

**REDEVELOPMENT  
AGENCY  
OF SAN LEANDRO**

**SAN LEANDRO, CALIFORNIA**

**(A COMPONENT UNIT OF THE  
CITY OF SAN LEANDRO)**

*Basic Financial Statements  
And  
Independent Auditors' Reports  
For the Year Ended June 30, 2010*

**CITY OF SAN LEANDRO**

**REDEVELOPMENT AGENCY OF SAN LEANDRO**

**TABLE OF CONTENTS**  
**JUNE 30, 2010**

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	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Government –Wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheets Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Assets	15
Statement of Revenues Expenses and Changes in Fund Balance Governmental Funds	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with the Government – Wide Statement of Activities	17
Notes to the Basic Financial Statements	18
Supplementary Information:	
Budgetary Information	36
Budgetary Comparison Schedule – Debt Service Fund	37
Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38



VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Of the Redevelopment Agency of San Leandro  
San Leandro, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of San Leandro (Agency), a component unit of the City of San Leandro, as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the Agency, as listed in the table of contents. These basic financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Accounting Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentations. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2010, and the results of its operations and changes in fund balance for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis and budgetary comparison as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles, generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurements and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

*Vavrinek, Trine, Day & Co., LLP.*

Pleasanton, California  
December 22, 2010

# REDEVELOPMENT AGENCY OF THE CITY OF SAN LEANDRO

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

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The discussion and analysis of the financial performance of the Redevelopment Agency (the "Agency") provides an overall review of the Agency's financial activities for the fiscal year ended June 30, 2010 (FY 2009/2010). The intent of this discussion and analysis is to look at the Agency's financial performance as a whole. Readers should also review the basic financial statements, as well as the prior year's report ending June 30, 2009, to enhance their understanding of the Agency's financial performance.

The financial section of this report has been prepared to show the results of the financial administration, financial condition, and operation of the Agency. The financial statements in this report have been audited by the firm Vavrinek, Trine, Day and Co., LLP, whose opinion is included in this report.

### **BASIS OF ACCOUNTING**

The Agency maintains funds in accordance with accounting principles set forth by the Governmental Accounting Standards Board (GASB) and accounting principles generally accepted in the United States. The accounts of the Agency are organized and operated on the basis of funds, each of which is defined as a separate set of self-balancing accounts that reflect its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

The accounting records of the Agency are maintained on the modified accrual basis of accounting. The modified accrual basis of accounting is defined as the basis of accounting by which expenditures, other than accrued interest on general long-term debt, are reported at the time liabilities are incurred and revenues are recorded when received in cash, except for measurable and available revenues which are accrued to properly reflect taxes levied and revenues earned.

### **FINANCIAL HIGHLIGHTS**

#### **Agency Wide**

The liabilities of the Agency exceeded its assets at fiscal year ending on June 30, 2010 by approximately \$20 million. Of this amount, \$8.6 million is restricted for capital assets net of related debt, and \$18.6 million is restricted for capital projects and debt purposes as specified by entities outside the Agency.

#### **Fund Level**

For fiscal year 2009-2010, expenditures exceeded revenues, including operating transfers in and out, by \$10.3 million resulting in an decrease in total fund balance from \$28.9 million to \$18.6 million. Of the \$18.6 million total fund balance, \$12.4 million is designated for redevelopment projects, \$1.7 million is reserved for low and moderate income housing programs, and \$4.4 million is reserved for debt reserves and repayment.

### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This report is in three parts:

- 1) Management's Discussion and Analysis (this part),
- 2) The Basic Financial Statements, which include the Agency-wide and the Fund financial statements, along with the Notes to these financial statements,
- 3) Unaudited Supplementary Information

### THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements comprise the Agency-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the Agency's financial activities and financial position - long-term and short-term.

The Agency-wide Financial Statements provide a longer-term view of the Agency's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the Agency as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the Agency's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the Agency's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

The Fund Financial Statements report the Agency's operations in more detail than the Agency-wide statements and focus primarily on the short-term activities of the Agency's Major Funds. The Fund Financial Statements measure only current revenues and expenditures, current assets, liabilities and fund balances; they exclude capital assets, long-term debt, and other long-term amounts.

Together, all these statements are now called the Basic Financial Statements.

#### **The Agency-wide Financial Statements**

All of the Agency's basic services are considered to be governmental activities, including general government and community development. These services are supported by general Agency revenues such as property tax increments, and by program revenues such as lease revenues.

Agency-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the Agency as a whole.

#### **Fund Financial Statements**

Governmental Fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the Agency-wide financial statements.

The Agency has five funds all of which are presented as Major Funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARIZED FINANCIAL INFORMATION

**TABLE 1**

	<b>Governmental Activities</b>	
	2010	2009
Current and other assets	\$ 37,263,217	\$ 49,740,240
Capital assets	8,596,138	8,028,447
Total assets	<u>45,859,355</u>	<u>57,768,687</u>
Current Liabilities	7,892,222	9,494,602
Long-term liabilities	57,984,420	60,428,142
Total liabilities	<u>65,876,642</u>	<u>69,922,744</u>
Net Assets:		
Invested in capital assets, net of related debt	8,596,138	8,028,447
Restricted	18,550,418	28,879,558
Unrestricted	(47,163,843)	(49,062,062)
Total net assets (deficit)	<u>\$ (20,017,287)</u>	<u>\$ (12,154,057)</u>

**TABLE 2**

	<b>Governmental Activities</b>	
	2010	2009
Revenues:		
General Revenues:		
Incremental property taxes	\$ 10,969,052	\$ 10,957,140
Other	698,220	1,624,106
Investment earnings	191,276	696,735
Total general revenues	<u>11,858,548</u>	<u>13,277,981</u>
Expenses:		
Community Development	16,630,638	22,612,740
Interest on long-term debt	3,091,140	3,826,593
Total expenses	<u>19,721,778</u>	<u>26,439,333</u>
Increase in net assets before transfers	(7,863,230)	(13,161,352)
Transfers (net)	-	(140,500)
Increase in net assets	<u>(7,863,230)</u>	<u>(13,301,852)</u>
Net assets (deficit) beginning	(12,154,057)	1,147,795
Net assets (deficit) ending	<u>\$ (20,017,287)</u>	<u>\$ (12,154,057)</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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At the fund level, total revenue for fiscal year 2009-2010 was \$11.6 million, of which 94.6% was tax increment revenue and 5.4% was interest and other income. Tax increment revenue for the Agency increased by 0.1% in fiscal year 2009-2010, to \$10.97 million from \$10.96 million in the previous fiscal year. Twenty percent of tax increment revenue, approximately \$2.8 million in fiscal year 2009-2010, is set aside in the Low and Moderate Housing Fund for affordable housing projects.

<u>Fiscal Year</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Tax Increment	\$ 7,566,125	\$ 9,426,640	\$ 9,837,062	\$10,957,140	\$ 10,969,052

Total expenditures for fiscal year 2009-10 were \$21.9 million: \$17.2 million represented community development projects (from which \$3.3 million was for affordable housing projects) and \$4.7million went for payments of long-term debt and related interest.

The Agency's investment in capital assets as of June 30, 2009, amounted to \$8.6 million, which is an increase of \$568,000 over the previous fiscal year. Investment in capital assets includes land buildings and infrastructure. Additional information on the Agency's capital assets can be found on Note 6 of the notes to the financial statements.

At the end of the current fiscal year, the Agency's total long-term debt outstanding is \$55.4 million, decrease of \$1.6 million from the prior fiscal year. The Agency also had \$4.4 million in outstanding advances from the City. Additional information on the Agency's debt and advances from the City can be found on Note 8 and Note 7, respectively, on the notes to the financial statements.

