



Benefits to Boulder by having a Public Bank

Preliminary Study
October 2017

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Boulder suffered from severe flood conditions in September 2013.

Rebuilding infrastructure from the flood will cost \$28 million and it will cost \$8 million to replenish business activities. (2015 CAFR p. 80)



Since 2013 Boulder City Council has adopted Strategic Plans in support of community priorities such as:

- Fire Community Risk Assessment
- Flood mapping studies and mitigation plans
- Strategic investments in staffing and infrastructure

This will make the community more resilient in the face of economic challenges and environmental impacts.

(2015 CAFR p. 11)

During 2015, the city issued ***\$73 million of new bonds:***

- \$22 million Storm Water Revenue Bonds
- \$10 million Water and Sewer Revenue
- \$41 million Municipal Property Certificates

(2015 CAFR p. 81)

Question – How much did the Wall Street Banks receive in fees from these bonds? How much will be paid in interest?

Boulder Energy Future

From 2010 – 2014 the City has voted to pursue the creation of its own municipal electric utility to replace Xcel Energy. Goals include:

- Clean electricity by 2030
- Reduction in carbon emissions by 2050
- Local authority over infrastructure investment decisions
- Support innovation and sustain local economy

A Public Bank will be able to provide support for these goals without raising taxes!

Lets compare Performance from 2008 - 2014

Wall Street Banks



Bank of North Dakota



	<i>Return on Equity - ROE - Net Income / Equity</i>							
Wall Street Banks	2014	2013	2012	2011	2010	2009	2008	Average
Wells Fargo	14.5	14.7	13.8	12.9	11.2	14.4	4.6	12.3
Citigroup	3.7	7.1	4.1	6.5	6.7	-1.4	-30.0	-0.5
Bank of America	2.2	5.2	1.9	0.7	-1.1	3.8	2.8	2.2
JP Morgan Chase	10.6	9.1	11.5	11.0	10.7	8.0	4.3	9.3
Average	7.8	9.0	7.8	7.8	6.9	6.2	-4.6	5.8
Bank of North Dakota	17.0	17.1	17.6	17.6	18.9	21.4	25.5	19.3
Sources: Annual Reports								

Boulder, Colorado

Statement of Net Position (\$ Millions) - 2015 CAFR p. 39

	Total
Equity in Pooled Cash and Cash Equivalents*	\$ 26.9
Investments	\$ 254.3
Restricted Investments	\$ 48.2
Totals	\$ 329.4

* All of \$26.9 million deposits are with JP Morgan Chase. (2015 CAFR p. 98)

Basic Assumptions

- \$25 million of City liquid assets in CAFR are used as capital for the Bank
- \$240 million is placed in the Public Bank as deposits out of a total of \$480 million in liquid assets shown in the CAFR
- Overhead costs are low with 6 staff with modest salaries
- Bare bones operations - no ads, branches, ATMs, tellers
- No commissions or fees are paid to bankers or brokers
- No pressure from stockholders to maximize short term profit
- The bank would make \$180 million in loans the first year
- The bank's profit is about \$2.6 million per year
- Return on Equity = ~20%/year

Table 2 - Balance Sheet		Public Bank of Boulder			
Assets (Millions)	Year 1	Year 2	Year 3	Year 4	
Reserves	21.0	21.0	21.0	21.0	
Government Securities	40.0	46.7	46.4	42.4	
Cash Deposits	3.7	3.7	3.7	3.7	
Bank Loans	40.0	40.0	40.0	40.0	
Ordinary Loans 1)*	140.0	143.1	145.0	150.0	
(Loan Loss Allowance)	0.0	-2.2	-2.2	-2.3	
Bank Premises & Salaries	0.3	0.3	0.3	0.3	
Total Assets	245.0	252.7	254.3	255.2	
Liabilities					
Time Deposits 2)*	240.0	240.0	240.0	240.0	
Total Liabilities	240.0	240.0	240.0	240.0	
Equity					
Start up capital 3)*	5.0	10.2	8.6	7.6	
Retained Earnings	0.0	2.5	5.7	7.6	
Total Equity	5.0	12.7	14.3	15.2	
Total Liabilities & Equity	245.0	252.7	254.3	255.2	

Assumptions

1)* - Interest rate on loans is assumed to average 2.25% and total loans grow 2-5% a year.

2)* - Deposits are assumed to earn 1/2 of 1% from the City's Pension Funds.

3)* - The City provides Start-up Capital of \$25 million.

Table 3 - Income Statement**Public Bank of Boulder**

(Millions)	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Interest Income	3.4	4.1	4.1	4.2	4.2
Interest Expense	0.1	0.1	0.1	0.1	0.1
Fixed Costs	0.8	1.3	1.4	1.5	1.6
Gross Profit	2.5	2.6	2.6	2.6	2.5
Dividend Payout (%)	0.0	0.0	0.1	0.1	0.1
Dividends to City 10% per year	0.0	0.0	0.3	0.3	0.2
Net Profit	2.5	2.6	2.3	2.3	2.2
Return on Equity	20.1%	20.7%	16.2%	15.2%	14.0%

17



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