

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: DECEMBER 6, 2007

SUBJECT: FINANCIAL STATEMENTS – OCTOBER 2007

RECOMMENDATION

Accept the Redevelopment Agency's Financial Statements for October 2007.

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.

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 October 2007 are reported on Attachments C and D, respectively.

ANALYSIS

BALANCE SHEET (Attachment A):

ASSETS:

The attached report shows that combined asset accounts decreased \$7.5 million.

The Cash and Investments account balance decreased by a net amount of \$5.5 million and is \$29.1 million as of October 31, 2007. Cash activity is discussed in greater detail in the accompanying Cash Flow Projection.

The Restricted Assets account, representing funds held by the bond trustee, decreased by a net amount of \$1.5 million. The majority of the decrease is associated with the monthly interest payments associated with the Merged and Housing variable rate bonds.

LIABILITIES AND FUND BALANCES:

Combined liability accounts decreased by \$1.7 million. The most significant activity was a decrease of \$1.3 million in the accounts payable line. This decrease is due to the routine timing differences occurring where expenses belong to one reporting period but were actually paid in the next accounting period.

In October, the Agency's overall fund balance decreased by a net amount of \$5.7 million. This was composed of the following changes: a decrease of \$10.3 million in the fund balance unreserved/designated for redevelopment activities; an increase of \$6.1 million in the fund balance reserved for encumbrances; and a net decrease of \$1.4 million in the fund balance reserved for debt service.

The October Unreserved, Designated Fund Balance decreased by \$10.3 million ending the month at a deficit of \$30.7 million. The decrease is primarily attributable to October Capital Program expenditures. The deficit fund balance, contained in the Unreserved, Designated for Redevelopment Activities line, is a result of the timing of funding sources such as the bond proceeds that successfully closed November 7, 2007 and tax increment receipts.

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

REVENUES AND OTHER FINANCING SOURCES:

October revenues were \$1.3 million. Significant items include a \$500,000 revenue distribution from the Fairmont Hotel and a \$243,000 loan repayment from Jacek and Ann Rosicki for a loan made under the Retail, Entertainment and Arts Loan Assistance Program. Other miscellaneous sources of income are for items such as parking revenue, and rent from Agency owned properties.

EXPENDITURES:

Expenditures of \$7.0 million included \$5.2 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; \$1.2 million of debt service reflecting monthly interest payments associated with the Merged and Housing variable rate bonds and Housing and Urban Development (HUD 108) loan repayments, and \$648,000 of General Fund operating expenses.

FUND BALANCE:

As a result of the activity described above, the Redevelopment Agency's fund balance as of October 31, 2007, was \$38.5 million, a decrease of \$5.7 million from the September 2007 statements.



HARRY S. MAVROGENES
Executive Director

Attachments

Attachment A

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

Balance Sheet
Governmental Funds
October 31, 2007

	General	Special Revenue	Debt Service		Capital Projects	Total	Prev Month	Change
			Housing	Merged				
ASSETS								
Cash and investments	\$ 416,697	\$ -	\$ -	\$ -	\$ 28,666,559	\$ 29,083,256	\$ 34,539,345	(5,456,090)
Receivables:								
Tax increment	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	2,695,763	2,695,763	2,724,875	(29,111)
Due from the City of San Jose	-	-	-	-	221,258	221,258	285,841	(64,583)
Other/Prepaid Expense	281,621	-	-	-	55,092	336,713	350,439	(13,726)
Advances to the City of San Jose	-	-	-	-	-	-	-	-
Loans receivable, net	-	-	-	-	35,099,550	35,099,550	35,449,113	(349,564)
Deposits	-	-	-	-	801,162	801,162	801,162	-
Restricted assets:								
Cash and investments	-	-	16,354,912	13,986,548	5,535,055	35,876,515	37,422,972	(1,546,457)
TOTAL ASSETS	\$ 698,318	\$ -	\$ 16,354,912	\$ 13,986,548	\$ 73,074,443	\$ 104,114,218	\$ 111,573,748	(7,459,528)
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ 355,825	\$ -	\$ 70,788	\$ -	\$ 689,673	\$ 1,116,286	\$ 2,396,547	(1,280,261)
Deferred revenue/Restricted Cash Offset	-	-	-	-	38,045,153	38,045,153	38,382,002	(336,849)
Due to the City of San Jose	469,178	-	-	-	8,156,316	8,625,494	8,654,686	(29,192)
Due to the County of Santa Clara	-	-	-	-	14,700,347	14,700,347	14,698,014	2,333
Due to Other Gov't Agencies	-	-	-	-	577,444	577,444	577,444	-
Deposits, retentions, and other payables	4,835	-	-	-	2,532,187	2,537,022	2,637,309	(100,287)
Total liabilities	829,838	-	70,788	-	64,701,120	65,601,746	67,346,002	(1,744,256)
Fund balances:								
Reserved for:								
Long-term receivables	288,716	-	-	-	4,549,529	4,838,245	4,854,035	(15,790)
Debt service	-	-	-	13,986,548	-	13,986,548	15,414,403	(1,427,855)
Low and moderate income housing activities	-	-	16,284,124	-	-	16,284,124	16,332,166	(48,042)
Encumbrances	73,933	-	-	-	34,044,424	34,118,357	28,057,828	6,060,529
Unres., Designated-Redevelopment Activities	(494,169)	-	-	-	(30,220,632)	(30,714,801)	(20,430,687)	(10,284,114)
Total fund balances	(131,521)	-	16,284,124	13,986,548	8,373,323	38,512,473	44,227,746	(5,715,272)
TOTAL LIABILITIES AND FUND BALANCES	\$ 698,318	\$ -	\$ 16,354,912	\$ 13,986,548	\$ 73,074,443	\$ 104,114,218	\$ 111,573,748	(7,459,528)

