

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: SEPTEMBER 11, 2007

SUBJECT: FINANCIAL STATEMENTS – JULY 2007

RECOMMENDATION

Accept the Redevelopment Agency's Financial Statements for July 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 (CAFR) 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 audit progresses. 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 July 2007 are reported on Attachments C and D, respectively.

ANALYSIS

It is typical that actual activity occurring in July relate to two fiscal years. Significant transactions are processed and allocated to FY both 06-07 and FY 07-08. From July through the conclusion of the annual audit (usually September), staff works diligently to ensure that payments and accruals are correctly reported in the proper fiscal year according to generally accepted accounting principles. This ensures fair representation of financial transactions for various financial reporting purposes such as capital cost reporting, annual reporting to the state and the county, the annual financial audit and CAFR preparation.

BALANCE SHEET (Attachment A):

The Balance Sheet, Attachment A, will report on financial transactions processed during the month of July that were posted to either FY 06-07, as final June transactions or FY 07-08, as July transactions. As mentioned previously, these transactions are subject to change until the conclusion of the annual audit.

ASSETS:

The attached report shows that combined asset accounts decreased \$28.4 million since the last report to the PSFSS Committee on the preliminary June 2007 reports.

The Cash and Investments account balance decreased by a net amount of \$20.9 million and is \$54.9 million as of July 31, 2007. Cash activity is discussed in greater detail in the accompanying Cash Flow Report.

Other asset account decreases occurred in the long term receivable line and is associated with year end close activity and transactions posted as of June 30, 2007. As such the transactions are not considered final and may still change until the audit is completed. Specific information will be disclosed in the final CAFR scheduled to be presented to this Committee in October 2007.

LIABILITIES AND FUND BALANCES:

Combined liability accounts decreased by \$12.9 million. Major activity included a decrease of \$8.3 million in the Deferred Revenue account reflecting a decrease of several Loan Receivables. As part of closing the FY 06-07 books, Loans Receivable are reviewed according to terms of the agreements between the Agency and loan recipients. As recipients met conditions of the agreement, portions of the loans are amortized as those amounts are no longer owed to the Agency based on fulfillment of loan terms by the program participant. \$4.6 million of these loans are associated with the Relocation and Rehabilitation of Historic Homes Program.

The decrease of \$5.5 million in accounts payable consists of July transactions and reflects the pay down of the large number of year end accruals that were reported in June and to a lesser degree July transactions associated with capital program expenses occurring in July 2007. As discussed in the assets section above, the most significant transactions are not final at this time and subject to change. However, final amounts and detailed information will be contained in the CAFR scheduled for release in October 2007.

The Unreserved, Designated Fund Balance decreased by \$14.8 million resulting in a deficit fund balance of \$2.6 million. Approximately \$7.0 million is attributable to July revenue and expenditure activity as described below. The remaining \$7.9 million decrease is attributable to final FY 06-07 transactions associated with final

June 2007 (year end) capital program and general operating expenses. The deficit fund balance (Unreserved, Designated for Redevelopment Activities) is a result of the timing of funding sources such as tax increment receipts and bond proceeds that are an integral part of the FY 2007-08 budget and scheduled to occur later in the fiscal year (November 2007).

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

REVENUES AND OTHER FINANCING SOURCES:

Revenues of \$403,000 include Other income of \$337,000 consisting of \$190,000 received from Barry Swenson Builders representing the fifth payment under the Promissory Note with respect to the Historic Tax Credit associated with the Letitia Building Rehabilitation Project; and \$120,000 of rent and parking revenue.

EXPENDITURES:

Expenditures of \$2.9 million include \$1.6 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; \$750,000 for monthly variable rate bond interest and fiscal agent fees and \$560,000 of General Fund operating expenses.

FUND BALANCE:

As a result of the activity described above, the Redevelopment Agency's preliminary fund balance as of July 31, 2007, was \$121.8 million, a decrease of \$7.0 million from the preliminary June 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
 July 31, 2007 (Preliminary)

