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CITY OF SEATTLE

ORDINANCE \_\_\_\_\_

COUNCIL BILL 117845

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AN ORDINANCE related to City banking contracts; creating a new Chapter 20.65 in Title 20 of the Seattle Municipal Code; requiring the Director of the Department of Finance and Administrative Services to consider socially responsible banking practices when selecting vendors for depository services; and requiring periodic reports to the City Council.

WHEREAS, the practices and products of financial institutions, including loan and investment products, have a measurable impact on the City's tax base, quality of life, economic viability, and competitiveness; and

WHEREAS, economic viability and competitiveness come from providing opportunities to all areas of the City and across the income range; and

WHEREAS, Seattle Municipal Code Section 3.39.020 invests the Director of the Department of Finance and Administrative services with the power to select qualified public depositories for the deposit of City moneys; and

WHEREAS, the City, in compliance with State banking laws and utilizing industry-standard best practices, typically selects one large bank every five years to handle all City deposits and transactional services in order to ensure City funds are handled securely and efficiently; and

WHEREAS, the City wishes to leverage its power as a large banking customer to encourage socially responsible banking practices in the wider community; and

WHEREAS, in return for the privilege of investing the community's wealth and doing business with the City, financial institutions have an obligation to serve the financial needs of all communities, including and especially minority and low- and moderate-income communities, and older adults; and

WHEREAS, the Seattle City Council passed Resolution 31337, committing the City to take steps to minimize economic insecurity and destructive disparities; NOW  
THEREFORE,

1 BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

2 Section 1. A new Chapter is added to Title 20 of the Seattle Municipal Code, which  
3 includes new Sections 20.65.010, 20.65.020, and 20.65.030, as follows:

4  
5 20.65 City Banking Contracts

6 20.65.010 Socially Responsible Banking

7 A. The Director of Finance and Administrative Services, in selecting qualified  
8 depositories for City moneys per SMC 3.39.020, shall have the power and duty to:

9 1. Require that prospective bidders provide the City with data on their socially  
10 responsible banking practices;

11 2. Utilize socially responsible banking performance as a factor worth at least 15% of  
12 the total point value in determining the winning bid;

13 3. Accept bids for depository services only from financial institutions that have  
14 received a rating of "Outstanding" in their most recent Community Reinvestment Act review  
15 by the Office of the U.S. Comptroller of the Currency or the U.S. Federal Reserve Bank; The  
16 Director may waive this requirement, with written notice to the City Council, in the event that  
17 no qualified bidders apply, the federal program is no longer applicable, or to satisfy a  
18 compelling City need;

19 4. Include in contracts for depository services a statement of work that provides a  
20 framework for Socially Responsible Banking;

21 5. Establish relevant reporting criteria and timeframes to validate the statement of  
22 work.

23 B. Socially responsible banking bid criteria shall include, but are not limited to,  
24 community involvement and reinvestment; meeting community banking needs; supporting  
25 small business lending and community development; providing for home ownership and  
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1 consumer credit; assisting distressed homeowners; and allowing for products and services that  
2 are advantageous for the City and its residents.

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4 20.65.020 Statement of Work. The statement of work for Socially Responsible  
5 Banking tasks shall include, but is not limited to, the following:

6 A. Community Involvement and Reinvestment

7 1. The bank will report to the City on its efforts to invest in low- and moderate- income  
8 areas and minority census tracts.

9 2. The bank, through its community investment program or other similar program, will  
10 collaborate and support annually at least one designated non-profit organization focused on  
11 providing financial services, education, and asset building for low-income people in Seattle.

12 3. The bank, through its community investment program or other similar program, will  
13 collaborate with and support annually at least one organization that provides free tax  
14 preparation services in Seattle that target lower-income workers to help them take advantage of  
15 the Earned Income Tax Credit and other tax credits.

16 4. The bank will report on its community development activities (such as investments,  
17 lending, and services) to demonstrate the bank's response to the credit, financial and banking  
18 needs of low- to moderate- income individuals in the Seattle area.

