REPORT BACK ON RESPONSIBLE BANKING ORDINANCE IMPLEMENTATION PLAN AND AMENDING MOTION 24A

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November 2011

Maintain a Balance Between Two Values

- Pursue policies and practices that do not cause any significant financial loss
- Use its purchasing power to promote, attract, develop and foster responsible business practices that enhance the quality of life for Angelenos

✓Prudent Investor Rule
✓Foster Competition
✓Flexibility and Diversity

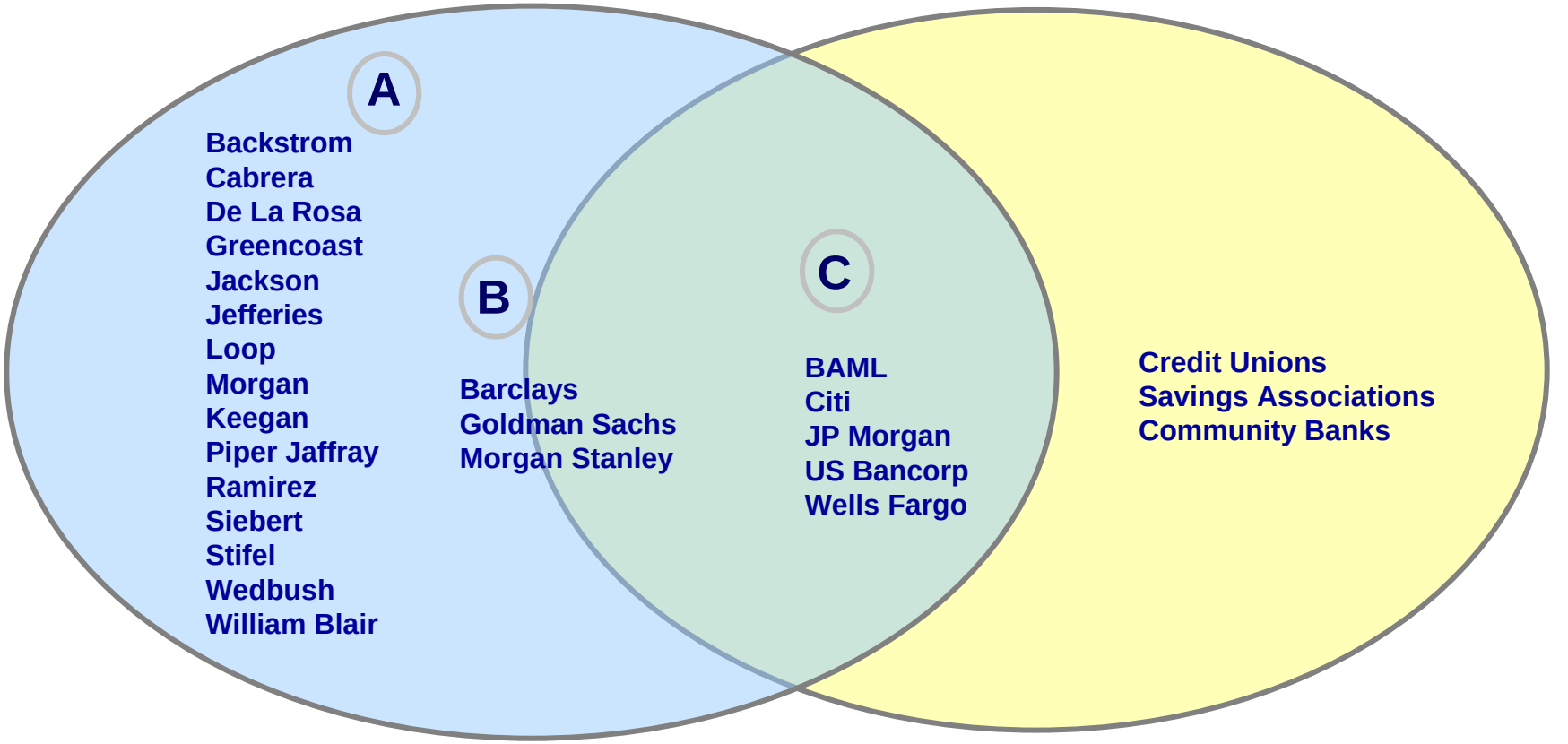
✓Prevention of Foreclosures
✓Creation of Jobs
✓Promote Economic Growth

Qualified List of Underwriters

A) Solely Investment Banks (14)

