

CITY OF OAKLAND
INFORMATIONAL AGENDA REPORT

2011 DEC 15 PM 5:51
the City Administrator
ATTN: Deanna Santana, City Administrator
FROM: Arturo M. Sanchez, Assistant to the City Administrator
DATE: December 20, 2011

**SUPPLEMENTAL REPORT RE: OPTIONS FOR IMPLEMENTING THE
MUNICIPAL IDENTIFICATION AND DEBIT CARD PROGRAM**

SUMMARY

The Finance and Management Committee Forwarded staff's report to the City Council pursuant to the following motion of Council president Pro-tem De La Fuente:

1. Direct Staff to Move Forward with the implementation of the Municipal/Debit Card Program.
2. Direct Staff to negotiate and execute a contract with SF USA.
3. Direct Staff to include requirements 2-17 listed on pages 2 and 3 of the December 13, 2011 staff report.
4. As part of the contract negotiations, negotiate with SF USA to work with their current banking partner to seek to establish a local presence or create an affiliation/service contract with a local financial institution within the first year of launching the Municipal identification and debit card program.

In addition the Committee indicated that they directed staff to include in a supplemental report to the City Council information regarding; 1) The total number of debit cards produced by UNB in the Midwest; 2) The current financial status of UNB, the selected partner bank; and 3) A estimate of the staffing costs that will be required to administer this program going forward and how this program will be a fully cost recovery program.

Total number of Debit Cards issued by UNB

Attached please find the information provided by SF Global regarding the number of cards issued by their selected partner bank. Total number of cards issued in the Midwest by UNB is 3.5 million as of the end of the third quarter 2011. SF Global estimates that they will reach 30,000 cards issued at the end of the first year of the program.

Current Financial status of UNB

Staff was able to assess the current capital asset ratio, with the assistance of the city's Independent due diligence consultant, Mr. Michael Flores from Bretton Woods, to determine that UNB has, as of September 30, 2011, total capital assets \$25.8 million up slightly from \$24.9 million. However, the core capital (leverage) level of the bank, 7.27% remains of concern and Mr. Flores recommends we monitor this figure. As indicated in the December 13 staff report and included in the motion of Council President Pro Tem De La Fuente, we should include triggers

Item: _____
City Council
December 20, 2011

in our contract that will be based on this figure should it drop to an alarming level. Attached please find an excel spreadsheet report generated from the Federal Deposit Insurance Corporation (FDIC), <http://www2.fdic.gov/idasp/main.asp>, which shows the total capital assets amount referenced above.

FISCAL IMPACT

Cost Recovery Program

Pursuant to the concern of the committee, staff has prepared the attached analysis of the required staffing costs associated with the ongoing monitoring and oversight of the program. Please be advised that these are estimates put together in a short period of time in order to address the concern of the committee. The estimates are based on the following six (6) factors, which may be subject to change pursuant to either staffing configuration changes and/or negotiations with the provider:

1. The staff required to provide the relevant level of security, marketing, business development, legal, and technical expertise;
2. The total number of estimated hours per month spent by each staff person (annualized) and the full cost (salary & benefits) of the associated staff;
3. The estimated number of Muni ID /debit cards that will be issued;
4. The Municipal Identification Card Application fee to be charged and paid to the city by the applicant for each card (\$15);
5. The estimated number of monthly transactions that are expected per card; and
6. The amount per transaction that the City will be compensated for licensing the City's name.

Assuming that the estimates in the attached form are correct, and that the city is able to negotiate an appropriate licensing fee charge per transaction, the program should be a full cost-recovery program. In the attached analysis staff has provided the top step salary for the positions they believe will be necessary to provide oversight and monitoring of the program and contract with SF Global. In this analysis the parenthesis indicate a surplus in estimated revenue of \$3,288. Revenue projections cannot be completed until actual working group configuration has been determined and the negotiations of the license agreement with SF global are completed.

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An important caveat to this revenue projection is the number of cards and total number of transactions per month on a per card basis. At this juncture all of these categories are based upon very conservative estimates. We acknowledge that there is a demand for this card, whether we will see 30,000 cards issued in the first year remains to be seen, as will the total number of qualifying transactions per card that may yield revenue for the City.

