

SAN RAMON REDEVELOPMENT AGENCY

COMPONENT UNIT FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011



SAN RAMON REDEVELOPMENT AGENCY
BASIC COMPONENT UNIT FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

Agency Board Members of the San Ramon Redevelopment Agency
San Ramon, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the San Ramon Redevelopment Agency, a component unit of the City of San Ramon, California, as of and for the fiscal year ended June 30, 2011, which collectively comprise the component unit basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the San Ramon Redevelopment Agency. Our responsibility is to express opinions on these 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 *Government Auditing 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the San Ramon Redevelopment Agency as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in Note 3, it is uncertain as to the future continuation of redevelopment agencies (a material component unit in the City's financial statements) in the state of California as a result of litigation initiated in response to certain legislative actions enacted by the California State Legislature.

The Agency has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. The information identified in the accompanying table of contents as *Required Supplementary Information* is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 2011 on our consideration of the San Ramon Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The computation of low and moderate income housing funds excess surplus are presented for purposes of additional analysis and are not a required part of the financial statements. It is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Burr Pilger Mayer, Inc.

San Jose, California
December 22, 2011



SAN RAMON REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

Fiscal year ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net Expenses and Changes in Net Assets</u>
Governmental activities:			
Redevelopment activities	\$ 8,417,701	\$ -	\$ (8,417,701)
Capital contribution to the City of San Ramon	9,590,155	-	(9,590,155)
Debt service:			
Interest	3,774,341	-	(3,774,341)
Total governmental activities	<u>\$ 21,782,197</u>	<u>\$ -</u>	<u>(21,782,197)</u>
General revenues:			
Property tax, redevelopment agency tax increment			8,070,007
Investment income			86,574
Other			<u>(4,520)</u>
Total general revenues			<u>8,152,061</u>
Change in net assets			(13,630,136)
Net assets (deficit), beginning of year, as restated			<u>(35,058,363)</u>
Net assets (deficit), end of year			<u>\$ (48,688,499)</u>

The accompanying notes are an integral part of these financial statements.

SAN RAMON REDEVELOPMENT AGENCY

BALANCE SHEET

June 30, 2011

		Special Revenue Funds	
		Low/Mod Income Housing	
		Set-Aside	Redevelopment
ASSETS			
Assets:			
Cash and investments	\$	117,559	\$ 172,067
Restricted cash and investments		-	-
Receivables:			
Notes		5,820,938	-
Interest		-	262
Advances to other funds		3,483,624	-
Land held for resale		2,271,868	-
Total assets	\$	11,693,989	\$ 172,329
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$	28,788	\$ 8,803
Accrued payroll		59,245	47,501
Advances from other funds		-	3,483,624
Deferred revenue		5,820,938	-
Total liabilities		5,908,971	3,539,928
Fund balances:			
Reserved for:			
Nonspendable		3,483,624	-
Restricted		2,301,394	(3,367,599)
Total fund balances		5,785,018	(3,367,599)
Total liabilities and fund balances	\$	11,693,989	\$ 172,329

The accompanying notes are an integral part of these financial statements.

Capital Project Fund	Debt Service Funds			Totals
	Redevelopment Tax Allocation 1998/2004	Redevelopment Tax Allocation 2006	Non-major ERAF Tax Bond	
Redevelopment				
\$ 5,361,456	\$ 1,330,281	\$ 139,346	\$ 816	\$ 7,121,525
-	3,612,002	7,051,140	-	10,663,142
-	-	-	-	5,820,938
6,988	1,734	2,534	-	11,518
-	-	-	-	3,483,624
820,000	-	-	-	3,091,868
<u>\$ 6,188,444</u>	<u>\$ 4,944,017</u>	<u>\$ 7,193,020</u>	<u>\$ 816</u>	<u>\$ 30,192,615</u>
\$ 1,429,856	\$ 156	\$ 1,016	\$ -	\$ 1,468,619
9,357	-	-	-	116,103
-	-	-	-	3,483,624
-	-	-	-	5,820,938
<u>1,439,213</u>	<u>156</u>	<u>1,016</u>	<u>-</u>	<u>10,889,284</u>
-	-	-	-	3,483,624
<u>4,749,231</u>	<u>4,943,861</u>	<u>7,192,004</u>	<u>816</u>	<u>15,819,707</u>
<u>4,749,231</u>	<u>4,943,861</u>	<u>7,192,004</u>	<u>816</u>	<u>19,303,331</u>
<u>\$ 6,188,444</u>	<u>\$ 4,944,017</u>	<u>\$ 7,193,020</u>	<u>\$ 816</u>	<u>\$ 30,192,615</u>

The accompanying notes are an integral part of these financial statements.



SAN RAMON REDEVELOPMENT AGENCY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2011

Fund balances of governmental funds	\$	19,303,331
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets, net of depreciation, of governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		6,789,253
Long-term notes receivables are not current financial resources, and therefore, they are deferred in the governmental funds.		5,820,938
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds.		(1,463,089)
Bond issuance costs are expenditures in the governmental funds, but these are deferred in the statement of net assets and are amortized over the life of bonds. This amount represents the balance at year end.		1,348,374
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(80,487,306)</u>
Net Assets (Deficit) of Governmental Activities	\$	<u><u>(48,688,499)</u></u>

The accompanying notes are an integral part of these financial statements.

