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Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Debra Figone

SUBJECT: SAN JOSE REDEVELOPMENT
AGENCY SOURCES OF FUNDING
FROM CITY FUNDS

DATE: December 10, 2009

INFORMATION

BACKGROUND

Several requests for information regarding potential other internal fund borrowing scenarios have been received since the information memorandum titled *San Jose Redevelopment Agency: Sources of Financing Beyond the Affordable Housing Fund* dated November 18, 2009 was released in respond to Budget Document #11 issued by Councilmembers Liccardo and Pyle as part of the Proposed 2009-2010 Redevelopment Agency of San José's budget process. While many considerations and risks are associated with borrowing from the funds identified in that memorandum and subsequently proposed as part of the Mayor's Budget Message Fiscal Year 2009-2010 Redevelopment Agency Capital and Operating Budget and 2010-2015 CIP, consideration was given to other City funds for a potential loan to the Agency.

ANALYSIS

This City has 114 budgeted funds. A preliminary review of all funds was initially conducted to evaluate whether potential internal borrowing from City funds could be feasible to address the State's suspension of Proposition 1A that negatively impacted General Fund Property Tax revenues.

The following analysis and consideration was given to all City funds evaluated for potential borrowing:

- The legality of executing a loan for each fund, taking into account whether the fund was subject to an existing agreement that restricted its use or whether State or Federal law restricted its use;
- The actual unrestricted ending fund balance available, including cash flow requirements, in each fund;
- The ability to raise rates if there was an outstanding loan where the source of funds originate from other agencies or rate payers;
- The ability to address fiscal emergencies in any given fund;
- Concerns from the community related to delaying projects and not using funds as intended;

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- The need for infrastructure improvements and equipment replacements for various City operations; and,
- The availability of matching funds for grants.

In addition, it is important to note the following, if any loan agreements were executed within City funds for any purpose:

- Per City Council Policy, loans need to have an identified loan repayment source and be repaid with interest within an established time frame. Also, the loan must be immediately due and payable if needed by the fund that provided the loan.
- In case of non-payment, the General Fund may become liable for the repayment to these lending funds in order that the purposes of these special funds are able to be met. In some cases where the source fund has been funded with general-purpose funds of the City, it may become necessary for the source fund of the executed loan to absorb the impact in the event of non-payment.

Based on a review of the analysis noted above, while there are many considerations and risks outlined in the November 18th memorandum, it was determined that balances in the Subdivision Park Trust Fund, the Sewage Treatment Plant Connection Fee Fund, and the Ice Centre Revenue Fund could be possibly used for loans to the RDA if approved by the City Council/Agency Board. Therefore, no additional funding sources other than those in the Mayor's Redevelopment Agency Budget Message dated November 20, 2009, are recommended at this time for Agency borrowing.



DEBRA FIGONE
City Manager