

# **CITY OF HAYWARD**

Hayward City Hall  
777 B Street  
Hayward, CA 94541  
[www.Hayward-CA.gov](http://www.Hayward-CA.gov)



CITY OF  
**HAYWARD**  
HEART OF THE BAY

## **Agenda**

**Wednesday, January 30, 2019**

**5:00 PM**

**City Hall, Conference Room 4A**

**Council Budget and Finance Committee**

**CALL TO ORDER**

**ROLL CALL**

**PUBLIC COMMENTS:**

*(The Public Comment section provides an opportunity to address the City Council Committee on items not listed on the agenda as well as items on the agenda. The Committee welcomes your comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the City or are within the jurisdiction of the City. As the Committee is prohibited by State law from discussing items not listed on the agenda, any comments on items not on the agenda will be taken under consideration without Committee discussion and may be referred to staff.)*

**REPORTS/ACTION ITEMS**

1. [MIN 19-006](#) Approval of Minutes from December 5, 2018 Budget and Finance Committee Meeting

**Attachments:** [Attachment I Draft Minutes December 5, 2018](#)

2. [RPT 18-210](#) Consideration of a Pilot Employee Home Loan Assistance Program

**Attachments:** [Attachment I Staff Report](#)

3. Discussion of FY 2020 Budget Process and Work Session Framework (Oral Presentation)

4. [RPT 18-213](#) FY 2019 Meeting Schedule & Work Plan

**Attachments:** [Attachment I FY 2019 Meeting Schedule & Work Plan](#)

**FUTURE AGENDA ITEMS**

**COMMITTEE MEMBER/STAFF ANNOUNCEMENTS AND REFERRALS**

**ADJOURNMENT**

NEXT MEETING - 5:00P.M. WEDNESDAY, FEBRUARY 20, 2019



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**File #:** MIN 19-006

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**DATE:** January 30, 2019

**TO:** Council Budget and Finance Committee

**FROM:** Director of Finance

**SUBJECT**

Approval of Minutes from December 5, 2018 Budget and Finance Committee Meeting

**RECOMMENDATION**

That the Committee approves the meeting minutes from December 5, 2018.

**SUMMARY**

Staff recommends that the Committee reviews and approves the December 5, 2018 Budget and Finance Committee meeting minutes.

**ATTACHMENTS**

Attachment I          Minutes for December 5, 2018 Budget and Finance Committee Meeting



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**COUNCIL BUDGET & FINANCE COMMITTEE MEETING**  
**Meeting Minutes of December 5, 2018**

**Call to Order:** 4:01 pm

**Members Present:** Mayor Halliday, Councilmember Lamnin, and Councilmember Salinas

**Members Absent:** N/A

**Staff:** Kelly McAdoo, Maria Hurtado, Dustin Claussen, Nicole Gonzales, and John Stefanski

**Guests:** Bob Sakai, Jeri Boomgarden, Tim Cue

**Public Comments:** No public comments.

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1. Approval of Meeting Minutes from October 17, 2018

*Action: Unanimous approval as submitted.*

2. Transmittal of the Comprehensive Annual Financial Report for the Year Ended June 30, 2018; and of the Memorandum on Internal Control and Required Communications

- Tim Cue, Maze and Associates provided an oral presentation of the Transmittal of the FY 2018 CAFR, Memorandum of Internal Controls, and required communication of recommendations and audit findings.

*Action: The Committee received the presentation. No formal action was taken.*

3. Introduction and Overview of Hayward Community Foundation Concept

- City Manager McAdoo and John Stefanski provided an introduction and overview of the Hayward Community Foundation concept. Jeri Boomgarden presented the benefits and support the East Bay Community Foundation can provide to the City in establishing the Hayward Community Foundation.

*Action: The Committee supported the presentation of the Hayward Community Foundation concept to the entire Council.*

4. Update of General Fund Long Range Financial Model

- Director Claussen presented the Update of the General Fund Long Range Financial Model. The update will be presented to the update entire City Council meeting in January 2019.

*Action: The Committee received the presentation and provided feedback on the projected long-range fiscal impacts shown in the update.*

5. FY 2020 Budget Process Plan and Development Calendar (Oral Presentation)

6. FY 2019 Meeting Schedule & Work Plan

*Action: The Committee reviewed the FY 2019 Meeting Schedule & Work Plan. Councilmember Lamnin requested that the Affordable Care Act – Heath Care Exchange be placed on the schedule in April or May. No other changes were requested by the Committee.*

7. Future Agenda Items: None.

**Committee Members/Staff Announcements and Referrals:** None.

**Adjournment:** The meeting was adjourned at 5:22 pm



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**File #:** RPT 18-210

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**DATE:** January 30, 2019

**TO:** Council Budget and Finance Committee

**FROM:** Director of Finance

**SUBJECT**

Consideration of a Pilot Employee Home Loan Assistance Program

**RECOMMENDATION**

That the Council Budget and Finance Committee provides feedback and direction on guidelines for a pilot employee home loan assistance program.

