

# 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: FINANCIAL STATEMENTS – DECEMBER 2008	DATE: FEBRUARY 12, 2009

## RECOMMENDATION

Accept the Financial Statements for December 2008

## 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 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.

These financial statements generally follow the fund financial statement format used in the Comprehensive Annual Financial Report (CAFR). They are organized and operated on the basis of funds. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and expenses are recognized when they are measurable and available/obligated. Due to the accrual method of accounting, there will be differences between the financial statements and the Cash Flow Projection that accompany this report. The Cash Flow Projection is a report on actual cash transactions that may vary from accrual transactions contained in the Financial Statement report.

#### 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 increases or decreases 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 December 2008 are reported on Attachments C and D, respectively. Attachment C, the Long Term Debt exhibit, includes the addition of the Merged Area Tax Allocation Bonds, Series 2008A, in the amount of \$37,150,000 sold in December, resulting in a net amount of \$28.5 million available for tax exempt projects.

#### BALANCE SHEET (Attachment A):

In December, major transactions reflected on the balance sheet consisted of the cash net increase of \$40.3 million, an increase of restricted cash of \$38.2 million and an \$11.1 million increase in the amount due to Santa Clara County.

The Balance Sheet (Attachment A) shows Restricted Assets increased by \$38.2 million. This reflects \$22.8 million in proceeds for eligible capital projects that are being held by the trustees and invested in the State of California's Local

Agency Investment Fund (LAIF). This is a departure from the Agency's normal practice of holding and investing bond proceeds itself. Agency staff determined that allowing the trustee to hold the project funds would result in a better yield, which is approximately 150 basis points higher than other investment options. Investing the bond proceeds with LAIF will result in additional annual earnings to the Agency of approximately \$342,000. Investments are made in accordance with the investment policy of the Agency and City as well as bond indentures, in compliance with the IRS arbitrage restrictions.

December changes are briefly described below:

#### Cash

Large cash transactions occurring in December included the receipt of \$ 5.7 million bond proceeds that are payable to the County and a net tax increment amount (\$37.5 million) that was pending transfer to the bond trustee as of 12/31/08. These items, along with other cash activity, are discussed in further detail in the accompanying cash flow projection.

#### Restricted Cash/Cash Held by Bond Trustee

The restricted cash account increase of \$38.0 million represented a portion of tax increment receipts (\$7.4 million) transferred to the bond trustee for future payment of tax allocation bond debt service and \$22.8 million of the 2008A bond proceeds currently held by the bond trustee for the Agency's capital program.

#### County Liability

In December, there was a \$5.4 million increase in the amount due to Santa Clara County based on December 2008 tax increment receipts (FY 08-09 liability). In addition, \$5.7 million was also recognized as payable to the County. This amount represents the County's delegated share of the 2008A bond proceeds.

Fund balance reserves increased by \$66.8 million. The increase in the amount reserved for redevelopment activities increased by \$28.9 million and is primarily associated with December tax increment receipts. Another major increase occurred in funds held by the bond trustee, specifically 2008A bond proceeds of approximately \$22.8 million, that were invested on behalf of the Agency and tax

increment receipts that were forwarded to the bond trustee for upcoming semi-annual debt service on the Agency's tax allocation bonds.

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

(1) REVENUES AND OTHER FINANCING SOURCES:

Revenues increased by \$57.8 million in the month of December and Other Financing Sources increased by a net amount \$37.0 million.

Revenues

December revenues consisted primarily of tax increment of \$57.4 million.

Other Sources-Bond Proceeds

Financing sources consisted of the 2008A bond sale in the net amount of \$37.0 million.

(2) EXPENDITURES AND OTHER FINANCING USES:

December expenditures were \$28.0 million.

In December, \$11.5 million was transferred to the City's Housing Department representing 20% housing set-aside funds based on December tax increment receipts.

Expenses accrued as payable to the County in the amount of \$11.1 million consisted of \$5.4 million as its share of December tax increment and \$5.7 million as its share of December bond proceeds. The County's share of tax increment is accumulated monthly for payment at a later date in one payment. The delegated share of bond proceeds payable to County is pending eligible tax exempt use certification from the County.

Capital program expenditures were \$3.5 million. Additional details, by project area and budget line item, are contained in the accompanying Capital Cost Report.

Expenditures related to debt include \$587,000 of monthly interest on the Agency's and Housing Department's variable rate bonds and bond issuance costs of \$718,000 for the 2008A bonds and operating expenses of \$602,000.

FUND BALANCE:

The Agency's preliminary fund balance as of December 31, 2008, was \$264.5 million, an increase of \$66.8 million from the November 2008 statements as a result of the December activity described above.

