



City of Sacramento City Council

915 I Street, Sacramento, CA, 95814
www.CityofSacramento.org

Meeting Date: 1/17/2012

Report Type: Consent

Title: Agreement: Bank on Sacramento Community Banking Effort

Report ID: 2012-00029

Location: Citywide

Recommendation: Pass a motion authorizing City Council to execute a Memorandum of Understanding between the City of Sacramento and United Way California Capital Region (new fiscal agent) regarding the Bank on Sacramento program.

Contact: Valerie Tedrow, Administrative Assistant, (916) 808-8294, Office of the City Treasurer

Presenter: None

Department: City Treasurer

Division: City Treasurer

Dept ID: 05001011

Attachments:

- 1-Description/Analysis
- 2- Background
- 3- Resolution Fiscal Agent Memorandum of Understanding
- 4- Bank on Sacramento Fiscal Agent Memorandum of Understanding

City Attorney Review

Approved as to Form
Marcos A. Kropf
1/11/2012 10:40:07 AM

City Treasurer Review

Reviewed for Impact on Cash and Debt
John Colville
1/9/2012 11:29:30 AM

Approvals/Acknowledgements

~~Department Director or Designee:~~ Russell Fehr - 1/10/2012 11:48:23 AM



Description/Analysis

Issue: After careful consideration and consultation with the Mayor Kevin Johnson, Bank on Sacramento will merge with the United Way California Capital Regional (“United Way”) expansion efforts. Bank on Sacramento has been an unqualified success for everyone concerned, particularly City residents, and is expanding beyond the City of Sacramento to five counties. United Way is taking the lead on the expansion that will include Sacramento, Amador, El Dorado, Placer, and Yolo counties.

We envision this merger having no impact on service delivery, as many of our Design Team members, including City staff, have committed to participate at the Steering Committee level for the United Way regional expansion.

The Fiscal Agent agreement between the City of Sacramento and the Community Services Planning Council (CSPC) is terminating as a result of the expansion with United Way. As outlined, in Contract 2011-0296, subheading “Successor for CSPC”, the City of Sacramento seeks to replace the CSPC Fiscal Agent Memorandum of Understanding (“MOU”) with a local non-profit corporation, the United Way, to enable the Bank on Sacramento Program to continue to operate as a regional effort. United Way will assume the fundraising duties necessary to sustain the Bank on Sacramento program with the assistance of a dedicated grant writer. The MOU allows the Bank on Sacramento program, through the Fiscal Agent, to expend remaining grant funds transferred during the transition from the Governor’s Office of Planning and Research to the City of Sacramento. Existing relationships among the many participating entities will be maintained. City residents will continue to receive services.

The United Way is an independent local affiliate of United Way of America with a local board of directors. They serve a five-county region: Amador, El Dorado, Placer, Sacramento and Yolo. Founded in 1923, United Way has raised more than \$400 million for the regional nonprofit community. United Way is managed by a staff of 30 nonprofit professionals and governed by a local board of directors representing the regional community it serves. The goals of the Bank on Sacramento program are aligned with the mission of the United Way.

The Fiscal Agent MOU lists the specific roles of the United Way and the City of Sacramento. There is no commitment to spend City funds other than staff time. City staff will not engage in fund raising for Bank on Sacramento. This MOU will terminate once all transferred funds have been expended.

Policy Considerations: Providing City residents with access to basic banking services and financial management education will enhance economic vitality and livability within the City of Sacramento.

Environmental Considerations: California Environmental Quality Act (CEQA):

This action is not subject to the CEQA because it is not a “project” as defined in section 15378 of the CEQA Guidelines. Even if it were a project, it would be exempt under section 15061(b)(3) of the CEQA guidelines, which provides as follows: “Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.”