### **ECONOMIC DEVELOPMENT AND COMMERCIAL REVITALIZATION**

The Agency is active in three redevelopment project areas: the Plaza Project Area, the Alameda County – City of San Leandro Project Area (also known as the “Joint” Project Area), and the West San Leandro/MacArthur Boulevard Project Area. The Agency is also active in funding affordable housing activities throughout the city. Pursuant to Health and Safety Code Section 33080.1 (d), selected accomplishments for Fiscal Year 2009-10 include:

#### **Overall**

- The Redevelopment Agency initiated meetings of the new Redevelopment Advisory Committee (RAC). The RAC focused on providing input to the Agency on the 2010 – 2014 Implementation Plan with a particular emphasis on identifying and prioritizing future programs and projects.
- The Agency adopted the 2010 – 2014 Implementation Plan via RDA Resolution 2010-008 on September 20, 2010 after a public hearing. The Plan reflects the input of the RAC and will guide implementation efforts for the next several years.
- The Agency held a successful Downtown Symposium on March 30 at the Main Library, with over 100 people attending. The event featured three panels of speakers providing an overview of the many exciting developments taking place downtown. Topics covered included urban design, downtown special events, retail attraction, business assistance programs, public safety, and future development.
- Agency staff worked with a design firm, to craft a way-finding signage program for downtown. The signs will be used to better define the downtown area through a cohesive visual appearance, and to help people locate essential services such as parking, transit, and City Hall. The funding to purchase the signs is included in a Transportation for Livable Communities (TLC) grant.

- With guidance from the Agency and the Chamber of Commerce, six San Leandro businesses started working together as part of a "Sustainability Circle" led by Natural Capitalism, Inc. Leaders from each of the participating companies worked cooperatively and with industry experts to explore ways to increase the efficiency of their operations, thereby lowering their energy expenditures. The Redevelopment Agency contributed half of each participant's costs through the Industrial Competitiveness Program. The participating companies included: Alameda County Industries, Alco Iron and Metals, Ghirardelli Chocolate, Mi Rancho, OSIsoft, and Scandic Springs.
- The Redevelopment Agency assisted the Chamber of Commerce with their Industrial Roundtable and Industrial Councils programs. The Agency also sponsored the Chamber's San Leandro by Design events, an initiative to engage the community in dialogue related to the future of our community

### Plaza Project Area

- **Financial Overview:** Tax increment revenue in the Plaza Project Area was \$2.2 million in fiscal year 2009-10, up 0.7% from the previous fiscal year. Expenditures for the Project Area for 2009-10 were \$1.8 million. \$13.6 million of the Agency's total long-term obligation is attributable to the outstanding principal on the 2002 Tax Allocation Bonds issued for capital improvements in the Plaza Project Area. \$452,000 in bond proceeds remain and will be primarily used for the remaining expenses related to the Downtown Pedestrian and Lighting Improvement project.
- Construction was completed on the final phase of downtown pedestrian and lighting enhancements. The improvements include: improved lighting, sidewalks, landscaping, and the creation of Joaquin Plaza - a community gathering space with a fountain and areas for outdoor seating and dining.
- The Agency, with the assistance of architects, developed designs and cost estimates to assist properties in upgrading their facades. Specifically, design assistance was provided to *Sergio's* for façade improvements and to *Yogofina* for signage.
- The Agency assisted Tapioca Express and Los Pericos Taqueria in the selection and purchase of quality outdoor furniture and umbrellas for seating in Joaquin Plaza, Downtown.
- Implementation of Downtown San Leandro's "We Are San Leandro" marketing campaign continued. Four new people postcards, spotlighting some of the key players in Downtown, were designed and readied for distribution. Mailings will occur during the 2010-11 fiscal year.
- Agency staff assisted the Downtown Business Association in holding its first annual "It's a Wonderful Night" holiday celebration in the new Joaquin Plaza on December 4, 2009. The event was well-attended and featured horse drawn carriage rides, photos with Santa and entertainment including carolers and dancers from local schools.
- The Agency constructed a temporary replacement parking lot at 262 Davis Street for use while the downtown parking garage is demolished and a new and larger garage is constructed consistent with the City's Transit Oriented Development Strategy. The new parking garage will allow for greater infill development as well as encourage people to park once and walk downtown.
- The Agency entered into an agreement with Innisfree Ventures II to develop Town Hall Square (consisting of 212, 250, 262 and 290 Davis Street) consistent with the City's Transit Oriented Development Strategy. Preliminary planning efforts were initiated to explore opportunities for mixed-use development at the site.

### Joint Project Area

- **Financial Overview:** Tax increment revenue in the Joint Project Area was \$2.9 million in fiscal year 2009-10, down 1.9% from the previous fiscal year. Expenditures for the Project Area for 2009-10 were \$8.8 million. \$3.9 million of the Agency's total long-term obligation is attributable to the outstanding principal on the 2001 Certificates of Participation issued for capital improvements in the Joint Project Area, the proceeds of which have been fully expended. \$27.2 million of the Agency's obligation is attributable to the outstanding principal on the 2008 Tax Allocation Bonds issued for capital improvements in the Joint Project Area. \$12.7 million in 2008 bond proceeds remain and will be used to complete the Senior Center and Downtown Garage projects, among others.
- Construction was completed on the third and final phase of Creekside Office Plaza, a class A office complex. The final 83,000 sq. ft. building completes this public/private partnership which brought a total of almost 1,000 jobs to the City. The *Regional Center of the East Bay* relocated its headquarters to the new building upon its completion. A new restaurant, *Creekside Bistro*, opened on the ground floor of the new building in May 2010.
- Construction neared completion on a 21,000 sq. ft. Senior Community Center which includes classrooms, arts and crafts areas, exercise rooms, and a large main hall which will also serve as an Emergency Operations Center.
- The Agency completed the purchase of 1550 East 14<sup>th</sup> Street, a 1.7 acre parcel in Downtown San Leandro. Prior to close of escrow in July 2009, the 26,000 sq. ft. building was demolished. The Agency subsequently constructed a temporary replacement parking lot for use during the construction of the new parking garage.
- The Agency entered into an agreement with Innisfree Ventures II to develop 1550 East 14<sup>th</sup> Street consistent with the City's Transit Oriented Development Strategy. Preliminary planning efforts were initiated to explore opportunities for mixed-use development at the site.
- As part of the "Triangle" project to reconfigure and beautify the intersection of East 14<sup>th</sup> Street, Hesperian Boulevard and 150<sup>th</sup> Avenue, the Agency purchased the Quality Tune Up property at 14901 East 14<sup>th</sup> Street in December 2009 for \$677,000. The Agency had previously appropriated \$1.3 million for acquisition of the site and relocation of the business. The Agency is actively working with the business to explore relocation options and will continue to lease the site to Quality Tune Up during the remaining stages of project design.
- Planning continued for a four story LEED certified parking garage. The four to five story parking structure will include approximately 2,000 sq. ft. of retail along Estudillo Avenue and enhancements will be made to Plaza Del Oro, the pedestrian entry to the garage. This garage will replace the current 215 space garage which is seismically unstable, not ADA accessible and of insufficient size to meet the downtown's parking needs. Garage construction has been postponed until Fall 2010. The Agency was not successful in securing Federal stimulus funding to upgrade the facility to include an electric vehicle battery swap and recharge stations, although these improvements may be reconsidered in the future.
- The Agency continued working with Langon Construction to develop the former East Bay Municipal Utility District building at 1595 Washington Avenue, along with the neighboring parcel at 268 Parrott Street, into a mixed use development consistent with the City's Transit Oriented Development Strategy.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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- The Agency continued to make payments to the San Leandro Unified School District for public improvements at their new Ninth Grade Campus and construction of a gymnasium. Consistent with the 2009 Financing Agreement, the Agency will contribute \$2.2 million over a period of roughly seven years.
- Using Commercial Rehabilitation Program funds, the Agency assisted with improvements to the *Palma Plaza Shopping Center* on East 14<sup>th</sup> Street. The project involved the demolition of a vacant and substandard building, creation of additional parking, and landscaping improvements.
- The Agency also contributed funding to the renovation of the historic *Bal Theater* on East 14<sup>th</sup> Street. The Commercial Rehabilitation funding assisted with renovation of the Theater's marquee and entrance area.
- The Agency worked with the *DC Dance Center* and *Mike's Pet and Feed* to design a variety of façade improvements which include new paint, signage and windows. The project is expected to be completed in Spring 2011.
- Design work was completed for a streetscape and median improvement project on East 14<sup>th</sup> Street 136<sup>th</sup> Avenue to 143<sup>rd</sup> Avenue. Funding was provided primarily through a Federal grant, although a small Agency match was required. Construction began in early 2010-11.
- Work continued on undergrounding the above-ground utility lines along East 14<sup>th</sup> from 150<sup>th</sup> Avenue south to the City border. Project completion is projected for late 2010. The undergrounding on East 14<sup>th</sup> Street from 150<sup>th</sup> north was expanded to Thornton Street and design work continued on this phase which is expected to be completed in 2014.
- The seasonal Downtown Farmers' Market continued to draw crowds with the average weekly patronage ranging from 2,000 to 3,500 per week, a substantial increase from the previous year. The market was reconfigured this year to occupy Parrott Street to East 14th Street, adding space to accommodate over 40 vendor stalls.

