



# KING COUNTY

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

## Signature Report

February 25, 2014

Ordinance 17756

Proposed No. 2014-0031.2

Sponsors

1 AN ORDINANCE setting policies requiring socially  
2 responsible banking practices as a minimum requirement  
3 for financial institutions to be awarded and maintain  
4 banking contracts with King County; amending Ordinance  
5 12076, Section 39, and K.C.C. 4.14.010, Ordinance 12076,  
6 Section 40, as amended, and K.C.C. 4.14.020, Ordinance  
7 12076, Section 42, as amended, and K.C.C. 4.14.040 and  
8 Ordinance 12076, Section 43, and K.C.C. 4.14.050 and  
9 adding new sections to K.C.C. chapter 4.14.

10 PREAMBLE:

11 The 2013 report on Equity and Social Justice shows the progress of King  
12 County's Strategic Plan and the "fair and just" ordinance, which  
13 emphasizes the importance of intentionally considering equity and  
14 integrating it into our decisions and policies, our county practices and our  
15 methods for engaging communities.

16 The practices and financial products of banks have a measurable impact  
17 on equity and influence the financial stability, quality of life and overall  
18 economic health of King County's residents.

19 The Great Recession has reinforced the need for socially responsible  
20 banking. Many low-income families have neither a checking nor savings  
21 account. Low-income families must often rely on costly check cashing  
22 companies and payday loans to handle basic financial needs. Home  
23 foreclosures continue to destroy wealth, especially in low income and  
24 racially diverse communities.

25 Economic viability and competitiveness comes from strengthening and  
26 providing economic opportunities to all citizens and in all areas of King  
27 County regardless of income range.

28 King County wishes to reinforce and strengthen social responsible  
29 banking practices in the greater community, including incorporated and  
30 unincorporated areas.

31 In return for the privilege of serving as the county's primary service bank,  
32 the bank will have a contract obligation to adhere to a community  
33 reinvestment plan that addresses the credit and financial needs of King  
34 County's communities, including and especially people of color and low-  
35 and moderate-income communities and older adults, consistent with safety  
36 and soundness.

37 King County shall assess the bank's performance in meeting community  
38 needs, with emphasis on the needs of under-served and disadvantaged  
39 residents, and use this assessment as a factor in determining to which  
40 financial institution a banking services contract will be awarded.

41 King County will ensure that the bank that is awarded the contract will  
42 report annually on its progress to further the county's goals of economic  
43 development and equity and social justice throughout the county.

44 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

45 SECTION 1. Ordinance 12076, Section 39, and K.C.C. 4.14.010 are each hereby  
46 amended to read as follows:

47 A. It is a requirement of Washington ~~((S))~~state law and the policy of King  
48 County that financial services provided to the county by commercial banking institutions  
49 be provided as a result of open competitive procurement processes.

50 B. Financial services provided to the county by commercial banking institutions  
51 may only be provided by banking institutions that have a demonstrated history of and  
52 ongoing commitment to socially responsible banking practices.

53 SECTION 2. Ordinance 12076, Section 40, as amended, and K.C.C. 4.14.020 are  
54 each hereby amended to read as follows:

55 Competitive procurement processes by banking institutions to provide those  
56 services shall occur at least once every ~~((five))~~ seven years though there is an exception  
57 for banks serving the needs of special districts as set forth in section 8 of this ordinance.

58 SECTION 3. Ordinance 12076, Section 42, as amended, and K.C.C. 4.14.040 are  
59 each hereby amended to read as follows:

60 A. The manager of the finance and business operations division shall develop  
61 specifications stating the financial service needs and the responsible banking  
62 requirements of the county. ~~((Said))~~

63           B. The specifications shall be reviewed and approved by the council by motion  
64 ~~((prior to))~~ before formally seeking proposals from banks.