Sustainability: None

Commission/Committee Action: None

Rationale for Recommendation: Merging the Bank on Sacramento program with the United Way's regional effort makes sense for the residents of the City of Sacramento and the residents of the region or surrounding Sacramento county residents. Continued City participation in Bank on Sacramento can only contribute to its success. There is no downside risk to the City. During the past year, the Bank on Sacramento program succeeded in assisting over 45,000 residents establish bank accounts substantially, surpassing the one-year goal of 10,001 residents. Bank on Sacramento continues to provide City residents with free financial education provided by Bank on Sacramento coalition partners. Income tax preparation assistance is, on occasion, provide with financial education and banking enrollment. To date, the Bank on Sacramento partners have held 27 financial education classes reaching over 150 participants.

Additionally, Sacramento has a significant number of check cashing and payday lending businesses, strategically placed in economically challenged areas that provide a significantly more expensive alternative to traditional financial institutions. Fees from payday lenders total over \$16 million per year. Without a bank account, the average person will spend 5% of their income on money orders and in payday lender fees each year. For this fundamental reason, we feel that the City's role in these efforts are appropriate to ensure that we continue to identify and communicate the availability of free and low cost resources to the residents most in need of affordable financial services.

In the year since the Bank on Sacramento program transitioned from the Governor's Office to the City, great strides have been made for the residents of the City. Through the leadership of the Design Team, coalition members have facilitated financial education programs, provided support at tax preparation sites, and participated in community events. The use of social media to disseminate information and promote the Bank on Sacramento brand has enabled us to increase our marketing outreach to residents. As we embark on the merger with United Way we hope to continue a successful and sustainable program.

Financial Considerations: It is in the best interest of City residents to minimize spending on basic financial services. This results in more discretionary income available for savings and asset building. Assisting un-banked residents establish relationships with financial institutions; receive free financial management education and increase their assets will contribute to the overall prosperity of the community.

Emerging Small Business Development (ESBD): Not applicable

Background: Bank on Sacramento is a collaborative and voluntary initiative designed to assist unbanked Sacramento residents with opening starter bank accounts. This allows City residents to gain access to basic banking services. Residents with bank accounts begin saving, build credit history, and access lower-cost sources of credit. Bank on Sacramento also provides City residents with free financial education provided by financial institutions and community based organizations that are partnered with the Bank on Sacramento program.

Bank on Sacramento is the latest Bank on California city-based initiative following similar programs in other cities. The overall Bank on California program is a voluntary collaboration of the Federal Deposit Insurance Commission (“FDIC”), city mayors, local financial institutions, state and federal regulatory agencies, and community based organizations.

Previously, the Governor’s Office of Planning and Research (“OPR”) was the lead coordinating agency in the Bank on California/Sacramento program. This role transitioned to the City, specifically, the Office of the City Treasurer in January, 2011.

Bank on Sacramento has enjoyed many successes over the past year, including collaborating with Citibank on a Sacramento News and Review insert entitled “Money Matters” sponsored by Citibank. The insert highlighted EITC and VITA programs, providing valuable information about available resources, the importance of financial management and the costs associated with being an unbanked individual.

As a collaborative partner of the Sacramento Coalition for Working Families, Bank on Sacramento recognizes the vital need to engage low-moderate families to take advantage of beneficial services during tax season like Volunteer Income Tax Assistance (VITA) and the Earned Income Tax Credit (EITC). During the 2011 tax season, Bank on Sacramento partnered with the VITA program to open accounts for taxpayers who received Earned Income Tax Credits and helping them take advantage of direct deposit for their refunds.

Tax Season Stats

- Safe Credit Union opened over 30 Bank on Sacramento accounts. They have also completed 82 tax returns.
- The EITC/VITA Supersites have completed approximately 400 tax returns which amounted to roughly \$800,000 in refunds.

The Nehemiah Foundation, a Bank on Sacramento partner, was able to persuade the PBS 2011 Moneywise Empowerment Tour to make its first stop in Sacramento. In March 2011, many of our Bank on Sacramento partners participated in the Moneywise event, providing workshops, resources and valuable information about entering mainstream financial services.