### West San Leandro/MacArthur Boulevard Project Area

- **Financial Overview:** Tax increment revenue in the West San Leandro/MacArthur Boulevard Project Area was \$3.3 million in fiscal year 2009-10, up 6.6% from the previous fiscal year. Expenditures for the Project Area for 2009-10 were \$3.2 million. \$5.3 million of the Agency's total long-term obligation is attributable to the outstanding principal on the 2004 Tax Allocation Bonds issued for capital improvements in the West San Leandro/MacArthur Boulevard Area. The bond funds have been fully expended.
- Agency staff worked to facilitate execution of a Development Agreement for a *Kaiser Permanente Medical Center* on the 63-acre abandoned Albertson's distribution site at Marina Boulevard and I-880. The first phase of construction will consist of a 264-bed state-of-the-art hospital and a 275,000 square-foot hospital support building and will provide over 2,300 jobs. The Development Agreement and all required approval for Phase I of the Medical Center were completed in Spring 2010.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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- In June 2009, the Agency joined the East Bay Green Corridor, a regional partnership committed to strengthening the green technology economy while reaching sustainability goals. In 2009-10 Agency initiated active involvement in the Corridor, particularly in the areas of marketing/website development and business development. A primary goal of the Agency's participation is to attract green businesses to opportunity sites which mainly exist in the West San Leandro industrial area.
- In partnership with the San Leandro Chamber of Commerce, the Agency has continued to develop industrial strategies. A key component of implementation will be "Careers in Industrial Technology," a program to introduce high school students to job training and opportunities in manufacturing businesses.
- The Agency continued implementation of an Industrial Competitiveness Grant program to provide technical assistance as well as funding for capital improvements which assist manufacturers and other industrial businesses in increasing energy efficiencies, thereby reducing their costs. This not only meets the City's goal of green house gas emissions reduction, but also assists businesses in remaining competitive. An Energy Efficiency Resource Fair was held in October 2009 and loan Agreements executed with *Mi Rancho Tortilla Factory* for lighting improvements and *Scandic Springs* for installation of skylights.
- *Ridge Foundry*, located at 1,554 Doolittle Drive, initiated a successful façade improvement which included the installation of new fencing and landscaping along the Doolittle frontage. The Agency assisted with the design and contributed to this project, with completion expected early in the 2010-11 fiscal year.
- In 2009-10 the Agency continued to provide administrative support the San Leandro LINKS shuttle which transports employees between industrial businesses and the Downtown San Leandro BART Station. Ridership of the shuttle continues to be strong. Grants have been secured for the next three fiscal years which eliminated the need for an Agency contribution in this fiscal year. Agency support will be needed in future years although the amounts should be considerably lower than in the past.

### Housing

The housing objectives of the San Leandro Redevelopment Agency 2004-09 Implementation Plan, City of San Leandro Housing Element, and the City's U.S. Department of Housing and Urban Development (HUD) 2005-2009 Consolidated Plan address the underserved housing needs of households and families in San Leandro. One of the primary goals in these City housing plans is to provide programs that foster and maintain affordable housing. The Agency is a crucial funding source and has effectively leveraged set-aside funds with other sources in cooperation with developers (i.e., non-profit and for profit) and the City in achieving these goals. Pursuant to Health and Safety Code Section 33080.1(c), notable Agency-assisted housing activities for FY 2009-10 include:

- **Financial Overview:** Tax increment revenue for housing was \$2.6 million in the 2009-10 fiscal year, equal to 20 percent of Agency-wide tax increment revenue. Revenue for housing represents a 5.4% decrease from the prior fiscal year.
- The non-profit developer Eden Housing, Inc., completed the construction of Estabrook Place, a new 51-unit affordable senior apartment complex located at 2103 East 14<sup>th</sup> Street (and Estabrook Street) in Spring 2010. The property was fully leased up and occupied by June 30, 2010. Of these fifty (50) households, thirty-seven (37) households have lived or were currently living in San Leandro prior to moving into Estabrook Place. The Agency approved a \$2 million loan in July 2007 to the nonprofit Eden Housing, Inc.,

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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- The Alameda at San Leandro Crossings, a proposed 100-unit affordable rental housing development which is part of the mixed-income San Leandro Crossings master development, was delayed due to the current economic climate and newness of State Proposition 1C infrastructure grants awarded to the project. The nonprofit, BRIDGE Housing Corporation, who is the developer for The Alameda, had to return its federal low income tax credits, which were awarded by the State in September 2009, in late April 2010. Previously, the City Council approved a \$9.1 million Redevelopment Housing Set-Aside development loan for The Alameda in April 2009. The City, Redevelopment Agency, BRIDGE, and the private developer continue to work together to move the development of San Leandro Crossings forward, and BRIDGE is planning to re-apply for tax credits in early 2011. The City Council approved entitlements and the Final Map for The Alameda in January 2010.
- Two (2) low interest loans and twenty-four (24) grants were awarded through the Residential Rehabilitation Program, which is funded by Set-Aside Funds. Both of the loans were for extremely low-income, senior households. Of the 24 grants for minor home repairs, thirteen (13) were for extremely low-income and eleven (11) were for very low-income. Seventeen of the grants were for seniors.
- The Agency approved twelve loans under the First Time Home Buyer (FTHB) down payment/closing cost assistance program. Three were for low-income and nine for moderate-income first-time homebuyers. To meet the increased loan demand, the City Council approved \$131,000 in additional Set-Aside Funds in February 2009 for the program.
- Under the FTHB Program, the Agency conducted two free homebuyer education seminars for potential first-time buyers. Overall, there were 135 certificates of completion awarded to households completing the seminars. The Agency also provided free one-on-one homebuyer counseling to 23 households all of whom were low- to moderate-income San Leandro residents and/or employed in the City.
- In June 2010, the Agency and City conducted its annual Post-Purchase Workshop targeting existing homeowners and/or loan recipients under the First Time Homebuyer Loan and Inclusionary Housing/Below Market Rate Ownership Programs and educating them about the program regulatory requirements (i.e., resale restrictions) and how to successfully maintain their homes.

### **LOOKING AHEAD: PROGRAM CONTINUATIONS AND CHANGES**

In Fiscal Year 2010-11, the following programs are being pursued in addition to the continuation of the projects mentioned in the previous Economic Development and Commercial Revitalization section:

#### **Overall**

- The Agency will intensify work on the marketing of San Leandro and creating a coherent message about San Leandro being a great place to live, work and play. This includes the creation of additional marketing materials and improvements to the Agency's website.

#### **Joint Project Area**

- The Agency will continue working with Madison Marquette on the redevelopment of Bayfair Center, specifically as it relates to implementation of the Transit Oriented Development Strategy and an Expansion Parcel Study for an underutilized 2.5 acres site.

**West San Leandro/MacArthur Boulevard Project Area**

- The Agency continues to work on development of a 375k sq. ft. retail center is planned for the northern half of the Kaiser Medical Center site, however, development of the retail portion of the project is currently on hold due to the economy.
- Agency staff will begin planning for the development of a Marina Boulevard Specific Plan to coordinate planning along a crucial connection between the Kaiser Medical Center and the shoreline.
- Agency will continue work on establishment of a Business Assessment District to construct Eden Road, currently a dirt road, to improve traffic circulation in the Davis/Doolittle intersection and provide necessary access to currently blighted properties.

***ECONOMIC FACTORS***

Tax increment revenue for all project areas grew 0.1% in Fiscal Year 2009-10. Tax increment revenue in the Plaza Project Area grew 0.7% in Fiscal Year 2009-10. Tax increment growth in the Joint Project Area grew 1.9% in Fiscal Year 2009-10 while growth in the West San Leandro/MacArthur Boulevard Project Area was 6.6%. Little to no growth in tax increment revenue is projected for the next fiscal year, with a return to modest growth of approximately 2% thereafter.