  
HARRY S. MAVROGENES  
Executive Director

Attachments

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE  
 Balance Sheet  
 Governmental Funds  
 December 31, 2008

	General	Special Revenue		Debt Service		Capital Projects	Total	Prev Month	Change
		Housing	Merged	Housing	Merged				
<b>ASSETS</b>									
Cash and investments	\$ 4,781,219	\$ -	\$ -	\$ -	\$ -	\$ 182,988,657	\$ 187,769,876	\$ 147,434,235	40,335,641
Receivables:									
Accrued interest	-	-	-	-	-	3,916,307	3,916,307	3,778,787	137,520
Other/Prepaid Expense	282,611	-	-	-	-	398,622	681,233	730,936	(49,703)
Loans receivable, net	-	-	-	-	-	40,227,320	40,227,320	40,217,809	9,511
Restricted assets/Cash held by Trustee:									
Cash and investments	-	-	2,922,208	73,834,085	27,391,504		104,147,797	65,937,700	38,210,097
<b>TOTAL ASSETS</b>	<b>\$ 5,063,828</b>	<b>\$ -</b>	<b>\$ 2,922,208</b>	<b>\$ 73,834,085</b>	<b>\$ 255,569,950</b>	<b>\$ 337,390,070</b>	<b>\$ 337,390,070</b>	<b>\$ 258,747,009</b>	<b>78,643,066</b>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable and accrued liabilities	\$ 36,395	\$ -	\$ -	\$ -	\$ 739,495	\$ -	\$ 775,890	\$ 1,041,474	(265,584)
Deferred revenue/Restricted Cash Offset	-	-	-	-	44,334,800	-	44,334,800	44,166,941	167,858
Due to the City of San Jose	829,840	-	-	-	137,626	-	967,466	885,751	81,715
Due to the County of Santa Clara	-	-	-	-	23,874,168	-	23,874,168	12,763,749	11,110,419
Due to Other Govtl Agencies	-	-	-	-	665,956	-	665,956	7,174	658,782
Deposits, retentions, and other payables	4,835	-	-	-	2,248,225	-	2,253,060	2,174,776	78,284
Total liabilities	871,070	-	-	-	72,000,270	-	72,871,339	61,039,866	11,831,473
Fund balances:									
Reserved for:									
Long-term receivables	288,716	-	-	-	4,324,281	-	4,612,997	4,629,349	(16,352)
Debt service	-	-	-	96,638,989	-	-	96,638,989	58,324,349	38,314,640
Low and moderate income housing activities	-	-	2,922,208	-	-	-	2,922,208	3,061,589	(139,382)
Encumbrances	128,942	-	-	-	36,200,337	-	36,329,280	36,607,691	(278,411)
Unres., Designated-Redevelopment Activities	3,775,100	-	-	-	120,240,158	-	124,015,258	95,084,161	28,931,098
Total fund balances	4,192,759	-	2,922,208	96,638,989	160,764,777	-	264,518,731	197,707,140	66,811,593
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,063,828</b>	<b>\$ -</b>	<b>\$ 2,922,208</b>	<b>\$ 96,638,989</b>	<b>\$ 232,765,046</b>	<b>\$ 337,390,070</b>	<b>\$ 337,390,070</b>	<b>\$ 258,747,004</b>	<b>78,643,065</b>

**REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

For the Period Ended December 31, 2008

	General	Special Revenue		Debt Service		Capital Projects	Total	Previous Month	Change
		Revenue	Housing	Merged	Housing				
<b>REVENUES</b>									
Tax increment	\$ -	\$ 15,494,793	\$ -	\$ -	\$ 23,424,547	\$ 38,554,623	\$ 77,473,963	20,073,578	57,400,385
Intergovernmental	-	-	12,586,732	-	-	5,807,000	18,393,732	18,337,366	56,367
Investment income	15,619	-	21,422	-	235,667	1,781,747	2,054,454	2,019,280	35,175
Rent	326,099	-	-	-	-	236,492	562,592	444,184	118,408
Other	256,007	-	-	-	-	1,148,126	1,404,133	1,223,936	180,197
Total revenues	597,725	15,494,793	12,608,154	-	23,660,214	47,527,989	99,888,874	42,098,343	57,790,531
<b>EXPENDITURES</b>									
General government	3,524,849	-	-	-	-	-	3,524,849	2,922,978	601,871
Intergovernmental:									
Payments to the City of San Jose	-	15,494,793	-	-	-	3,882	15,498,675	4,018,598	11,480,077
Capital outlay:									
Project expenditures	-	-	-	-	-	24,815,872	24,815,872	21,311,837	3,504,035
Payments to the City of San Jose	-	-	-	-	-	6,186,628	6,186,628	6,186,628	0
Payments to the County of Santa Clara	-	-	-	-	-	23,874,168	23,874,168	12,763,749	11,110,419
Debt service:									
Principal repayment	-	-	6,935,000	-	40,880,000	742,500	48,557,500	48,557,500	-
Interest and fiscal charges	-	-	5,585,120	-	46,428,906	4,210,334	56,224,360	55,636,835	587,525
Bond issuance costs	-	-	-	-	1,477,517	-	1,477,517	760,761	716,756
Total expenditures	3,524,849	15,494,793	12,520,120	-	88,786,423	59,833,385	180,159,570	152,158,886	28,000,683
DEFICIENCY OF REVENUES	(2,927,124)	-	88,035	-	(65,126,209)	(12,305,397)	(80,270,695)	(110,060,543)	29,789,848
<b>OTHER FINANCING SOURCES (USES)</b>									
Tax allocation bonds issued	-	-	-	-	55,938,600	61,356,399	117,294,999	80,145,000	37,150,000
Discount on tax allocation bonds	-	-	-	-	(1,347,995)	-	(1,347,995)	(1,219,739)	(128,256)
Sales of capital assets	-	-	-	-	-	6,770,756	6,770,756	6,770,756	-
Transfers in	-	-	-	-	17,603,598	34,463,882	52,067,481	52,067,481	-
Transfers out	-	-	-	-	(515,827)	(51,551,654)	(52,067,481)	(52,067,481)	-
Total other financing sources (uses)	-	-	-	-	71,678,376	51,039,384	122,717,759	85,696,016	37,021,744
<b>CHANGE IN FUND BALANCES</b>	(2,927,124)	-	88,035	-	6,552,167	38,733,987	42,447,064	(24,364,527)	66,811,591
<b>FUND BALANCE - 6/30/2008</b>	7,119,883	-	2,834,173	-	90,086,822	122,030,788	222,071,666	222,071,666	0
<b>FUND BALANCE - 12/31/2008</b>	\$ 4,192,759	\$ -	\$ 2,922,208	\$ -	\$ 96,638,989	\$ 160,764,776	\$ 264,518,731	\$ 197,707,140	\$ 66,811,591

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

	-----Principal----- Beginning Balance 11/30/2008	Monthly Activity	Current Balance 12/31/2008
<b>TAX ALLOCATION BONDS</b>			
1993 Merged Area Refunding	59,680,000	0	59,680,000
1997 Housing Series E	17,045,000	0	17,045,000
1997 Merged	6,680,000	0	6,680,000
1998 Merged	1,505,000	0	1,505,000
1999 Merged	12,920,000	0	12,920,000
2002 Merged	22,565,000	0	22,565,000
2003 Housing Series J	43,095,000	0	43,095,000
2003 Housing Series K	9,025,000	0	9,025,000
2003 Merged	127,545,000	0	127,545,000
2004 Merged Refunding	242,105,000	0	242,105,000
2005 Housing Series A	10,445,000	0	10,445,000
2005 Housing Series B	115,145,000	0	115,145,000
2005 Housing Series C	30,490,000	0	30,490,000
2005 Housing Series D	30,495,000	0	30,495,000
2005 Merged Refunding Series A	152,725,000	0	152,725,000
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	277,305,000	0	277,305,000
2007 Merged Refunding Series A-T	19,450,000	0	19,450,000
2007 Merged Refunding Series B	191,600,000	0	191,600,000
2008 Merged Series B	80,145,000	0	80,145,000
2008 Merged Series A	0	37,150,000	37,150,000
<b>Total Tax Allocation Bonds</b>	<b>2,020,825,000</b>	<b>37,150,000</b>	<b>2,057,975,000</b>
<b>OTHER LONG TERM DEBT</b>			
1996 Merged Series A & B	51,600,000	0	51,600,000
2003 Merged Revenue Series A & B	56,600,000	0	56,600,000
4th Street Parking Revenue, Series 2001A	38,997,500	0	38,997,500
2001 Convention Center Series F & G	153,310,000	0	153,310,000
Note Payable HUD 108	33,955,000	0	33,955,000
ERAF Loan	25,525,000	0	25,525,000
Parking Fund Loan	6,800,000	0	6,800,000
Compensated Absence Liability	1,523,059	0	1,523,059
Other Notes Payable	26,111,800	0	26,111,800
<b>Total Other Long Term Debt</b>	<b>394,422,359</b>	<b>0</b>	<b>394,422,359</b>
<b>TOTAL LONG TERM DEBT</b>	<b>2,415,247,359</b>	<b>37,150,000</b>	<b>2,452,397,359</b>

San Jose Redevelopment Agency  
Financial Statements - Fixed Assets

	<b>Beginning Balance 11/30/2008</b>	<b>Monthly Activity</b>	<b>Current Balance 12/31/2008</b>
Land	163,362,030		163,362,030
Buildings & Public Improvements	183,946,914		183,946,914
Leasehold Improvements	1,636,432		1,636,432
Construction in Progress	2,545,493		2,545,493
Equipment	837,026		837,026
Total	<u>352,327,895</u>	<u>0</u>	<u>352,327,895</u>