

# Creating a Municipal Bank in New York: some issues for consideration

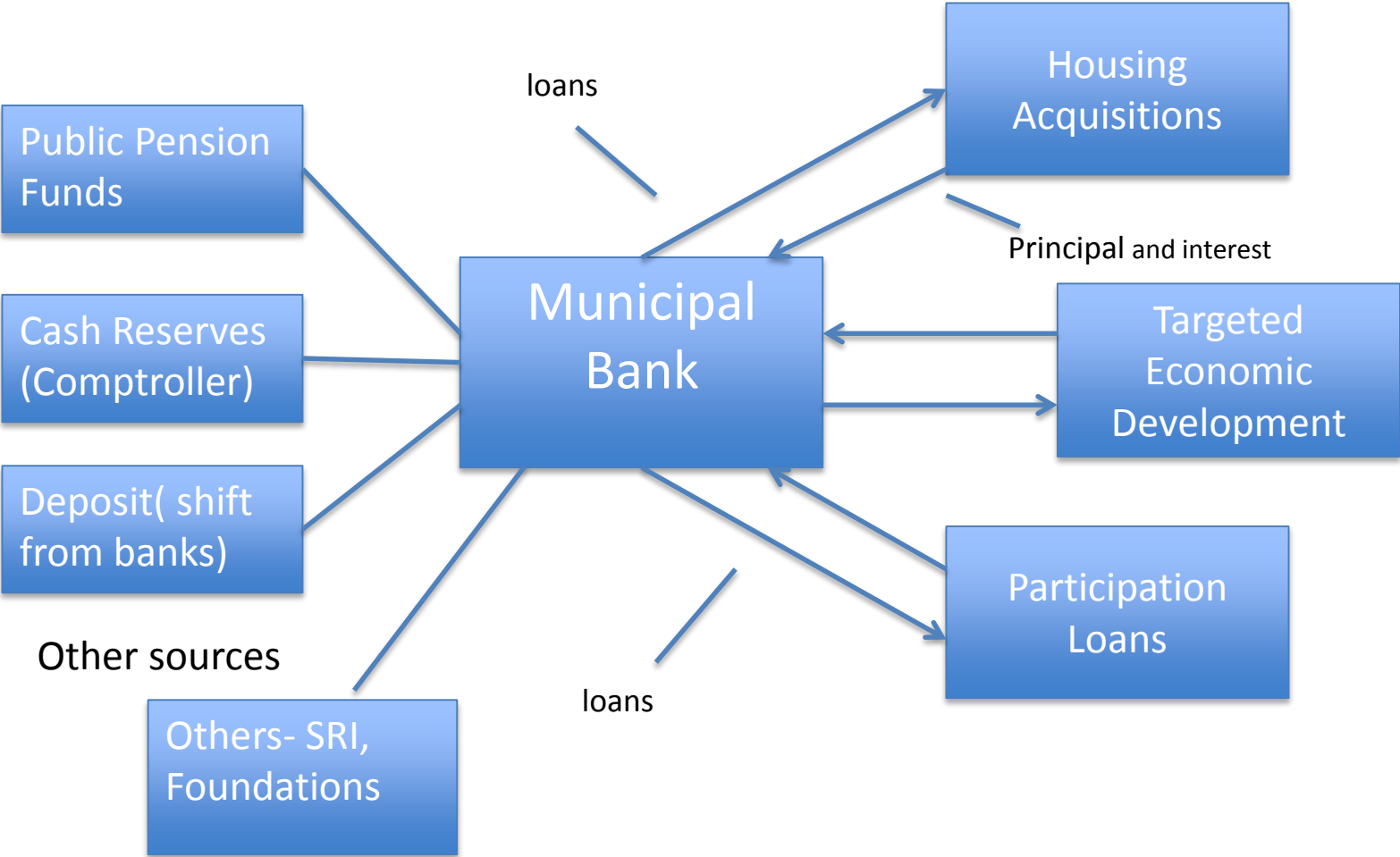
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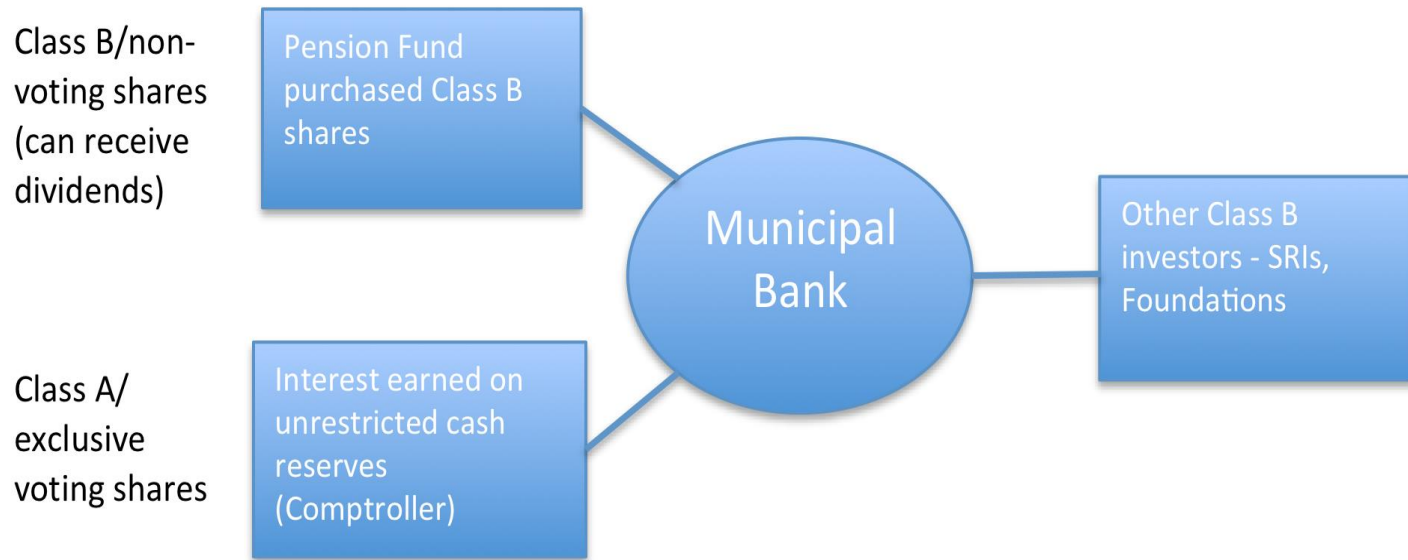
# Figure 1: Overview of Basic Structure

