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COUNCIL AGENDA: 6/21/05
ITEM: 10.8

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Memorandum

TO: HONORABLE MAYOR, CITY
COUNCIL, AND AGENCY BOARD

FROM: Harry S. Mavrogenes
Executive Director

SUBJECT: FY 2005-2006 APPROPRIATIONS
RESOLUTIONS, AMENDMENTS TO
THE FY 2004-2005 ADOPTED
BUDGETS AND GRAFFITI REMOVAL
PROGRAM FINDINGS

DATE: June 10, 2005

Council District: ALL

RECOMMENDATION

It is recommended that the Redevelopment Agency Board adopt resolutions:

- (a) Approving amendments to the FY 2004-05 Adopted Budget to reflect various modifications to the FY 2004-05 Revenue, Operating and Capital Budgets, and amending the FY 2004-05 Agency Revenue resolution, detailed on Attachment A; and,
- (b) Adopting the FY 2005-06 Revenue and Appropriations Resolutions for the Operating and Capital Budgets detailed on Attachment B, and authorizing the Executive Director to rebudget FY 2004-05 remaining project appropriation balances for on-going projects/programs previously approved by the Agency Board; and,
- (c) Making certain determinations regarding the expenditure of Agency funds to eradicate graffiti.

BACKGROUND

On June 14, 2005, the Redevelopment Agency Board approved the Agency's Proposed FY 2005-2006 Operating and Capital Budgets as presented on April 29, 2005.

ANALYSIS

The recommended revisions are described in the remainder of this memorandum while the attachments provided outline the proposed appropriation adjustments.

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FY 2004-2005 BUDGET REVISIONS:

REVENUE:

Supplement Assessments: \$1.2 million less than expected supplemental assessments, which include new construction and property sales after January 1, 2004. This revenue is projected at 36% of the prior year's level.

Interest Earnings: Increase of \$1.8 million due to rising short term interest rates. The Federal Reserve Bank has increased the Federal Funds Rate eight times since June 30, 2004. (This information is shown in the Agency's monthly financial reports.)

Other Misc. Revenue:

GRP Coastal Conservancy Grant: Deferral of \$933,000 due to construction work delays.

Story & King Road (Sale of Agency land): Budgeted at \$5.5 million, sold at \$4.1 million; developer agreed to do more site preparation work in exchange for the lower price.

Dimensions Site (Sale of Agency Land): Deferral of \$7.5 million due to the deferral of the sale of Redevelopment Agency land until next fiscal year. (Proceeds from this sale will be recorded in FY 2005-06.)

Brandenburg Site (Sale of Agency Land): Deferral of \$2.5 million due to the deferral of the sale of Redevelopment Agency land until next fiscal year. (Proceeds from this sale will be recorded in FY 2005-06.)

Bassett & North First Street (Sale of Agency Land): Deferral of \$2.1 million due to the deferral of the sale of Redevelopment Agency land until next fiscal year. (Proceeds from this sale will be recorded in FY 2005-06.)

Historic First Church of Christ Scientist Building (Sale of Agency Land): Deferral of \$1.35 million due to the deferral of the sale of Redevelopment Agency land until next fiscal year. (Proceeds from this sale will be recorded in FY 2005-06.)

HUD 108 – Story & King: \$8.3 million Housing and Urban Development loan is deferred until next fiscal year.

Brownfield Economic Development Initiative CIM: Deferral of \$2 million due to deferral of the federal grant until next fiscal year.

Park Townsend Housing (Revenue Sharing): Under the term of the DDA, deferral of \$1.8 million until the end of December 2005.

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Proposed FY 2005-06 Budget:

The Mayor's Budget Message dated March 16, 2005, states that the Redevelopment Agency experienced a decline in revenue in the current fiscal year and projections for the coming year are uncertain. The Redevelopment Agency Board approved delaying action on the proposed Redevelopment Capital Improvement Program until August, after the County Assessor has provided information on current year assessment rolls.

The proposed budget carries over the remaining funds as of June 30, 2005, to the new fiscal year. New funding has been added to cover first quarter costs for general lease contracts for Automatic Public Toilets, Software Development Center, Software/Environmental Business Cluster and International Business Cluster. The annual balance required for these contracts will be added to the appropriate project line during the August budget process. City projects are fully funded such as Blight Abatement, Best Program, Budget Office Services, OEA Audit Services, and Litigation Services.

