



Awards for Excellence in Government Finance

2008 APPLICATION

This application form must be completed and returned along with your entry in electronic form by **January 15, 2008**, to awardsforexcellence@gfoa.org. If any supplemental supporting materials are not in electronic form, please send five (5) copies along with a copy of this application to GFOA, Awards for Excellence Program, 203 North LaSalle Street, Suite 2700, Chicago, IL, 60601.

Title of Entry: Bank on San Francisco

Category (Select only one):

- Accounting, Auditing, and Financial Reporting
- Budgeting and Financial Planning
- Cash Management and Investing
- Capital Financing and Debt Administration
- Economic Development
- E-Government and Technology
- ERP and Financial Systems
- Management and Service Delivery
- Pensions and Benefits

Subcategory (Select only one):

- Policies and Procedures
- Management and Policy Studies
- Communications and Reporting
- Training and Technical Guides
- Other

Name of government submitting entry: City of County of San Francisco

Population served 750,000 Number of employees 25,000

Name of person submitting entry: José Cisneros, Treasurer

Title of person submitting entry: Treasurer

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If the person submitting the entry is not an active member of GFOA, an active member must sponsor the entry. If applicable, provide sponsor information below.

Name of sponsor: _____

Title: _____

Government: _____ Telephone: _____

Mailing address: _____

Awards for Excellence in Government Finance
Treasurer José Cisneros
Office of the Treasurer and Tax Collector
City and County of San Francisco
“Bank on San Francisco”

Section A Local Significance and Value

1. Please give a brief general description of the project or program being submitted.

Bank on San Francisco is the first program in the nation to address the needs of unbanked residents by moving the marketplace to offer suitable financial products. Through a unique coalition of fifteen financial institutions, the original goal of banking 10,000 unbanked San Franciscans was met in just one year.

Conventional banking products and policies are not designed to meet the needs of lower-income clients. To bring unbanked San Franciscans into the mainstream it was apparent that two things had to change: checking account products needed to be modified, and the bank policies that were keeping residents from accessing the system had to be revised. By combining the influence of government, the regulatory power of the Federal Reserve Bank, the reach of community groups and the market drive of mainstream financial institutions, San Francisco became the first city in America to actively *move the marketplace* of available financial products and services to better serve the unbanked market. City Treasurer José Cisneros began this process by challenging every financial institution in San Francisco to partner with the City to create Bank on San Francisco, an initiative that would:

- Change bank policies to increase the supply of account options for the unbanked market.
- Raise awareness among consumers about the benefits of account ownership.
- Provide quality financial education to San Franciscans.

Emerging as a coalition of fifteen banks and credit unions united around the ambitious goal to bank 10,000 unbanked San Franciscans in two years, the pilot program launched in September of 2006. By October of 2007, more than 11,000 San Franciscans had entered the financial mainstream – exceeding the original goal in just one year. In light of this success, the program goal has been doubled to 20,000 total accounts by October 2008.

2. Describe the local events and/or problems that led to the undertaking of this project/program.

Every day, thousands of San Franciscans lose their hard-earned money. An estimated 50,000 San Francisco households are “unbanked,” meaning they live without a checking or savings account. Among African-Americans and Latinos, approximately one in two adults has no bank account. Without access to mainstream financial services, unbanked San Franciscans are forced to turn to check cashers, spending hundreds of dollars each year to cash checks and pay bills. Estimates suggest unbanked families spend approximately 5% of their annual net income just to manage their basic finances; those with the least to spare are paying for a service that most Americans get for free. With no safe way to access and save money, unbanked San Franciscans are particularly vulnerable in times of crisis or emergency, and lack the tools they need to save and build assets. Obtaining a bank account is the first step to financial security as it provides the necessary tools to

climb the economic ladder. Without one, a family's ability to save, build credit, send their children to college or own their own home is significantly diminished.

