

ACTION CALENDAR
September 18, 2012

To: Honorable Mayor and Members of the City Council

From: Human Welfare and Community Action Commission (HWCAC)

Submitted by: Gloria Woodson, Chair, HWCAC

Subject: Include Financial Literacy for Youth and Seniors in Community Agency

Requests For Proposals

RECOMMENDATION

Direct the City Manager to designate financial literacy training or coaching for low-income youth (ages 14-24) and seniors as a specific criterion or focus area in Request for Proposals (RFP) that target youth-serving and senior-serving community organizations.

The scope of work should include:

- a. Training sessions on money management strategies and lots of just-in-time real world practice (e.g. budgeting with a paycheck, planning to pay for college and other expenses, preventing elderly financial abuse, etc.)
- b. Coaching and connecting youth to appropriate financial tools and services

FISCAL IMPACTS OF RECOMMENDATION

The impact is limited to staff's inclusion of the additional requirement in the Community Agency RFP, any shifting of money awarded to community agencies and contract monitoring processes.

CURRENT SITUATION AND ITS EFFECTS

At the July 18, 2012 meeting of the HWCAC the Commission adopted the following recommendation to Council:

Direct the City Manager to designate financial literacy training or coaching for low-income youth (ages 14-24) and seniors a specific criterion or focus area in the RFP that target youth-serving and senior-serving community organizations. The scope of work should include:

- Training sessions on money management strategies and lots of just-in-time real world practice (e.g. budgeting with a paycheck, planning to pay for college and other expenses, preventing elderly financial abuse, etc.)
- Coaching and connecting youth to appropriate financial tools and services

M/S/C: Sood/Woodson

Ayes: Davila, Sood, Reagan, Beck, Cross, Woodson, Robinson Noes: None; Abstain: None; Absent: Dave (leave of absence)

Given the economic recession and sluggish recovery, it is all too common to know Berkeley residents who are struggling with finance triggered by an unexpected event like losing a job or taking medical leave. Within the San Francisco Metropolitan Statistical Area MSA, which includes Berkeley, residents hold a higher than average revolving debt (e.g. credit card debt). The San Francisco MSA also has an estimated asset poverty rate of 24.4 percent, which means that 24 out of every 100 residents do not have sufficient savings to weather a change in finances (medical emergency, job loss, etc.) for three months or more.

Measure ¹	SF MSA	CA Average
Average revolving debt	\$20,284	\$17,323
Asset poverty rate	24.4%	28.2%

In this economic climate, knowledge and strategies for managing and improving one's personal finances is critical. It is a key component just like smart bank regulations and increasing the availability of safe financial products.

Currently, 35 percent of Berkeley residents earn under \$35,000 annually, which is hardly a livable income for families. What is even more striking is that 5.1 percent of Berkeley residents do not have access to local financial institutions. The risk of being unbanked and underbanked increases with the presence of additional factors such as income, age, educational attainment, and ethnicity. Whereas Berkeley's rate of unbanked households is lower than California's state average, we do know that being unbanked disproportionally affects Berkeley's most vulnerable populations: low-income, people of color, and elderly residents. According to estimates by CFED, over 2,000 unbanked and underbanked households could stand to benefit from a city-wide approach to financial literacy. Some of the most vulnerable residents are 14-24 year olds who are likely earning wages less than older adults. Starting early with this age group will help to help break the intergenerational cycle of poverty and lack of assets and other resources. Additionally, City of Berkeley can play a role in preventing financial fraud schemes that prey on the elderly and financial abuse by helping to equip seniors with practical tools and knowledge.

BACKGROUND

Human Welfare and Community Action Commission (HWCAC) is concerned with the social welfare of low income Berkeley residents. Particularly in the current economic climate it is important to prioritize skills and tools that will help Berkeley families become financially secure, plan for the future, and ultimately thrive.

¹ CFED. ASSETS & OPPORTUNITY PROFILE: San Francisco Municipal Profile, June 2010.

² Preceding statistics from CFED and the U.S. Department of Treasury. *Unbanked Profile: Berkeley, CA.* 2011.

In February, the HWCAC hosted a special meeting on financial needs and opportunities of low-income Berkeley residents. Approximately 30 people attended. Through the panelists and public comment, several themes emerged:

- At-risk youth and the elderly are not being adequately served.
- Berkeley and surrounding communities actually have quite a number of good financial literacy programs and financial products to meet the needs of residents, but those programs and products are not reaching those who could benefit most.
- Neighboring cities such as Oakland and San Francisco indicated a willingness to share resources and lessons learned from launching programs and campaigns designed to help connect families with better banking and financial resources (e.g. Bank on SF and PayDay Plus, Bank on Oakland).

RATIONALE FOR RECOMMENDATION

In Berkeley, there are many opportunities to learn financial literacy skills and access non-predatory banking products and services, however, many are not designed with youth or seniors as the audience. Overall, the financial education opportunities throughout Berkeley need better coordination to reach youth and seniors. City of Berkeley has existing relationships with community organizations that serve youth and seniors, and is poised to play a critical role in ensuring clients of these organizations get support on improving their financial skills and knowledge.

ALTERNATIVE ACTIONS CONSIDERED

HWCAC considered more à la carte alternatives before arriving at including financial literacy as a key criterion of RFPs for youth- and senior-serving community agencies, including:

- 1. Promote financial education in youth-serving programs and at City of Berkeley Senior Centers.
- 2. Promote Individual Development Accounts, matched savings accounts, and college savings accounts.
- 3. Launch a Bank on Berkeley campaign
- 4. Execute a marketing campaign about financial literacy programs, and good financial products and services that reaches low- and moderate-income households. For example, local resources like VITA tax preparation sites, Alameda County Community Asset Network (AC CAN) banking menu, and matched savings accounts could be promoted.

CITY MANAGER

See companion report.

CONTACT PERSON

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