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

	General	Special Revenue	Debt Service		Capital Projects	Total	Previous Month	Change
			Housing	Merged				
REVENUES								
Tax increment	\$ -	\$ 121,531	\$ -	\$ -	\$ 486,126	\$ 607,657	533,303	74,354
Intergovernmental	-	-	12,395,645	-	1,924,000	14,319,645	14,151,563	168,082
Investment income	175,387	-	209,023	472,387	1,585,533	2,442,330	2,417,822	24,508
Grant revenue	-	-	-	-	127,174	127,174	127,174	-
Rent	166,615	-	-	-	746,016	912,631	830,288	82,343
Other	34,661	-	-	-	1,936,601	1,971,262	1,041,211	930,051
Total revenues	376,663	121,531	12,604,668	472,387	6,805,450	20,380,699	19,101,361	1,279,338
EXPENDITURES								
General government	2,274,836	-	-	-	-	2,274,836	1,626,903	647,933
Intergovernmental:								
Payments to the City of San Jose	-	121,531	-	-	-	121,531	106,661	14,871
Capital outlay:								
Project expenditures	-	-	-	-	14,395,654	14,395,654	11,462,180	2,933,475
Payments to the City of San Jose	-	-	-	-	3,543,898	3,543,898	1,327,800	2,216,098
Payments to the County of Santa Clara	-	-	-	-	5,421	5,421	3,675	1,746
Debt service:								
Principal repayment	-	-	6,720,000	32,465,000	-	39,185,000	39,185,000	-
Interest and fiscal charges	-	-	5,715,804	42,171,536	3,264,049	51,151,389	49,970,901	1,180,488
Total expenditures	2,274,836	121,531	12,435,804	74,636,536	21,209,022	110,677,729	103,683,119	6,994,610
DEFICIENCY OF REVENUES UNDER EXPENDITURES								
	(1,898,174)	-	168,864	(74,164,149)	(14,403,572)	(90,297,030)	(84,581,758)	(5,715,272)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	14,434,214	-	14,434,214	14,650,805	(216,591)
Transfers out	-	-	-	216,591	(14,650,805)	(14,434,214)	(14,650,805)	216,591
Total other financing sources (uses)	-	-	-	14,650,805	(14,650,805)	-	-	-
CHANGE IN FUND BALANCES								
	(1,898,174)	-	168,864	(59,513,344)	(29,054,377)	(90,297,031)	(84,581,758)	(5,715,272)
FUND BALANCE - 6/30/2007	1,766,653	-	16,115,260	73,499,891	37,427,698	128,809,502	128,809,502	-
FUND BALANCE - 10/31/07	\$ (131,521)	\$ -	\$ 16,284,124	\$ 13,986,547	\$ 8,373,323	\$ 38,512,473	\$ 44,227,746	\$ (5,715,272)

Attachment C

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

	Beginning Balance 9/30/2007	Principal Monthly Activity	Current Balance 10/31/2007
TAX ALLOCATION BONDS			
1993 Merged Area Refunding	71,970,000	0	71,970,000
1997 Housing Series E	17,045,000	0	17,045,000
1997 Merged	6,940,000	0	6,940,000
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	45,640,000	0	45,640,000
2003 Housing Series K	10,010,000	0	10,010,000
2003 Merged	127,545,000	0	127,545,000
2004 Merged Refunding	257,885,000	0	257,885,000
2005 Housing Series A	10,445,000	0	10,445,000
2005 Housing Series B	116,765,000	0	116,765,000
2005 Housing Series C	31,385,000	0	31,385,000
2005 Housing Series D	31,385,000	0	31,385,000
2005 Merged Refunding Series A	152,840,000	0	152,840,000
2005 Merged Refunding Series B	67,130,000	0	67,130,000
2006 Merged Series A-T	13,300,000	0	13,300,000
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	1,766,005,000	0	1,766,005,000
OTHER LONG TERM DEBT			
1996 Merged Series A & B	53,200,000	0	53,200,000
2003 Merged Revenue Series A & B	57,800,000	0	57,800,000
4th Street Parking Revenue, Series 2001A	40,455,000	0	40,455,000
2001 Convention Center Series F & G	160,070,000	0	160,070,000
Note Payable HUD 108	34,220,000	0	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	383,800,757	0	383,800,757
TOTAL LONG TERM DEBT	2,149,805,757	0	2,149,805,757

12/5/2007

San Jose Redevelopment Agency
Financial Statements - Fixed Assets

	Beginning Balance 9/30/2007	Monthly Activity	Current Balance 10/31/2007
Land	154,243,181		154,243,181
Buildings & Public Improvements	161,993,257		161,993,257
Leasehold Improvements	1,703,950		1,703,950
Construction in Progress/Capital Assets	4,527,010		4,527,010
Equipment	<u>1,073,664</u>	<u></u>	<u>1,073,664</u>
Total	<u><u>323,541,062</u></u>	<u><u>0</u></u>	<u><u>323,541,062</u></u>