In an effort to more accurately reflect the true costs of capital projects and programs, City Support Services including Strong Neighborhood Initiative Team, Planning Department Code Enforcement Inspectors, and attorneys assigned to the Strong Neighborhood Initiative, previously in the Agency's Operating budget, are now being funded in the Agency's Capital Budget line item, "Capital Operating Costs."

REBUDGETS:

The timing of expenditures and encumbrances for many of the Agency's projects and programs occurs in multiple fiscal years which results in remaining appropriation balances at the end of a fiscal year. These remaining appropriation balances need to be carried forward into the new fiscal year to ensure that Agency projects and programs remain on schedule.

The proposed action recommends that the Agency Board give the Executive Director the authority to rebudget remaining appropriation balances from FY 2004-05 into FY 2005-06. The FY 2005-06 appropriations include rebudget amounts as of March 31, 2005. These amounts will be adjusted accordingly to reflect the June 30, 2005 appropriation balances following the conclusion of the Agency's FY 2004-05 year-end audit. These steps will ensure that total project budgets remain consistent with amounts previously approved by the Agency Board without a funding disruption between fiscal years.

GRAFFITI REMOVAL FINDINGS:

The Agency uses funding in its Merged Area Impact – Property Management line item, as well as various NBD and other line items to remove graffiti within project areas. To spend Agency funds for this purpose, the Agency Board must make a finding that, because of the magnitude and severity of the graffiti within the project areas, this action is necessary to effectuate the purposes of the Redevelopment Plan and to assist with elimination of blight. The City's graffiti abatement team processes over 9,000 graffiti and sticker removals per year.

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PUBLIC IMPROVEMENT PROJECTS:

The Board traditionally adopts a resolution making certain determinations regarding the expenditure of tax increment on public projects when it adopts the annual budget. Since no new capital projects are being proposed at this time, those determinations are not required. When the revised budget is brought forward in August those determinations will be included, if necessary.

COORDINATION

This item has been coordinated with the City Manager's Budget Office and the Agency's General Counsel.



HARRY S. MAVROGENES
Executive Director

Attachments

ATTACHMENT A

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE PROPOSED ADJUSTMENTS TO THE FY 2004-2005 ADOPTED BUDGET

PROJECT AREA/PROJECT	BUDGET YEAR	ADOPTED BUDGET	PROPOSED ADJUSTMENTS	REVISED BUDGET
Source of Funds:				
Supplement Assessments	FY 04-05	2,000,000	(1,200,000)	800,000
Interest Earnings	FY 04-05	3,746,882	1,821,069	5,567,951
Other Misc. Revenue	FY 04-05	45,928,568	(26,468,969)	19,459,599
Capital Reserve Impact			<u><u>(25,847,900)</u></u>	

ATTACHMENT B

2005-2006 MERGED AREA REVENUE SUMMARY

<u>REVENUES:</u>		<u>FY 2005-2006</u>
Tax Increment	\$	145,757,880
Supplemental Assessments		2,000,000
ERAF Loan		18,700,000
Parking Fund Loan		3,400,000
Interest Earnings		4,140,829
Other/Miscellaneous		44,886,560
TOTAL REVENUE	\$	<u><u>218,885,269</u></u>

2005-2006
REDEVELOPMENT OPERATING FUNDS

Operating Expenditures:

Personal Services	\$	3,941,738
Non-Personal Services/Capital Equipment		201,580
City Support Services		1,818,249
Mayor/Board		<u>1,887,507</u>
TOTAL OPERATING FUND	\$	<u><u>7,849,074</u></u>

2005-2006
REDEVELOPMENT CAPITAL FUNDS

Capital Project Appropriations:

Century Center	\$	63,420
Civic Plaza		809,039
Guadalupe/Auzerais		500,000
Edenvale		1,749,425
Julian Stockton		472,274
Market Gateway		282,172
Merged Area Impact		20,166,483
Neighborhood Investment Program		16,792,158
Strong Neighborhoods Initiative		27,170,631
Park Center		886,761
Rincon de Los Esteros		61,955
San Antonio		<u>1,242,374</u>
Total Capital Project Appropriation	\$	<u><u>70,196,692</u></u>