19 5. The bank will provide the City with reasonable notice of branch closures and  
20 openings within Seattle, including the reasons for any closures.

21 B. Community Banking Needs

22 1. The bank will continue to support and participate in programs like Bank On Seattle-  
23 King County, programs that strive to reach traditionally underserved populations as described  
24 in the Community Reinvestment Act. These may include unbanked, under banked, and low-  
25 income populations. The bank will provide free or low-cost services and products and increase  
26 access to these underserved populations.

1           2. The bank will make its best effort to offer consumers prepaid debit cards with the  
2 primary features and criteria outlined in the Cities for Financial Empowerment (CFE)  
3 Coalition's statement of principles for prepaid debit cards.

4           3. The bank will provide easy-to-understand fee schedules and make a reasonable  
5 effort to offer fair, responsible, and affordable small-dollar loans.

6           C. Small Business Lending and Community Development. The bank will provide a  
7 single point of contact for business lending and partnership, and will participate as agreed in  
8 small business trade fairs, outreach, or educational opportunities.

9           D. Home Ownership and Consumer Credit

10          1. The bank will provide a single point of contact in its loan servicing group for the  
11 City's home ownership program.

12          2. The bank will participate in outreach and educational opportunities aimed at  
13 salvaging distressed home mortgages, will collaborate with HUD-certified housing counseling  
14 services, and will inform customers who do not qualify for home loans or other products about  
15 local non-profit credit and debt counseling services.

16          E. The FAS Director may propose exceptions to this scope of work, subject to Council  
17 approval by resolution, in future contract cycles.

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19          20.65.030 Reporting

20          A. Any Banking contract must include a requirement that the bank provide the  
21 following reporting:

22          1. Residential lending information – The bank will provide the total number and the  
23 total dollar amount of residential loans for one- to four-family dwellings applied for and  
24 originated during the previous calendar year in each of the following categories listed in this  
25 subsection 20.65.030.A.1. The data shall be provided for the entire City by zip code. For  
26 home loans, fixed-rate loans shall be reported separately from adjustable-rate loans.

1 a. Home purchase loans, both federally insured and conventional loans;  
2 b. Refinancings of home loans;  
3 c. Home improvement loans;  
4 d. Home equity loans;  
5 e. Multi-family loans;  
6 f. Loans to non-occupant owners of single-family housing;  
7 g. Modifications of distressed loans and the type of modification, including interest  
8 rate reductions, forbearance, principal reduction, or repayment plans in which the outstanding  
9 loan amount increases, and an indication of whether the modification was executed under the  
10 federal Home Affordable Modification Program (HAMP), another federal program, or the  
11 institution's own modification program.

12 h. Short sales, deeds in lieu, and other mechanisms besides loan modifications that  
13 avoid foreclosure.

14 i. Defaults and delinquencies on home loans.

15 2. Small business lending information – The bank will provide the total number and  
16 the total dollar amount of small business loans originated during the previous calendar year for  
17 the entire City by zip code, and for minority- and women-owned business enterprises in the  
18 entire City. Loans to small businesses with annual revenues above \$1 million dollars shall be  
19 reported separately from loans to small businesses with annual revenues under \$1 million. The  
20 bank may use data reporting procedures mandated by the federal Community Reinvestment  
21 Act for reporting small business loans.

22 3. Community development loans and investments – The bank will provide the number  
23 and dollar amount of community development loans and investments including loans and  
24 investments for affordable housing, small business development, economic development, and  
25 community facilities for the entire City by zip code or neighborhood. The bank may use  
26 definitions of community development found in federal Community Reinvestment Act

1 regulations. For each loan and investment, the bank will indicate if the loan or investment was  
2 for affordable housing, small business development, economic development, community  
3 facilities, and other such categories requested by the Director.

4 4. Consumer loan data – The number and dollar amount of consumer loans for the  
5 entire City by zip code. Price information shall be reported in a manner similar to Home  
6 Mortgage Disclosure Act (HMDA) data.