65           C. The specifications shall include a minimum requirement that the bank has a  
66 current Community Reinvestment Act rating of "outstanding" from the U.S. Office of the  
67 Comptroller of the Currency, the U.S. Federal Reserve Bank or another applicable federal  
68 regulatory agency. The outstanding rating shall apply to a rating assessment area that  
69 includes the geographical boundaries of King County.

70           D. Each bank submitting a proposal is required to submit a community  
71 reinvestment plan describing past performance and proposed initiatives within King  
72 County related to lending, investing and providing community banking services to  
73 traditionally underserved and disadvantaged communities. The community investment  
74 plan shall be part of the evaluation process for awarding a contract.

75           E. A community reinvestment plan should summarize, as well as supplement,  
76 information that each bank is required to submit to a designated federal agency as part of  
77 its most-recent community reinvestment Act rating process for an assessment area that  
78 includes King County. All data and reporting within the plan shall focus on actions the  
79 bank is taking, or planning to take, to improve access to bank services and to increase  
80 opportunities for building assets and providing credit in low-income and racially diverse  
81 areas throughout King County.

82           F. A community reinvestment plan should highlight performance over the  
83 previous three years and include goals for the duration of the contract period that fall into  
84 three categories: lending, investing and services. The plan shall also describe the  
85 approach used by the bank to determine the geographic and socioeconomic distribution of

86 its lending, investing, and services. Following are other specific components of the  
87 community reinvestment plan required by the county:

88 1. Lending. The plan shall provide information about:

89 a. mortgage-lending efforts and products, including innovative loan products  
90 with more flexible terms, and how these efforts and products are meeting the credit needs  
91 of low and moderate income individuals and geographies;

92 b. community development lending, by the bank, that helps develop affordable  
93 housing and helps nonprofit organizations and private facilities expand job creation and  
94 support services for working families, with the goal of increasing economic stability; and

95 c. small business lending, by the bank, to establish businesses and create jobs,  
96 particularly those in low-income and minority census tracts that foster and support  
97 minority and women owned businesses; and

98 d. lending, by the bank, to finance improvements to public infrastructure within  
99 the county;

100 2. Investing. The plan shall provide information about:

101 a. tax credit investments, grants, corporate giving activities and nonprofit  
102 sponsorships, by the bank, that provide and promote affordable housing, encourage self-  
103 sufficiency and foster economic development; and

104 b. grants and corporate giving activities, by the bank, that provide or promote  
105 improvements to public infrastructure within the county; and

106 3. Services. The plan shall provide information about:

107 a. programs and community partnerships of the bank that provide small-  
108 business development, workforce development, capacity building and asset development;

109           b. community services involving bank employees, including participation in  
110 consumer training or seminars, home-buyer seminars, tax-preparation services and  
111 financial education for students and serving on nonprofit boards and committees;

112           c. branch networks, including a record of opening and closing of branch  
113 offices and information about whether these changes have had a positive or negative  
114 effect, particularly in low- and moderate-income geographies; and

115           d. services and efforts of the bank that address the credit needs of low- and  
116 moderate-income individuals and geographies, including, but not limited to, affordable  
117 check cashing, alternatives to payday loans and prepaid debit cards and other outreach  
118 and education opportunities aimed at assisting distressed home mortgages.

119           G. The plan shall include clear and measurable performance goals or standards to  
120 demonstrate that the bank is making good faith efforts to follow through on commitments  
121 and elements of the plan referenced in subsection F. of this section.

122           H. The director of finance and business operations shall reject a bid as  
123 nonresponsive for failure to include every component of this section in the plan submitted  
124 by a bank.

125           I. The bank awarded the contract shall provide a plan for reaching individuals  
126 with limited English proficiency and provide lending, investing and community banking  
127 services to individuals with limited English proficiency.