3. Describe the role the finance office/finance officers played in this project/program.

Bank on San Francisco is the work of San Francisco Treasurer José Cisneros and is staffed by employees of the Office of the Treasurer and Tax Collector. A full-time program manager is responsible for all day-to-day operations including outreach, marketing, fundraising, evaluation and overall program design. The Federal Reserve Bank of San Francisco maintains oversight of all data collection and reporting, and convenes all meetings with the leadership group. The non-profit EARN leads the financial education efforts. In addition, a Steering Committee comprised of senior staff from the Office of the Treasurer, the Federal Reserve Bank and EARN sets policy and develops program goals.

4. How much time did each participant devote to this program/project? Were outside consultants engaged?

The time commitment of the program participants varies from person to person. No outside consultants were engaged, although advocates, think tanks, community groups and financial institutions all provided information, ideas and technical support. Key roles are as follows:

San Francisco Treasurer José Cisneros: Treasurer Cisneros strongly believes that his role of safeguarding the City's money extends to all San Francisco residents. Upon learning of the scale of the unbanked problem in San Francisco, he decided to take action by creating Bank on San Francisco. Treasurer Cisneros used his influence as the city's banker to convene the financial institutions and encourage collaboration across a diverse range of partners. Through his leadership, San Francisco is now at the forefront of the financial empowerment field.

Program Manager, Office of the Treasurer: The program manager is responsible for all day-to-day operations including the management of bank and credit union partnerships, community outreach, marketing, fundraising, evaluation and overall program design and product development. She has been instrumental in positioning Bank on San Francisco as a national model by working collaboratively with national organizations and other cities in their efforts to replicate this work in their own communities.

Policy and Legislative Manager, Office of the Treasurer: The Treasurer's chief policy advisor, played a lead role in the development of Bank on San Francisco. He led the product design process by effectively negotiating with community advocates and bank and credit union representatives. He continues to work on new product innovations and legislation, such as the recent moratorium on new check cashers and payday lenders opening in the city's low-income neighborhoods.

Regional Manager of Community Development, Federal Reserve Bank of San Francisco: The Federal Reserve Bank of San Francisco maintains oversight of all data collection and reporting, and convenes all meetings with the leadership group. The Federal Reserve also plays an active role in community outreach and program development.

EARN (local non-profit and financial education expert): EARN leads the program's financial education efforts and lend considerable expertise as a thought leader in the field of asset building and financial empowerment. EARN developed the financial education curriculum for the program and provides financial educators specifically trained to work with low-income clients.

Section B Technical Significance

1. What financial concepts, standards, or techniques are displayed or advanced by this entry? Why is this important to the public finance profession?

Bank on San Francisco demonstrates the power of public finance officials to use their influence with financial institutions to effect real change for low-income communities. Treasurer Cisneros convened the leaders of the city's financial institutions and challenged the banking leaders to join with the City and the Federal Reserve to launch an unprecedented initiative to "bank the unbanked." The goal of the convening was for bank presidents to emerge with a vision of the unbanked as a potential market, one that could benefit their bottom line while improving the lives of individuals and benefiting the San Francisco community as a whole.

Consulting with national experts and unbanked San Franciscans, the project team identified both hard and soft barriers to banking. Then, through a collaborative negotiation process the team worked with the banks to develop products and systems that would help remove these barriers. Unbanked San Franciscans were concerned about the cost of having a bank account; worried they may be denied an account because of past mistakes; or believed the lack of a social security card made them ineligible for an account. Others were concerned they lacked the liquidity to maintain a bank account, or were intimidated by the banking environment. To directly address these concerns, all of the banks and credit unions participating in the program must agree to the following baseline criteria:

- Offer a low- or no-cost product with no minimum balance requirement. High minimum balances and fees are a key factor keeping people out of the financial mainstream.
- Adapt internal systems to allow customers with a poor banking history to open "second chance" accounts, and strengthen customer service at the branch level.
- Accept consular identification cards as primary ID. For many immigrants, the barrier to opening an account is having the proper documentation.
- Waive one set of overdraft fees per client. Banks are often criticized for penalizing clients for mistakes, so this waiver gives everyone a chance to learn account management.
- Expand marketing and outreach strategies in targeted, low-income neighborhoods, and increase the visibility of appropriate products in San Francisco.
- Provide financial management training and partner with local community based organizations to transition customers ready to enter the financial mainstream.

