

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: February 20, 2019 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item	File		Page
1 & 2	19-0090	Authorization to Borrow Funds - Short-Term Loan Program for Federal Employees - Treasurer-Tax Collector - Line of Credit Amount Not to Exceed \$20,000,000	
	19-0091	Appropriation - Office of the Treasurer and Tax Collector - Short-Term Loan and Interest Proceeds - Individual Loans and Interest and Other Loan Servicing Expenses - \$20,500,000	1

<p>Items 1 and 2 Files 19-0090 and 19-0091</p>	<p>Department: Treasurer and Tax Collector</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • <u>File 19-0090</u>: The proposed ordinance would authorize the Treasurer and Tax Collector, in the event of a partial shutdown of the United States government between February 2019 and June 2019, to (a) secure a short-term line of credit in an amount not-to-exceed \$20,000,000, or (b) partner with one or more financial institutions for the purpose of providing short-term emergency unsecured individual loans for federal employees residing in San Francisco or working at the San Francisco International Airport. • <u>File 19-0091</u>: The proposed ordinance would (1) appropriate \$20,000,000 of short-term loan proceeds to the Treasurer and Tax Collector to administer individual loans for eligible federal employees impacted by a future shutdown of the federal government, (2) appropriate \$500,000 in interest earnings to cover associated costs of administering the loans, such as interest for the loans and expected losses from nonpayment of the loans by borrowers; and (3) authorize repayment of the short-term loan obtained from the line of credit by utilizing prepayment of individual loans to federal employees. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • As a result of the partial federal government shut down that began on December 21, 2018, 800,000 federal workers across nine agencies were furloughed or forced to work without paychecks for 35 days. • An estimated 3,300 federal workers impacted by the partial government shutdown live in San Francisco or work at the Airport, and missed two paychecks during the shutdown. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The Treasurer and Tax Collector plans to secure a line of credit for \$20,000,000 from a financial institution for the loan program, the proceeds of which would be used to make loans ranging from \$1,000 to \$6,000 for eligible federal workers who might be furloughed or required to work without pay in the event of a partial government shutdown between February 2019 and June 2019. An additional \$500,000 in interest earnings from the City's investments would be used to pay associated costs. • The Treasurer and Tax Collector will temporarily redirect up to 12 staff to assist with intake and loan processing. The Treasurer and Tax Collector may request the assistance of additional City staff during the intake period. In addition to the upfront staffing needs, the Treasurer and Tax Collector estimates that the administration of the loan program will require up to 1.00 FTE Accountant III position (1654) for one year. If the Treasurer and Tax Collector need more funds to support this position, it will require approval from the Board of Supervisors. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> • Approval is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

City Charter 9.113 states that the Board of Supervisors shall have that power to borrow money by short-term debt instruments in the manner provided by state law or City ordinance.

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

On December 21, 2018, the federal government partially shut down after congressional and White House officials failed to pass a spending bill. Over 800,000 federal workers across nine agencies were furloughed or forced to work without paychecks for 35 days. The government reopened on January 25, 2019 with the signing of a stop gap funding bill, set to expire on February 15, 2019.

According to an analysis by the Controller's Office, there are approximately 3,300 federal employees living in San Francisco or working at SFO who missed two paychecks due to the recent federal shutdown. Of those, approximately 2,000 reside in San Francisco, and additional 1,300 work at the San Francisco International Airport.

DETAILS OF PROPOSED LEGISLATION

File 19-0090: The proposed ordinance would authorize the Treasurer and Tax Collector, in the event of a partial shutdown of the United States government between February 2019 and June 2019, to (a) secure a short-term line of credit in an amount not-to-exceed \$20,000,000, or (b) partner with one or more financial institutions for the purpose of providing short-term emergency unsecured individual loans for federal employees residing in San Francisco or working at the San Francisco International Airport.

File 19-0091: The proposed ordinance would (1) appropriate \$20,000,000 of short-term loan proceeds to the Treasurer and Tax Collector to administer individual loans for eligible federal employees impacted by a future shutdown of the federal government, (2) appropriate \$500,000 in interest earnings to cover associated costs of administering the loans, such as interest for the loans and expected losses from nonpayment of the loans by borrowers; and (3) authorize repayment of the short-term loan obtained from the line of credit by utilizing prepayment of individual loans to federal employees.

Loan Program

The loan program, administered by the Treasurer and Tax Collector, will be for federal workers furloughed or required to work without pay between February 2019 and June 2019. According to Ms. Amanda Fried, Chief of Policy and Communications for the Treasurer and Tax Collector's Office, the exact dates that the Treasurer and Tax Collector will secure a line of credit and hold the funds are based on the duration of the potential shutdown. The City would offer a one-time interest-free loan of an amount between \$1,000 and \$6,000 available to individual employees

impacted by the shutdown.¹ For ease of administration, the loan amount will be in increments of \$1,000. The individual employee will choose the loan amount.

According to Ms. Fried, an online application will be available once the Board of Supervisors approves an authorizing ordinance. The online application will prompt employees to upload proof of residency, federal employment status, furlough status, and other loan requirements. Once an application is submitted, applicants will make an appointment to be screened at either City Hall or the San Francisco International Airport. If approved, federal employees will receive their loans through direct deposit into their bank account. The loan must be repaid within 60 days of the conclusion of the shutdown.

FISCAL IMPACT

The proposed ordinance would appropriate \$20,000,000 for individual loans, and an additional \$500,000 in interest earnings on the City's investments, for a total of \$20,500,000.

The Treasurer and Tax Collector plans to secure a line of credit for \$20,000,000 from a financial institution for the loan program. The Department has not yet identified a financial institution. The remaining \$500,000 will come from interest earnings on the City's investments attributable to the General Fund. According to Ms. Fried, the estimated interest earnings of the City's general fund investments in FY 2018-19 will be more than \$35 million. The \$500,000 will cover associated costs of administering the loans, such as interest for the loans and expected losses from nonpayment of the loans by borrowers.

According to Ms. Fried, the Treasurer and Tax Collector will temporarily redirect up to 12 staff to assist with intake and loan processing. The Treasurer and Tax Collector may request the assistance of additional City staff during the intake period. According to Ms. Fried, the department expects to be able to pay for the staff time with current budget allocations. In addition to the upfront staffing needs, the Treasurer and Tax Collector estimates that the administration of the loan program will require up to 1.00 FTE Accountant III position (1654) for one year. If the Treasurer and Tax Collector need more funds to support this position, it will require approval from the Board of Supervisors.

The online application portal will not require extra costs as it is within the existing contract of the current vendor.

RECOMMENDATION

Approval is a policy matter for the Board of Supervisors.

¹ The range is based on the estimated average weekly wage of federal employees. Federal government workers who are not impacted by the shutdown will not be eligible.