TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES
DATE: MAY 13, 2002 CMR: 247:02

SUBJECT: APPROVAL OF BUDGET AMENDMENT ORDINANCE IN THE AMOUNT OF $800,000 FOR A RESIDENTIAL REAL ESTATE LOAN TO THE DIRECTOR OF ADMINISTRATIVE SERVICES

RECOMMENDATION
Staff recommends that Council approve the attached Budget Amendment Ordinance (BAO) (Attachment A) in the amount of $800,000 to fund the acquisition of a residential property located at 1331 Glen Eyrie Avenue, San Jose, California, in accordance with the Housing Assistance Provision of the Administrative Services Director’s Employment Agreement.

BACKGROUND
On May 13, 2002 the City Council approved an amended employment agreement with the Administrative Services Director, Carl Yeats. The agreement includes a housing provision, allowing the City to provide a loan, up to a maximum of $800,000 and fully secured by the purchased property. In accordance with the agreement, the City would provide an $800,000 City loan with a 30-year term. For the first five years of the loan term, interest is due at the lower of 5.5 percent or ¼ percent over the City portfolio rate of return, adjusted annually on a fiscal year basis. Thereafter, interest on the loan is to be paid at ¼ percent over the City’s portfolio rate-of-return.

DISCUSSION
The Administrative Services Director has found housing in San Jose and an escrow has been opened on the property located at 1331 Glen Eyrie Avenue, San Jose, California.

RESOURCE IMPACT
The attached BAO requests an appropriation of expenses in the amount of $800,000 from the Budget Stabilization Reserve (BSR). This transaction will reduce the BSR to $22.6
million. The effect of the BSR reduction is that the $800,000 is no longer available for appropriation as expenditures.

The net effect on the City’s financial position is neutral. These transactions represent conversion of one type of asset (cash) to another type (property, plant and equipment and accounts receivable) in the same amount.

**POLICY IMPLICATIONS**
This recommendation is consistent with Council direction. The risks involved in this transaction are associated with market changes in the price of real estate and potential default on the loan.

**ENVIRONMENTAL REVIEW**
None required.

**ATTACHMENTS**
A. Budget Amendment Ordinance
B. Budget Amendment Ordinances Impacting the BSR Approved to date in 2001-02

**PREPARED BY:**
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**DEPARTMENT HEAD:**
JOE SACCIO, Deputy Director
Administrative Services

**CITY MANAGER APPROVAL:**
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