May 4, 2021
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Board Member(s) 1st District Supervisor Das Williams and 3rd District Supervisor
Joan Hartmann
Contact Info: Darcel Elliott, (805) 568-2186
SUBJECT: Adoption of Resolution Expressing Interest in Participating in a Viability Study
for a Central Coast Public Bank

County Counsel Concurrence

As to form: N/A

Other Concurrence: N/A

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- a) Adopt the attached Resolution expressing interest in participating in a viability study for a Central Coast Public Bank with other Central Coast local agencies (Attachment A); and
- b) Direct staff to return to the Board with next steps and approval of final allocation of funding toward the study if other local agencies express interest in participating in a viability study; and
- c) Determine that the recommended actions do not constitute a project subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(5), finding that the project is an organizational or administrative activity of governments that will not result in direct or indirect physical changes in the environment.

Summary Text:

The attached resolution expresses Santa Barbara County's interest in participating in a viability study for a Central Coast Public Bank in coordination with Santa Cruz County and other local agencies on the Central Coast that express interest in participating in such a study.

Background:

On March 26, 2021, the Santa Barbara County Board of Supervisors received a letter from Santa Cruz County Supervisor Zach Friend requesting statements of interest from Central Coast counties in participating in a joint viability study regarding the feasibility of creating a Central Coast Public Bank, utilizing the authority granted to local agencies in Assembly Bill 857 (2019). A similar letter was sent to the boards of supervisors, city councils, and special district boards throughout the counties of Santa Cruz, Monterey, San Benito, San Luis Obispo, and Santa Barbara.

AB 857 creates a process for local agencies to create a public bank, defined as a corporation organized for the purpose of engaging in commercial banking business or industrial banking business, that is wholly owned by a local agency, local agencies, or a joint powers authority. Prior to forming a public bank, AB 857 requires a local agency to first conduct a study to assess its viability. The text of Government Code 57606 (Attachment B), which is part of what AB 857 added to the Government Code, states that the study must include all of the following elements:

- A discussion of purposes of the bank, including, but not limited to, achieving cost savings, strengthening local economies, supporting community economic development, and addressing infrastructure and housing needs for localities.
- A fiscal analysis of costs associated with starting the proposed public bank.
- An estimate of the initial amount of capital to be provided by the local agency to the proposed public bank.
- Financial projections, including a pro forma balance sheet and income statement, of the proposed public bank for at least the first five years of operation. The financial projections shall include an estimate of the time period for when expected revenues meet or exceed expected costs and an estimate of the total operating subsidy that the local agency may be required to provide until the proposed public bank generates sufficient revenue to cover its costs. In addition to projections that assume favorable economic conditions, the analysis shall also include a downside scenario that considers the effect of an economic recession on the financial results of the proposed public bank. The projections may include the downside scenario of continuing to do business with the local government's current banker or bankers.
- A legal analysis of whether the proposed structure and operations of the public bank would likely comply with Section 6 of Article XVI of the California Constitution.
- An analysis of how the proposed governance structure of the public bank from unlawful insider transactions and apparent conflicts of interest.

The bill also states that the study may include the following elements:

- A fiscal analysis of benefits associated with starting the proposed public bank, including but not limited to, cost savings, jobs created, jobs retained, economic activity generated, and private capital leveraged.
- A qualitative assessment of social and environmental benefits of the proposed public bank.
- An estimate of the fees paid to the local agency current banker or bankers.
- A fiscal analysis of the costs, including social and environmental, of continuing to do business with the local agency's current banker or bankers.

During the County's Fiscal Year 2021-2022 Budget Workshops in April 2021, the Board asked that CEO's Recommended Budget for Fiscal Year 2021-2022 include up to \$25,000 to fund the County's

participation in such a viability study of the potential public bank. The action before the Board today is the very first step of this process – to send a resolution stating our County’s interest in participating in a viability study to the County of Santa Cruz. If other local agencies also submit interest in participating in such a study, staff is directed to return to the Board with next steps and final allocation of funding for the study.

Fiscal and Facilities Impacts:

N/A

Fiscal Analysis:

N/A

Key Contract Risks:

N/A

Staffing Impacts:

N/A

Legal Positions: N/A

FTEs: N/A

Special Instructions:

Attachments:

- (A) Resolution expressing interest in participating in a viability study for a Central Coast Public Bank
- (B) California Government Code 57606
- (C) Letter from Santa Cruz Supervisor Zach Friend

Authored by:

Darcel Elliott