City sources of capital and funding



# Figure 2: Hypothetical capitalization scenario

- Beginning in 2011 Public Pension allocated 1/10% of total funds; Comptroller distributes interest earned on reserves to fund initial capitalization of Municipal Bank



	<b>FY 11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15*</b>	<b>Total, five year</b>
Pension	\$125					\$125
Comptroller	\$184	\$350	\$288	\$264	\$179	\$1,265

# Funding – deposits and liabilities

- Limits imposed by General Municipal Code cap amount of medium terms notes City can purchase to \$250 million; Bankers acceptances a capped at \$250 million
- Deposit transfer under above capitalization scenario would be limited to approximately \$600 million
- Will require tapping other source of funding – Option include Pension Funds, Socially Responsible Investment funds, Foundations

Mockup balance sheet (in billions)

## Assets

2.5 (US securities)

12.5 (loans and investments)

## Liabilities

1.25 (tier 1 capital)

1.0 deposits

1.5 CDS

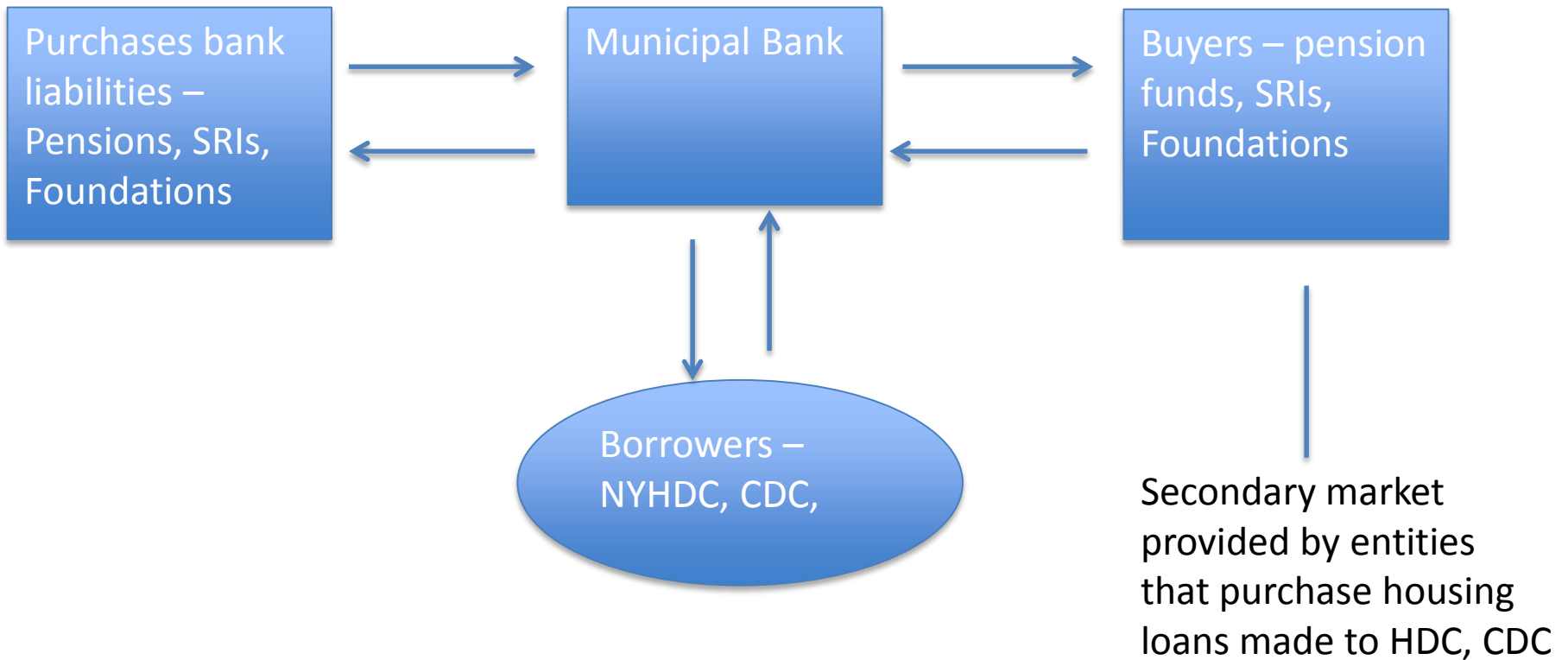
10 billion MTN



Significant portions funded through securities sold to to 'outside' buyers

Figure 3:

# Sale of loans into secondary markets: formation of revolving loan funds



**Revolving loan fund can significantly increase total amount of funding available**