In Fiscal Year 2009-10 the State required a payment of over \$4.2 million in tax increment from the City of San Leandro Redevelopment Agency. That same State legislation requires an additional payment of just under \$900,000 in 2010-11. The California Redevelopment Association has appealed a court decision upholding the legality of the payment and the Agency remains hopeful that the take is again found unconstitutional. The State take decimated the Redevelopment Agency's fund balance and has negatively impacted funding of programs and projects in the short-term. Fortunately, in November 2010, California voters approved Proposition 22, entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010" that amended the California Constitution to prevent the State Legislature and Governor from raiding local revenues to address the State's financial problems in the future. This important legislation will ensure the Redevelopment Agency's ability to continue to fight blight.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Agency's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of San Leandro, Finance Department, 835 East 14th street, San Leandro, CA 94577.

## **BASIC FINANCIAL STATEMENTS**

## **AGENCY-WIDE FINANCIAL STATEMENTS**

**REDEVELOPMENT AGENCY OF THE CITY OF SAN LEANDRO**

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 10,944,487
Restricted cash and investments	17,028,013
Receivables:	
Accounts	98,844
Property taxes	50,974
Interest receivable	19,612
Other assets	3,395
Total current assets	<u>28,145,325</u>
Noncurrent assets:	
Receivables:	
Loans (net)	8,436,002
Deferred Charges	681,890
Capital assets:	
Nondepreciable	3,539,884
Depreciable	5,637,041
Less accumulated depreciation	<u>(580,787)</u>
Total noncurrent assets	<u>17,714,030</u>
<b>Total assets</b>	<u><b>45,859,355</b></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	116,774
Interest payable	850,539
Other liabilities	5,044,494
Long-term debt (net) - due within one year	<u>1,880,415</u>
Total current liabilities	<u>7,892,222</u>
Noncurrent liabilities:	
Advance from City	4,433,639
Long-term debt (net) - due in more than one year	<u>53,550,781</u>
Total noncurrent liabilities	<u>57,984,420</u>
<b>Total liabilities</b>	<u><b>65,876,642</b></u>
<b>NET ASSETS</b>	
Invested in capital assets net of related debt	8,596,138
Restricted for:	
Capital projects	14,129,136
Debt service	4,421,282
Unrestricted	<u>(47,163,843)</u>
<b>Total net assets</b>	<u><b>\$ (20,017,287)</b></u>

See accompanying notes to the basic financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF SAN LEANDRO**

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

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See accompanying notes to the basic financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF SAN LEANDRO**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Operating Grants and Contributions	Total	Revenue and Changes in Net Assets
Primary government:				
Governmental activities:				
Community development	\$ 16,630,638	\$ -	\$ -	\$ (16,630,638)
Interest and fiscal charges	3,091,140	-	-	(3,091,140)
Total primary government	<u>\$ 19,721,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(19,721,778)</u>

**General Revenues:**

Property tax increments	10,969,052
Use of money and property	191,276
Other	698,220
<b>Total general revenues</b>	<u>11,858,548</u>
<b>Change in net assets</b>	(7,863,230)
<b>Net assets - beginning of year</b>	<u>(12,154,057)</u>
<b>Net assets (deficit) - end of year</b>	<u>\$ (20,017,287)</u>

See accompanying notes to the basic financial statements.

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

# REDEVELOPMENT AGENCY OF THE CITY OF SAN LEANDRO

## BALANCE SHEETS GOVERNMENTAL FUNDS JUNE 30, 2010

	Major Funds						Total
	General Operating					Total	
	General Debt Service	Plaza Project Area Capital Projects	Agency Joint Project Area Capital Projects	West San Leandro Project Area Capital Projects	Low and Moderate Housing Capital Projects		
<b>ASSETS</b>							
<b>Current assets:</b>							
Cash and investments	\$ 533,759	\$ 3,159,262	\$ 3,886,035	\$ 1,685,345	\$ 1,680,086	\$ 10,944,487	
Cash and investments with fiscal agents	3,886,041	452,218	12,689,725	29	-	17,028,013	
Receivables:							
Accounts	-	672	19,940	13,446	64,786	98,844	
Property Taxes	-	-	40,779	-	10,195	50,974	
Loans	-	973,352	182,916	231,322	8,219,517	9,607,107	
Interest	1,482	8,860	-	5,526	474,533	490,401	
Other Assets	-	2,900	-	-	495	3,395	
Advances to other funds	-	-	-	2,475,000	-	2,475,000	
<b>Total assets</b>	<b>\$ 4,421,282</b>	<b>\$ 4,597,264</b>	<b>\$ 16,819,395</b>	<b>\$ 4,410,668</b>	<b>\$ 10,449,612</b>	<b>\$ 40,698,221</b>	
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ -	\$ 10,448	\$ 70,233	\$ 9,273	\$ 26,820	\$ 116,774	
Unearned revenue	-	973,352	182,916	231,322	8,690,306	10,077,896	
Other liabilities	-	138,587	4,198,380	707,527	-	5,044,494	
Advances from other funds	-	-	2,475,000	-	-	2,475,000	
Advances from City	-	2,299,315	2,134,324	-	-	4,433,639	
<b>Total liabilities</b>	<b>-</b>	<b>3,421,702</b>	<b>9,060,853</b>	<b>948,122</b>	<b>8,717,126</b>	<b>22,147,803</b>	
<b>Fund Balances:</b>							
Reserved:							
Encumbrances	-	109,323	183,503	48,409	29,598	370,833	
Debt service	4,421,282	-	-	-	-	4,421,282	
Capital projects	-	1,066,239	7,575,039	3,414,137	1,702,888	13,758,303	
<b>Total fund balances</b>	<b>4,421,282</b>	<b>1,175,562</b>	<b>7,758,542</b>	<b>3,462,546</b>	<b>1,732,486</b>	<b>18,550,418</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 4,421,282</b>	<b>\$ 4,597,264</b>	<b>\$ 16,819,395</b>	<b>\$ 4,410,668</b>	<b>\$ 10,449,612</b>	<b>\$ 40,698,221</b>	

See accompanying notes to basic financial statements.

# REDEVELOPMENT AGENCY OF THE CITY OF SAN LEANDRO

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET WITH THE STATEMENT OF NET ASSETS JUNE 30, 2010

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Total Fund Balances - Total Governmental Funds	\$ 18,550,418
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	8,596,138
Allowance for forgivable loans does not require current financial resources. Therefore, allowance for forgivable loans is not recorded on the Governmental Funds Balance Sheet.	(1,641,894)
Interest payable on the long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental Funds Balance Sheet.	(850,539)
Revenues which are deferred on the Funds Balance Sheet because they are not available currently and taken into revenue in the Statement of Activities and accordingly, increases the net assets on the Statement of Net Assets.	10,077,896
Payment of costs for the issuance of debt is an expenditure in the governmental funds, but is recorded as a prepaid expense and amortized on the statement of net assets over the life of debt.	681,890
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	
Long-term liabilities (net) - current portion due within one year.	(1,880,415)
Long-term liabilities (net) - noncurrent portion.	<u>(53,550,781)</u>
Net Assets of Governmental Activities	<u>\$ (20,017,287)</u>

See accompanying notes to basic financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF SAN LEANDRO**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Major Funds					Total
	General Operating					
	General Debt Service	Plaza Project Area Capital Projects	Agency Joint Project Area Capital Projects	West San Leandro Project Area Capital Projects	Low and Moderate Housing Capital Projects	
<b>REVENUES:</b>						
Property tax increments	\$ -	\$ 2,235,910	\$ 2,856,055	\$ 3,257,181	\$ 2,619,906	\$ 10,969,052
Use of money and property	-	109,506	114,334	12,552	36,175	272,567
Other	-	131,436	27,204	30,946	165,374	354,960
<b>Total revenues</b>	<b>-</b>	<b>2,476,852</b>	<b>2,997,593</b>	<b>3,300,679</b>	<b>2,821,455</b>	<b>11,596,579</b>
<b>EXPENDITURES</b>						
Current:						
Community development	-	1,845,741	8,816,169	3,243,849	3,292,570	17,198,329
Debt service:						
Principal retirement	1,535,000	-	42,227	-	63,000	1,640,227
Interest and fiscal charges	2,695,283	147,131	194,274	-	50,475	3,087,163
<b>Total expenditures</b>	<b>4,230,283</b>	<b>1,992,872</b>	<b>9,052,670</b>	<b>3,243,849</b>	<b>3,406,045</b>	<b>21,925,719</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,230,283)</b>	<b>483,980</b>	<b>(6,055,077)</b>	<b>56,830</b>	<b>(584,590)</b>	<b>(10,329,140)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from issuance of debt	-	-	-	-	-	-
Transfers to other City funds	-	-	-	-	-	-
Operating transfers in	4,230,985	-	-	-	-	4,230,985
Operating transfers out	-	(1,337,001)	(2,497,008)	(396,976)	-	(4,230,985)
<b>Total other financing sources (uses)</b>	<b>4,230,985</b>	<b>(1,337,001)</b>	<b>(2,497,008)</b>	<b>(396,976)</b>	<b>-</b>	<b>-</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES</b>	<b>702</b>	<b>(853,021)</b>	<b>(8,552,085)</b>	<b>(340,146)</b>	<b>(584,590)</b>	<b>(10,329,140)</b>
<b>FUND BALANCES:</b>						
<b>Beginning of year</b>	<b>4,420,580</b>	<b>2,028,583</b>	<b>16,310,627</b>	<b>3,802,692</b>	<b>2,317,076</b>	<b>28,879,558</b>
<b>End of Year</b>	<b>\$ 4,421,282</b>	<b>\$ 1,175,562</b>	<b>\$ 7,758,542</b>	<b>\$ 3,462,546</b>	<b>\$ 1,732,486</b>	<b>\$ 18,550,418</b>