Over 11,000 San Franciscans have now opened accounts through the program, saving an estimated 5% of their net income that was otherwise going to check cashing outlets. In addition, these families now have a safe place to keep their money and to save and build assets for the future. Public finance

officials have a unique ability to help residents protect their money, and to work with financial institutions to achieve this goal.

Section C Transferability

1. How can this project/program be adapted for use by other organizations? Who else might benefit by its adoption? Would significant modifications be required for implementation?

Bank on San Francisco has become a national model in the effort to bank the unbanked and curb the impact of predatory lending. Already, there are multiple efforts underway to replicate the program and the Steering Committee is committed to providing resources and assistance to any city or state looking to launch a similar program in their communities. There are several key factors that make Bank on San Francisco such an attractive model for replication:

1. The program is a “win-win” for government agencies, financial institutions, community groups and unbanked residents. Momentum for the program has increased as all partners continue to benefit individually, and the real impact on people’s lives becomes apparent.
2. The program has received high-levels of support from the public and the media. Most Americans are shocked to learn that so many people are unbanked and are wholly supportive of any effort to help people manage their money responsibly, safeguard their savings, and protect vulnerable residents like the elderly and disabled.
3. The program has extremely low overhead. Instead of spending taxpayer dollars, a city can leverage their relationship as a major banking customer to effect change for low-income residents. By building on existing resources and diverse partnerships, and spreading the work load between multiple agencies, direct program costs are negligible.
4. The program is politically neutral. Banking the unbanked is not a welfare program, the government gives no direct financial assistance to clients and the only opponents – check cashers and payday lenders – are perceived as predatory by the majority of the public. Bank on San Francisco helps families and individuals keep more of what they earn, and teaches prudent financial management. The current climate of negative savings rates, burgeoning debt and the subprime mortgage crisis makes this type of initiative a popular political issue.

Since the program’s inception, four national organizations have adopted banking the unbanked as a priority for 2008 and are promoting Bank on San Francisco as the best model for achieving this goal. The National League of Cities, the Clinton Foundation, the US Conference of Mayors and the AARP are providing resources and technical assistance to cities looking to implement this work.

The combination of a high impact/low cost initiative, has led many cities and states to replicate the Bank on San Francisco model. Governor Arnold Schwarzenegger just announced the launch of Bank on California, based on this model. The cities of New York and Savannah have already launched similar initiatives and Seattle, Los Angeles and Providence are all in the active planning phase for their own programs. San Francisco has also received inquiries and provided information to cities such as Atlanta, Boston, Chicago, Denver, Memphis, Miami, Phoenix, and San Antonio, as

well as the State of Kentucky. Bank on San Francisco will continue to provide information and assistance to these cities and to any others seeking to build on our work.

Section D Documentation

1. What documentation describes the entry (e.g., reports, forms, memoranda, software, audio-visual, etc)? All materials must be provided, preferably in electronic format

The following documents will be provided in support of this application:

- The Bank on San Francisco Case Study
- The Media coverage Page
- The Partner brochure
- The client brochure

Section E Cost/Benefit

1. Quantify the total resources (money and time) devoted to this project/program and identify the value added (tangible/intangible) as a result of it's undertaking.

It is important to program designers to keep direct costs associated with Bank on San Francisco as low as possible. By relying heavily on active partnerships, utilizing existing resources, and soliciting in-kind donations, Bank on San Francisco is a low-cost model which is replicable and scalable by design. That said several funding priorities, such as the need for a full-time program manager, became apparent as the program developed. Every effort was made to minimize the cost to the taxpayer by seeking outside funding from foundations and our financial institution partners.

