

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

TO: PUBLIC SAFETY, FINANCE AND STRATEGIC SUPPORT COMMITTEE	FROM: HARRY S. MAVROGENES EXECUTIVE DIRECTOR
SUBJECT:  SEE BELOW	DATE:  AUGUST 2, 2007

SUBJECT: FINANCIAL STATEMENTS – JUNE 2007

RECOMMENDATION

Accept the Redevelopment Agency's Financial Statements for June 2007  
(Preliminary).

BACKGROUND

Governmental fund financial statements focus on the current financial condition, with particular emphasis on inflows and outflows of spendable resources. Information provided is useful for budgetary and financial decision making by identifying items such as proceeds from long-term debt, construction and other capital outlays, as well as debt service principal payments. The basic financial statements attached are interim in nature and do not report on some items that appear in the government-wide statement of activities included in the Comprehensive Annual Financial Report issued at the close of the fiscal year. Examples of items not included in interim reports are depreciation, amortization of debt-related premiums, discounts, and debt issuance costs.

The annual financial and compliance audit performed by Macias, Gini and O'Connell, LLP, has commenced, therefore, ending fund balances contained in the attached reports are preliminary and subject to change as the year-end close process begins. The final report for FY 2006-07 will be presented to the Public Safety, Finance and Strategic Support Committee following completion of the audit this fall.

BALANCE SHEET:

The governmental fund balance sheet (Attachment A) reports financial assets associated with governmental activities. Financial assets are those items such as cash and other assets that will eventually convert to cash, such as receivables and

investments. Capital assets are not included because they will be used in operations and therefore are not spendable. Similarly, liabilities are reported only to the extent that they affect the government's current financial position. For example, governments do not provide resources for debt service payments until payment is due. Therefore, liabilities would not be recognized for either principal or interest payments relating to long-term debt.

#### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE:

The governmental fund statement of revenues, expenditures, and changes in fund balances (Attachment B) is used to report all transactions, events, and interfund activity that increase or decrease the fund balance in the reporting period. Agency funding is primarily derived from tax increment revenue and bond proceeds. Other revenue sources from secondary activities include: the sale of Agency-owned properties, developer payments, commercial and residential rent payments, parking facility payments, special permit fees, and other miscellaneous activities.

#### LONG TERM DEBT AND FIXED ASSETS EXHIBITS:

Outstanding long-term debt and fixed assets as of June 2007 are reported on Attachments C and D, respectively.

#### ANALYSIS

##### BALANCE SHEET (Attachment A):

##### ASSETS:

Combined asset accounts increased \$12.1 million in June.

The Cash and Investments account balance increased by a net amount of \$17.4 million and is \$75.9 million as of June 30, 2007. Cash activity is discussed in greater detail in the accompanying Cash Flow Report.

The Restricted Cash Account decreased by a net amount of \$6.9 million as the bond trustee returned tax increment of \$6.1 million that was in excess of the August 2007 Merged Area Tax Allocation Bonds debt service requirements. The Accrued Interest account increased by \$2.1 million.

#### LIABILITIES AND FUND BALANCES:

Combined liability accounts increased by \$11.2 million in June. Major activity included in June transactions included an increase of \$7.3 million in accounts payable. The significance of the accounts payable item is it includes fiscal year end items covering a multitude of transactions associated with capital program expenses discussed in the accompanying Capital Cost Report. Another major June increase is \$2.2 million in deferred revenue that included a year end adjustment of \$1.1 million for the Market Gateway Apartments representing cumulative interest due as 6/30/07 in accordance with the terms of disposition and development agreement (DDA) and as part of the ongoing effort to ensure all financial transactions are fairly presented and reported as information becomes measurable and available. The remaining \$1 million was composed of several other smaller transactions. In addition, \$1.7 million was recorded as due to Santa Clara County in accordance with the County tax sharing agreement.

#### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (Income Statement - Attachment B):

##### REVENUES AND OTHER FINANCING SOURCES:

Revenues of \$21.5 million include \$19.1 million of tax increment receipts.

