



**Roll Call Number**

\_\_\_\_\_

**Agenda Item Number**

36

**Date** August 23, 2010

From Mayor Cownie and Council Member Christine Hensley to speak regarding implementing a Bank On program.

Moved by \_\_\_\_\_ to

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
GRIESS				
HENSLEY				
MAHAFFEY				
MEYER				
MOORE				
TOTAL				

**CERTIFICATE**

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

MOTION CARRIED APPROVED

\_\_\_\_\_ Mayor

\_\_\_\_\_ City Clerk

To strengthen  
and promote  
cities as centers  
of opportunity,  
leadership, and  
governance.



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**MEMORANDUM**

To: 2009 Bank On Cities Campaign City Teams

From: Laura McComas and Sarah Bainton Kahn, NLC's Institute for Youth, Education, and Families

Subject: Budgeting for a Bank On Initiative

**Bank On and Budgets**

In launching a Bank On initiative, most cities are faced with the challenge of developing the program without substantial or centralized funding for the project. Cities have addressed this challenge by pursuing in-kind services or resources, monetary contributions from participating financial institutions, pro-bono services, and occasionally grant funding or city general revenues. Overall, Bank On teams rely mostly on in-kind or pro-bono resources, especially in the beginning stages. Most of the up-front costs of a Bank On initiative come in the form of advertising and marketing expenses.

Cities implementing Bank On initiatives might consider developing a subcommittee dedicated to budgeting and funding resources. This is an option that at least one city has considered. Another option, as the Evansville example below illustrates, is to designate certain subcommittee members to be in charge of garnering in-kind or donated resources.

*Role of the Fiscal Agent*

Cities should also consider selecting a fiscal agent to handle the funds that were raised and donated to the Bank On program, as well as handle the budget. This fiscal agent is often a community organization such as the United Way. In San Francisco, their key non-profit partner, an asset-building organization called EARN, functions as their fiscal agent. If the chosen fiscal agent is a 501(c)(3) organization, financial institutions and other corporations would receive a tax deduction for their contribution.

The fiscal agents receive donated funds, disseminate the money for the program's designated purposes, and in some cases, apply for grants on behalf of the program.

Some fiscal agents may request or require a fee for their services. Seattle's fiscal agent, the Seattle Foundation, receives 5 percent of the donations to cover the cost of their work. However, Houston's fiscal agent, Covenant Community Capital Corp., does not charge a fee.

### *Budget Profiles*

Below are a few "budget profiles" drawn from the experiences of several of the Bank On Cities Campaign faculty cities.

#### **Evansville, IN**

- Total advertising budget: \$20,000, budgeted for 2009-2010
  - This included reserve funds for future printings and additional advertising.
- Financial institution contribution: Requested \$300 per financial institution branch in the county
- Fiscal agent for funds: United Way of Southwestern Indiana
- In-kind/Pro-bono: Utilized creative services for logo design; TV appearances, radio interviews/mentions and newspaper articles; development of public service announcements (PSAs)

Evansville's marketing subcommittee developed a basic budget for an advertising/marketing plan. The costs they considered in formulating the budget were: type and quantity of advertising items needed for financial institutions and non-profit organizations to distribute (i.e. brochures, window clings, etc.), bids for production, appropriate contributions from financial institutions, and other advertising outlets (i.e. TV ads, bus ads, etc.).

The marketing subcommittee also created a public relations team, which secured TV appearances, radio interviews / mentions and newspaper articles for no cost. The local public broadcasting TV station donated air time to develop a public service announcement for Bank On Evansville. Therefore, no funds were secured for radio, print or TV in the first year.

#### *Examples of marketing material:*

- ✓ Buck slips: 20,000
- ✓ Window clings: 200
- ✓ Foam core posters: 100
- ✓ Customer tri-fold brochures: 2,500/5,000
- ✓ Billboard posters: 5
- ✓ Bus sides: 10 (\$60 each)
- ✓ Bus shelters: 12 (\$105 each)

#### **Seattle, WA**

- Total advertising budget: \$175,000, budgeted for late September 2008 through December 2010
  - This mirrors the time frame required for initial commitment from participating financial institutions.
- Financial institution contribution: Developed a detailed bank contribution plan involving an initial contribution from each financial institution, followed by an additional amount based on a per-branch plan (see attached)
- Fiscal agent for ad funds: The Seattle Foundation
- In-kind/Pro-bono: Staffing, the creation of marketing materials, website work, reduced-rate bus advertising, public relations assistance, printing of marketing materials

Seattle does not have a formal budget for the program and addresses Bank On costs largely through in-kind resources. The City and the Seattle-King County Asset Building Collaborative provide staff time for the initiative out of their existing budgets.