128           NEW SECTION. SECTION 4. There is hereby added to K.C.C. chapter 4.14 a  
129 new section to read as follows:

130           The scoring criteria for evaluating proposal for the county commercial banking  
131 contracts shall be:

132           A. Twenty-five percent for the community reinvestment plan created in  
133 accordance with K.C.C. 4.14.040;

134           B. Forty percent for pricing;

135           C. Twenty-five percent for qualifications and responses to the request for  
136 proposals; and

137           D. Ten percent for small contractor and supplier certification.

138           NEW SECTION. SECTION 5. There is hereby added to K.C.C. chapter 4.14 a  
139 new section to read as follows:

140           A. The manager of the finance and business operations division shall annually  
141 certify to the county council that the county's commercial bank has:

142               1. Made good-faith efforts to comply with all goals and commitments contained  
143 within the community reinvestment plan. If the bank and the manager agree that an  
144 element cannot reasonably be achieved, the county council shall be notified within seven  
145 days of the agreement that the element cannot reasonably be achieved;

146               2. Maintained its outstanding Community Reinvestment Act rating under  
147 K.C.C.4.14.040.C; and

148               3. Complied with all provisions of the banking services contract.

149           B. The certification, and any notice that an agreement that an element cannot be  
150 reasonably achieved as determined under subsection A.1. of this section, shall be made to  
151 the council in the form of a paper original and an electronic copy filed with the clerk of  
152 the council, who shall retain the paper original and forward electronic copies to all  
153 councilmembers.

154            SECTION 6. Ordinance 12076, Section 43, and K.C.C. 4.14.050 are each hereby  
155 amended to read as follows:

156            The approved specifications shall be forwarded to all banking institutions capable  
157 of serving the county's financial service needs and shall be made available to any bank  
158 interested in providing ~~((such))~~ the services ~~((which))~~ that also qualifies as a Washington  
159 ~~((S))~~ state public depository under RCW 36.48.060. A conference shall be arranged  
160 ~~((prior to))~~ before submission of formal proposals to receive input from the banking  
161 community. ~~((Changes to the specifications will be by addendum and will be reviewed  
162 by the council.))~~

163            NEW SECTION. SECTION 7. There is hereby added to K.C.C. chapter 4.14 a  
164 new section to read as follows:

165            Except for banking services contracts authorized by section 8 of this ordinance,  
166 the manager of the finance and business operations division may not waive the  
167 requirements in this chapter for the county banking contract. In administering the  
168 program, the manager shall:

169            A. Have the option to extend existing banking contracts by up to one calendar  
170 year should no banks meet the county's requirements through the request for proposals  
171 process. In this instance, the manager shall notify the council immediately, identify any  
172 recommended changes to these requirements and seek council approval of the changes,  
173 which approval shall be made by ordinance. The notice shall be made to the council in  
174 the form of a paper original and an electronic copy filed with the clerk of the council,  
175 who shall retain the paper original and forward electronic copies to all councilmembers  
176 and the lead staff of the budget and fiscal management committee or its successor;



177           B. Include a clause in all banking contracts allowing the county to terminate the  
178 contract with one hundred eighty days' notice should the bank, at any time during the  
179 contract, lose its outstanding Community Reinvestment Act rating under K.C.C.  
180 4.14.040.C;

181           C. Exercise the county's option to terminate under subsection B. of this section if  
182 the bank fails to cure as specified in the contract or subsection D. of this section, and  
183 notify the council within seven days of sending the notice should any banking institution  
184 under contract with the county lose its outstanding Community Reinvestment Act rating  
185 under K.C.C. 4.14.040.C. during the course of the contract;

186           D. If the bank does not comply with any provision of the banking contract:

187           1. Upon finding a first breach of the banking contract, immediately inform the  
188 bank of the breach and offer the bank ninety days to cure the breach; provided that, if the  
189 bank receives a Community Reinvetsment Act rating from a federal regulator agency that  
190 is below outstanding for the assessment area that includes the geographical boundaries of  
191 King County, the manager of the finance and business operations division has the  
192 discretion to allow the bank to cure this problem by requesting that the bank immediately  
193 update its community reinvestment plan to address specific deficiencies noted in the  
194 rating process; and provided further that, the outstanding Community Reinvestment Act  
195 rating must be reinstated by a federal regulator agency within two years from the date of  
196 the rating downgrade;

