

**CITY OF SAN JOSE
2011-2012 ADOPTED OPERATING BUDGET**

SUMMARY OF REDEVELOPMENT AGENCY OBLIGATIONS AND RISKS TO THE CITY

Lending Fund	Outstanding Obligation (June 30, 2011)	Loan Description and Terms	Funding Source Backup Obligation		
			General Fund	Other Funds	Total All Funds
Supplemental Educational Revenue Augmentation Fund (SERAF) Loan					
Low and Moderate Income Housing Fund (443)	\$67,247,000	Low and Moderate Income Housing Fund, Deferred Interest and Fees, and other City funds loaned to the San Jose Redevelopment Agency (Agency) in order for the Agency to make the State mandated payments of \$62.0 million and \$13.0 million to the Supplemental Educational Revenue Augmentation Fund on May 10, 2010 and May 10, 2011, respectively. Per the Loan Agreement by and among the City, the City of San José Financing Authority, and the Redevelopment Agency dated May 6, 2010, the Agency must repay the SERAF Loan on the following dates: i) \$52.0 million principal plus associated costs due to the Low and Moderate Income Housing Fund by June 30, 2015 ii) \$13.0 million principal plus associated costs due to the Low and Moderate Income Housing Fund by June 30, 2016 iii) \$10.0 million principal plus interest due to the Ice Centre Revenue Fund (\$2.0 million), Sewage Treatment Plant Connection Fee Fund (\$5.0 million), and Subdivision Park Trust Fund (\$3.0 million) by June 30, 2015.	\$14,431,000	\$52,816,000	\$67,247,000
Ice Centre Revenue Fund (432)	\$2,013,000		\$2,013,000	\$0	\$2,013,000
Sewage Treatment Plant Connection Fee Fund (539)	\$5,030,000		\$5,030,000	\$0	\$5,030,000
Subdivision Park Trust Fund (375)	\$3,020,000		\$3,020,000	\$0	\$3,020,000
Subtotal	\$77,310,000			\$24,494,000	\$52,816,000

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			General Fund	Other Funds	Total All Funds
Parking Fund Loans					
General Purpose Parking Fund (533)	\$6,800,000	<p>In April 2005, the City and Agency entered into a Loan Agreement whereby the City loaned the Agency \$6.8 million from the City's Parking Fund, representing approximately two years of debt service the Agency would be paying on the Fourth and San Fernando Street Parking Garage. The loan was requested by the Agency in response to reductions in their tax increment revenue to "ensure the continuity of Agency projects and essential redevelopment programs." The loan was originally scheduled for repayment in January 2009. In 2007, the loan was amended to defer repayment of the \$6.8 million loan until July 31, 2012 and eliminating the accrual of interest after June 30, 2007 if the loan was repaid by July 31, 2012.</p> <p>In February 2010, the loan was amended again. The principal payment shall be due on or before June 30, 2015. If the Agency pays by this date, it is proposed that interest for the \$6.8 million should be waived. If not, interest would accrue from June 30, 2007.</p>	\$0	\$6,800,000	\$6,800,000
Parking Capital Devlpmt. Fund (556)	\$5,046,898	<p>In March 2010, the City Council approved a loan to the Agency of \$1.7 million for the second debt service payment due in 2009-2010 on the Fourth and San Fernando Street Parking Garage. In addition, \$3.4 million in 2010-2011 and \$1.7 million in 2011-2012 are programmed to fund the loan to the Agency for debt service payments for the same parking garage. An agreement between the City and the Agency calls for a full repayment of this \$6.8 million loan to the Parking Capital Development Fund in 2015-2016; however, this may change in response to City and Agency priorities at that time. The loaned amounts to the Agency for these purposes shall not accrue interest.</p>	\$0	\$5,046,898	\$5,046,898
Subtotal	\$11,846,898		\$0	\$11,846,898	\$11,846,898

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Receiving Fund	Outstanding Obligation (June 30, 2011)	Obligation Description and Terms	Funding Source Backup Obligation		
			General Fund	Other Funds	Total All Funds
Other Obligations					
Sub-Division Park Trust Fund (375)	\$8,111,800	The Agency owes the City deferred payments under the Parkland In-Lieu Fee for Low-Income Residential Units Voucher Program. In February 2010, the City Council/Agency Board approved scheduling the payment by the Agency for 2015-2016. The 2011-2012 Adopted Budget outlines funds through June 30, 2012 and no payment is scheduled for 2011-2012. Payment is subject to the annual approval of the Agency's budget.	\$0	\$8,111,800	\$8,111,800
Total	\$97,268,698		\$24,494,000	\$72,774,698	\$97,268,698

Annual Agency Obligations with City Risk

The following annual obligations would need to be paid by the General Fund in the event the Agency could not meet these obligations (in millions of dollars):

4 th and San Fernando Street Parking Garage ¹	\$3.4
State Education Revenue Augmentation Fund (ERAF) Payment ²	4.5
HUD Section 108 ³	2.2
Convention Center Debt Service ⁴	15.4
Total Annual Agency Obligations with City Risk	\$25.5

- 1 For 2011-2012, half of this obligation is paid through a loan to the Agency from the Parking Capital Development Fund and the other half will be paid directly from the General Purpose Parking Fund. As directed in the Mayor's March 2011 Budget Message and approved by the City Council, any excess parking funds would be used to offset parking expenses related to General Fund expenses such as debt service.
- 2 The State's 2004-2005 and 2005-2006 budgets mandated payments to the State from redevelopment agencies state-wide. Because the Agency participated in the California Statewide Community Development Authority (CSCDA) loan program to fund its portion of the obligation, in the event the Agency has insufficient funds to make any of its ERAF loan payments, the County Auditor is required to deduct the payment from the City's first available ad valorem property taxes.
- 3 The Agency acquired two Section 108 loans through the US Department of Housing and Urban Development (HUD) for Agency projects. In 2011-2012, the Community Development Block Grant (CDBG) will pay this obligation (net of developer payments). In the future, this obligation is expected to be paid by the Agency (net of developer payments) and to the extent that the Agency does not make a timely HUD loan debt service payment, HUD may withhold Community Development Block Grant (CDBG) funds otherwise due to the City, since the loans are secured by the City's current and future CDBG funds.
- 4 For 2011-2012, the City is expected to receive \$5.4 million in reimbursement from the Agency related to Convention Center Debt Service.