

# REPORT OF THE CHIEF LEGISLATIVE ANALYST

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DATE: December 9, 2022

TO: Honorable Members of the City Council

FROM: Sharon M. Tso *smtso*  
Chief Legislative Analyst

Council File No. 19-1235  
Assignment No. 22-11-0639

SUBJECT: Receipt of Proposals for Studies Related to Formation of a Public Bank

## SUMMARY

On October 5, 2021, the City Council authorized the CLA to draft and release an RFP seeking consultant services needed to conduct policy, fiscal, and economic analyses related to the formation of a public bank serving the City of Los Angeles. A competitive bid process was held and the City received one bid. The bidder satisfied the requirements of the RFP, including the submission of a work plan in two phases. The bidder submitted a total budget of \$700,000, with a Phase I budget of \$460,000. Council action is needed to appropriate funds for the Phase I study. Were Council to decide on a banking model option and opt to move forward with additional formation studies, the Phase II budget would be \$240,000, to be funded at a later date.

## RECOMMENDATIONS

That the City Council instruct the City Administrative Officer and Chief Legislative Analyst to identify and report in the mid-year Financial Status Report with funding in the amount of \$460,000 for consultant services needed to conduct policy, fiscal, and economic analyses for a Phase I study related to the formation of a public bank serving the City of Los Angeles.

## BACKGROUND

Motion (Wesson - Bonin, Koretz, C.F. 19-1235), adopted by Council on December 12, 2019, instructed the CLA to report on the scope and costs to obtain consultant services to prepare an application to form a public bank to serve the residents of the City of Los Angeles. This Motion was passed subsequent to the passage of AB 857 (Chiu), which created a process for the formation of public banks in the State through the commercial bank process. Using this authority, the City is now able to actively pursue formation of a public bank within a known legal structure.

The CLA provided a report to Council, dated February 27, 2020 (February 2020 Report), summarizing AB 857 and the proposed scope for studies related to formation of a public bank, among other items. On October 5, 2021, the City Council adopted the report and took action to authorize the CLA to draft and release an RFP seeking consultant services needed to conduct policy, fiscal, and economic analyses related to the formation of a public bank serving the City of Los Angeles. Additional Council requirements for a successful RFP response related to public banking experience, capitalization strategies, and a cost-benefit analysis. The Council also instructed the CLA to report with the results of the RFP. Additionally, Motion (Krekorian - Price), adopted alongside the February 2020 Report, amended the third recommendation in said

report to request that the City Attorney, if the Council approves creation of a public bank, retain outside counsel as necessary to advise and assist the City of Los Angeles, including preparation of necessary documents related to the formation of such a bank.

On June 13, 2022, the CLA released an RFP on the City's Regional Alliance Marketplace for Procurement (RAMP) website seeking proposals from consultants interested in assisting the City by reporting on the feasibility, benefits, costs, and risk factors in the creation of a public bank (RAMP ID 202431). The RFP requested qualified candidates to submit a work plan that covered the requested deliverable and service level requirements in two phases. For Phase I, the consultant was asked to provide a plan to study issues such as formation options and operational aspects of a public bank, banking model options, risks, opportunities, costs, oversight structure, financial projections, and a detailed strategy for formation of a public bank, among other items. Were Council to approve of the Phase I study, decide on a banking model option, and opt to move forward with additional formation studies, the consultant would begin their Phase II scope. For Phase II, the consultant was asked to provide a plan to develop a detailed statement of purpose for a public bank, prepare the bank's business plan, and prepare an application to form the bank for submission to the State.

Proposer bids were due to the CLA on September 2, 2022. The City received one bid, from HR&A Advisors. HR&A has extensive experience in public banking, including supporting the City and County of San Francisco in the formation of a municipal public bank, and conducting feasibility studies regarding public banks for the cities of Philadelphia and Seattle, respectively. HR&A's bid satisfied the requirements of the RFP, including the submission of a work plan in two phases. Across both phases of the work plan, HR&A's requested total budget is \$700,000. The Phase I budget, in which HR&A would prepare all Phase I deliverables, is \$460,000, split between HR&A (\$280,000) and their subcontractor Duane Morris LLP (\$180,000). Upon receipt of the Phase I deliverables, Council would be able to evaluate the findings concerning bank models and associated financial terms and impacts. If it determines that formation is favorable, Council could opt to move forward with Phase II with a budget of \$240,000, again split between HR&A (\$120,000) and Duane Morris LLP (\$120,000).

The bid was sent to five scorers, one each from the CLA, City Administrative Officer (CAO), Office of Finance, Economic and Workforce Development Department, and the Community Investment for Families Department.

#### **NEXT STEPS**

If Council wishes to move forward with a Phase I study, \$460,000 will need to be provided to fund the study. No funds have been set aside for this study in the City Budget. Council may choose to request the CAO and CLA to identify and report in the mid-year Financial Status Report with funding in the amount of \$460,000 to retain HR&A Advisors for consultant services needed to conduct policy, fiscal, and economic analyses for a Phase I study related to the formation of a public bank serving the City of Los Angeles. Upon receipt of a Phase I study from HR&A Advisors, Council will have the option to decide on a banking model and move forward with a Phase II study for an additional \$240,000, which would be allocated at that time.

  
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Analyst