197           2. After ninety days after a first breach, if the bank has not corrected the breach,  
198 issue a one-hundred-eighty-day termination notice;

199           3. If the bank breaches the contract a second time during the term, immediately  
200 inform the bank of a second breach and require of the bank a payment to the county equal  
201 to five percent of the previous year's total commercial banking fees incurred by the  
202 county. The bank then has ninety days to correct the breach. The county may then use  
203 the penalty funds to contract with a nonprofit organization or organizations to provide  
204 services increasing access to consumer credit, subject to appropriation;

205           4. If, after ninety days of a second breach, the bank has not corrected the breach,  
206 issue a one-hundred-eighty-day termination notice;

207           5. If a bank breaches the contract a third time during the term, immediately  
208 inform the bank of a second breach and require from the bank a payment equal to ten  
209 percent of the previous year's total commercial banking fees incurred by the county. The  
210 county may then use the penalty funds to contract with a nonprofit organization or  
211 organizations increasing access to consumer credit. The bank then has ninety days to  
212 correct the breach;

213           6. If, after ninety days of a third breach, the bank has not corrected the problem  
214 that led to the breach, issue a one-hundred-eighty-day termination notice;

215           7. If a bank breaches the contract for a fourth time during the term, immediately  
216 issue a one-hundred-eighty-day termination notice; and

217           8. Issue any notices required under this section in the form of a paper original  
218 and an electronic copy filed with the clerk of the council, who shall retain the paper  
219 original and forward electronic copies to all councilmembers and the lead staff of the  
220 budget and fiscal management committee or its successor; and

221 E. Arrange for the bank to make a presentation to the county's executive finance  
222 committee, at least once a year that includes an update of the community reinvestment  
223 plan and a report on the progress of fulfilling commitments in the plan.

224 NEW SECTION. SECTION 8. There is hereby added to K.C.C. chapter 4.14 a  
225 new section to read as follows:

226 The county may enter into a banking contract with another bank that is not the  
227 county's main banking services provider for the convenience of one or more local  
228 governments for which the county serves as treasurer. In these circumstances, the  
229 contractual banking services shall be paid for by the local government or governments  
230 and the manager of the finance and business operations division may waive portions of  
231 these requirements contained within this chapter to provide a convenience to the other  
232 local government or governments.

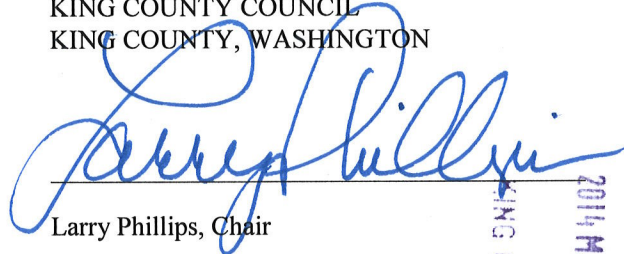
233 NEW SECTION. SECTION 9. There is hereby added to K.C.C. chapter 4.14 a  
234 new section to read as follows:

235            This chapter is a general statement of county policy that cannot form the basis of  
236 a private right of action.  
237

Ordinance 17756 was introduced on 1/13/2014 and passed by the Metropolitan King County Council on 2/24/2014, by the following vote:

Yes: 9 - Mr. Phillips, Mr. von Reichbauer, Mr. Gossett, Ms. Hague,  
Ms. Lambert, Mr. Dunn, Mr. McDermott, Mr. Dembowski and Mr.  
Upthegrove  
No: 0  
Excused: 0

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON



Larry Phillips, Chair


ATTEST:



\_\_\_\_\_

Anne Noris, Clerk of the Council

APPROVED this 6 day of MARCH, <sup>2014</sup> 2013.



\_\_\_\_\_

Dow Constantine, County Executive

Attachments: None

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2014 MAR -6 PM 3:51  
CLERK  
KING COUNTY COUNCIL