

## RWG Item 4

### Letters from the Chair of the San Francisco Reinvestment Working Group on the Public Bank Governance Plan

At the May 18, 2023 special meeting of the San Francisco Reinvestment Working Group (RWG), a majority of the RWG moved to direct the Chair of the RWG to submit a letter to the LAFCo Commissioners and BOS regarding the proposed governance plan for a San Francisco Public Bank.

#### From the Minutes:

*Member Marti, seconded by Member Pierce, moved to DIRECT the Chair to write and submit a letter to LAFCo and the BOS along with the plans that outlines the RWG's recommendation for the following modification to the plan: that the Public Bank Oversight Commission shall have the power of setting annual policy and appointing and removing Board members to the extent this is allowable by regulators. The motion carried by the following vote:*

*Ayes: 5 - Morales, Evans, Chi, Pierce, and Marti*

*Nays: 3 - Finger, Fried, and Van Degna*

**The Chair of the Reinvestment Working Group  
Letter to the San Francisco Board of Supervisors**

**To:** San Francisco Board of Supervisors Government Audit & Oversight Committee  
**From:** Christin Evans, Chair of the San Francisco Reinvestment Working Group  
**Re:** Recommendation of the Reinvestment Working Group regarding the Oversight Authority of the Proposed Public Bank Governing Body  
**Date:** May 19, 2023

Dear Supervisors,

At the May 18, 2023 special meeting of the San Francisco Reinvestment Working Group (RWG), the RWG members voted unanimously to submit to the Board of Supervisors and to the Local Agency Formation Commission the San Francisco Municipal Finance Corporation Business and Governance Plan and Viability Study and the San Francisco Public Bank Business and Governance Plan and Viability Study, as prepared by HR&A Advisors.

At that same meeting, a majority of those present (5 out of 8) voted to direct me, as Chair of the RWG, to submit the following recommended modification to the plan: that the Public Bank Oversight Commission shall have the power of setting annual policy and appointing and removing Board members to the extent this is allowable by regulators.

**Context**

In our process of developing a viable business plan for a public bank, we consulted with financial experts, including those involved in the Bank of North Dakota and Dr. Thomas Marois, political economist and globally renowned expert on public banking.

The Governance model of an institution can be an asset towards achieving its mission and staying true to its core principles. Selecting the form of governance was a topic which we researched and discussed extensively.

There was general consensus that in order to ensure the bank's policies and lending practices achieved the desired outcomes that the documents which govern the institution detail mechanisms for appointing a governing body which would ensure the institution remain focused on the core needs of its community and not be corrupted by one politician or special interest. Therefore the notion of a dual level governance structure, one that reflects a broad set of community stakeholders and also accomplishes spreading the appointments across multiple elected officials, was selected. We called the top tier of this governance structure the Public Bank Oversight Commission.

A further anti-corruption measure our workgroup discussed would be to empower the governing body (the one most impervious from corrupting influences) with meaningful powers such as the

ability to hire and fire the bank's CEO and to also set bank policies, not simply advise on those policies. However, early feedback received from state and federal bank regulators was that this governance model may have challenges receiving regulatory approvals. The consultants HR&A Advisors therefore proposed that the top tier of governance be primarily advisory in nature.

There was a unanimous agreement that there be expediency to establish a multi-purpose financial corporation that would initiate lending activity that could be demonstrated to regulators as successfully managed. However, there was a split in our group's consensus that as time passed and once the institution was established, that there be an evolution in the institution's governance structure to establish clear accountability to community principles through a strengthened governance model that ensured true community oversight in all aspects of the bank including its lending priorities and practices. So while all working group members agreed to adopt HR&A Advisors recommendation to make the top tier governance body advisory initially, a majority of our working group also has made a recommendation urging the governance structure evolve over time and that the Public Bank Oversight Commission be empowered to set annual policy and appoint and remove Board members to the extent that it would be allowed by regulators.