

# Memo to City Council: Los Angeles Is Not North Dakota

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LA WATCHDOG--*Charter Amendment B: Shall the City Charter be amended to allow the City to establish a municipal financial institution or bank?*

The proponents of the November ballot measure that would allow the City to establish a bank point to the Bank of North Dakota as the poster child for a successful government owned bank. But comparing the 99-year-old, highly profitable, well managed Bank of North Dakota with the yet-to-established municipally owned Bank of Los Angeles is nothing but political posturing and does not pass the smell test.

For openers, the Bank of North Dakota is the only government owned bank in the country which, by itself, should be red flag to all Angelenos.

The economies and demographics of North Dakota and Los Angeles are very different. North Dakota has a heavy reliance on agriculture and natural resources while the City of Los Angeles is primarily a service economy.

North Dakota has a population of 750,000 spread out over 69,000 square miles, or 11 people per square mile, while the City of Los Angeles has a density of 8,500 residents per square mile based on a population of 4,000,000 residents crammed into 469 square miles.



The Bank of North Dakota has been an integral part of the State's commercial and agricultural economy for almost 100 years. As a low overhead, one office "wholesale" bank, it actively partners with the state's financial institutions and make loans to support agriculture, commerce, industry, and the North Dakota economy.

The Bank of Los Angeles, on the other hand, appears that it will be a people intensive, high overhead, highly political arm of the City government, financing low-income and affordable housing, green energy, and local infrastructure; supporting economic development; providing low cost student loans; banking the pot industry; and serving the underbanked through an expensive branch office network.

The Bank of Los Angeles also intends to compete with the commercial banking industry in the overbanked Los Angeles market. The City anticipates saving millions in interest and fees by cutting out the "Wall Street" banks from the revenues generated by loans, underwriting fees, and services charges. But that is easier said than done, especially in a competitive, highly regulated environment.

The Bank of North Dakota and its management team, in conjunction with their financial partners, has developed a high grade \$4.9 billion loan portfolio with adequate reserves and minimal write-offs.

Los Angeles, on the other hand, does not even have a management team in place. And based on the history of the now bankrupt Los Angeles Community

Development Bank, the Bank of Los Angeles will most likely be financing pet projects of the City Council and their cronies, thereby endangering the bank's capital base (that we supplied) and putting the City's deposits (including those from DWP, the Port, and LAX) at risk.

The Bank of North Dakota has had excellent operating results. Over the past ten years, BND's return on equity, a key measurement for financial institutions, has averaged an impressive 21%. And over this time, its equity is now equal to an incredibly strong 12% of assets because the State reinvested over 60% of the bank's profits in the bank to finance its growth.

On the other hand, Councilmembers are licking their chops at the prospect of developing another cash cow, depriving the bank of the needed capital to finance its growth.

This reminds us of the Department of Water and Power. Over the last ten years, DWP's Power System has "transferred" more than 75% of its surplus (\$2.3 billion) to the City's General Fund, resulting in debt ballooning to over \$10 billion and its debt ratio soaring to a dangerously high 65%.



The Herb Wesson led City Council and Mayor Eric Garcetti have not developed a plan for the Bank of Los Angeles. They want us to give them a blank check so that they can finance their pet projects. And these are the same downtown clowns who are responsible for our Structural Deficit that is running at the rate of \$1 billion when you consider the true costs of maintaining and repairing the City's infrastructure, funding the pensions based on realistic assumptions, and ever-increasing employee compensation demanded by the campaign funding leaders of the City's unions.

Angelenos are too smart to believe any comparison between the commercially oriented Bank of North Dakota to politically controlled Bank of Los Angeles. Rather, they will realize that the Bank of Los Angeles is a weapon of mass destruction aimed at the heart of our City.

Do not believe the Pied Piper proponents of the Bank of Los Angeles. Save our City. Vote NO on Charter Amendment B.

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