

CITY COUNCIL, BOARD OF
SUPERVISORS, AGENCY
BOARD

HARRY S. MAVROGENES
EXECUTIVE DIRECTOR

SEE BELOW

AUGUST 31, 2006

SUBJECT: DISCUSSION RELATED TO THE FY 2006-07 DELEGATED
PAYMENT

RECOMMENDATION

Discussion of the Agency's issuance of bonded indebtedness in FY 2006-07 and the County's expenditure of an estimated \$15 million delegated payment.

BACKGROUND

On May 21, 2001, the City of San Jose, the Redevelopment Agency of the City of San Jose, and the County of Santa Clara entered into an Amended and Restated Agreement regarding Redevelopment. Pursuant to the Amended and Restated Agreement, the Agency has contributed to the County a total amount of \$145 million through Fiscal Year 2005 – 06.

<u>Fiscal Year</u>	<u>Pass Through</u>	<u>Delegated</u>
2000-01	\$9.1 million	\$8.1 million
2001-02	\$19.0 million	\$15.3 million
2002-03	\$20.2 million	\$18.9 million
2003-04	\$15.4 million	\$14.4 million
2004-05	\$11.9 million	0
2005-06*	\$12.5 million	0

* Estimate - pending completion of the annual financial audit.

ANALYSIS

The 2001 Amended and Restated Agreement provides a framework for the entities to work together in several areas. One of those areas is the financing of County capital projects that qualify as redevelopment projects and primarily benefit San Jose's Redevelopment Project Areas. This is done through the delegation of redevelopment funds from the Agency to the County as well as a delegation of redevelopment authority to spend those Delegated Redevelopment Funds.

In order to implement this delegation and keep communication open among the entities in planning capital projects that may have overlapping interests among the entities, the Agreement provides for an annual joint review of capital budgets. Due to the uncertain budgetary situation, this joint meeting, which was intended to be held each May to coincide with the budget calendars of the County, City and Agency, was postponed.

The Agreement also provides that at the annual joint capital budget review, the County shall specify its intent regarding the expenditure of its Delegated Redevelopment Funds and the Agency shall specify its intent to issue bonded indebtedness for the upcoming Fiscal Year. Because the source of the Delegated Payment is the proceeds of Agency-issued tax exempt Bonds, certain federal tax restrictions apply on the use of these funds. One of these restrictions is on issuing debt for arbitrage purposes. As such, there are time restrictions on when the funds must be spent. Furthermore for publicly-owned projects, the Redevelopment Law requires that the Board make certain findings about the specified projects.

With regard to the Agency's intent to issue bonded indebtedness for Fiscal Year 2006-07, the Agency has not yet issued any bonded indebtedness. The Agency expects that it will issue Tax Allocation Bonds in Fall 2006 and estimates the net proceeds will be \$75 million.

HARRY S. MAVROGENES
Executive Director