The Seattle team has raised \$175,000 in financial institution contributions that is used solely for outreach, advertising, and promotion of the Bank On program.

### **Houston, TX**

- Total advertising budget: \$123,000; no specific time frame for the budget, began spending the funds in December 2008
- Financial institution contribution: No required contribution plan; large banks were encouraged to contribute \$25,000
- Fiscal agent for ad funds: Community Capital Corporation
- In-kind/Pro-bono: TV time on Comcast Cable and two Hispanic stations; billboard space; services from a communications firm in designing the marketing campaign

Houston's Bank On program also does not operate with a formal budget. Staff time for Bank On is an in-kind donation from the city, which has also covered various miscellaneous expenses such as postage costs.

Leaders of the initiative have crafted their marketing campaign based on the amount of money they were able to raise from participating financial institutions. So far, Houston has raised \$123,000 and has spent approximately \$118,000 on marketing. \$100,000 was used for TV advertisements, and the remainder paid for printing water bill inserts and program/financial literacy cards.

**San Antonio, TX**

San Antonio has derived most of their Bank On budget through in-kind services from participating partners. The city has not yet formally launched the program and so has not nailed down specific budget details.

Leaders of the initiative anticipate the largest costs for the program will come from marketing efforts, training financial institution and non-profit staff, and administrative costs. The United Way is serving as a resource co-coordinator and has covered some minor programmatic costs, such as postage for mailings.

**San Francisco, CA**

EARN serves as Bank on San Francisco’s fiscal agent, and through this role they receive all grants and process all payments, and provide monthly statements. For sustaining their program, San Francisco estimates that about \$20k per year will be necessary for printing and production costs.

San Francisco advises that they have found that some of the marketing “must haves” when on a budget include:

- Coupons/buck slips
- Brochures
- Window clings for the banks
- Billboards
- Bus advertisements
- Newspaper articles and advertisements
- Mailing using existing city resources such as utility mailings and school mailings



# BANK ON SAN FRANCISCO

## EVERYONE IS WELCOME

### Bank on San Francisco

An initiative to bring all residents into the financial mainstream

By Anne Stuhldreher

Fellow, New America Foundation

#### INTRODUCTION

On December 2, 2005, San Francisco Mayor Gavin Newsom and City Treasurer José Cisneros invited the presidents of the city's financial institutions to a breakfast at the Federal Reserve Bank of San Francisco. Their purpose was to challenge the financial institution leaders to launch an unprecedented initiative called Bank on San Francisco. The goal would be to bring 10,000 of the city's estimated 50,000 "un-banked" individuals into the financial mainstream by helping them to open low-cost starter accounts. The Treasurer and Mayor urged the bank presidents to see the un-banked as an un-tapped market, one that could be served profitably to benefit their bottom line, individuals, and the San Francisco community.

In September 2006 San Francisco launched Bank on San Francisco. San Francisco is the first city in the country to launch a comprehensive initiative to bring its "un-banked" residents into the financial mainstream. This case study describes why and how Bank on San Francisco was started. It is written for individuals in other cities who may be considering similar initiatives.

#### WHAT IS BANK ON SAN FRANCISCO?

Bank on San Francisco is a collaborative effort to bring 10,000 of the City's estimated 50,000 un-banked individuals into the financial mainstream. The Mayor's Office and the Treasurer's Office of the City and County of San Francisco, the Federal Reserve Bank of San Francisco, local non-profit EARN (Earned Assets Resource Network), and the city's financial institutions worked together to:

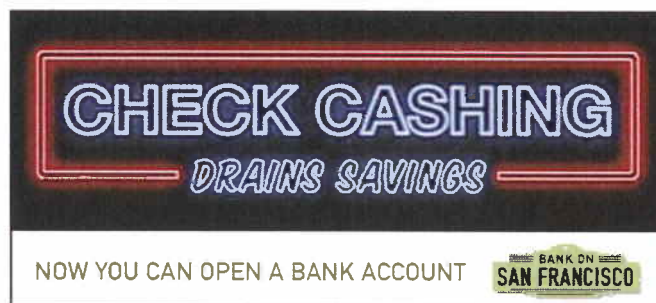
- 1) Increase the supply of starter account products that work for the low-income un-banked market by developing baseline product criteria that must be offered by all participating financial institutions