Respectfully submitted,

Arturo M. Sanchez

Assistant to the City Administrator

**APPROVED AND FORWARDED TO
THE CITY COUNCIL:**


Office of the City Administrator

Attachments:

- FDIC - UNB 6.30.11 to 9.30.11 -1st quarter rpt
- Memorandum from SF Global regarding total number of UNB cards in circulation
- Estimated Staffing and Program Cost Analysis

University National Bank

200 University Avenue West

St. Paul, MN 55103

FDIC Certificate #: 18561 Bank Charter Class: N

Definition	Dollar figures in thousands	University National Bank St. Paul, MN 30-Sep-11	University National Bank St. Paul, MN 30-Jun-11
Assets and Liabilities			
1 Total employees (full-time equivalent)		27	27
2 Total assets		355,005	258,147
3 Cash and due from depository institutions		168,260	81,879
4 Interest-bearing balances		133,137	75,462
5 Securities		60,005	21,675
6 Federal funds sold & reverse repurchase agreements		723	26,500
7 Net loans & leases		113,909	116,859
8 Loan loss allowance		2,127	2,327
9 Trading account assets		0	0
10 Bank premises and fixed assets		4,497	4,579
11 Other real estate owned		3,414	2,682
12 Goodwill and other intangibles		200	214
13 All other assets		3,997	3,759
14 Total liabilities and capital		355,005	258,147
15 Total liabilities		329,179	233,223
16 Total deposits		322,689	226,387
17 Interest-bearing deposits		85,028	89,360
18 Deposits held in domestic offices		322,689	226,387
19 % insured		43.51%	48.70%
20 Federal funds purchased & repurchase agreements		1,142	1,527
21 Trading liabilities		0	0
22 Other borrowed funds		5,000	5,000
23 Subordinated debt		0	0
24 All other liabilities		348	309
25 Total equity capital		25,826	24,924
26 Total bank equity capital		25,826	24,924
27 Perpetual preferred stock		0	0
28 Common stock		497	497

29 Surplus	16,081	16,081
30 Undivided profits	9,248	8,346
31 Noncontrolling interests in consolidated subsidiaries	0	0
Memoranda:		
32 Noncurrent loans and leases	2,298	2,338
33 Noncurrent loans that are wholly or partially guaranteed by the U.S. government	0	0
34 Income earned, not collected on loans	654	540
35 Earning assets	307,774	240,496
36 Long-term assets (5+ years)	69,053	43,327
37 Average Assets, year-to-date	293,705	273,272
38 Average Assets, quarterly	306,576	312,527
39 Total risk weighted assets	120,966	114,891
40 Adjusted average assets for leverage capital purposes	296,634	338,527
41 Life insurance assets	1,052	1,043
42 General account life insurance assets	1,052	1,043
43 Separate account life insurance assets	0	0
44 Hybrid life insurance assets	0	0
45 Volatile liabilities	8,758	12,586
46 Insider loans	20	20
47 FHLB advances	5,000	5,000
48 Loans and leases held for sale	0	0
49 Unused loan commitments	13,492	12,345
50 Tier 1 (core) risk-based capital	24,501	23,867
51 Tier 2 risk-based capital	1,520	1,447
52 Total unused commitments	13,492	12,345
53 Derivatives	0	0
Total assets and liabilities in foreign offices		
Restructured Loans and leases		
Past due and nonaccrual assets		
Fiduciary and related services		
Carrying amount of assets covered by FDIC loss-share agreements		

MEMO

SF GLOBAL

To: Member of the Oakland City Council

Cc: Office of the City Clerk, Office of the City Administrator

From: SF Global Group (SF USA, LLC)

Date: 12/15/2011

Re: Requested information by Councilmember Kernighan on University National Bank's current prepaid debit card program.

As a backdrop, in 2005, the National Community Investment Fund (NCIF) made pass-through grants under a Ford Foundation Innovations Fund Grant program to two Community Development Financial Institution (CDFI) Banks, Central Bank of Kansas City (Kansas City, Missouri) and University National Bank (St. Paul, Minnesota) to experiment on whether prepaid cards could be used to serve people without bank accounts.