B) Hybrid Banks (3)

C) Commercial & Investment Banks (5)



Legend: = investment banking = commercial banking

Financial Services: Commercial Banks vs. Investment Banks

Investment Banking Services

- Bond & Note Underwriting
  - General Obligation Bonds
  - MICLA Lease Revenue Bonds
  - LA Wastewater Revenue Bonds
  - Tax & Revenue Anticipation Notes
- Remarketing Agent Services
  - MICLA CP Program
  - LA Wastewater CP Program
- Swap Counterparty Services
  - LA Wastewater
- Sell-Side Advisory Services
  - Private-Public Partnerships

Commercial Banking Services

- Checking & Savings Accounts
- Bridge (short-term) Loans
  - Interim financing for individuals and corporations
- Direct Lending Products (e.g. Home Loans)
- Credit Facilities (e.g. Letters of Credit)
- Treasury Management Services
  - Wire Transfers
  - Investment and Disbursements of Funds
- Trust Services
- Asset/Investment Management Services*

*Three of the City's underwriters provide asset/investment management services.

Report Back on Amending Motion 24A

- Define "wrongdoing"
  - When clear and convincing evidence of applicable final convictions in any criminal courts or applicable final judgments in any civil courts.
  - Settlements where an entity neither admitted nor denied any guilt shall not be treated as "wrongdoing".
- Contracting guidelines to debar an entity from doing business with the City
  - Contractor Responsibility Ordinance
  - Entity has a right to a hearing process
  - If determined "non-responsible", an entity is debarred for five years
  - After two years, an entity may request removal from debarment
- Summary of federal and state banking regulatory agencies:

Investment Banks

U.S. Securities & Exchange Commission

Municipal Securities Rulemaking Board

Financial Industry Regulatory Authority

Commercial Banks

Federal Reserve System

Federal Deposit Insurance Corporation

Office of the Comptroller of the Currency

State of California Department of Financial Institutions

What Are Other Cities Doing?

	Collects local information	Developed a local scoring methodology	Applied to:	Use Federal CRA Score
BOSTON	Yes	No	Commercial Banks	Yes
CHICAGO	No	No	Commercial Banks	Yes
CLEVELAND	Yes	Yes	Commercial Banks	Yes
PHILADELPHIA	Yes	No	Commercial Banks	Yes
SAN JOSE	No	No	Commercial Banks	Yes
SAN DIEGO	Yes	No	Commercial Banks	Yes
LONG BEACH	Yes	No	Commercial Banks	Yes

The following cities are considering to adopt a social investment policy that will be applied to commercial banks only:

- New York
- San Francisco

Implementation Plan for Responsible Banking Ordinance

- Challenges of the proposed Responsible Banking Ordinance (RBO):
  - Extensive data collection
  - Creates inequitable ranking
  - Creates a disadvantage to smaller investment banks
  - Requires additional staff resources
  - Lack of expertise
- Revisions to proposed RBO:
  - Implement a social investment policy as part of the Contractor Responsibility Ordinance
  - Bifurcate investment and commercial banking services by creating two separate criteria
  - Use the Federal Community Reinvestment Act (CRA) Score
  - Collect additional data pertinent to the City's foreclosure prevention goals by census tract
  - Collect data on small business loan activity in the City by census tract

Responsible Banking Criteria for Commercial Banks

- The criteria includes:
  - CRA Score
    - 34 year-old proven process
    - Ranking Mechanism
    - Verified, Audited & Enforced
    - Public Comment Process
  - Disclose Participation in the City's Housing Programs by Census Tract
    - Keep Your Home LA
    - Foreclosure Registry
  - Disclose Small Business Loans in the City by Census Tract
    - Number of Loans
    - Total Value of the Loans

Responsible Banking Criteria for Underwriters

- Build on the City's "Corporate Citizenship Criteria" that shows their commitment to Los Angeles residents and values.

- The criteria includes:
  - Social policies (e.g. child care, equal employment, healthcare)
  - Participation in scholarship programs
  - Participation in charitable programs
  - Procurement of goods and services from MBE/WBE/DBE

Los Angeles As An Informed Consumer

- Failure to provide data will deem the bidder “non-responsive”.
- Data will be submitted to Mayor and Council upon recommendation by Department (CAO, Treasurer, CDD, Housing and Proprietaries) of services to be purchased.
- Matrix comparing recommended bidder to others that applied will also be included.
- Data will inform policymakers on social policy priorities.