##### EXPENDITURES:

Expenditures of \$20.9 million include \$14.0 million of Capital Projects Fund items covering a variety of expenditures and are detailed by project area and budget line item in the accompanying Capital Cost Report; \$1.7 million paid according to the County tax sharing agreement; and \$1.0 million of monthly variable rate bond interest.

##### FUND BALANCE:

As a result of the activity described above, the Redevelopment Agency's preliminary fund balance as of June 30, 2007, was \$137.4 million, an increase of \$400,000 from the May 2007 statements.

COORDINATION

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



HARRY S. MAVROGENES  
Executive Director

Attachments

## REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

Balance Sheet  
 Governmental Funds  
 June 30, 2007 (Preliminary)

	General	Special Revenue	Debt Service		Capital Projects	Total	Prev Month	Change
			Housing	Merged				
<b>ASSETS</b>								
Cash and investments	\$ 2,115,980	\$ -	\$ -	\$ -	\$ 73,774,585	\$ 75,890,566	\$ 58,540,977	17,349,588
Receivables:								
Accrued interest	-	-	-	-	2,556,556	2,556,556	392,206	2,164,349
Due from the City of San Jose	27,616	-	-	-	113,027	140,643	212,985	(72,343)
Other/Prepaid Expense	59,647	-	-	-	1,041,974	1,101,620	1,167,308	(65,688)
Advances to the City of San Jose	250,000	-	-	-	-	250,000	-	250,000
Loans receivable, net	-	-	-	-	43,399,549	43,399,549	43,467,719	(68,170)
Deposits	-	-	-	-	966,238	966,238	1,570,588	(604,350)
Restricted assets:								
Cash and investments	-	-	16,186,048	72,493,349	5,580,073	94,259,469	101,536,462	(7,276,992)
<b>TOTAL ASSETS</b>	<b>\$ 2,453,243</b>	<b>\$ -</b>	<b>\$ 16,186,048</b>	<b>\$ 72,493,349</b>	<b>\$ 127,432,003</b>	<b>\$ 218,564,641</b>	<b>\$ 206,888,246</b>	<b>11,676,395</b>
				172695.08				
					-			
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable and accrued liabilities	\$ 691,058	\$ -	\$ 70,788	\$ -	\$ 7,706,486	\$ 8,468,332	\$ 1,152,587	7,315,745
Deferred revenue/Restricted Cash Offset	-	-	-	-	46,901,220	46,901,220	44,666,380	2,234,841
Due to the City of San Jose	31,744	-	-	-	8,111,800	8,143,544	8,342,384	(198,840)
Due to the County of Santa Clara	-	-	-	-	14,495,926	14,495,926	12,785,037	1,710,890
Due to Other Gov't Agencies	-	-	-	-	367,398	367,398	367,398	-
Deposits, retentions, and other payables	11,616	-	-	-	2,800,490	2,812,105	2,632,408	179,698
Total liabilities	<u>734,418</u>	<u>-</u>	<u>70,788</u>	<u>-</u>	<u>80,383,320</u>	<u>81,188,526</u>	<u>69,946,194</u>	<u>11,242,333</u>
Fund balances:								
Reserved for:								
Long-term receivables	288,716	-	-	-	4,612,453	4,901,169	4,614,197	286,972
Debt service	-	-	-	72,493,349	-	72,493,349	79,321,909	(6,828,560)
Low and moderate income housing activities	-	-	16,115,260	-	-	16,115,260	16,100,799	14,461
Encumbrances	83,409	-	-	-	31,593,173	31,676,582	29,537,663	2,138,919
Unres., Designated-Redevelopment Activities	1,346,700	-	-	-	10,843,056	12,189,757	7,367,486	4,822,270
Total fund balances	<u>1,718,825</u>	<u>-</u>	<u>16,115,260</u>	<u>72,493,349</u>	<u>47,048,683</u>	<u>137,376,115</u>	<u>136,942,053</u>	<u>434,063</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,453,243</b>	<b>\$ -</b>	<b>\$ 16,186,048</b>	<b>\$ 72,493,349</b>	<b>\$ 127,432,003</b>	<b>\$ 218,564,641</b>	<b>\$ 206,888,246</b>	<b>11,676,394</b>

**REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Period Ended June 30, 2007 (Preliminary)

	General	Special Revenue	Debt Service		Capital Projects	Total	Previous Month	Change
			Housing	Merged				
<b>REVENUES</b>								
Tax increment	\$ -	\$ 32,304,378	\$ -	\$ 87,080,617	\$ 42,136,895	\$ 161,521,891	142,375,039	19,146,852
Intergovernmental	-	-	18,583,310	-	486,064	19,069,375	18,243,999	825,376
Investment income	151,900	-	765,937	1,526,825	3,435,701	5,880,363	5,912,434	(32,071)
Developer contributions	-	-	-	-	50,000	50,000	-	50,000
Grant revenue	-	-	-	-	2,223,345	2,223,345	2,223,345	0
Rent	524,264	-	-	-	496,148	1,020,412	925,635	94,777
Other	478,867	-	-	-	5,196,782	5,675,649	4,301,270	1,374,379
<b>Total revenues</b>	<b>1,155,031</b>	<b>32,304,378</b>	<b>19,349,247</b>	<b>88,607,443</b>	<b>54,024,935</b>	<b>195,441,033</b>	<b>173,981,721</b>	<b>21,459,312</b>
<b>EXPENDITURES</b>								
General government	5,766,041	-	-	-	-	5,766,041	5,465,795	300,246
Intergovernmental:								
Payments to the City of San Jose	-	32,304,378	707	-	335,254	32,640,338	28,810,261	3,830,077
Capital outlay:								
Project expenditures	-	-	-	-	50,314,205	50,314,205	36,109,258	14,204,947
Payments to the City of San Jose	-	-	-	-	11,865,362	11,865,362	12,103,187	(237,826)
Payments to the County of Santa Clara	-	-	-	-	31,618,734	31,618,734	29,907,845	1,710,890
Debt service:								
Principal repayment	-	-	5,980,000	33,595,000	-	39,575,000	39,575,000	0
Interest and fiscal charges	-	-	12,586,755	72,936,675	10,458,992	95,982,423	94,765,506	1,216,917
Payment to refunded bond escrow agent	-	-	-	12,061,914	-	12,061,914	12,061,914	0
Bond issuance costs	-	-	-	19,286,367	-	19,286,367	19,286,367	0
<b>Total expenditures</b>	<b>5,766,041</b>	<b>32,304,378</b>	<b>18,567,462</b>	<b>137,879,957</b>	<b>104,592,546</b>	<b>299,110,384</b>	<b>278,085,134</b>	<b>21,025,250</b>
<b>DEFICIENCY OF REVENUES</b>								
<b>UNDER EXPENDITURES</b>	<b>(4,611,010)</b>	<b>-</b>	<b>781,784</b>	<b>(49,272,514)</b>	<b>(50,567,611)</b>	<b>(103,669,351)</b>	<b>(104,103,413)</b>	<b>434,062</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Tax allocation bonds issued	-	-	-	4,384,493	76,915,507	81,300,000	81,300,000	0
Proceeds from revenue bonds	-	-	-	-	-	-	-	0
Refunding revenue bonds issued	-	-	-	671,147,900	-	671,147,900	671,147,900	0
Premium on tax allocation bonds	-	-	-	59,194,648	-	59,194,648	59,194,648	0
Payment to refunded bond escrow agent	-	-	-	(713,566,944)	-	(713,566,944)	(713,566,944)	0
Sales of capital assets	-	-	-	-	8,491,487	8,491,487	8,491,487	0
Transfers in	5,200,000	-	-	23,571,028	141,227	28,912,255	28,912,255	0
Transfers out	-	-	-	(2,633,267)	(26,278,988)	(28,912,255)	(28,912,255)	0
<b>Total other financing sources (uses)</b>	<b>5,200,000</b>	<b>-</b>	<b>-</b>	<b>42,097,859</b>	<b>59,269,232</b>	<b>106,567,091</b>	<b>106,567,091</b>	<b>(0)</b>
<b>CHANGE IN FUND BALANCES</b>	<b>588,990</b>	<b>-</b>	<b>781,784</b>	<b>(7,174,655)</b>	<b>8,701,621</b>	<b>2,897,740</b>	<b>2,463,678</b>	<b>434,061</b>
<b>FUND BALANCE - 6/30/2006</b>	<b>1,129,835</b>	<b>-</b>	<b>15,333,475</b>	<b>79,668,004</b>	<b>38,347,061</b>	<b>134,478,375</b>	<b>134,478,375</b>	<b>0</b>
<b>FUND BALANCE - 6/30/2007-P</b>	<b>\$ 1,718,825</b>	<b>\$ -</b>	<b>\$ 16,115,258</b>	<b>\$ 72,493,348</b>	<b>\$ 47,048,683</b>	<b>\$ 137,376,115</b>	<b>\$ 136,942,053</b>	<b>\$ 434,061</b>

