

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

TO: REDEVELOPMENT AGENCY BOARD	FROM: RICHARD A. KEIT MANAGING DIRECTOR
SUBJECT: SEE BELOW	DATE: JANUARY 27, 2012

SUBJECT: AMENDMENT TO AGENCY'S ADOPTED FY 2011-12 REVENUE RESOLUTION, CAPITAL BUDGET, SOURCES AND USE OF FUNDS SUMMARY, AND APPROPRIATIONS RESOLUTION

RECOMMENDATION

It is recommended that the Redevelopment Agency Board adopt a resolution amending:

- a) the FY 2011-12 Revenue Resolution to reflect a reduction of \$15,756,984, as detailed on Attachment A; and
- b) the FY 2011-12 Capital Budget to reflect a reduction of \$5,450,000, as detailed on Attachment A; and
- c) the FY 2011-12 Source and Use of Funds Summary to reflect a reduction of 982,679 in Financing/Other Costs and reduction of \$392,683 in Obligated Payments, as detailed on Attachment A; and
- d) the FY 2011-12 Appropriations Resolution, to reflect a total reduction of \$6,825,362, as detailed on Attachment A.

BACKGROUND

On June 17, 2011, the Redevelopment Agency Board approved and adopted the proposed FY 2011-12 Operating and Capital Budget. On October 4, 2011, the Redevelopment Agency Board approved and adopted amendments to the Agency's Adopted FY 2011-12 Revenue Resolution, Capital and Operating Budgets, and Appropriations Resolution.

With the passage of State Assembly Bill X1 26 and Assembly Bill X1 27 on June 28, 2011, the Agency was prohibited from entering into new, or amending existing, agreements or leases except those allowable for administrative

operations. The proposed adjustments, described below, address proposed revisions to the Agency's Budget to reflect changes to specific revenue and expenditure activity.

On December 29, 2011, the California Supreme Court upheld AB XI 26 (the redevelopment "elimination" bill), but struck down AB XI 27, the bill that would have allowed agencies to remain in operation as long as they made a payment to the state. The California Supreme Court also amended certain dates contained in AB XI 26. Most notably, the October 1, 2011 date for dissolution of redevelopment agencies was changed to February 1, 2012.

### ANALYSIS

Following the approval of the Agency's FY 2011-12 Budgets on June 17, 2011, and subsequent First Amendment to the Agency's Adopted FY 2011-12 Budget on October 4, 2011, the following adjustments are proposed to reflect actual and projected revenue receipts and expenditures.

### SOURCE OF FUNDS

#### Revenue:

Supplemental Assessments - (\$1,000,000) – Due to County's multi year tax roll correction, current year supplement assessments reflect a negative balance year to date.

Convention Center Bonds Debt Service - (\$10,018,406) and City Parking Revenue Fund Reimbursement (4<sup>th</sup> Street Parking Garage Debt Service) - (\$1,719,000) - The Adopted FY 2011-12 Budget anticipated that the City would pay these two Agency obligations due to decreased Agency revenues. However, the Agency did make the Convention Center debt service payment in August, 2011 and intends to make the March 2012 payment. The Agency also intends to make the February 2012 debt service payment for the 4<sup>th</sup> Street Parking Garage. The Agency's proposed reduction in Capital Projects and Programs in addition to funds in the capital reserve provides the required funding to pay the total annual FY 2011-12 debt service payment on the Convention Center Bonds and half of the Fourth Street Parking Garage debt service.

Trust Account Interest - (\$482,542) and Redevelopment Fund Interest (\$513,644) – Interest rate lower than forecast.

Other Misc. Revenue - (\$2,023,392) - The sale of the Brandenburg/N. San Pedro parcel deferred to FY 2012-13.

USE OF FUNDS

Capital Budget:

North San Pedro Housing/Brandenburg project in the Julian Stockton Redevelopment Area - (\$1,700,000) and Development Opportunities - (\$1,500,000) - Project cost and grant funding deferred to next fiscal year.

Job Creation Fund - (\$1,500,000); Real Estate & Relocation Services - (\$250,000) and Autumn Street Infrastructure Plan (-\$500,000) - Reflects non-committed funds as a result of the State's suspension of Redevelopment activities as of June 29, 2011. Remaining funds of the project will return to the capital reserve.

Financing/Other Costs:

20% Tax Increment Housing Tax Set Aside - (\$200,000) - As a result of the reduction in Supplemental Assessments of \$1.0 million, the 20% tax increment housing set-aside amount requires a reduction of \$200,000.