Capital Project Operating Expenditures:

Direct Cost:

Personal Services	7,099,924
Non-Personal Services	514,888
Sub-total Direct Cost	<u>7,614,812</u>

Indirect Cost:

Personal Services	2,001,104
Non-Personal Services	1,971,346
Capital Outlay/Equipment	50,000
Leasehold Improvements	10,000
Sub-total Indirect Cost	<u>4,032,450</u>

Total Capital Project Operating Exp.:	<u><u>11,647,262</u></u>
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Total Capital Budget	<u><u>81,843,954</u></u>
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REDEVELOPMENT CAPITAL FUNDS

Redevelopment Capital Fund - Century Center Redevelopment Project

Each of the following sums of money is hereby appropriated to the Redevelopment Capital Fund for each of the following designated line items, for fiscal year 2005-2006, for the Century Center Redevelopment Project:

	<u>Direct Agency</u>	<u>Business Unit</u>
1 Fountain Alley Parking Lot	\$ 63,420	0650757
TOTAL Century Center	<u>\$ 63,420</u>	

REDEVELOPMENT CAPITAL FUNDS

Redevelopment Capital Fund - Civic Plaza Redevelopment Project

Each of the following sums of money is hereby appropriated to the Redevelopment Capital Fund for each of the following designated line items, for fiscal year 2005-2006, for the Civic Plaza Redevelopment Project:

	<u>Direct Agency</u>	<u>Business Unit</u>
1 Civic Plaza Land Acquisition	\$ 755,881	0550563
2 Civic Plaza Historic (House Relocations)	31,359	0550660
3 Civic Plaza Streetscape	21,799	0550761
 TOTAL CIVIC PLAZA	 \$ <u>809,039</u>	

REDEVELOPMENT CAPITAL FUNDS

Redevelopment Capital Fund - Guadalupe/Auzerais Redevelopment Project

Each of the following sums of money is hereby appropriated to the Redevelopment Capital Fund for each of the following designated line items, for fiscal year 2005-2006, for the Guadalupe/Auzerais Redevelopment Project:

	<u>Direct Agency</u>	<u>Business Unit</u>
1 CDM - Enhancements	\$ 500,000	0670653
TOTAL Century Center	<u>\$ 500,000</u>	

REDEVELOPMENT CAPITAL FUNDS

Redevelopment Capital Fund - Edenvale Redevelopment Project

Each of the following sums of money is hereby appropriated to the Redevelopment Capital Fund for each of the following designated line items, for fiscal year 2005-2006, for the Edenvale Redevelopment Project:

	<u>Direct Agency</u>	<u>Business Unit</u>
1 Assessment District/Interchange Improvements	\$ 161,614	0660520
2 Biotech Initiative	1,442,580	0660764
3 Industrial Work Prog: Implementation	145,231	0660239
 TOTAL EDENVALE	 \$ <u><u>1,749,425</u></u>	

REDEVELOPMENT CAPITAL FUNDS

Redevelopment Capital Fund - Julian/Stockton Redevelopment Project

Each of the following sums of money is hereby appropriated to the Redevelopment Capital Fund for each of the following designated line items, for fiscal year 2005-2006, for the Julian/Stockton Redevelopment Project:

	<u>Direct Agency</u>	<u>Business Unit</u>
1 Fallon House Improvement	\$ 249,990	0680768
2 One East Julian	142,149	0680817
3 North San Pedro Housing/Brandenburg	36,957	0680756
4 Bassett & N. First Streets/Classic @ North Keystone	6,500	0680767
5 Downtown Theatre	36,678	0680847
 TOTAL JULIAN/STOCKTON	 \$ <u>472,274</u>	

REDEVELOPMENT CAPITAL FUNDS

Redevelopment Capital Fund - Market Gateway Redevelopment Project

Each of the following sums of money is hereby appropriated to the Redevelopment Capital Fund for each of the following designated line items, for fiscal year 2005-2006, for the Market Gateway Redevelopment Project:

	<u>Direct Agency</u>	<u>Business Unit</u>
1 Fox California Theatre - Opera San Jose	\$ 187,696	0690078
2 Fox California Theatre - Signage	55,704	0690823
3 Market Gateway Development	38,772	0690814
 TOTAL MARKET GATEWAY	 \$ <u><u>282,172</u></u>	