See accompanying notes to basic financial statements.

# REDEVELOPMENT AGENCY OF THE CITY OF SAN LEANDRO

## RECONCILIATION OF THE GOVERNMENTAL STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE TO THE GOVERNMENT - WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2010

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Net Change in Fund Balances - Total Governmental Funds	\$(10,329,140)
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Governmental funds report acquisition of capital assets as expenditures in various functions and in capital outlay. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	677,000
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.	(109,309)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long- term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statements of Net Assets.	
This amount represents the difference between accrued and paid interest.	17,961
This amount represents amortization of cost of issuance.	(24,353)
This amount represents amortization of bond discount and premium, net.	2,415
This amount represents long-term debt repayment.	1,640,227
Allowance for forgivable loans does not require current financial resources. Therefore, the change in allowance for forgivable loans is not recorded as an expenses on the Governmental funds.	(81,291)
Unearned revenues that do not provide current financial resources and are not reported in the governmental funds.	343,260
Changes in Net Assets of Governmental Activities	<u>\$ (7,863,230)</u>

See accompanying notes to basic financial statements.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

# REDEVELOPMENT AGENCY OF SAN LEANDRO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. General

The Redevelopment Agency of the City of San Leandro (Agency) is a separate governmental entity established pursuant to the provisions of Section 33200 of the State of California Health and Safety Code and applicable statutes, for the purposes of redeveloping certain areas of the City of stimulate and attract private investment and to eliminate physical or economic blight. The Agency administers three Redevelopment Project Areas.

- **Plaza (Merged Plaza I and Plaza II) Project Areas**, consist of the Downtown Plaza Shopping Center and adjoining commercial Plaza Project business and includes a large surface public parking facility, the Callan Parking Garage, several large office complexes including the new Creekside Office Park, and the Costco Development.
- **Alameda County – City of San Leandro Project Area**, also known as the “Joint” Project Area. Major elements of the redevelopment plan include a portion of the Bayfair Mall Shopping Center, the Marina Auto Mall, the Cherrywood residential development, and much of the E.14<sup>th</sup> Street commercial corridor.
- **West San Leandro/MacArthur Project Area**, a recently formed project area, the plan includes a major streetscape improvement and commercial revitalization effort on MacArthur Boulevard, the Airport Gateway Projects, and various economic development initiatives in the West San Leandro industrial area.

Funds for redevelopment have been generated from various sources, including the issuance of tax allocation bonds, incremental property taxes and funds provided by the City of San Leandro (City).

The Agency is authorized to finance its activities within each project area from various sources, including assistance from the City, the State and Federal governments, property tax increments, interest income and the issuance of Agency notes and bonds.

The Agency is an integral part of the City and, accordingly, the accompanying component unit financial statements are included as a blended component unit of the general purpose financial statements prepared by the City. A component unit is a separate government unit, agency or nonprofit corporation which, when combined with all other component units, constitutes the reporting entity as defined in the City’s basic financial statements.

#### B. Basis of Accounting and Measurement Focus

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenditures. Agency resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending is controlled.

# REDEVELOPMENT AGENCY OF SAN LEANDRO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. Basis of Accounting and Measurement Focus (Continued)

##### **Government – Wide Financial Statements**

The Agency's Government-Wide Financial Statements includes a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements summarize the Governmental Activities for the Agency. The Agency has no Business Type Activities.

The basic financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as revenues for the Agency are general revenues such as property tax increment and interest revenues. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated. In the Statement of Activities, interfund transfers have been eliminated.

The Agency applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) to the governmental activities.

##### **Governmental Fund Financial Statements**

Governmental Fund Financial Statements include Balance Sheets and a Statements of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds. An accompanying schedule is presented to reconcile and explain the difference in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements. The Agency has presented all major funds as required.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing resources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are typically recognized in the accounting period when received. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property tax increment and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

# REDEVELOPMENT AGENCY OF SAN LEANDRO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

#### D. Cash and Investment

The Agency participates in the City's cash and investment pool which is managed by the City Treasurer. For purposes of reporting cash flows, the Agency considers each fund's share in the cash and investments pool to be cash and cash equivalents. With respect to cash and investments held by fiscal agents, the Agency considers investments with original maturities of three months or less to be cash equivalents. Investments income earned on the investment pool is distributed to the appropriate funds based on average month-end balances.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The Agency participated in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structure Notes and Asset Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structure Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

#### E. Notes Receivable

Notes receivable and related accrued interest, net of deferred revenue, are fully reserved in the equity section of the Capital Projects Funds balance sheet, as they do not represent "current financial resources".

#### F. Capital Assets

Capital assets are those assets acquired for general governmental purposes. Such assets currently purchased or constructed are recorded at historical cost as expenditures in the Fund Financial Statements. For the Agency Wide Financial Statements, capital assets that exceed \$5,000, are capitalized and depreciated over their useful lives. Contributed capital assets are recorded at fair market value at the time received.

#### G. Long-Term Obligations

*Government-Wide Financial Statements* – Long-term debt and other financed obligations are reported as liabilities in the governmental activities.

*Fund Financial Statements* – Long-term debt and other financed obligations are reported as liabilities in the governmental activities.

**REDEVELOPMENT AGENCY OF SAN LEANDRO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fund Financial Statements* – The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

**H. Compensated Absences**

Compensated absences are charged to operating expenditures when paid. Vacation and related benefits fully vest as earned and are paid in full upon termination. Vested vacation obligations are recorded in the Agency’s Government-Wide Financial Statements as accrued compensated absences until paid. The Agency is not liable for payment to employees for accrued sick leave and no related liability is recorded in the accompanying basic financial statements. The Agency’s portion of related liabilities is not considered significant to the Agency.

**I. Property Tax Increment**

The State of California (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100 percent of market value as defined by Article XIII A and may be increased by no more than two percent per year unless the property is sold, transferred or improved. The State Legislature has determined the method of distribution of receipts from a one percent tax levy among the counties, cities, school districts and other districts.

The County of Alameda bills for and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	January 1	January 1
Lien dates	January 1	January 1
Due dates	50% on November 1 50% on February 1	
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

Secured taxes are secured by liens on the property being taxed. Unsecured taxes refer to taxes on personal property other than land and buildings. Property tax returns and receivables are recognized to the extent that they are measurable and will be received within 60 days of year-end.

# REDEVELOPMENT AGENCY OF SAN LEANDRO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### J. Deferred or Unearned Revenues

Deferred revenues represent an off-set for revenue in which asset recognition criteria has been met, but where revenue recognition criteria has not been met. The Agency has reported as deferred revenues, receivables from project developer and notes receivable from homeowners and related accrued interest; as such amounts are measurable but are not available.

#### K. Net Assets and Fund Equity

In the Government-Wide Financial Statements, net assets are classified in the following categories:

**Invested in Capital Assets, Net of Related Debt** – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

**Restricted Net Assets** – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

**Unrestricted Net Assets** – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets as defined above.

In the Fund Financial Statements, fund equity are reservations and designations of fund balances of governmental funds and unrestricted net assets of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

#### L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# REDEVELOPMENT AGENCY OF SAN LEANDRO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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### 2. CASH AND INVESTMENTS

Cash and investments at June 30, 2010, consisted of the following:

Cash and investments pooled with the City	\$	10,944,487
Restricted cash and investments		<u>17,028,013</u>
Total cash and investments	\$	<u><u>27,972,500</u></u>

The Agency has pooled its cash and investment with the City in order to achieve a higher return on investment. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements, are not pooled. These restricted funds include cash with fiscal agents.

