

SILICON VALLEY'S AIRPORT



# Actions Related Loan Program for Federal Workers at Airport

January 24, 2019

# Background



- Federal Shutdown started on December 22, 2018
- Federal workers are no longer being paid, yet still need to pay their rent or mortgage, buy groceries and gas, pay for child care, etc.
- This creates a burden on workers, who are integral to the continued safe and secure operation of the Airport

## Primary Federal Agencies at Airport

|  |   |
|--|---|
| Transportation Security Administration (TSA) | The TSA provides a wide range of security operations with employees that serve in the capacity of checkpoint screening personnel, canine teams, behavior and intelligence officers, and a wide variety of other security personnel. The TSA has 400 of the 500 federal employees and approximately 48% live in San Jose.                  |
| Federal Aviation Administration (FAA)        | The FAA provides air traffic control and technical support for the safe sequencing of aircraft landings and departures, as well as for the operation and maintenance of critical navigational equipment. The FAA also has certification inspectors to ensure aircraft and flight crews are in compliance with the applicable safety laws. |
| Customs and Border Protection (CBP)          | CBP officers provide the processing of international flights and passengers into the United States.   |

# Guiding Principles



Based on the direction from City Council, staff created these guiding principles to assist in the development of the loan program:

- To support the provision of loans to federal workers at Airport
- Amount of loan to be up to net monthly take-home pay
- Loans to be available bi-weekly for 3 months
- 0% interest rate
- No origination fees to individuals or City
- Loans available regardless of credit history
- Balloon payment due 14 days after back paycheck is available
- Financial counseling available
- Loans to be administered by a private financial institution

- Technology Credit Union (TechCU) indicated that they could create a quick loan program that meet the key parameters outlined by the City Council
- TechCU would administer the loan program
- TechCU would provide licensed Credit Counselors

# Key Elements of the Loan Program

- 0% interest and no loan origination or processing fees
- No credit check
- Loan funds disbursed biweekly not to exceed biweekly take-home pay
- Loan program available for paychecks missed in January
- Loan repayment due in full 14 days after back pay received
- 12% interest accruing on loans not paid by due date
- Required to become TechCU member, but membership fee (\$5) waived
- TechCU to provide credit counseling services as requested
- TechCU will be loan originator and servicer

# Key Elements of Agreement



- City will become a business member of TechCU
- Loans are cash collateralized
  - Necessary component since TechCU is not running credit checks or providing any form of underwriting on the loans
- City General Fund to deposit \$5 million to the Cash Collateral Deposit Account
- City will deposit up to another \$5 million into the Loan Program Deposit Account to fund the loans.

- Counterparty Risk
  - Risk the Credit Union fails. Any deposits in excess of \$250,000 are not guaranteed and are not insured.
- Borrower Loan Default Risk
  - Risk a borrower fails to repay their loan. Since no credit check is required for obtaining a loan, the loan default risk is elevated. Likewise, if a borrower takes out multiple loans and becomes overexposed, this also increases default risk.



- Airport to provide a popup location at the Airport for TechCU to operate
  - Allows federal workers to meet with TechCU during their lunch break or before/after their shifts. TechCU will also process loan applications at any branch office.
- Airport to share fliers and information with all federal partners.
- Airport to host a Resources Fair at the Airport to connect federal workers with services available. Details are still being worked out.



# Recommendation



## **RECOMMENDATION**

(a) Adoption of a resolution authorizing the City Manager or his authorized designees to negotiate and execute one or more agreements with Technology Credit Union (TechCU) and to take any other necessary actions in connection therewith for the servicing and administering of a loan assistance program available to all federal employees assigned to the Norman Y. Mineta San Jose International Airport in an amount not to exceed their monthly take home pay, with a loan program not to exceed \$5,000,000 and approval of 100% collateralization of the loan program in an additional amount not to exceed \$5,000,000, for a total amount not to exceed \$10,000,000.

(b) Adopt the following 2018-2019 Appropriation Ordinance amendments in the General Fund:

(1) Establish a Federal Worker Loan Assistance Program City-Wide expenses appropriation to the Finance Department in the amount of \$10,000,000.

(2) Decrease the Budget Stabilization Reserve by \$10,000,000.

(c) Direct staff to expeditiously implement the Federal Worker Loan Assistance Program and dedicate resources to ensure successful outreach to the federal workers at Norman Y. Mineta San Jose International Airport.