REDEVELOPMENT CAPITAL FUNDS

Redevelopment Capital Fund - Neighborhood Investment Program Project

Each of the following sums of money is hereby appropriated to the Redevelopment Capital Fund for each of the following designated line items, for fiscal year 2005-2006, for the Neighborhood Investment Program Redevelopment Project:

	<u>Direct Agency</u>	<u>Business Unit</u>
1 Alum Rock - Alum Rock Village Streetscape	\$ 20,000	New
2 E. Santa Clara St. - Hospital Area Masterplan/Studies	50,000	0750611
3 Story Road - Streetscape, R.O.W. and Park Improvement	215,573	0750424
4 Story Road - King and Story Implementation - OPA	14,862,357	0750480
5 West San Carlos - Implementation Strategy	24,973	0750820
6 Japantown - Corporation Yard Planning & Development	50,000	0750688
7 Japantown - Cultural Streets	305,085	0750846
8 NID - Façade Improvements	421,500	0750477
9 NBD - Program Operations	\$ 188,049	0750691
10 Monterey/Roeder	554,000	0750776
11 Neighborhood Business Clusters	100,621	0750538
 TOTAL NEIGHBORHOOD INVESTMENT PROGRAM \$	 <u><u>16,792,158</u></u>	

REDEVELOPMENT CAPITAL FUNDS

Redevelopment Capital Fund - Strong Neighborhoods Initiative.

Each of the following sums of money is hereby appropriated to the Redevelopment Capital Fund for each of the following designated line items, for fiscal year 2005-2006, for the Strong Neighborhoods Initiative Redevelopment Project:

	Direct Agency	Business Unit
	<hr/>	<hr/>
1 SNI - 13th Street	\$ 663,858	0560797
2 SNI - Five Wounds/Brookwood Terrace	1,109,683	0560798
3 SNI - Delmas Park	1,919,987	0560799
4 SNI - East Valley/680 Communities	232,000	0560800
5 SNI - Edenvale/Great Oaks	356,828	0560801
6 SNI - Greater Gardner	2,691,018	0560802
7 SNI - Hoffman/Via Monte	622,601	0560803
8 SNI - University	656,650	0560805
9 SNI - Washington	2,041,407	0560806
10 SNI - West Evergreen	500,857	0560807
11 SNI - Winchester	306,014	0560808
12 SNI - Attractive Neighborhood	1,912,017	0560809
13 SNI - Outreach and Training	102,823	0560811
14 SNI - Blackford	1,786,574	0560826
15 SNI - Burbank/Del Monte	2,098,919	0560827
16 SNI - K.O.N.A.	181,770	0560828
17 SNI - Market/Almaden	1,826,131	0560829
18 SNI - Mayfair	793,091	0560830
19 SNI - Spartan/Keyes	1,373,713	0560831
20 SNI - Tully/Senter	2,432,641	0560832
21 SNI - Strong Neighborhoods Project Area Committee and Neighborhood Advisory Commttees/Planning	29,734	0560833
22 SNI - Gateway East	1,269,330	0560835
23 City Manager Office - SNI (11 FTE + 25% O/H)	1,026,853	0560853
24 SNI City Attorney Code Enforcement	376,894	0560854
25 Strong Neighborhoods Initiative Reserve	682,238	0560651
26 SNI - Midtown Land Assembly	177,000	0560855
TOTAL STRONG NEIGHBORHOODS INITIATIVE	\$ <u><u>27,170,631</u></u>	

REDEVELOPMENT CAPITAL FUNDS

Redevelopment Capital Fund - Park Center Redevelopment Project

Each of the following sums of money is hereby appropriated to the Redevelopment Capital Fund for each of the following designated line items, for fiscal year 2005-2006, for the Park Center Redevelopment Project:

	<u>Direct Agency</u>	<u>Business Unit</u>
1 Tech Museum of Innovation	\$ 886,761	0500483
TOTAL PARK CENTER	\$ <u>886,761</u>	

REDEVELOPMENT CAPITAL FUNDS

Redevelopment Capital Fund - Rincon De Los Esteros Redevelopment Project

Each of the following sums of money is hereby appropriated to the Redevelopment Capital Fund for each of the following designated line items, for fiscal year 2005-2006, for the Rincon De Los Esteros Redevelopment Project:

	<u>Direct Agency</u>	<u>Business Unit</u>
1 Industrial Work Program: Implementation	\$ 61,955	0710258
TOTAL RINCON DE LOS ESTEROS	<u>\$ 61,955</u>	

REDEVELOPMENT CAPITAL FUNDS

Redevelopment Capital Fund - San Antonio Plaza Redevelopment Project

Each of the following sums of money is hereby appropriated to the Redevelopment Capital Fund for each of the following designated line items, for fiscal year 2005-2006, for the San Antonio Plaza Redevelopment Project:

	<u>Direct Agency</u>	<u>Business Unit</u>
1 Block 8 - Fairmont Annex Retail	1,242,374	0730745
TOTAL SAN ANTONIO PLAZA	\$ <u><u>1,242,374</u></u>	

REDEVELOPMENT CAPITAL FUNDS

Redevelopment Capital Fund - Merged Area Impact Program Project

Each of the following sums of money is hereby appropriated to the Redevelopment Capital Fund for each of the following designated line items, for FY 2005-2006, for the Merged Redevelopment Project:

	Direct Agency	Business Unit
1 San Jose Downtown Association	\$ 125,000	0900087
2 City Budget Office Services	137,247	0900088
3 Misc. Public Improvement	40,522	0900168
4 Automatic Public Toilets	422,927	0900284
5 Software Development Center - Lease	126,630	0900364
6 GRP Flood Control Project	508,227	0900393
7 City Improvements	3,000,000	0900395
8 Software/Environmental Business Clusters - Lease	120,000	0900408
9 Assessor	10,380	0900454
10 International Business Incubator - Lease	101,190	0900489
11 500 S. First Street	81,885	0900505
12 Retail Strategy	123,088	0900506
13 4th Street Parking Garage	300,217	0900566
14 Small Business Administration - Lease	103,624	0900655
15 Public Property Management	676,876	0900676
16 Asset Management	131,822	0900677
17 20% Supplement Parkland Fees	3,608,100	0900678
18 Development RFQ	19,074	0900683
19 Downtown Signage	100,000	0900698
20 Downtown Mixed Use Projects	408,089	0900729
21 Downtown Project Feasibility Studies	193,033	0900730
22 Child Care Development Fund	3,526,954	0900779
23 Public Space Program	100,000	0900787
24 Public Space Programming Capital Improvements	10,577	0900788
25 4th Street Garage Marketing and Tenant Improvements	192,185	0900793
26 Parking Plus	43,319	0900821
27 OEA Audit Services	80,000	0900837
28 Litigation Services	635,000	0900838
29 Real Estate and Relocation Services	219,838	0900839
30 School Opportunity Sites	150,000	0900840
31 Downtown Business Improv. Pool	3,399,222	0900844
32 Temporary Convention Center Expansion	597,190	0900848
33 Transit Mall Lighting	377,970	0900850
34 Downtown Ice Rink	100,000	0900851
35 Planning Code Enforcement Services	396,297	0900856
 TOTAL MERGED AREA IMPACT PROGRAM	 \$ <u>20,166,483</u>	

REDEVELOPMENT FINANCING/NON-PROJECT COSTS

Financing/Non-Project Costs: Each of the following sums of money is hereby appropriated to the Redevelopment Merged Area Fund to each of the following items, for fiscal year 2005-2006, for financing, and non-project costs:

Financing/Non-Project Costs:

Debt Service	\$ 109,949,410
ERAF Loan Payment	2,478,119
Housing Requirement	29,551,576
AB1290 Pass-Through	850,673
Convention Center Bond Payment	13,341,988
County Agreement Payment	12,107,411
ERAF	18,700,000
Fiscal Agent Fees	145,500
Letter of Credit Fees	487,200
County Tax Collection Fees	2,126,562
Arena Pass-Through	300,000
CSJ Financing Authority (4th St. Garage)	3,400,000
TOTAL FINANCING/NON-PROJECT COSTS	<u>\$ 193,438,439</u>

Adopted this _____ day of _____

20 _____, by the following vote:

AYES:

Noes:

ABSENT:

Chairperson: Ron Gonzales

ATTEST:

Harry Mavrogenes, Secretary