The investments made by the City are limited to those allowable under State status and include the following types of investments:

- U.S. Government Securities
- Bankers' Acceptance
- Commercial Paper
- Medium-Term Notes
- Repurchases Agreements
- Deposits with Banks
- State of California Local Agency Investment Fund
- Passbook savings account demand deposits
- Mutual funds investing in securities of the U.S. government or its agencies

The Agency does not have specific cash or investment accounts. See the City's Comprehensive Annual Financial Report for disclosures related to cash and investments and the related custodial risk categorization. As prescribed by Governmental Accounting Standards Boards Statement No. 40.

# REDEVELOPMENT AGENCY OF SAN LEANDRO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### 3. LOANS RECEIVABLE

Loans receivable at June 30, 2010 consisted of the following:

	Balance Per Balance Sheet Governmental Funds June 30, 2010	Allowance For Forgivable Loans	Balance Per Statement of Net Assets June 30, 2010
Creekside Property Loan	\$ 903,045	\$ -	\$ 903,045
Merced Street Properties	150,000	(150,000)	-
Commercial Rehab Loans	334,545	(334,545)	-
American Baptist Homes	1,887,538	-	1,887,538
Estabrook Senior Housing	1,978,000	-	1,978,000
Eden Housing	1,226,000	(550,000)	676,000
Citizens Housing Corporation	300,000	-	300,000
Loans to Property Owners	2,827,979	(136,560)	2,691,419
<b>Total loans and notes</b>	<b>9,607,107</b>	<b>(1,171,105)</b>	<b>8,436,002</b>
Interest on Loans Receivable	470,789	(470,789)	-
<b>Total Interest and Loans</b>	<b>\$ 10,077,896</b>	<b>\$ (1,641,894)</b>	<b>\$ 8,436,002</b>

Redevelopment Agency Capital Projects Funds were owed \$1,387,590 at June 30, 2010 which includes (1) a loan made to J.T. Lawrence and Creekside Associates, LLC for the development of Creekside Plaza Garage and Restaurant; (2) a loan made to Merced Street Properties for property improvements; and (3) other commercial rehab loans for property improvements. The outstanding balance net of allowances at June 30, 2010, was \$903,045. The Agency has agreed to forgive a portion of the loans if certain conditions outlined in the agreement are satisfied. Because the loans do not meet the Agency's availability criteria for revenue recognition, the Agency has deferred the revenue related to these loans. Revenues are recognized in the year of payment. Loans are secured by trust deeds.

At June 30, 2010, the Agency, in its Low and Moderate Housing Capital Projects Funds, was owed \$8,690,306 which includes (1) a loan made to American Baptist Homes; (2) a loan made to Estabrook Senior Housing; (3) a loan made to Eden Housing, Inc.; (4) a loan made to Citizens Housing Corporation; and (5) loans that were made to City property owners who meet the HUD requirements for financial assistance for property improvements and first time home buyer loans. The outstanding balance net of allowances at June 30, 2010, was \$7,532,957. The Agency has agreed to forgive a portion of the loans if certain conditions outlined in the agreement are satisfied. Because the loans do not meet the Agency's available criteria for revenue recognition, the Agency has deferred the revenue related to these loans. Revenues are recognized in the year of repayment. Loans are secured by trust deeds.

**REDEVELOPMENT AGENCY OF SAN LEANDRO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**4. INTERFUND TRANSACTIONS**

**Fund Financial Statements**

At June 30, 2010, the Agency had the following operating transfers in and out:

		<b>Transfers In</b>	
		General	
<b>Transfers Out</b>	Major Funds:	<u>Debt Service</u>	<u>Total</u>
	West San Leandro	\$ 396,976	\$ 396,976
	Plaza Project Area	1,337,001	1,337,001
	Agency Joint Project Area	2,497,008	2,497,008
	<b>Total</b>	<u>\$ 4,230,985</u>	<u>\$ 4,230,985</u>

**5. UNEARNED REVENUE**

Unearned revenue at June 30, 2010, consisted of the following:

	<u>Governmental Funds</u>
Loans Receivable:	
Creskide Property Loan	\$ 903,045
Merced Street Properties	150,000
Business Loans	334,545
American Baptist Homes	1,887,538
Estabrook Senior Housing	1,978,000
Eden Housing	1,226,000
Citizens Housing Corporation	300,000
Loans to Property Owners	3,298,768
<b>Total</b>	<u>\$ 10,077,896</u>

**REDEVELOPMENT AGENCY OF SAN LEANDRO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**6. CAPITAL ASSETS**

The following is a summary of the Agency’s capital assets:

	Balance June 30, 2009	Additions	Retirement	Adjustments	Balance June 30, 2010
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 3,417,711	\$ 264,986	\$ -	\$ (142,813)	\$ 3,539,884
Total capital assets, not being depreciated	<u>\$ 3,417,711</u>	<u>\$ 264,986</u>	<u>\$ -</u>	<u>\$ (142,813)</u>	<u>\$ 3,539,884</u>
Capital assets, being depreciated:					
Building	\$ 5,082,214	\$ 412,014	\$ -	\$ 142,813	\$ 5,637,041
Accumulated depreciation	(471,478)	(109,309)	-	-	(580,787)
<b>Total capital assets being depreciated, net</b>	<u>4,610,736</u>	<u>302,705</u>	<u>-</u>	<u>142,813</u>	<u>5,056,254</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 8,028,447</u>	<u>\$ 567,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,596,138</u>

**7. ADVANCES FROM CITY FUNDS**

The City has made long term advances to the Agency from various City funds to cover operational expenditures incurred by the Agency. The terms of the loans are indefinite. Interest accrues annually at the rate of 6%. The balance as of June 30, 2010, was \$4,433,639.

# REDEVELOPMENT AGENCY OF SAN LEANDRO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### 8. LONG-TERM OBLIGATIONS

A summary of changes in long-term debt for the year ended June 30, 2010, is as follows:

	Balance June 30, 2009	Additions	Retirement	Adjustment	Balance June 30, 2010	Current Portion	Long-Term Portion
2001 Certificates of Participation	\$ 4,080,000	\$ -	\$ (150,000)	\$ -	\$ 3,930,000	\$ 155,000	\$ 3,775,000
2002 Tax Allocation Bonds	14,115,000	-	(550,000)	-	13,565,000	575,000	12,990,000
2004 Tax Allocation Bonds	5,405,000	-	(100,000)	-	5,305,000	105,000	5,200,000
2008 Tax Allocation Bonds	27,530,000	-	(325,000)	-	27,205,000	475,000	26,730,000
Bay Fair Mall Debt	950,000	-	(250,000)	-	700,000	250,000	450,000
HUD 108 Guarantee	685,000	-	(63,000)	-	622,000	63,000	559,000
Owner Participation Agreements	2,555,858	-	(42,227)	-	2,513,631	95,000	2,418,631
San Leandro USD-9th Grade	1,635,360	-	(160,000)	-	1,475,360	160,000	1,315,360
<b>Total</b>	<b>56,956,218</b>	<b>-</b>	<b>(1,640,227)</b>	<b>-</b>	<b>55,315,991</b>	<b>1,878,000</b>	<b>53,437,991</b>
Plus (Less) unamortized:							
Discount (2002 TAB)	\$ (78,036)	\$ -	\$ 4,107	\$ -	\$ (73,929)	\$ (4,107)	\$ (69,822)
Premium (2008 TAB)	195,656	-	(6,522)	-	189,134	6,522	182,612
<b>Total Long-Term Obligations, Net</b>	<b>\$ 57,073,838</b>	<b>\$ -</b>	<b>\$ (1,642,642)</b>	<b>\$ -</b>	<b>\$ 55,431,196</b>	<b>\$ 1,880,415</b>	<b>\$ 53,550,781</b>

**REDEVELOPMENT AGENCY OF SAN LEANDRO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**8. LONG-TERM OBLIGATIONS (Continued)**

**2001 Certificates of Participation – (Joint Project Area)**

In 2001, the Agency issued \$5,020,000 principal amount of 2001 Certificates of Participation (2001 COPs). The purpose of the 2001 COPs was to assist the Agency in financing redevelopment activities within the Joint Project Area. The certificates mature annually through 2027. The 2001 COPs bear interest rates ranging from 2.10% to 5.10% and are payable semiannually on each December 1 and June 1. Principal payments are payable annually on December 1. The certificates evidence fractional interest of the owners in lease payments to be made by the City for use and occupancy of the City’s corporation yard and are additionally secured and payable from the property tax increment revenues from the Joint Project Area within the City.

At June 30, 2010, future debt service requirement for the 2001 Certificates of Participation were as follows:

For The Year Ending June 30,	Principal	Interest	Total
2011	\$ 155,000	\$ 187,857	\$ 342,857
2012	165,000	181,375	346,375
2013	170,000	174,423	344,423
2014	180,000	166,937	346,937
2015	185,000	158,860	343,860
2016-2020	1,070,000	649,759	1,719,759
2021-2025	1,360,000	344,760	1,704,760
2026-2027	645,000	33,278	678,278
<b>Total debt service</b>	<b>\$ 3,930,000</b>	<b>\$ 1,897,249</b>	<b>\$ 5,827,249</b>

**REDEVELOPMENT AGENCY OF SAN LEANDRO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**8. LONG-TERM OBLIGATIONS (Continued)**

**2002 Tax Allocation Bonds – (Plaza Project Area)**

The Tax Allocation Bonds were issued by the Redevelopment Agency to refund 1993 Tax Allocation Bonds used to finance the redevelopment activities within the Plaza Project Area (which have been completed) and to finance new redevelopment activities within the Plaza Area (which have been completed) and to finance new redevelopment projects as set forth in the Redevelopment Plan. The bonds consist of serial bonds in the amount of \$15,935,000 that mature annually through 2025 in amounts ranging from \$305,000 to \$860,000. Interest rates vary from 2.90% to maximum of 5.95% and are payable semiannually on September 1 and March 1. The debt is secured and payable from the property tax increment revenues from the Plaza Area within the City.

At June 30, 2010, future debt service requirement for the 2002 Tax Allocation Bonds were as follows:

For The Year Ending June 30,	Principal	Interest	Total
2011	\$ 575,000	\$ 757,194	\$ 1,332,194
2012	605,000	728,413	1,333,413
2013	635,000	697,095	1,332,095
2014	670,000	663,482	1,333,482
2015	705,000	627,380	1,332,380
2016-2020	3,990,000	2,490,740	6,480,740
2021-2025	2,300,000	1,572,228	3,872,228
2026-2030	2,580,000	844,976	3,424,976
2031-2033	1,505,000	131,250	1,636,250
<b>Total debt service</b>	<b>\$ 13,565,000</b>	<b>\$ 8,512,758</b>	<b>\$ 22,077,758</b>

**REDEVELOPMENT AGENCY OF SAN LEANDRO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**8. LONG-TERM OBLIGATIONS (Continued)**

**2004 Tax Allocation Bonds**

In 2004, the Agency issued \$5,500,000 principal amount of 2005 Tax Allocation Bonds (2004 TABs). The purpose of the 2004 TABs was to assist the Agency to finance redevelopment activities within the West San Leandro/McArthur Boulevard Redevelopment Project Area of the City. The 2004 TABs bear interest rates ranging from 5.00% to 5.75% and are payable semiannually on March 1 and September 1. Principal payments are payable annually on September 1. The debt is secured and payable from the tax increment revenues from the West San Leandro/McArthur Boulevard Redevelopment Project area.

At June 30, 2010, future debt service requirements for the 2004 Tax Allocation Bonds were as follows:

For The Year Ending June 30,	Principal	Interest	Total
2011	\$ 105,000	\$ 290,606	\$ 395,606
2012	110,000	284,425	394,425
2013	115,000	277,956	392,956
2014	125,000	271,056	396,056
2015	130,000	263,888	393,888
2016-2020	770,000	1,206,690	1,976,690
2021-225	985,000	978,804	1,963,804
2026-2030	1,280,000	672,289	1,952,289
2031-2035	1,685,000	252,856	1,937,856
<b>Total debt service</b>	<b>\$ 5,305,000</b>	<b>\$ 4,498,570</b>	<b>\$ 9,803,570</b>

**REDEVELOPMENT AGENCY OF SAN LEANDRO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**8. LONG-TERM OBLIGATIONS (Continued)**

**2008 Tax Allocation Bonds**

In 2008, the Agency issued \$27,530,000 principal amount of 2008 Tax Allocation Bonds (2008 TABs). The purpose of the 2008 TABs was to provide funds to finance capital projects in the Alameda County-City of San Leandro Redevelopment Project Area. A portion of 2008 TABs will be used to finance projects that meet the goals and objectives set forth in the Redevelopment Plan. These include, but not limited to, design and construction of a senior center, a proposed parking garage, and infrastructure improvements on East 14<sup>th</sup> Street. Interest rates vary from 4.75% to 5.00% and are payable annually. Principal payments are payable annually on November 1.

At June 30, 2010, future debt service requirements for the 2008 Tax Allocation Bonds were as follows:

For The Year Ending June 30,	Principal	Interest	Total
2011	\$ 475,000	\$ 1,389,813	\$ 1,864,813
2012	495,000	1,365,563	1,860,563
2013	510,000	1,340,438	1,850,438
2014	530,000	1,314,438	1,844,438
2015	550,000	1,287,438	1,837,438
2016-2020	3,105,000	5,994,325	9,099,325
2021-2025	3,860,000	5,155,869	9,015,869
2026-2030	4,895,000	4,076,745	8,971,745
2031-2035	6,360,000	2,621,753	8,981,753
2036-38	6,425,000	715,905	7,140,905
<b>Total debt service</b>	<b>\$ 27,205,000</b>	<b>\$ 25,262,287</b>	<b>\$ 52,467,287</b>

**REDEVELOPMENT AGENCY OF SAN LEANDRO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**8. LONG-TERM OBLIGATIONS (Continued)**

**Bay Fair Mall Debt – (Joint Project Area)**

On June 15, 1998, the Agency committed \$4,000,000 to renovate the Bayfair Mall. This debt with City commitment is at 0% interest and has installments ranging between \$200,000 to \$400,000 per year over a 15 year period beginning in July 1998.

At June 30, 2010, future debt service requirements for the Bay Fair Mall commitment were as follows:

For The Year Ending June 30,	Principal
2011	\$ 250,000
2012	250,000
2013	200,000
<b>Total debt service</b>	<b>\$ 700,000</b>

**HUD 108 Guarantee – (Housing set-aside)**

In 2000, the Agency received a \$1,000,000 20-year federal loan from Housing and Urban Development, at an interest rate of 5.6% to finance the acquisition and construction of affordable housing for seniors within the City. The loan is secured and payable from the Agency’s 20% Housing Set-Aside Fund. The tax increment funds used to repay the loan will be generated from the Cherrywood Development project.

At June 30, 2010, future debt services requirements for the HUD 108 Guarantee loan were as follows:

For The Year Ending June 30,	Principal	Interest	Total
2011	\$ 63,000	\$ 6,095	\$ 69,095
2012	63,000	11,372	74,372
2013	63,000	10,925	73,925
2014	63,000	10,232	73,232
2015	63,000	9,243	72,243
2016-2020	307,000	25,026	332,026
<b>Total debt service</b>	<b>\$ 622,000</b>	<b>\$ 72,893</b>	<b>\$ 694,893</b>

8.

**REDEVELOPMENT AGENCY OF SAN LEANDRO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**LONG-TERM OBLIGATIONS (Continued)**

**Financing Agreement with San Leandro Unified School District**

In February 2009, the City of San Leandro (City) entered into a joint use agreement with the San Leandro Unified School District which provides for the City use of the 9th grade gymnasium during non-school hours and the Agency agreed to provide for financial contribution to the project in the amount of \$2,170,800 with no interest payable by June 30, 2014. During the fiscal year ended June 30, 2010, annual payments for the 2009-10 and 2010-11 fiscal years were reduced from \$327,072 to \$160,000 as a consequence of the State SERAF requirement, consistent with the terms of the financing agreement between the Agency and the school district. Assuming no additional payments are required by the State in subsequent years, the term of the agreement will be extended with two years of additional payments at \$167,072 per year.

