



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Larry D. Lisenbee

SUBJECT: SEE BELOW

DATE: March 26, 2007

Approved

Date

3/31/07

COUNCIL DISTRICT: N/A
SNI AREA: N/A

SUBJECT: ADOPTION OF APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION AMENDMENTS IN THE CONSTRUCTION EXCISE TAX FUND TO RECOGNIZE THE REPAYMENT OF THE AMERICAN GI FORUM LOAN

RECOMMENDATION

1. It is recommended that the City Council adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the Construction Excise Tax Fund:
 - a) Increase the estimate for Earned Revenue by \$2,358,510 to recognize the loan repayment from the American GI Forum.
 - b) Decrease Ending Fund Balance by \$218,721.
 - c) Establish a transfer to the San José Redevelopment Agency in the amount of \$2,474,645.
 - d) Establish a transfer to the General Fund in the amount of \$102,586.

OUTCOMES

The budget actions recommended in this memorandum will recognize the repayment of the American GI Forum loan and reimburse the San José Redevelopment Agency for its contribution that allowed the funding of the this loan and the General Fund for its administrative cost to recover the loan funds.

BACKGROUND

In 2001, the City provided a loan in the amount of \$2.0 million to the American GI Forum to help payoff existing liens on their property located at 765 Story Road, including a \$3.3 million

construction loan. The County of Santa Clara also provided joint funding of \$2.0 million. The Redevelopment Agency was originally approached to fund the loan; however, Agency funding restrictions prevented such use of funds. In order to free up funding for the American GI Forum loan, the Redevelopment Agency agreed to fund public improvements in the Rincon de Los Esteros Redevelopment Project Area that had originally been budgeted in the Construction Excise Tax Fund. This enabled the use of the Construction Excise Tax Fund to provide the loan to the American GI Forum. Upon settlement of the loan, the City was to return the funds to the Redevelopment Agency.

ANALYSIS

On December 6, 2006, the City received \$2,337,624 as the final payment from the American GI Forum related to the 2001 joint City/County loan. In addition to this final payment, the American GI Forum had made current year interest payments totaling \$20,886 and prior years' interest payments totaling \$218,721 that were recognized in the Construction Excise Tax Fund. The principal and interest paid by the American GI Forum totaled \$2,577,231. Of this amount, it is recommended that \$2,474,645 be transferred to the Redevelopment Agency as reimbursement for its initial contribution that enabled the City to fund the loan, plus interest payments received. The remaining \$102,586 is recommended to be transferred to the General Fund as reimbursement for City administrative costs related to the recovery of the loan funds.

POLICY ALTERNATIVES

Not applicable

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memorandum is posted on the City's website for the April 17, 2007 Council Agenda.

COORDINATION

The recommended budget actions and this memorandum have been coordinated with the City Attorney's Office, the Finance Department, the Transportation Department and the San José Redevelopment Agency.

FISCAL/POLICY ALIGNMENT

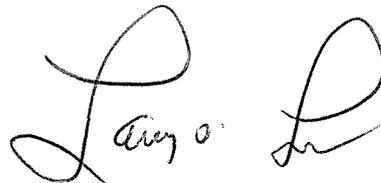
These budget actions are consistent with the Council-approved Budget Strategy to continue the City's high standards of fiscal integrity.

COST IMPLICATIONS

The recommended budget actions allocate the loan repayment from the American GI Forum that was received this year (\$2,358,510) as well as the interest payments received in prior years (\$218,721) in the Construction Excise Tax Fund. These funds would be used to reimburse the Redevelopment Agency in the amount of \$2,474,645 for its contribution that allowed the funding of the initial loan (plus accrued interest earned) and the General Fund in the amount of \$102,586 for its administrative costs in recovering the loan funds.

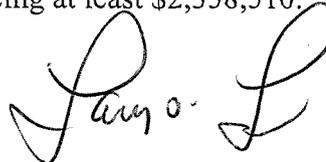
CEQA

N/A



Larry D. Lisenbee
Budget Director

I hereby certify that there will be available for appropriation in the Construction Excise Tax Fund in the Fiscal Year 2006-2007 monies in excess of those heretofore appropriated there from, said excess being at least \$2,358,510.



Larry D. Lisenbee
Budget Director

HONORABLE MAYOR AND CITY COUNCIL

3-26-07

SUBJECT: **BUDGET ACTIONS IN THE CONSTRUCTION EXCISE TAX FUND
ASSOCIATED WITH THE AMERICAN GI FORUM LOAN REPAYMENT**

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For more information regarding these projects, please contact: Margaret McCahan, Financial Status Coordinator, (408) 535-8132.