Variable Bond Debt Service - (\$437,900) - Reduction as result of the lower interest rates, debt service payments came in lower than forecast.

AB1290 Pass-Through Payments - (\$344,779) - Reduction due to County's pass-through calculation lower than the amount estimated at the beginning of the fiscal year.

Obligated Payments:

County Tax Collection Adm. Fees - \$353,283 - FY 2011-12 administrative fee is estimated to be increased by approximately 20% from prior year (\$2,027,292), the significant increase is due to the first year amortization of the Tax Collection and Apportionment system, and the decrease in the revenue available to offset the administrative fee.

Letter of Credit Fees - \$265,730 - Letter of credit fees increased due to two downgrades (1) Standard and Poor's reduction from BBB+ to BBB with a "Negative Outlook" on November 21, 2011, and (2) Moody's downgrade, on

January 17, 2012 of all California Tax Allocation Bonds rated Baa2 and above by on notch due to near-term cash flow risks arising from redevelopment agencies' impending dissolution.

County Pass-Through Settlement Payment - (\$1,011,696) – County to share in 50% of the sales proceeds of Brandenburg/North San Pedro property, since the sale of this property was deferred to next fiscal year, County's participation is also deferred to next fiscal year.

Alignment of Redevelopment Agency Budgetary Actions with the City as the Successor Agency's Redevelopment Obligation Retirement Fund

On January 24, 2011, the City Council and Redevelopment Agency Board approved actions establishing the Redevelopment Obligation Retirement Fund, under the authority of the City as the Successor Agency to the Redevelopment Agency ("Successor Agency"), consistent with the Court ruling and approval of AB X1 26. This fund was established as of February 1, 2012 and the City's funding sources resolution and appropriation ordinance were amended to allow for the formal transfer of assets and liabilities from the Redevelopment Agency to the Successor Agency as of February 1, 2012. The approved actions were based on available information provided by the Redevelopment Agency to the City at that time. Upon SJRA's further analysis of cash flow and budget needs, this memorandum recommends adjustments to the SJRA Adopted Budget which will require adjustments to the newly approved fund. It is anticipated that the adjustments to the new fund will be brought forward as part of the City's 2011-2012 Mid-Year Budget Review.

PUBLIC OUTREACH/INTEREST

The proposed action does not meet any of the criteria noted below for added outreach efforts. This report and the revised FY 2011-12 Operating and Capital budgets and Other Obligations was posted on the Agency's website and made available for public review in the Agency's public lobby area.

- Criterion 1:** Requires Agency action on the use of public funds equal to \$1 million or greater.
- Criterion 2:** Adoption of a new/revised policy that may have implications for the public health, safety, quality of life, or financial/economic vitality.

- Criterion 3:** Consideration of proposed changes to service delivery, programs, or staffing that may have impacts to community services and have been identified by staff, the Board, or community groups as requiring special outreach.

COORDINATION

This action has been coordinated with the Agency's General Counsel.

FISCAL IMPACT

A revised Merged Area Source and Use of Funds Summary incorporating the proposed budget revisions is presented in Attachment B. This summary replaces the Revised Agency's Source and Use Statement approved by the Agency Board on October 4, 2011.

CEQA

Not a project. File No. PP10-067(b), appropriation actions.



RICHARD A. KEIT  
Managing Director

Attachments

P. S. Good-bye from all past and present Agency staff whose contributions over the last 56 years made San Jose a remarkable City.

**ATTACHMENT A**  
**THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE**  
**PROPOSED AMENDMENTS TO FY2011-2012 ADOPTED BUDGET**