Bank on Sacramento also participated in several California Financial Literacy Month events (April 2011) in partnership with the CA Department of Financial Institutions, other government agencies and community organizations.

RESOLUTION NO. 2012-_____

Adopted by the Sacramento City Council

AUTHORIZING THE MAYOR OR HIS DESIGNEE TO APPROVE FISCAL AGENT MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN THE CITY OF SACRAMENTO AND UNITED WAY CALIFORNIA CAPITAL REGIONAL REGARDING THE BANK ON SACRAMENTO PROGRAM.

BACKGROUND

- A.** Bank on Sacramento is a collaborative and voluntary initiative designed to assist unbanked Sacramento residents with opening starter bank accounts. This allows City residents to gain access to basic banking services. Residents with bank accounts begin saving, build credit history, and access lower-cost sources of credit. There are over 30,000 unbanked households in Sacramento. To date, the Bank on Sacramento program succeeded in assisting over 45,000 residents establish bank accounts. Bank on Sacramento also provides City residents with free financial education provided by financial institutions and community based organizations that are partnered with the Bank on Sacramento program. To date, the coalition has held twenty seven financial education classes.
- B.** Bank on Sacramento is the latest Bank on California city-based initiative following similar programs in other cities. The overall Bank on California program is a voluntary collaboration of the Federal Deposit Insurance Commission (“FDIC”), city mayors, local financial institutions, state and federal regulatory agencies, and community based organizations.
- C.** The Fiscal Agent MOU entered into by the City of Sacramento and the Community Services Planning Council (CSPC) is terminating. As specified, in Contract 2011-0296 Subheading “Successor for CSPC”, the City of Sacramento seeks to replace the CSPC Fiscal Agent MOU with a local non-profit corporation, the United Way California Capital Regional (“United Way”), to enable the Bank on Sacramento Program to continue to operate as a regional effort. The MOU allows the Bank on Sacramento program, through the Fiscal Agent, to expend remaining grant funds transferred during the transition from the Governor’s Office of Planning and Research to the City of Sacramento.
- D.** The United Way is an independent local affiliate of United Way of America with a local board of directors. They serve a five-county region: Amador, El Dorado, Placer, Sacramento and Yolo. Founded in 1923, United Way has raised more than \$400 million for the regional nonprofit community. United Way is managed by a staff of 30 nonprofit professionals and governed by a local board of directors representing the regional community it serves. The goals of the Bank on Sacramento program are aligned with the mission of the United Way.

- E. The Fiscal Agent Agreement lists the specific roles of the United Way and the City of Sacramento. There is no commitment to spend City funds other than staff time. City staff will not engage in fund raising for Bank on Sacramento. This MOU will terminate once all transferred funds have been expended.

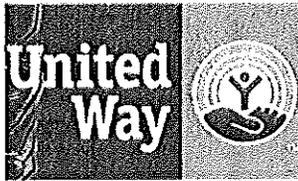
BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The Mayor or his designee is hereby authorized to approve the Fiscal Agent Memorandum of Understanding (MOU) between the City of Sacramento and the United Way California Capital Region regarding the Bank on Sacramento Program, attached hereto as Exhibit A.

Section 2. Exhibit A is part of this resolution.

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Exhibit A – Fiscal Agent Memorandum of Understanding



**FISCAL MEMORANDUM OF UNDERSTANDING
BETWEEN
UNITED WAY CALIFORNIA CAPITAL REGION
AND
THE CITY OF SACRAMENTO
REGARDING THE BANK ON SACRAMENTO PROGRAM**

This is a Memorandum of Understanding (hereinafter "MOU") made on 1/9/2012 by and between the United Way California Capital Region (hereinafter "United Way"), Fiscal Agent, and the City of Sacramento, a municipal corporation, acting by and through the Office of the City Treasurer.

United Way: The United Way is a non-profit corporation, exempt from federal tax under section 501(c)(3) of the Internal Revenue Code, with principal offices located at 10389 Old Placerville Rd, Sacramento, CA 95827. The United Way is a catalyst for community change, developing innovative programs and offering training and technical assistance in community planning, mobilizing and program development so people can improve their communities. In addition to its planned participation in the Bank on Sacramento program, the United Way will offer separate regional "Bank On" programs, in partnership with a number of local and regional financial institutions, and non-profits throughout Amador, El Dorado, Placer, Yolo and Sacramento Counties.

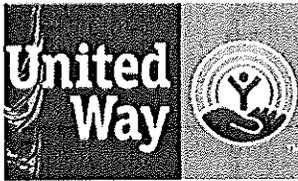
City of Sacramento: The City is a municipal corporation in Sacramento County.

Bank on Sacramento: The Bank on Sacramento program is a collaboration between the City of Sacramento, the Federal Deposit Insurance Corporation (hereinafter "FDIC"), state and federal regulatory agencies, local financial institutions and non-profit organizations. The mission of Bank on Sacramento is to provide the unbanked citizens of Sacramento with access to low or no cost bank accounts at local financial institutions and free financial education classes through Bank on Sacramento partners. The United Way will expand the Bank on Sacramento program beyond the city limits to a regional county-wide program creating a seamless identity to all residents in the Sacramento region.

The Bank on Sacramento Steering Committee: The Steering Committee consists of representatives from the City of Sacramento, representatives from the United Way, FDIC, the Department of Consumer Affairs, representatives from local financial institutions and community based organizations and other representatives as designated. The Steering Committee serves in a consultant capacity to assist United Way in the operation of the Bank on Sacramento program.

The MOU: The United Way is willing to receive funds from tax-deductible charitable contributions, grants, and certain assets held by the current Bank on Sacramento fiscal agent, Community Link, (formerly known as Community Services Planning Council (CSPC) for the benefit and use of the Bank on Sacramento program, for which the City of Sacramento will provide administrative support in its discretion. The City of Sacramento, with the financial administrative assistance of the United Way, desires to use these funds in order to implement and operate the Bank on Sacramento regional program.

By execution of this MOU, the parties agree to the following terms and conditions:



The United Way shall provide the following financial services:

1. Receipt of funds: The United Way agrees to receive the remaining assets currently held by the Bank on Sacramento fiscal agent, Community Link to be used for the Bank on Sacramento program, and to make those funds available to the Bank on Sacramento program. This MOU governs the use of the remaining assets when they are deposited with the United Way.
2. Acknowledgment of charitable donations on behalf of Bank on Sacramento: The United Way agrees that all grants, charitable contributions and gifts which it receives for the Bank on Sacramento program will be reported as contributions to the United Way as required by law, and further agrees to acknowledge receipt of any such grant, charitable contribution or gift in writing and to furnish evidence of its status as a exempt organization under Section 501(c)(3) to the donor upon request. Any and all future grants obtained by United Way for the Bank on Sacramento program would most likely be used for the expanded Bank on Sacramento regional program, and not exclusively within the City. The United Way agrees to notify the City of Sacramento of any change in its tax-exempt status.
3. Protection of tax-exempt status: The United Way will take all necessary actions to protect its tax-exempt status while carrying out its obligations under this MOU. Toward that end, the City of Sacramento agrees not to use funds received from the United Way in any way that would jeopardize the tax-exempt status of the United Way. The City of Sacramento agrees to comply with any written request by the United Way that it cease activities that might jeopardize the United Way's tax status, and further agrees that the United Way's obligation to make funds available to it is suspended in the event that it fails to comply with any such request. Such request shall explain in reasonable detail the basis for the United Way's conclusion that the activity in question would jeopardize its tax status, and United Way agrees to consider in good faith any response to such request from City of Sacramento. Any changes in the purpose for which grant funds are spent must be approved in writing by the United Way before implementation.
4. Revenues: All current revenues received by United Way for Bank on Sacramento will be deposited into a segregated United Way account for the sole use by the Bank on Sacramento program. United Way will prepare bank deposits on a weekly basis or sooner.
5. Use of funds: The United Way will make all expenditures, which shall not exceed total contributions for the Bank on Sacramento program, for use in the Bank on Sacramento program. The United Way shall account fully to the City of Sacramento for the disbursement of these funds. On behalf of and with the remaining assets, the United Way will pay for Bank on Sacramento's direct expenses for implementation of grant agreements. The United Way will obtain authorization from City of Sacramento to pay these expenses using the remaining Bank on Sacramento assets.
6. Financial Accounting: An account entitled "Bank on Sacramento" will be established in QuickBooks or a similar accounting system to post and track all restricted Bank on Sacramento revenues and administrative and/or operating expenses.
7. Financial Procedures: The United Way shall obtain authorization from the City of Sacramento prior to making any expenditure that will be paid from the remaining Bank on Sacramento assets. The City Treasurer or his designee will provide United Way with written notification via a standard payment/check request form for any payment of expenditures. All such notifications must be signed and approved by the City Treasurer of City of Sacramento, or his designee. Any checks