**SUMMARY**

City Council expressed a desire to explore options to encourage City of Hayward employees to live within the City limits. Staff researched options, surveyed various California jurisdictions, and administered an employee survey to determine employee interests. Existing programs fall into three categories: (1) City-operated financing for all employees meeting established program standards; (2) City-operated financing for department heads and/or city managers only; and (3) Partnership programs with financial services organization for all employees. Of these three program types, the partnership programs are the most preferred by jurisdictions and utilized by employees. This is the type of program recommended for Committee consideration.

**ATTACHMENTS**

Attachment I      Staff Report



DATE: January 30, 2019  
TO: Council Budget and Finance Committee  
FROM: Director of Finance  
SUBJECT: Consideration of a Pilot Employee Home Loan Assistance Program

#### RECOMMENDATION

That the Council Budget and Finance Committee provides feedback and direction on guidelines for a pilot employee home loan assistance program.

#### SUMMARY

City Council expressed a desire to explore options to encourage City of Hayward employees to live within the City limits. Staff researched options, surveyed various California jurisdictions, and administered an employee survey to determine employee interests. Existing programs fall into three categories: (1) City-operated financing for all employees meeting established program standards; (2) City-operated financing for department heads and/or city managers only; and (3) Partnership programs with financial services organization for all employees. Of these three program types, the partnership programs are the most preferred by jurisdictions and utilized by employees. This is the type of program recommended for Committee consideration.

#### BACKGROUND

In May 2017, City Council expressed a desire to explore options to encourage City of Hayward employees to live within the City limits. Since then, staff has researched various options and administered an employee survey to determine employee interests. On May 16, 2018 <sup>1</sup>, an informational report on the employee survey results and program options were provided to the Council Budget and Finance Committee. Staff was directed to research comparable programs, educational programs, and to develop a Down Payment Assistance Program.

Alameda County plans to offers a down payment assistance loan program utilizing Measure A1 funds; this program allows qualifying households who have combined incomes that are

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<sup>1</sup> Council and Budget Finance Committee Meeting on May 16, 2018  
<https://hayward.legistar.com/LegislationDetail.aspx?ID=3502683&GUID=AE9107D0-B230-42E2-9AFE-2D637217D348&Options=&Search=>

equal to or less than 100% of the County's Area Median Income (AMI) to be eligible for up to a \$150,000 subsidy. Households between 100% and 120% of the [County's AMI](#) will be eligible for up to a \$100,000 subsidy. The first 75 down-payment assistance awards through the program will be made by lottery among qualified, program-approved applicants. Qualifying Hayward residents may apply.

## DISCUSSION

Staff surveyed California jurisdictions who had administered or were considering employee home loan assistance program and completed supplemental research. Programs from nine jurisdictions were identified, and ten jurisdictions requested details of the survey results.

As a result of the survey, employee home loan assistance programs can be categorized in three types:

- 1) Employee Home Purchase Programs through partnership with financial services organization for all employees: Two counties coordinated their employee home purchase programs with financial services organizations to provide a home loan mortgage at a discounted rate, and waive closing costs, or offset closing costs by an employer grant.

In these instances, two partnership programs with financial services organizations are heavily used by employees and viewed as successful by employers. Alameda County partners with a financial services organization that waives origination and application costs and offers loans at a discounted rate. Alameda County provides space for onsite consultation and sends out reminders to staff on a quarterly basis. Since the commencement of Alameda County's program in 2015, there have been 123 loans closed. In San Mateo County, the County offers a \$100,000 County financed down payment loan if an employee arranges for a home loan through the partner financial institution. The San Mateo County program is offered through a quarterly lottery.

- 2) City-operated financing for department heads and/or city managers only: These types of programs provide home loans for department heads and/or city manager to move into the employer jurisdiction. The loans are financed through available funds that would normally be a part of a city's investment portfolio and are generally offered at interest rates similar or tied to the local agency investment fund (LAIF) rate.

The housing loan assistance programs available to department heads and/or city managers are used to attract a broader talent pool to leadership roles within a jurisdiction.