University National Bank of St. Paul, Minnesota, a Community Development Financial Institution, wanted to develop a prepaid card program to serve individuals without bank accounts. To help them with that goal, the National Community Investment Fund and the Ford Foundation gave each bank a \$150,000 grant as part of the Ford Foundation Innovations Fund in December 2005.

University's first prepaid card program, launched in 2006, was a non-reloadable prepaid card designed to give low-income consumers an alternative to check cashers and other non-bank financial services providers.

University began testing its second card program, the University Mobile Bank Prepaid Card, in 2007, which launched it in 2008. It was designed to reach consumers with no bank accounts. The bank contracted with three independent sales organizations (ISOs) to sell the card in other states. At the end of 2008, it had a total of 1,247 cards outstanding.

In 2009, University National partnered with Mobile Mone and grew its card placement volume from 1,247 cards, spread across several card programs, to 3.5 million cards placed as of third quarter 2011.

CARD DISTRIBUTION

2009	2010	2011, 1Q	2011, 2Q	2011, 3Q
678,000	1,234,000	456,000	520,010	611,190

The bank has determined that prepaid cards are a sustainable business and plans to make prepaid debit cards a significant part of their business model.

Sincerely,

Elias Enciso
Director, Business Development
SF Global Group

CITY ADMINISTRATORS OFFICE
Municipal Identification/Debit Card Program Costs

Title: Annual Operating Costs

Class	Class Name	Pos #	EE Name	Top Step Salary	Retirement	Fringe	% FTE	O&M	(S+R+F)* FTE	(Total Cost + O&M) X 12 months
CAO	EM11 Assistant to the City Administrator		Sanchez, Arturo	123,698	24,604	48,131	0.31%	225	604	9,948
CAO	PS15 Lt. of Police			120,005	44,978	41,126	0.13%	16	264	3,360
	PS17 Police Services Tech II			52,241	19,580	17,903	0.13%	7	115	1,463
	AP33 Marketing			87,896	17,483	34,200	0.13%	59	179	2,851
	EM12 City Clerk Assitant			106,848	21,252	41,575	0.13%	71	218	3,465
	AF03 Treasury Analyst			123,698	24,604	48,131	0.13%	94	252	4,145
CAO	AL01 Deputy City Attorney IV			125,529	24,968	48,843	0.13%	84	256	4,071
CAO	AP34 Urban Economic Analyst IV (CEDA Bus.)			101,757	20,239	39,594	0.13%	77	207	3,410

Retirement

CAO	19.89%	Fire	23.67%
OPD (Sworn)	37.48%	FMA	19.89%
CEDA	19.89%	OCA	19.89%

Fringe

CAO	38.91%	Fire	34.58%
Sworn Fringe	34.27%	FMA	38.91%
CEDA	38.91%	OCA	38.91%

O&M

O&M CAO	59.00%	O&M Fire	7.25%
O&M PD Investigation	10.25%	O&M FMA	52.00%
O&M CEDA	52.00%	O&M OCA	52.00%

Muni ID Oversight working group Staff Cost 32,712

Est. # of ID's to be issued 30,000

Fee per ID 15

Total Revenue generated per ID \$450,000.00

Fee per Transaction \$0.01

Number of transactions per month/card est. 10

Revenue generated per transaction (annually) est. \$36,000.00

Total Revenue first year \$486,000.00

Ongoing Revenue after year one estimated 36,000.00

Total Ongoing Annual Cost of Administering program* (3,288)

Calculation for % FTE (# hrs per month/:	Minutes		
Class Name	Per Month	total Hrs Per Monti	% FTE
Assistant to the City Administrator	600.00	6.00	0.31%
Lt. of Police	180.00	2.50	0.13%
Police Services Tech II	180.00	2.50	0.13%
Marketing	180.00	2.50	0.13%
City Clerk Assitant	180.00	2.50	0.13%
Treasury Analyst	180.00	2.50	0.13%
Deputy City Attorney IV	180.00	2.50	0.13%
Urban Economic Analyst IV (CEDA Bus.)	180.00	2.50	0.13%

Parenthesis indicates a surplus in estimated revenue. Revenue projections cannot be completed until actual working group configuration determined and negotiation of license agreement with SF global is completed.