issued without the signed authorization of the City Treasurer will be invalid, and will not be payable by the Bank on Sacramento. Checks are issued weekly and payments will either be mailed directly to vendors or to the City Treasurer of the City of Sacramento for disbursement. Checks will be issued against the United Way's bank account.

8. Financial Records Management: All financial reports and documentation will be maintained at the United Way's office located at 10389 Old Placerville Road, Sacramento CA 95827. A copy of all financial reports and documentation relating to the remaining Bank on Sacramento assets will be provided to City of Sacramento upon request.
9. Monthly Financial Reporting: United Way will provide monthly financial reports displaying the financial status of the Bank on Sacramento program approximately 20-30 days from the previous month end until all remaining assets have been expended. Such reports shall display accrued revenues and expenditures by major category of revenue and expenditure as currently established by the United Way. The following reports will be provided: General Ledger, Balance of Restricted Funds, and Profit and Loss Statement.

The City of Sacramento shall perform the following responsibilities:

The City of Sacramento will process any request for payment relating to remaining Bank on Sacramento assets. Requests for payment must be completed on a standard check request form and approved and signed by the City Treasurer of the City of Sacramento.

Restricted Fund Management/Performance of Charitable Purposes: All of the funds received by United Way under the terms of this MOU shall be devoted to the purposes of the Bank on Sacramento program, within the tax-exempt purposes of United Way. No item of revenue shall be used to influence legislation within the meaning of IRC Section 501(c)(3); no agreement, oral or written, shall be made to that effect between United Way and any revenue source. United Way shall not use any portion of the funds to participate or intervene in any political campaign on behalf of or in opposition to any candidate for public office, to induce or encourage violations of law or public policy, to cause any private inurement or improper private benefit to occur, nor take any action inconsistent with the provisions of IRC Section 501(c)(3).

Advocacy: The Design Team will take all measures necessary to ensure that its activities stay within the boundaries established by law and regulations related to lobbying by nonprofit 501(c)(3) organizations. The Design Team and/or staff of the Bank on Sacramento program are prohibited from excessive lobbying, or any other activities that would jeopardize United Way's charitable tax-exempt status. United Way has the right to determine, in its sole discretion, what constitutes excessive lobbying as relates to the implementation of Bank on Sacramento, or what activities jeopardize United Way's tax-exempt status. All lobbying plans and expenditures related to Bank on Sacramento must be reported to United Way management. Additionally, Bank on Sacramento shall not establish or advocate any policy that may jeopardize United Way's nonprofit fiscal status and procedures.

Fundraising: The City of Sacramento will not participate in fundraising on behalf of the Bank on Sacramento program.

Notifications and Changes to MOU: This MOU may be amended or modified, in whole or in part, only by an MOU in writing developed in the same manner as this MOU. Any changes to this MOU must be approved and signed by both parties.

