The Principles, Structure, and Operating Procedures of a City Public Bank

1. The Principles of a Public Bank

- While a public bank can and should be profitable, profit is not its primary directive. Public banks, as the name would imply, serve a public purpose to provide all the financing needed for the jurisdiction it represents at low cost to the community.
- The Regional Principle (Mark Cassell): unlike the private banks, public banks are constrained to invest only in the community it represents, providing low cost loans to local SMEs and abundant financing to the government that presides over the bank.
- Non-competitive nature of public banks. Public banks will not compete with LFIs (Local Financial Institutions), like community banks & credit unions, but instead it will collaborate with them in providing loans to the community.
- Transparency. The bank will provide regular financial documentation to the public, the board, and the local legislature.
- Accountability. The public bank will be responsible
    - First, to the Governing Board
    - Second, to the Government
    - Finally, to the public that it serves.
- Collateralization: a public bank, unlike a private bank, is not required to collateralize its deposits for several reasons:
    - As the sole depository bank for the local government and with provisions that the bank can never be sold, the possibility of a run on the bank are near zero percent. The bank will have but 1 depositor, namely the government that owns the bank.
    - Read Earl Staelin's insightful exposition on this matter here: