



Memorandum

TO: SUCCESSOR AGENCY BOARD

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: November 26, 2018

Approved

Date

11/29/18

SUBJECT: SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE – FISCAL YEAR 2017-18 AUDITED FINANCIAL STATEMENTS

RECOMMENDATION

Accept the fiscal year 2017-2018 Independent Auditor's Reports and Basic Financial Statements for the Successor Agency to the Redevelopment Agency of the City of San Jose ("SARA").

OUTCOME

To provide an overview of the Independent Auditor's Reports and Basic Financial Statements for the SARA for fiscal year 2017-2018.

BACKGROUND

The Redevelopment Dissolution Law requires successor agencies to cause an annual audit of financial transactions and records to be conducted by a certified public accountant. (Health and Safety Code Section 34177(n)). The Successor Agency to the Redevelopment Agency of the City of San Jose ("SARA") contracted with Macias Gini & O'Connell LLP (Auditors), a firm of Certified Public Accountants licensed to practice in the State of California, to perform the independent audit. The audit was conducted in accordance with auditing standards generally accepted in the United States. The auditors expressed opinions that the SARA financial statements are fairly stated in conformity with accounting principles generally accepted in the United States.

The independent auditor's reports and basic financial statements for the SARA cover the period from July 1, 2017 to June 30, 2018 and are available on the City's website at:

<http://www.sanjoseca.gov/DocumentCenter/View/81378>

The independent auditor's reports and basic financial statements are organized in the following sections:

- Report of Independent Certified Public Accountants
- Basic Financial Statements including the Notes to Basic Financial Statements
- Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards

ANALYSIS

The auditors provided an "unmodified" or "clean" opinion whereby they disclosed no instances of noncompliance with accounting principles generally accepted in the United States of America.

The financial statements reflect the financial status of the SARA as of the end of the fiscal year June 30, 2018. The financial statements are intended to provide relevant financial information to the public, investors, rating agencies, insurers, and other interested parties.

On December 21, 2017, the Successor Agency to the Redevelopment Agency of the City of San José (the "Successor Agency") closed on the issuance of Tax Allocation Refunding Bonds in the aggregate principal amount \$1,677,540,000 (the "Bonds"). The Bonds refunded all 25 series of outstanding obligations of the former Agency's tax allocation bonds and reimbursement obligations related to the Series 2001A and Series 2001F Bonds issued by the City of San Jose Financing Authority (Refunded Obligations). The restructuring of Refunded Obligations is anticipated to achieve various financial benefits for the Successor Agency such as: place it into a "sufficiency of funds" situation; achieve aggregate debt service savings due to lower interest rates on the Bonds and improved credit quality of the Former Agency; eliminations of potential debt service spikes with respect to outstanding variable tax allocations bonds; and a simplified administration of the Refunded Obligations.

In addition, the refunding improved the distribution of residual Redevelopment Property Tax Trust Fund (RPTTF) revenues to the taxing agencies including the City, with \$66.7 million flowing to taxing agencies from the June 1, 2018 RPTTF distribution, and an estimated \$45.0 million flowing to the taxing entities from the January 2, 2019 RPTTF distribution. The refunding provided for greater flexibility in the operation and ownership of certain City assets (Civic Auditorium, Convention Center, 4th & San Fernando Street Parking Garage, Hammer Theater, and the Mexican Heritage Plaza,) with the refunding of tax-exempt bonds originally issued to fund these projects with taxable bonds.

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This item is to be heard concurrently with the presentation on the City's Comprehensive Annual Financial Report at the December 11, 2018 City Council meeting. Additionally, the attached Independent Auditor's Reports and Basic Financial Statements of the SARA will be presented to the Oversight Board in January 2019.

EVALUATION AND FOLLOW UP

There is no evaluation or follow-up needed.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the December 11, 2018 Council Meeting.

COORDINATION

The Finance Department has coordinated this memorandum with the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

This item does not have input from any board or commission, however staff will present the audited financial statements to the Oversight Board in January 2019.

CEQA

CEQA: Not a Project, File No. PP17 009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approval of any City action.

/s/

JULIA H. COOPER

Director of Finance

Chief Financial Officer, SARA

For questions, please contact Lisa Taitano, Assistant Director of Finance at (408) 535-7041.