Item	Amount	Funding Source
Salary and benefits for full-time program manager	\$116,014 (annual cost)	50% funding from the city budget/50% funding from private foundations
Travel budget for program manager	\$12,000 (annual cost)	100% private foundation
Fund to support marketing and outreach costs not covered by in-kind donation	\$79,600 (over two-years)	100% from bank and credit union partners
In-kind marketing and media campaign	\$500,000 (estimated value)	In-kind donation from McCann World group
Financial education	\$40,000 (annual cost)	Services provided to the program by EARN

The value of Bank on San Francisco and the importance of this initiative to the community make any financial or time commitment well worth the effort. The true success of Bank on San Francisco is in the numbers: 11,110 accounts were opened in the first year of the pilot alone. Over 90% of participants are maintaining their accounts and with an average monthly balance of \$793.47. Bank on San Francisco helps people like Virginia Johnson. Ms. Johnson, who cares for her disabled grandson full-time, has been using check cashers since 1974. She paid almost \$200 a month in fees to cash her checks and to purchase money orders to pay her bills. Now Virginia

has her monthly income directly deposited into her account at a Bank on San Francisco partner credit union, receives five free money orders each month and has a safe place to keep her money. She has also signed up to take a financial management class and will receive her first ATM card upon completion of the class.

So far we have helped over 11,000 people just like Virginia Johnson. By working collaboratively, Bank on San Francisco is proving that the unbanked can succeed in the financial mainstream. Through our success we have started a national conversation on banking the unbanked, and now similar initiatives are being launched across the country. The true value of setting thousands of families on the road to financial security is impossible to measure, but is worth far more than the resources it has taken to run this important program.

Section F Complexity

1. Describe the complexity of the project/program. How much training and technical skill is required for employees to make use of this solution?

The creation of Bank on San Francisco involved a complex negotiation and implementation process with the banks and credit unions. The roll out of the product, the outreach and marketing, data tracking, program design and evaluation all require significant day to day management and expertise. Beyond effective management and dedication to the program goals, no special skills or training are required. Our partner banks and credit unions open all of the accounts on the program's behalf, so their staff must be trained on the account features and the special allowances for Bank on San Francisco clients.

Section G Originality, Creativity and Innovation

1. To your knowledge, is this the first time this type of project/program has been implemented by a government entity? If not, identify previous work in this area and explain the uniqueness of your approach.

Bank on San Francisco is the first government program in the nation to create a voluntary public/private partnership in which competing financial institutions work collaboratively for the betterment of the community while increasing their bottom line. Since the programs inception, four national organizations have adopted banking the unbanked as a priority for 2008 and are promoting Bank on San Francisco as the best model for achieving this goal. By effectively tapping into the motivations and resources of diverse partners, Bank on San Francisco is helping thousands of families get on the road to economic security.

Section H Other Distinguishing Features

1. Highlight any other noteworthy features about your project/program.

Check cashers and payday lenders sell approximately \$40 million worth of services to low-income San Franciscans each year from 56 locations that are heavily concentrated in the lowest income parts of the city. This money should be staying in our communities, being spent at local businesses or saved for the future. To reduce the impact of these businesses, the City recently passed a landmark piece of legislation that created a permanent moratorium on any new check cashing or

payday lending businesses opening up in those neighborhoods already heavily saturated with fringe financial service providers.

In addition to limiting their number, Bank on San Francisco must continue to provide viable alternatives to the services available at fringe financial providers and go to greater lengths to educate the community about the better options that are available to them. Program designers will build on the strengths of the coalition to focus on expanding the program in 2008, and embedding Bank on San Francisco as a permanent city program. The main areas for expansion will be:

- Small dollar, short term loans: Easy access to credit is a significant challenge to the low-income community. Bank on San Francisco will support the creation of non-predatory alternatives to payday loans.
- A companion savings product: A savings vehicle should be offered alongside the current checking account product. The program should encourage families to save the dollars they are no longer spending at the check casher. In theory, this could mean 5% saved annually per family with little impact to the current family budget.
- Strengthening financial education: Bank on San Francisco will offer micro-grants and financial trainers to community groups willing to host trainings, in addition to offering internet and phone training. A pilot program focusing on financial counseling is also planned for the first part of 2008.

Bank on San Francisco has created the necessary infrastructure to make significant strides to financially empower all San Franciscans, regardless of their income. Maximizing these opportunities will take work and resources, but the benefit to our community will be invaluable.