	Project	Budget Year	Adopted Budget	Proposed Changes	Amended Adopted Budget
<b><u>SOURCE OF FUNDS</u></b>					
	Supplemental Assessments	FY2011-12	1,000,000	\$ -1,000,000	0
	Convention Center Bonds Advance from City	FY2011-12	10,018,406	-10,018,406	0
	City Parking Revenue Fund Reimbursement	FY2011-12	3,400,000	-1,719,000	1,681,000
	Trust Account Interest	FY2011-12	595,542	-482,542	113,000
	Redevelopment Fund Interest	FY2011-12	837,644	-513,644	324,000
	Brandenburg/N. San Pedro (50% proceeds due to County settlement payment)	FY2011-12	2,023,392	-2,023,392	0
	<b>TOTAL SOURCE OF FUNDS</b>			<b>\$ -15,756,984</b>	
<b><u>USE OF FUNDS</u></b>					
<b><u>Capital Budget:</u></b>					
	North San Pedro Housing/Brandenburg	FY2011-12	2,500,000	\$ -1,700,000	800,000
	Real Estate & Relocation Services	FY2011-12	342,273	-250,000	92,273
	Autumn Street Infrastructure Plan	FY2011-12	626,909	-500,000	126,909
	Development Opportunities	FY2011-12	1,500,000	-1,500,000	0
	Job Creation Fund	FY2011-12	1,500,000	-1,500,000	0
	Sub-total Capital Projects			<b>\$ -5,450,000</b>	
<b><u>Financing/Other Costs:</u></b>					
	20% Tax Increment Housing Set Aside	FY2011-12	35,153,491	\$ -200,000	34,953,491
	Variable Rate Bond Debt Service	FY2011-12	3,636,900	-437,900	3,199,000
	AB1290 Pass-Through Payments	FY2011-12	2,644,853	-344,779	2,300,074
	Sub-total Financing/Other Costs			<b>\$ -982,679</b>	
<b><u>Obligated Payments:</u></b>					
	County Tax Collection Adm. Fees	FY2011-12	1,964,717	\$ +353,283	2,318,000
	Letter of Credit Fees	FY2011-12	2,034,270	+265,730	2,300,000
	50% Proceeds from sale of Brandenburg/N. San Pedro land due to County	FY2011-12	1,011,696	-1,011,696	0
	Sub-total Obligated Payments			<b>\$ -392,683</b>	
	<b>TOTAL USE OF FUNDS</b>			<b>\$ -6,825,362</b>	
	<b>ECONOMIC UNCERTAINTY RESERVE</b>			<b>\$ -8,931,622</b>	

**ATTACHMENT B**

**THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE  
FORECAST FY2011-12 SOURCE AND USE OF FUNDS SUMMARY**

		<b>Current FY 2011-12</b>
<b>SOURCE OF FUNDS</b>		
1	TI Growth Rate	-2.28%
2	Beginning Fund Balance	\$ 21,456,732
3	Tax Increment (Merged Area)	180,133,088
4	Anticipated Reduction in TI	(5,365,634)
5	HUD 108 Loan Advance from City	1,777,000
6	Trust Account Interest	113,000
7	Redevelopment Fund Interest	324,000
8	City Parking Revenue Fund Reimbursement	1,681,000
9	Other Miscellaneous Revenue	20,032,550
10		
11	<b>TOTAL SOURCE OF FUNDS</b>	\$ <u>220,151,736</u>
12		
13	<b>USE OF FUNDS</b>	
14		
15	Financing/Other Costs:	
16	Tax Allocation Bonds	\$ 133,006,474
17	Variable Bond	3,199,000
18	HUD 108	1,885,000
22	ERAF Loan Payment	4,490,494
23	20% Housing Set Aside	34,953,491
25	AB1290 Pass-Through Payments (Accrue June 2012)	2,300,074
26	4th St. Parking Garage Bond - Debt Service (A)	3,381,000
27	Convention Center Bond Debt Service (B)	15,358,631
28	Total Financing/Other Costs:	\$ <u>198,574,164</u>
29	Capital Expenditures:	
30	Strengthen Neighborhoods	\$ 415,161
31	Strong Neighborhoods Initiative	778,609
32	Develop, Preserve Housing	4,214,661
33	Build Public Facilities	1,669,738
34	Economic Development	5,579,504
35	Total Capital Expenditures	\$ <u>12,657,673</u>

**ATTACHMENT B**

**THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE  
FORECAST FY2011-12 SOURCE AND USE OF FUNDS SUMMARY**

		<b>Current FY 2011-12</b>
<b>USE OF FUNDS (Continued)</b>		
36 Operating Expenditures		
37 Personnel	\$	2,000,000
38 Non - Personnel		967,812
39 Support Services		700,000
40 Total Operating Expenditures	\$	<u>3,667,812</u>
41 Obligated Payments:		
42 Fiscal Agent Fees	\$	150,000
43 Letter of Credit Fees		2,300,000
44 Arena Pass-Through Payment		355,000
45 County Tax Collection Adm. Fees		2,318,000
46 Total Obligated Payments	\$	<u>5,123,000</u>
47		
48 <b>TOTAL USE OF FUNDS</b>	<b>\$</b>	<b><u>220,022,649</u></b>
49		
50 <b>ECONOMIC UNCERTAINTY RESERVE</b>	<b>\$</b>	<b><u>129,087</u></b>

(A) Agency pays Feb. 1, 2012, 4th Street Parking Garage Debt Service payment

(B) Agency pays 100% of Convention Center Debt Service for FY2011-2012