Term: The initial term of this MOU shall be from 1/9/2012 through June 30, 2012.



Renewal of this MOU: This MOU shall be renewed on July 1, 2012 unless terminated by the parties.

Termination: Either party may terminate this MOU by giving 30 days' written notice to the other party.

Successor for United Way: If the Bank on Sacramento program has not been terminated but one of the parties desires to terminate the United Way's fiscal sponsorship of the Bank on Sacramento program, the following terms and conditions shall apply. The City of Sacramento shall, in its sole discretion, select another fiscal sponsor for the Bank on Sacramento program to be operated within the city limits or Sacramento region. Another nonprofit corporation which is tax-exempt under IRC Section 501(c)(3) and is not classified as a private foundation under Section 509(a), or another government agency, may be selected to serve as the fiscal sponsor of Bank on Sacramento (the "Successor"). If the Successor is not selected by the end of the 30-day written notice period, the parties agree that the City of Sacramento shall have an additional 30 days to find a Successor willing and able to sponsor the Bank on Sacramento program. The United Way agrees to continue as the fiscal sponsor until a Successor is selected. Once a Successor is selected, the balance of assets held by the United Way for Bank on Sacramento, together with any other assets held or liabilities incurred by the United Way in connection with Bank on Sacramento, shall be transferred to the Successor at the end of the 30-day notice period or any extension thereof, subject to the approval of any third parties (including funding sources) that may be required. If the City of Sacramento has identified a new organization qualified to be a Successor as set forth in this Paragraph, such organization shall be eligible to receive all such assets and liabilities so long as it is either a government agency or an organization that has received a determination letter from the Internal Revenue Service which states it is exempt from federal tax under section 501(c)(3) of the Internal Revenue Code no later than the end of the notice period or any extension thereof. If no Successor is found, the United Way may allocate Bank on Sacramento's assets and liabilities in any manner consistent with applicable tax and charitable trust laws and other obligations.

Contract Interpretation: This MOU shall be interpreted and construed in accordance with the laws of the State of California.

Dispute Resolution: In resolving any controversy, claim, or dispute between the parties arising out of or related to this MOU, the subject matter of the MOU, or the alleged breach thereof, the parties agree that they will attempt to mediate any such dispute prior to initiating any action in law or equity. The disputing parties shall equally share the cost of the mediation, but each party shall pay their own costs, expert fees, and attorney's fees.

Severability: Each provision of this MOU shall be separately enforceable, and the invalidity of one provision shall not affect the validity or enforceability of any other provision.

Time is of the Essence: Time is of the essence of this MOU and of each and every provision hereof.

Exclusive MOU Between the Parties: This MOU constitutes the only MOU, and supersedes all prior MOU's, both written and oral, between the parties with respect to the subject matter hereof. All Exhibits hereto are a material part of this MOU and are incorporated by reference. This MOU, including any Exhibits hereto, may not be amended or modified, except in a writing signed by all parties to this MOU.

GENERAL PROVISIONS

The United Way and City of Sacramento agree to comply with all federal and state laws, rules, regulations and auditing standards that are applicable to the performance of this MOU.

All records relating to remaining assets covered by this MOU and Bank on Sacramento shall be retained and made available by the United Way for examination by the City of Sacramento. All records will be



maintained for a minimum of three years after final payment under this MOU. If an issue or dispute is raised during this time period, the parties shall retain such records until the audit or dispute resolution process is concluded and all issues are resolved.

Consent to this MOU indicates that City of Sacramento and the United Way have read and understand this document thoroughly. This MOU becomes effective when signed by an authorized representative of City of Sacramento and the United Way.

City of Sacramento

Signature

Date

Name of Authorized Representative

Title

United Way

[Handwritten Signature]

Signature

1/9/2012

Date

STEPHEN R. HEATH

Name of Authorized Representative

PRESIDENT & CEO

Title