	General	Special Revenue	Debt Service		Capital Projects	Total	Prev Month	Change
			Housing	Merged				
ASSETS								
Cash and investments	\$ 1,831,988	\$ -	\$ -	\$ -	\$ 53,108,709	\$ 54,940,697	\$ 75,890,566	(20,949,869)
Receivables:								
Tax increment	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	2,537,877	2,537,877	2,556,556	(18,678)
Due from the City of San Jose	3,074	-	-	-	126,509	129,583	140,643	(11,060)
Other/Prepaid Expense	281,890	-	-	-	614,322	896,213	1,101,620	(205,408)
Advances to the City of San Jose	-	-	-	-	-	-	250,000	(250,000)
Loans receivable, net	-	-	-	-	35,496,025	35,496,025	43,399,549	(7,903,524)
Deposits	-	-	-	-	884,312	884,312	966,238	(81,926)
Restricted assets:								
Cash and investments	-	-	16,186,048	73,499,892	5,568,389	95,254,330	94,259,469	994,860
TOTAL ASSETS	\$ 2,116,952	\$ -	\$ 16,186,048	\$ 73,499,892	\$ 98,336,145	\$ 190,139,035	\$ 218,564,641	(28,425,606)
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ 367,696	\$ -	\$ 70,788	\$ -	\$ 2,493,758	\$ 2,932,243	\$ 8,468,332	(5,536,089)
Deferred revenue/Restricted Cash Offset	\$ -	\$ -	\$ -	\$ -	38,580,248	38,580,248	46,901,220	(8,320,973)
Due to the City of San Jose	467,883	-	-	-	8,146,161	8,614,044	8,143,544	470,500
Due to the County of Santa Clara	-	-	-	-	14,694,926	14,694,926	14,495,926	199,000
Due to Other Govt! Agencies	-	-	-	-	577,444	577,444	367,398	210,046
Deposits, retentions, and other payables	4,835	-	-	-	2,909,304	2,914,139	2,812,105	102,034
Total liabilities	840,414	-	70,788	-	67,401,842	68,313,044	81,188,526	(12,875,482)
Fund balances:								
Reserved for:								
Long-term receivables	288,716	-	-	-	4,596,781	4,885,497	4,901,169	(15,672)
Debt service	-	-	-	73,499,892	-	73,499,892	72,493,349	1,006,544
Low and moderate income housing activities	-	-	16,115,260	-	-	16,115,260	16,115,260	-
Encumbrances	74,140	-	-	-	29,881,209	29,955,349	31,676,582	(1,721,233)
Unres., Designated-Redevelopment Activities	913,682	-	-	-	(3,543,688)	(2,630,006)	12,189,757	(14,819,763)
Total fund balances	1,276,538	-	16,115,260	73,499,892	30,934,303	121,825,991	137,376,115	(15,550,125)
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,116,952	\$ -	\$ 16,186,048	\$ 73,499,892	\$ 98,336,145	\$ 190,139,035	\$ 218,564,641	(28,425,606)

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Period Ended July 31, 2007 (Preliminary)

	General	Special Revenue	Debt Service		Capital Projects	Total
			Housing	Merged		
REVENUES						
Tax increment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Investment income	-	-	-	-	65,400	65,400
Rent	43,596	-	-	-	72,406	116,002
Other	20,234	-	-	-	201,244	221,478
Total revenues	63,831	-	-	-	339,050	402,880
EXPENDITURES						
General government	553,943	-	-	-	-	553,943
Capital outlay:						
Project expenditures	-	-	-	-	1,463,904	1,463,904
Payments to the City of San Jose	-	-	-	-	150,000	150,000
Payments to the County of Santa Clara	-	-	-	-	587	587
Debt service:						
Principal repayment	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	748,571	748,571
Total expenditures	553,943	-	-	-	2,363,062	2,917,005
DEFICIENCY OF REVENUES UNDER EXPENDITURES						
	(490,112)	-	-	-	(2,024,012)	(2,514,125)
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	-	-	(4,530,000)	(4,530,000)
Total other financing sources (uses)	-	-	-	-	(4,530,000)	(4,530,000)
CHANGE IN FUND BALANCES						
	(490,112)	-	-	-	(6,554,012)	(7,044,125)
FUND BALANCE - 6/30/2007 P[2]	1,766,650	-	16,115,260	73,499,892	37,488,314	128,870,116
FUND BALANCE - 7/31/2007-P	\$ 1,276,538	\$ -	\$ 16,115,260	\$ 73,499,892	\$ 30,934,302	\$ 121,825,991

Attachment C

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

	-----Principal-----		
	Beginning Balance 6/30/07 P	Monthly Activity	Current Balance 7/31/07 P
TAX ALLOCATION BONDS			
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
OTHER LONG TERM DEBT			
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	(250,000)	34,220,000
ERAF Loan	30,020,000	0	30,020,000
Parking Fund Loan	6,800,000	0	6,800,000
Compensated Absence Liability	1,235,757	0	1,235,757
Total Other Long Term Debt	393,581,664	(250,000)	393,360,757
TOTAL LONG TERM DEBT	2,189,926,664	(250,000)	2,189,705,757

Attachment D

San Jose Redevelopment Agency
Financial Statements - Fixed Assets

	Beginning Balance 6/30/07 P	Monthly Activity	Current Balance 7/31/07 P
Land	152,577,696		152,577,696
Buildings & Public Improvements	161,725,663		161,725,663
Leasehold Improvements	1,703,950		1,703,950
Construction in Progress/Capital Assets	3,720,511		3,720,511
Equipment	<u>1,073,664</u>		<u>1,073,664</u>
Total	<u><u>320,801,484</u></u>	<u><u>0</u></u>	<u><u>320,801,484</u></u>