



Council Meeting: January 6, 2009

SUBJECT: Amendment to Agreement for Services between the City of Sunnyvale and Gary Luebbers, City Manager

REPORT IN BRIEF

This report requests approval of an amendment to the Agreement for Services between the City of Sunnyvale and Gary Luebbers, City Manager, to include a provision that authorizes a home mortgage bridge loan, and sets the interest rate for the home mortgage loan.

BACKGROUND

The City has a long-standing program of mortgage assistance for Department Directors, the City Attorney, and City Manager (Executive Mortgage Assistance Program). The adopted program includes the provision that, for department directors, the City Manager is authorized to determine in each case whether housing assistance shall be offered as an element of compensation and, if so, the terms upon which such assistance shall be offered. In the case of the City Manager or City Attorney, the City Council determines the terms for housing assistance. A provision for mortgage assistance was included in the Agreement for Services between the City of Sunnyvale and Gary M. Luebbers; however, certain specifics were not addressed.

EXISTING POLICY

7.3 Legislative Management Sub-Element: Goal 7.3D: Maintain a quality workforce, consistent with state and federal laws, City Charter, and adopted policies in order to assure that City services are provided in an effective, efficient, and high quality manner. Policy 7.3D.1: Maintain a recruitment and selection process that ensures a highly competent workforce. Action Statement 7.3D.1a: Maintain a competitive pay and benefit package for employees.

DISCUSSION

Due to the current housing market, the sale of a home is, in many cases, taking a considerable amount of time. In order to assist Mr. Luebbers and his family in moving to the City of Sunnyvale, a no interest bridge loan will provide the means to accomplish such relocation. A bridge loan means that the down payment will be advanced by the City until such time as Mr. Luebbers' home in West Jordan, Utah is sold, and for no longer than 12 months. The maximum amount of the loan under the mortgage assistance program is five times Mr. Luebbers annual

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salary and it may not exceed 90% of the purchase price of the property. Therefore, the bridge loan is up to 10% of the purchase price.

Bridge loans have been approved in the past by the City Manager for department directors and executive management. Therefore, a bridge loan for Mr. Luebbers would be consistent with past practice under the Executive Mortgage Assistance Program.

In addition, at the time Mr. Luebbers accepted the appointment to City Manager, the 11th District Cost of Funds Index, which is the basis for rate establishment under the Executive Mortgage Assistance Program, was 2.769%. This is the rate at which Mr. Luebbers understood the loan would be made. Since the 11th District Cost of Funds Index may vary from month to month, it is recommended that rate of the loan be documented as a fixed rate of 2.769%.

FISCAL IMPACT

Based on the current return on the City's investment portfolio, which is approximately 2.9%, the maximum fiscal impact of the no-interest bridge loan for a 12-month period would be \$4,169 in lost interest revenue to the City.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, in the Council Chambers lobby, in the Office of the City Clerk, at the Library, Senior Center, Community Center and Department of Public Safety; posting the agenda and report on the City's Web site; and making the report available at the Library and the Office of the City Clerk.

ALTERNATIVES

1. Adopt a resolution revising Section 9. Mortgage Assistance of the Agreement for Services between the City of Sunnyvale and Gary Luebbers to include a provision for a no-interest bridge loan, for no longer than 12 months, and setting the rate for the home mortgage loan at 2.769%.
2. Do not adopt a resolution revising Section 9. Mortgage Assistance of the Agreement for Services between the City of Sunnyvale and Gary Luebbers to include a provision for a no-interest bridge loan, for no longer than 12 months, nor set the rate for the home mortgage loan at 2.769%.

RECOMMENDATION

Recommend approval of Alternative No. 1; adopt a resolution revising Section 9. Mortgage Assistance of the Agreement for Services between the City of Sunnyvale and Gary Luebbers to include a provision for a no-interest bridge loan, for no longer than 12 months, and setting the rate for the home mortgage loan at 2.769%.

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Reviewed by:

Erwin Young, Director of Human Resources

Prepared by: Tammy Parkhurst, Senior Management Analyst

Reviewed by:

Mary J. Bradley, Director of Finance

Approved by:

Robert Walker, Assistant City Manager

Attachments

A. Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SUNNYVALE AMENDING THE AGREEMENT FOR SERVICES BETWEEN THE CITY OF SUNNYVALE AND GARY M. LUEBBERS, CITY MANAGER

WHEREAS, it is the desire of the City Council to amend the Agreement for Services with Gary M. Luebbers related to Mortgage Assistance;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SUNNYVALE that the Agreement for Services with Gary Luebbers dated September 30, 2008, is amended as follows:

1. Section 9. Mortgage Assistance

The City Council shall provide Mortgage Assistance to Employee as provided and subject to the terms in Council Resolution No. 125-89, as amended by Council Resolution No. 160-96. Employee's eligibility for participation in the City's Mortgage Assistance Program is conditioned on Employee's application to participate in the Mortgage Assistance Program within one year of commencing employment with the City of Sunnyvale on December 2, 2008, the purchase of a residence within the City of Sunnyvale within one year of commencing employment with the City on December 2, 2008 (as documented by a purchase and sale agreement and the opening of escrow for purchase of the property) and the actual and continued residence of Employee in the property within the City of Sunnyvale purchased with City Mortgage Assistance.

- a. The City shall provide a no interest bridge loan to Employee, for a period not to exceed 12 months, which will allow deferral of the down payment on the home purchased in the City of Sunnyvale until such time as the Employee's home in West Jordan, Utah is sold.
- b. The rate of the home mortgage loan shall be 2.769%, the 11th District Cost of Funds Index for September 2008.

Adopted by the City Council at a regular meeting held on _____, 2009, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST:

APPROVED:

City Clerk
(SEAL)

Mayor

APPROVED AS TO FORM AND LEGALITY:

David E. Kahn, City Attorney