Two of the cities that offered programs in this category also offered loans to all other City employees. The City of San Mateo offers all employees a down payment assistance program and offer the department heads, City Manager, and City Attorney loans secured through City funds of up to four times the employee's annual compensation.



- 3) City-operated financing for all employees: Loans for either down payments or home loans are offered at or near the jurisdiction’s investment rate. The loans are financed through available funds that would normally be invested. Most loans are only available to employees moving into the employer jurisdiction for the first time.

In the four city-operated and financed programs, there were few loans in place. The City of Union City began their program in 2015 and has administered one loan to date. The City of Mountain View created their housing assistance program in 1995 and has administered six loans to date, with no currently active loans. In the City of Santa Barbara, a home purchase program was created in 2001 funded out of general fund reserves with a total of \$3.8 million in outstanding loans for 36 employees. In 2011, following the recession, the City of Santa Barbara was heavily criticized by the media for participating in the program and consequently, the City of Santa Barbara terminated the housing assistance program.

Table I below summarizes the responses from agencies that offer/offered employee home loan programs.

TABLE I. SUMMARY OF EMPLOYEE HOME LOAN ASSISTANCE PROGRAMS OFFERED BY AGENCIES

JURISDICTION	CITY/COUNTY-OPERATED FINANCING FOR ALL EMPLOYEES	CITY- OPERATED FINANCING FOR DEPARTMENT HEADS AND/OR CITY MANAGERS ONLY	PARTNERSHIP PROGRAM WITH FINANCIAL SERVICES ORGANIZATION FOR ALL EMPLOYEES
City of San Mateo	Down Payment	Home Loan	
City of Union City	Home Loan		
City of San Bruno	Home Loan		
San Mateo County	Down Payment		Home Loan
City of Mountain View	Home Loan	Home Loan <sup>2</sup>	
City of Santa Barbara	Home Loan (Ceased in 2011)		
City of Beverly Hills		Home Loan	
City of Cupertino		Home Loan	
Alameda County			Home Loan

<sup>2</sup> The City of Mountain View offers different home loan terms for their department heads and council appointed positions than the rest of the employees. Their program is currently under review.

## Proposed City of Hayward Pilot Employee Home Loan Assistance Program

After reviewing the various employee home loan assistance programs offered in California, staff recommends Council consideration of a pilot Employee Home Loan Assistance Program that includes partnering with a financial services organization. The two key elements of the proposed pilot program are described below.

### Employee Home Purchase Programs through Partnership with Financial Services Organization for All Employees:

This pilot employee home purchase program would involve partnering with a local financial institution that offers a first mortgage to employees with favorable terms. Staff is exploring partnership opportunities with a credit union and a local financial institution for preferable terms such as a waiver of closing costs and a discounted mortgage rate. Employees would need to meet creditworthiness standards such as a minimum FICO score, a maximum debt-to-income-ratio, and a demonstration of reserves for two months of principal, interest, taxes, and insurance. The various elements of the program are described below.

### City Down Payment Assistance Loan of up to \$150,000

To supplement the first mortgage from the financial services organization, staff proposes to implement a pilot program using \$1.5 Million from City Reserve Funds to fund up to ten (10) \$150,000 down payment loans. The Housing Division would manage this program in conjunction with their existing home loans portfolio. Program guidelines are proposed as follows:

#### ELIGIBILITY:

- Must be a non-probationary employee
- Must be a full-time employee in good standing, without being subject to discipline above a written reprimand in the 24 months preceding the loan application
- Employee must enroll in financial planning program with the Employee Assistance Program (EAP) or equivalent

#### LOCATION/TYPE OF UNIT:

- Must be a unit within the City of Hayward
- Can be a single-family home, townhome, or a unit within a multi-family building
- Purchase price capped at \$1,000,000
- Unit purchased must be primary residence

#### TERMS:

- Down payment loan up to \$150,000
- Applicant must provide a down payment of at least 2.5% of purchase price
- Repayment:
  - Interest rate fixed for five (5) years at 1% above City's portfolio interest rate
  - Interest rate thereafter, for years six (6) through thirty (30) of the loan, will be set annually and shall accrue at a rate equal to the "Yield at Market" achieved by

the City's Managed Portfolio for the quarter ended on June 30 of the previous calendar year, plus 100 basis points or 1%, but shall not exceed 6% and will not increase at a rate of more than 2% in any given calendar year;

- Principal payments deferred during the first 5 years of the loan; interest-only payments in years 1-5
- Outstanding loan balance due at refinance, sale of property, or conversion to rental
- Employment separation within the first five years will result in
  - Principal Payments beginning the month following separation;
  - Hardship provisions would be in place for terminations based on medical or other reasons
- First interest-only payment due 60 days after close of escrow
- No short-term rentals allowed

APPLICATION PROCESS:

- Home purchase workshop required
- Lottery would take place, with a time period allowed for home purchase after being chosen
- Completion of qualification paperwork with partner financial organization required to be entered into the lottery

Table II below provides a sample comparison of a loan to an employee under the pilot program compared to a loan completed through the open market.