7 5. Checking, savings, and loan products – Information on selected checking, savings,  
8 prepaid card, small dollar loan, and other products marketed to Seattle residents, including  
9 information on fees, interest, and features.

10 6. Other – Narrative descriptions will be required to describe efforts to meet all other  
11 items set forth in the statement of work.

12 B. The FAS Director may propose exceptions to these reporting elements, subject to  
13 Council approval by resolution, in future contract cycles.

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15 Section 6. This ordinance shall take effect and be in force 30 days after its approval by  
16 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it  
17 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

1 Passed by the City Council the \_\_\_\_ day of \_\_\_\_\_, 2013, and  
2 signed by me in open session in authentication of its passage this  
3 \_\_\_\_ day of \_\_\_\_\_, 2013.

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5 \_\_\_\_\_  
6 President \_\_\_\_\_ of the City Council

7 \_\_\_\_\_  
8 Approved by me this \_\_\_\_ day of \_\_\_\_\_, 2013.

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10 \_\_\_\_\_  
11 Michael McGinn, Mayor

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13 Filed by me this \_\_\_\_ day of \_\_\_\_\_, 2013.

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15 \_\_\_\_\_  
16 Monica Martinez Simmons, City Clerk

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**FISCAL NOTE FOR NON-CAPITAL PROJECTS**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
Finance & Administrative Services	Teri Allen (4-5226)	Jennifer Devore (5-1328)

**Legislation Title:** AN ORDINANCE related to City banking contracts; creating a new Chapter 20.65 in Title 20 of the Seattle Municipal Code; requiring the Director of the Department of Finance and Administrative Services to consider socially responsible banking practices when selecting vendors for depository services; and requiring periodic reports to the City Council.

**Summary of the Legislation:**

This ordinance requires the Department of Finance & Administrative Services to utilize socially responsible banking criteria as a factor in selecting financial institutions as vendors to handle City deposits and provide other financial services. It also lays out a framework for ongoing reporting and monitoring of the vendor's performance in the community, as well as participation goals for outreach and education to reach low- to moderate-income communities, which may lack access to banking services.

**Background:**

The legislation follows and codifies a successful pilot program of the socially responsible banking criteria, which were utilized in the 2012 depository services RFP process that ultimately selected Wells Fargo as the City's depository institution. The social responsibility criteria accounted for 15 percent of the total points awarded to bidders. The City typically re-bids its banking services contracts every five years.

Please check one of the following:

**This legislation does not have any financial implications.**  
(Please skip to "Other Implications" section at the end of the document and answer questions a-h. Earlier sections that are left blank should be deleted. Please delete the instructions provided in parentheses at the end of each question.)

**This legislation has financial implications.**  
(If the legislation has direct fiscal impacts (e.g., appropriations, revenue, positions), fill out the relevant sections below. If the financial implications are indirect or longer-term, describe them in narrative in the "Other Implications" Section. Please delete the instructions provided in parentheses at the end of each title and question.)

This legislation has only indirect financial implications, as it makes no appropriations and affects no City revenues.



**Other Implications:**

**a) Does the legislation have indirect financial implications, or long-term implications?**

Ongoing monitoring and implementation of the socially responsible banking data will require some staff work by Finance & Administrative Services and potentially other departments, which will be supported in the departments' regular budgeting process. Also, the socially responsible banking criteria may raise the costs of depository services somewhat to the extent that the winning vendor is not chosen on price alone and to the extent that the winning vendor recovers the costs of outreach, data collection and reporting through its fees.

**b) What is the financial cost of not implementing the legislation?**

None.

**c) Does this legislation affect any departments besides the originating department?**

No.

**d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?**

The City could encourage socially responsible banking and outreach to unbanked and underbanked communities through other programs.

**e) Is a public hearing required for this legislation?**

No.

**f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No.

**g) Does this legislation affect a piece of property?**

No.

**h) Other Issues: None.**

**List attachments to the fiscal note below: None**