- 2) Raise awareness amongst un-banked consumers about the benefits of account ownership and spur them to open accounts
- 3) Make quality money management education more easily available to low-income San Franciscans
- 4) Clamp down on the proliferation of check cashers and payday lenders
- 5) Raise city-wide awareness of the un-banked problem and potential solutions

#### WHY DID CITY LEADERS DECIDE TO START BANK ON SAN FRANCISCO?

Like most cities, San Francisco is a city of two different financial services systems. In one, people may choose from a variety of institutions to safely save and access their income, obtain loans to buy homes and build businesses, and create financial stability and prosperity. But for many San Franciscans, there are seemingly insurmountable obstacles to accessing this system. So they turn to the other, comprised of check cashers, payday loan providers, pawn shops, auto title lenders, and rent-to-own stores. These alternative providers charge high fees and can mire individuals in a cycle of debt—even if they work hard and earn a paycheck week after week. Individuals are hard-pressed to build savings and assets if they rely on check cashers to conduct their financial lives.

This problem is not unique to San Francisco. In fact, one in four Californians—and an estimated 22 million Americans—are "un-banked," meaning they lack access to a basic checking or savings account.



McCann Worldwide developed advertisements like these for Bank on San Francisco.

# Bank on San Francisco

Millions of others, the “under-banked,” have bank accounts but are not fully integrated into the banking system. While many would like to have accounts, they are discouraged from doing so because of negative credit histories, high mandatory minimum balance requirements, lack of state identification, and a general distrust of financial institutions.

Cities often have large numbers of un-banked residents, given their likelihood to have concentrations of immigrants and lower income residents, who are most likely to be un-banked. To date, however, no major American city has launched a comprehensive policy initiative to bring its un-banked residents into the financial mainstreams. Cities are well-positioned to play a catalytic role to work with banks, community groups, and other stakeholders to build an inclusive financial system.

## WHY ARE SO MANY PEOPLE UN-BANKED?

Some people think they simply don't have enough money to open an account. Their entire paycheck is gone at the end of the month after paying bills. Others have had an account in the past and had some problem managing it—such as bouncing checks—that now prevents them from opening an account. Others, such as immigrants, may think they don't have proper identification to open an account.

## WHAT IS THE SOCIAL COST OF NOT HAVING A BANK ACCOUNT?

Without a bank account, people pay more to conduct their financial transactions. People who regularly use a check casher can spend nearly \$800 a year.

Families without accounts don't have a safe place to keep their money. They walk around with wads of cash in their pockets or keep it at home in a coffee can. Robberies are more prevalent around check cashers, especially on payday. Un-banked individuals are especially vulnerable in the event of a disaster. Seven

of the ten Hurricane Katrina evacuees didn't have bank accounts. Their savings washed away with the rest of their belongings.

A bank account is the first step to financial security. Without one, it's harder to get well-priced car loans, credit cards, or mortgages—the exact financial tools needed to climb the economic ladder. Families are then stuck going to costly pawn shops, payday lenders, and rent to own stores.

## HOW DID BANK ON SAN FRANCISCO START?

Anne Stuhldreher, a Fellow at the New America Foundation, approached staff of San Francisco Mayor Gavin Newsom and City Treasurer José Cisneros with the initial concept. The Treasurer's Office convened a working group of the staff of the Mayor and Treasurer, the Mayors Office of Community Development, New America Foundation, and EARN, a citywide non-profit that helps low-income residents build assets. The Federal Reserve Bank of San Francisco joined the group soon after hearing about the program.

The group decided to undertake a planning process that would:

- 1) Assess the market of un-banked consumers. The group wanted to size and segment the market and conduct focus groups to understand consumer preferences.
- 2) Assess what financial institutions nationwide are doing to effectively serve the un-banked market.
- 3) Assess the interest of financial institutions and community organizations in partnering with Bank on San Francisco.
- 4) Create a collaborative process for financial institutions, the Federal Reserve, the City, and nonprofits to develop the Initiative.

## WHAT WAS LEARNED DURING THE PLANNING PROCESS?

- 1) *San Francisco's un-banked market is sizeable and has distinct consumer segments with different needs and preferences.*

The team reached out to Matt Fellowes at the Brookings Institute to size the un-banked market. His analyses found that an estimated 50,000 San Franciscans—or one in five San Francisco adults—