TABLE II. SAMPLE COMPARISON OF PILOT PROGRAM TO MARKET RATE LOAN

TERMS	CITY OF HAYWARD	
	PROPOSED PILOT PROGRAM	MARKET RATE LOAN
Home Purchase Price	\$670,000	\$670,000
Individual Contribution to Down Payment (@ 2.5% of Purchase Prize)	\$16,750	\$134,000
City of Hayward Down Payment Loan (Up to \$150k)	\$117,250	\$0
Down Payment Interest Rate	2.38% in Years 1-5, TBD in Years 6-30, up to 6%	0%
Mortgage Loan	\$536,000	\$536,000
Mortgage Loan Interest Rate	4% Fixed Rate	4.125% Fixed Rate
Repayment Term	30 Years	30 Years

## RECOMMENDATION

Staff recommends a partnership program with an outside financial services organization for an employee's first mortgage and implementing a complementary City employee down payment assistance loan pilot program using \$1.5 million of City General Fund Reserve Funds. Staff estimates that a total of up to ten employees could participate in the pilot program with a maximum loan from the City of up to \$150,000 each. Once the funds are expended, the program can be reviewed for effectiveness, and reconsidered for future funding.

## NEXT STEPS

Staff requests Council Budget and Finance Committee feedback on the pilot employee home loan assistance program guidelines. Staff will incorporate Committee feedback and bring a recommendation to the City Council for discussion and direction.

Prepared by: Monica Davis, Management Analyst II

Recommended by: Dustin Claussen, Director of Finance

Approved by:



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Kelly McAdoo, City Manager



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**File #:** RPT 18-213

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**DATE:** January 30, 2019

**TO:** Council Budget and Finance Committee

**FROM:** Director of Finance

**SUBJECT**

FY 2019 Meeting Schedule & Work Plan

**RECOMMENDATION**

That the Committee reviews and comments on the FY 2019 Council Budget and Finance Committee Meeting Schedule & Work Plan.

**SUMMARY**

Staff recommends that the Committee reviews and comments on the FY 2019 Budget and Finance Committee schedule and work plan.

**ATTACHMENTS**

Attachment I Meeting Schedule & Work Plan



**COUNCIL BUDGET AND FINANCE COMMITTEE**  
**FY 2019 Meeting Schedule & Workplan**  
**January 30, 2019**

**Meeting Location:** 777 B STREET - CITY HALL - 4<sup>TH</sup> FLOOR CONFERENCE ROOM 4A  
 HAYWARD, CALIFORNIA

**Meeting Time:** 5:00 P. M.

**Meeting Dates:** The Council Budget & Finance Committee generally meet monthly on the 3<sup>rd</sup> Wednesday of the month, except for August, due to City Council Break. Special meetings will be scheduled as determined necessary by the Committee or the City Manager.

<b>DATE</b>	<b>SUGGESTED TOPICS (subject to change)</b>
September 19, 2018	FY 2018 Annual Audit Process (Oral Presentation by External Auditor) CalPERS UAL Funding Options
October 17, 2018	Investment Portfolio Update and FY 2019 Statement of Investment Policy Review (External Investment Manager)
November 21, 2018 Canceled	
December 5, 2018	Presentation of FY 2018 Audit Introduction and Overview of Hayward Community Foundation Formation Process Update of General Fund Long Range Financial Model FY 2020 Budget Process Plan and Development Calendar (Oral Presentation)
January 30, 2019	Consideration of a Pilot Employee Home Loan Assistance Program Discussion of FY 2020 Budget Process and Work Session Framework (Oral Presentation)
February 20, 2019	FY 2019 Mid-Year Review & General Fund Long Range Financial Model Update Discussion on Mayor & City Council Department Budget
March 20, 2019	FY 2020 Proposed Budget Discussion Annual Review of City Issued Debt Use of One-time Funds
April 17, 2019	FY 2020 Budget process update
May 15, 2019	Annual City Benefit Liabilities and Funding Plan Review Affordable Care Act – Health Care Exchange
June 19, 2019	Measure C Annual Report FY 2020 Budget Process Debrief
July 17, 2019	Performance Measurement

**Non-scheduled future agenda topics:**

- Fleet Utilization Study