For The Year Ending June 30,	Principal
2011	\$ 160,000
2012	327,072
2013	327,072
2014	327,072
2015	167,072
2016	167,072
<b>Total debt service</b>	<b>\$ 1,475,360</b>

**Owner Participation Agreements**

The Agency has entered into the following agreement which have a contingency liability to the Agency:

	Balance June 30, 2009	Retirements	Balance June 30, 2010
Ford Motor Company	\$ 2,165,859	\$ (34,015)	\$ 2,131,844
Batarse Family Trust Disposition & Development	390,000	(8,211)	381,789
<b>Total</b>	<b>\$ 2,555,859</b>	<b>\$ (42,226)</b>	<b>\$ 2,513,633</b>

- **Ford Motor Company Owner Participation Agreement** – The agreement requires the Agency to make annual payments equivalent to 50% of the sales tax generated above a base of \$277,000 by the sale of vehicles as part of the Ford Store San Leandro development. The original amount due was \$3,000,000 to be paid over several years depending on the volume of auto sales at no interest. As of June 30, 2010, the amount due is \$2,131,844.
- **Bartarse Family Trust Disposition and Development Agreement** – The agreement requires the Agency to make annual payments equivalent to 50% of the sales tax generated by the sale of vehicles as part of

# REDEVELOPMENT AGENCY OF SAN LEANDRO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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a proposed new car dealership. The original amount due was \$390,000 to be paid over several years depending on the volume of auto sales at no interest. As of June 30, 2010, the amount due is \$381,789.

### 8. EXCESS SURPLUS REQUIREMENTS

As part of AB 1290, effective January 1, 1995, the Agency is required to report any “excess surplus” to the Federal Department of Housing and Community Development. An excess surplus exists for a fiscal year if the unencumbered balance at year-end in the Agency’s Low and Moderate Income Housing Fund exceeds the greater of \$1 million or the aggregate amount of tax increment revenue deposited into this fund during the preceding four fiscal years. If any excess surplus is not spent or encumbered within three years, it must be transferred to the County’s housing authority. The Agency did not have any excess surplus housing funds for the fiscal year ended June 30, 2010, based upon calculations performed by the Agency’s management.

### 9. JOINT PROJECT AREA AGREEMENT

Effective July 2001, the Alameda County Redevelopment Agency took over the development and management responsibility of their portion of the Joint Project Area. The Agency’s basic financial statements does not reflect the gross tax increment payments made to the County for their portion of the Joint Project Area, pursuant to the agreement between the Agency and the County. The County’s share of the Joint Project Area tax increment is disbursed to them by the City. The County accounts for the gross tax increment payments and associated expenses in its basic financial statements that are audited by its independent auditors in conformance with state requirements. Since administrative responsibility lies with the City, the City produces one comprehensive basic financial statement and State Controller’s Report for the Joint Project Area. The County’s basic financial statements and other related reports for its area are available at the County’s Office for further review by the public upon notice.

### 10. COMMITMENTS AND CONTINGENCIES

#### A. Downtown Plaza Shopping Center MOREA

An agreement was entered into between San Leandro Plaza Associates, Plaza Partners, and the San Leandro Redevelopment Agency (Agency) for the maintenance and operation of the public parking and common area of the shopping center. The Agency’s share of the costs associated with the MOREA is 22.2%. The Agency’s share for 2009-10 was approximately \$37,000.

# REDEVELOPMENT AGENCY OF SAN LEANDRO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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### COMMITMENTS AND CONTINGENCIES (Continued)

#### **B. Century Theaters Reimbursement and Performance Agreement**

The agreement requires the Agency to guarantee the ground lease by M&J Wilkow (or its successors and assigns) for property adjacent to the Bayfair Mall as part of the development of the Century Theaters complex. The obligation only occurs in the event of a default by the mall ownership. The amount of the obligation is subject to change over time as provided in the lease.

#### **C. The Alameda at San Leandro Crossings**

The Alameda at San Leandro Crossings, a 100-unit affordable rental housing project which will be developed by the nonprofit BRIDGE Housing Corporation, is part of the proposed 300 unit Phase I development in San Leandro Crossings. Westlake Development Partners LLC will develop the remainder of Phase 1. The City Redevelopment Agency approved a development loan of \$9.1 million in Set-Aside Funds in April 2009. Due to unforeseen factors beyond the developers' control, the Alameda was delayed in April 2010. The RDA will be assisting in financing \$6.9 million (of the \$9.1 million loan) through the future issuance of tax allocation bonds. The RDA designated the remaining \$1.2 million for eligible pre-development costs for BRIDGE. As of Fall 2009, the estimated TAB loan term was expected to be 15 years with interest rate for taxable bonds to be approximately 7.7% to 8%. The RDA will be able to reimburse itself from the proceeds of future TAB financing for expenditures made in advance of the issuance of the financing.

#### **D. Litigation**

The Agency is involved in various claims and litigation resulting from its normal operations. The ultimate outcome of these matters is not presently determinable. In the Agency managements' opinion, these matters will not have a significant adverse effect of the Agency's financial position.

### **11. SUBSEQUENT EVENTS**

The State Budget for 2010-11 includes the second year of a two-year take from the redevelopment agencies to fund the Supplemental Educational Revenue Augmentation Fund (SERAF). For San Leandro, the required payment for 2010-11 will be slightly less than \$900,000. San Leandro's SERAF obligation in 2010-11 was roughly \$4.2 million. Although the Agency was able to make that payment without borrowing from other funds, the requirement has a severe impact on the ability to complete and initiate redevelopment projects and programs in the near future. The passage of Proposition 22 in November 2010 appears to have eliminated the possibility of similar State takes in future.

**SUPPLEMENTARY INFORMATION**

# REDEVELOPMENT AGENCY OF SAN LEANDRO

## SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2010

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### 1 BUDGETARY INFORMATION

#### **Budgets and Budgetary Accounting**

The Agency adopts a budget annually to be effective July 1 for the ensuing fiscal year. Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the Agency Board.

An operating budget is adopted each fiscal year for the Debt Service Fund. Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing. Capital projects are budgeted by the Agency Board over the term of the individual projects. Since capital projects are not budgeted on an annual basis, they are not included in the budgetary data.

Expenditures are controlled at the fund level for all budgeted departments within the Agency. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the Combined Statement Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual include budget amendments approved by the Agency Board.

The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP).

Any amendments or transfers of appropriations between object group levels within the same department must be authorized by the City Manager. Any amendments to the total level of appropriations for a fund or transfers between funds must be approved by the Agency Board. Supplemental appropriations financed by unanticipated revenues during the year must be approved by the Agency Board.

# REDEVELOPMENT AGENCY OF SAN LEANDRO

## SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2010

### 1 BUDGETARY INFORMATION (Continued)

#### Budgets and Budgetary Accounting (Continued)

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Major Governmental Funds – General Debt Service Fund.

	Budgeted Amount		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 12,444	\$ 12,444	\$ -	\$ (12,444)
<b>EXPENDITURES:</b>				
Debt service:				
Principal retirement	1,015,000	1,550,440	1,535,000	(15,440)
Interest and fiscal charges	1,326,237	2,911,894	2,695,283	216,611
<b>Total expenditures</b>	<b>2,341,237</b>	<b>4,462,334</b>	<b>4,230,283</b>	<b>232,051</b>
<b>REVENUES OVER (UNDER) EXPENDITURE</b>	<b>(2,328,793)</b>	<b>(4,449,890)</b>	<b>(4,230,283)</b>	<b>219,607</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	4,673,057	4,780,985	4,230,985	(550,000)
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 2,344,264</b>	<b>\$ 331,095</b>	<b>702</b>	<b>\$ 330,393</b>
<b>FUND BALANCES:</b>				
Beginning of year			4,420,580	
End of year			\$ 4,421,282	



VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
of the Redevelopment Agency of San Leandro  
San Leandro, California

We have audited the basic financial statements of the governmental activities and each major fund of the Redevelopment Agency of San Leandro (Agency), a component unit of the City of San Leandro (City) as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards in the United States of America and the standard applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financing Reporting***

In planning and performing our audit, we considered Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. Our audit includes tests of compliance with provisions of the Guidelines for Compliance Audits of California Redevelopment Agencies. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

This report is intended for the information of the Board, management and the State Controller's Office and is not intended to be and should not be used by anyone other than the above parties.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California  
December 22, 2010