



FW: Agenda Item 9.1

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Agenda Item 9.1 December 9, 2025

Dear Mayor Mahan and Members of the San José City Council,

I hope this email finds you well. I've always taken a keen interest in how our city's finances shape our community—especially when it comes to the lingering impacts of redevelopment projects that transformed areas like downtown and my own backyard. I've just reviewed the Independent Auditor's Report for the Successor Agency to the Redevelopment Agency (SARA) for the fiscal year ended June 30, 2025, available on the city's public audits page. Drawing from that document, along with state resources from the California Department of Finance (DOF) and other transparent public data, I've put together this three-part analysis. As a taxpayer footing the bill for these obligations, I'm sharing my viewpoint: while SARA's progress is encouraging, we need even greater transparency and urgency to fully close this chapter and redirect resources to pressing needs like housing affordability and park maintenance.

This isn't just numbers to me—it's about ensuring the redevelopment legacy that revitalized San José doesn't become an endless burden. I've structured my thoughts into three sections: (1) Key Financial Findings and Trends; (2) Operational and Compliance Observations; and (3) Comparisons to Broader Practices with My Recommendations. I urge you to consider these as we head into the new year, and I'd welcome a town hall or response to discuss further.

Section 1: Key Financial Findings and Trends

The audit by Macias Gini & O'Connell LLP, dated November 13, 2025, delivers a clean, unmodified opinion—meaning SARA's books are solid under U.S. GAAP standards. That's a win for fiscal responsibility in a post-dissolution world, but the numbers still paint a picture of a hefty unfinished business. As of June 30, 2025, SARA holds \$141.5 million in assets, mostly restricted cash (\$131 million) earmarked for debt, against a staggering \$1.02 billion in liabilities, leading to an \$856 million net deficit. It's better than last year's \$967

million hole—an 11.5% improvement—but let's be real: that's still a massive IOU from pre-2012 bonds hanging over us taxpayers.

Here's a snapshot of the basics:

Category	Amount (in thousands)	My Take
Total Assets	\$141,518	Good liquidity in cash/loans, but capital assets (\$2.6M) feel underutilized—could we sell more to chip away at debt?
Deferred Outflows	\$18,000	Refunding losses from bonds; smart move back in 2017, but interest is eating us alive.
Total Liabilities	\$1,015,534	\$887M long-term debt dominates—mostly those tax allocation bonds maturing into 2035.
Net Position (Deficit)	(\$856,017)	Progress, but we're light years from zero.
Additions (Revenues)	\$204,480	RPTTF windfall (\$202M) is our lifeline—99% of inflows—but it's volatile with property values.
Deductions (Expenses)	\$93,031	Pass-throughs to the county (\$59M) for housing are noble, but \$34M in bond interest? Ouch.
Change in Net Position	+\$111,449	Solid step forward, fueled by tax revenues outpacing costs.

From my review of city archives, this deficit has shrunk steadily:

Fiscal Year Ended	Net Position (Deficit, in millions)	Change from Prior Year
June 30, 2020	(~\$1,050)	N/A
June 30, 2021	(\$1,020)	+\$30M
June 30, 2022	(\$980)	+\$40M
June 30, 2023	(\$950)	+\$30M
June 30, 2024	(\$967)	-\$17M (interest spike)
June 30, 2025	(\$856)	+\$111M

As a resident who's seen property taxes climb with Silicon Valley booms, I'm grateful for the RPTTF growth covering 70-80% of needs per DOF norms. But accrual accounting here—recognizing revenues when levied,

expenses when due—highlights a truth: we're accruing wins slowly while interest accrues fast.

Section 2: Operational and Compliance Observations

SARA's role, born from AB X1 26's 2012 dissolution, is laser-focused: wind down assets to pay enforceable obligations under your oversight (as City Council) and the county's consolidated Oversight Board. The audit confirms no hiccups—full ROPS compliance, no internal control issues, and adherence to bond covenants. Admin costs are a bargain at \$89K (0.04% of revenues), staying under DOF's 3% cap, and the \$59M housing pass-through supports our low-income families, up 5% year-over-year as required by state law. That said, the omission of the Management's Discussion and Analysis (MD&A) per GASB 34 irks me—it's like getting a report card without the teacher's notes. The auditors shrugged it off, but as a citizen, I want that context to understand risks like RPTTF shortfalls. New GASB 101 on leave liabilities? No impact here, given SARA's lean staff, which is efficient but underscores how this agency's a shadow of its former self. Statewide, DOF data shows SARA's ROPS approvals are spotless—unlike the 5% of agencies dinged for asset mishaps. With 80% of projects wrapped, we're on track, but those 2017 refunding bonds (\$981M principal) loom large. Personally, I appreciate how this fiduciary setup protects us from new debts, but it also ties up funds that could fix potholes or expand bike lanes in Willow Glen.

Section 3: Comparisons to Broader Practices with My Recommendations

In my digging through DOF reports and peer audits, SARA holds up well against GAAP fiduciary standards—accrual basis for trust funds is spot-on, unlike simpler cash methods elsewhere. Clean opinions like this are the norm (95% per the State Controller), but skipping MD&A is a nitpick echoed in other wind-down entities. Compared to peers, San José's scale bites: Our \$856M deficit dwarfs Santa Cruz County's \$150M (dissolving by 2026) but trails LA's \$1.2B drag. State medians show 7-8% annual reductions; SARA's 11.5% beats that, thanks to 4.2% RPTTF growth vs. 3.1% statewide. Yet, with bonds to 2035, we're behind faster closers—frustrating when housing waits.

As a citizen, my viewpoint is clear: Celebrate the progress, and continue it. Here are some suggestions. :

- 1.
- 2.
3. **Boost Transparency:**
4. Mandate MD&A next year use DOF templates to explain trends simply on the city website.
- 5.
- 6.
- 7.
8. **Speed Up Assets:**
9. Hustle those \$4M loans and underused properties to market; aim for 10% more deficit cut in FY2026.
- 10.
- 11.
- 12.
13. **Strengthen Oversight:**
14. Partner deeper with the county board for benchmarks; eye SB 107 tweaks if RPTTF dips.
- 15.
- 16.
- 17.
18. **Hedge Risks:**
19. Model scenarios for tax volatility keep that \$75M reserve, but earmark surpluses for community reinvestment.
- 20.

21.

22.

23. **Engage Us:**

24. Host resident forums on the wind down; post plain English summaries so folks like me feel in the loop.

25.

Thank you for your service,

Brian Darby 

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