## Attachment C

Redevelopment Agency of the City of San Jose  
 Financial Statements - Outstanding Long Term Debt

	-----Principal-----		
	Beginning Balance 5/31/2007	Monthly Activity	Current Balance 6/30/07 P
<b>TAX ALLOCATION BONDS</b>			
1993 Merged Area Refunding	83,565,000	0	83,565,000
1997 Housing Series E	17,045,000	0	17,045,000
1997 Merged	7,190,000	0	7,190,000
1998 Merged	2,050,000	0	2,050,000
1999 Merged	12,920,000	0	12,920,000
2002 Merged	22,565,000	0	22,565,000
2003 Housing Series J	48,120,000	0	48,120,000
2003 Housing Series K	10,970,000	0	10,970,000
2003 Merged	127,545,000	0	127,545,000
2004 Merged Refunding	268,550,000	0	268,550,000
2005 Housing Series A	10,445,000	0	10,445,000
2005 Housing Series B	118,325,000	0	118,325,000
2005 Housing Series C	32,245,000	0	32,245,000
2005 Housing Series D	32,245,000	0	32,245,000
2005 Merged Refunding Series A	152,950,000	0	152,950,000
2005 Merged Refunding Series B	67,130,000	0	67,130,000
2006 Merged Series A-T	14,300,000	0	14,300,000
2006 Merged Series B	67,000,000	0	67,000,000
2006 Merged Refunding Series C	423,430,000	0	423,430,000
2006 Merged Refunding Series D	277,755,000	0	277,755,000
Total Tax Allocation Bonds	1,796,345,000	0	1,796,345,000
<b>OTHER LONG TERM DEBT</b>			
1996 Merged Series A & B	54,800,000	0	54,800,000
2003 Merged Revenue Series A & B	58,900,000	0	58,900,000
4th Street Parking Revenue, Series 2001A	41,170,000	0	41,170,000
2001 Convention Center Series F & G	166,215,000	0	166,215,000
Note Payable HUD 108	34,470,000	0	34,470,000
ERAF Loan	30,020,000	0	30,020,000
Parking Fund Loan	6,800,000	0	6,800,000
Compensated Absence Liability	1,206,664	0	1,206,664
Total Other Long Term Debt	393,581,664	0	393,581,664
<b>TOTAL LONG TERM DEBT</b>	<b>2,189,926,664</b>	<b>0</b>	<b>2,189,926,664</b>

## Attachment D

San Jose Redevelopment Agency  
Financial Statements - Fixed Assets

	<b>Beginning Balance 5/31/2007</b>	<b>Monthly Activity</b>	<b>Current Balance 6/30/07 P</b>
Land	149,626,089	(2,838,837)	146,787,252
Buildings & Public Improvements	160,484,986		160,484,986
Leasehold Improvements	1,349,000		1,349,000
Construction in Progress/Capital Assets	17,086,744	(2,485,502)	14,601,242
Equipment	341,607		341,607
Total	<u>328,888,426</u>	<u>(5,324,339)</u>	<u>323,564,086</u>