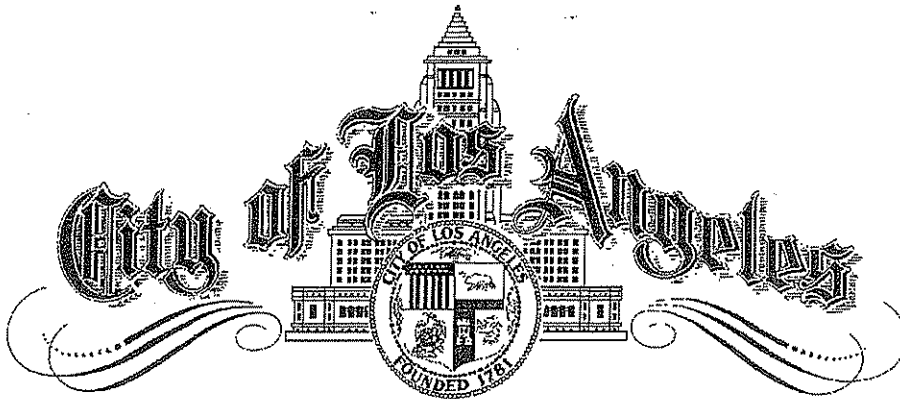


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RICHARD ALARCÓN
Councilmember
Seventh District

December 5, 2011

RE: CF 09-0234, Responsible Banking

Dear Councilmember Parks & Budget & Finance Committee members,

I want to commend the City Administrative Officer and his staff for providing a report to the Council that recommends moving forward on the Responsible Banking Ordinance. This report encompasses most of what we have discussed in Committee and in Council regarding the Responsible Banking Ordinance and I appreciate the CAO's thorough work. I've always said that Responsible Banking is the fiscally responsible thing to do, and I appreciate that Mr. Santana agrees.

Through Responsible Banking, we, the stewards of taxpayer funds, as well as the public at large, will have yearly access to data about the local activity of the financial institutions we do business with. This is data that's vitally important to our local economy, including information about the amount and type of loan modifications offered that include principal reduction to Los Angeles homeowners, and the amount and type of small business loans offered to local entrepreneurs by census tract.

While I commend the report overall, I have some specific suggestions for changes to the CAO's recommendations that will strengthen the disclosure aspects of this bill and make sure our timing is on track as we move forward.

First, I ask the Committee to include details about the Working Group formation in the instructions moved by this Committee. Specifically, I believe that the following Recommendation should be added: "The Responsible Banking Working Group will be comprised of 3 Community Advocate Representatives, 3 Banking Industry Representatives, and 3 Community Reinvestment Experts. 1 representative from each category will be appointed by the CAO, the Council President's office, and the Bill Author's Office. Further, in addition to a Representative from CAO, Finance, Housing, CLA, the Mayor's office, and the City Attorney's office as recommended by the CAO, 3 additional City Representatives will be appointed from the Council President's office, the Budget and Finance Chair's office, and the Bill Author's office."

Second, I ask the Committee to amend CAO's Recommendation #2 to ask that the City Attorney's office draft a new Responsible Banking ordinance and present it to Council on Tuesday, December 13th, 2011 when this item will be voted on in Council, rather than December 31st, 2011.

Third, I ask the Committee to amend CAO's Recommendation #3 to add that the City Administrative Officer issue an interim progress report of the Working Group findings by March 21st, 2012, prior to the final report that will be issued by the CAO on June 30th, 2012.

And finally, I believe it is crucial that the Responsible Banking ordinance apply to all financial institutions with which the City does business, and not just those that serve as City depositories. The CAO recommends that we exclude many of the other institutions we do business with from Responsible Banking, such as the institutions that underwrite our bonds and compete for other investment banking services for the City. It would be prudent to refer this question to the Working Group. Accordingly, I recommend that the Committee approve only part of the CAO's Recommendation #1 in the CAO Report dated December 1st, 2011, specifically: APPROVE "Recommendation number 5 from the CAO Report dated November 18th, 2011" and REFER Recommendations number 2 and 6 from that report to the Responsible Banking Working Group, and further, Instruct the Working Group to provide to the Council a full analysis about including investment firms and other firms on the Qualified List in the Responsible Banking program by February 28th, 2012.

Colleagues, transparency regarding the local banking activity of financial institutions that we place taxpayer dollars in is common sense, is fiscally prudent, and will benefit Angelenos for years to come. I look forward to working with you as we ensure that we are carrying out our due diligence when it comes to the banks we do business with.

In closing, I'd like to refer to the letter that Councilman Wilson Goode, Jr. of Philadelphia sent to all our offices this morning, with his statement of support for Los Angeles to follow in Philadelphia's footsteps and pass a Responsible Banking measure. According to Councilman Goode, the City of Philadelphia spends a grand total of \$50,000 each year on their Responsible Banking measure.

Yours truly,



RICHARD ALARCÓN
Councilmember, District Seven