SAN RAMON REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Fiscal year ended June 30, 2011

	Special Revenue Funds	
	Low/Mod Income Housing	
	Set-Aside	Redevelopment
Revenues:		
Property taxes	\$ 1,614,001	\$ 6,456,006
Investment income	3,370	-
Miscellaneous	200,612	29
Total revenues	1,817,983	6,456,035
Expenditures:		
Current:		
Redevelopment	1,291,602	4,075,555
Pass-through payments (Note 10)	-	1,689,910
SERAF payment (Note 10)	-	594,765
Capital outlay	-	-
Debt service:		
Principal retirement	-	-
Interest and fees	-	-
Total expenditures	1,291,602	6,360,230
Excess (deficiency) of revenues over (under) expenditures	526,381	95,805
Other financing sources (uses):		
Transfers in from the City	-	2,000,000
Transfers out to the City	-	(150,000)
Transfers in	922,095	1,726,689
Transfers out	(1,487,595)	(7,122,935)
Total other financing sources (uses)	(565,500)	(3,546,246)
Change in fund balances	(39,119)	(3,450,441)
Fund balances at beginning of year	5,824,137	82,842
Fund balances at end of year	\$ 5,785,018	\$ (3,367,599)

The accompanying notes are an integral part of these financial statements.

Capital Projects Fund	Debt Service Funds			Totals
	Redevelopment Tax Allocation 1998/2004	Redevelopment Tax Allocation 2006	Non-major ERAF Tax Bond	
\$ -	\$ -	\$ -	\$ -	\$ 8,070,007
27,820	31,969	23,124	291	86,574
-	-	-	-	200,641
27,820	31,969	23,124	291	8,357,222
-	-	-	-	5,367,157
-	-	-	-	1,689,910
-	-	-	-	594,765
3,026,945	-	-	-	3,026,945
-	1,085,000	865,000	105,000	2,055,000
-	1,580,134	2,199,161	36,281	3,815,576
3,026,945	2,665,134	3,064,161	141,281	16,549,353
(2,999,125)	(2,633,165)	(3,041,037)	(140,990)	(8,192,131)
-	-	-	-	2,000,000
-	(2,000,000)	-	-	(2,150,000)
2,363,175	4,665,385	3,077,175	141,281	12,895,800
-	-	(4,285,270)	-	(12,895,800)
2,363,175	2,665,385	(1,208,095)	141,281	(150,000)
(635,950)	32,220	(4,249,132)	291	(8,342,131)
5,385,181	4,911,641	11,441,136	525	27,645,462
\$ 4,749,231	\$ 4,943,861	\$ 7,192,004	\$ 816	19,303,331

The accompanying notes are an integral part of these financial statements.

SAN RAMON REDEVELOPMENT AGENCY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Fiscal year ended June 30, 2011

	<u>Governmental Activities</u>
Net Change in Fund Balances - Total Governmental Funds	\$ (8,342,131)
Amounts reported for governmental activities in the Statement of Activities	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or allocated to the appropriate functional expense when the cost is below the capitalization threshold. This is the amount of capital assets recorded in the current period.	(7,135,798)
Revenue from principal payments received from notes receivable is recorded as revenue in the governmental funds. Expenditures for notes receivable amounts loaned to outside parties are recorded as expenditures in the governmental funds. However, loan amounts and principal payments from notes receivable are eliminated from the statement of activities. This amount represents the change in the notes receivable for the fiscal year.	(205,161)
Net change in accrued interest payable for the current period.	41,235
Bond issuance costs and premiums on bonds are expenditures in the governmental funds, but these are deferred in the statement of activities and are amortized over the life of the bonds. This amount represents the changes for the fiscal year.	(43,281)
Principal repayments of long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets.	<u>2,055,000</u>
Change in net assets of governmental activities	<u><u>\$ (13,630,136)</u></u>

The accompanying notes are an integral part of these financial statements.

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

1. Summary of Significant Accounting Policies

(a) Reporting Entity – San Ramon Redevelopment Agency

The San Ramon Redevelopment Agency (Agency) was established in 1985 pursuant to the State of California Health and Safety Code, section 33000 entitled, “Community Redevelopment Law”. Its purpose is to finance long-term capital improvements designed to eliminate physical and economic blight in a project area. The Alcosta / Crow Canyon Project Area was approved in May 1987 and it encompasses approximately 605.7 acres.

The actions of the Agency are binding and business is routinely transacted in the Agency’s name by its appointed representatives. The City Council acts as the Agency’s governing board and exerts significant influence over its operations. The Agency is empowered to engage in the general economic revitalization and redevelopment of the City within the broad perspective of the project area redevelopment plan.

The agency is a component unit of the City of San Ramon and accordingly is included in the City’s basic financial statements. The Comprehensive Annual Financial Report of the City of San Ramon can be obtained from the Finance Department at:

City of San Ramon
2226 Camino Ramon
San Ramon, CA 94583

(b) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the San Ramon Redevelopment Agency. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

1. Summary of Significant Accounting Policies, continued

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Agency has determined the availability period to be 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

Property taxes, charges for services, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Agency reports the following major funds:

The Low / Mod Income Housing Set-Aside Special Revenue Fund has been set up to account for the 20% set aside of property tax increment to be used for low and moderate income housing.

The Redevelopment Special Revenue Fund is used to account for revenue in the form of property tax increments to be used for redevelopment related activities.

The Redevelopment Capital Projects Fund is used to account for acquisition, relocation, demolition and sale of land for those portions of the City earmarked as in need of redevelopment related activities.

The Redevelopment Tax Allocation 1998/2004 Debt Service Fund is used to account for debt service activity relating to the 2004 Tax Allocation Revenue Bonds and the 1998 Tax Allocation Revenue Bonds.

The Redevelopment Tax Allocation 2006 Debt Service Fund is used to account for debt service activity relating to the 2006 Tax Allocation Revenue Bonds.

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

1. Summary of Significant Accounting Policies, continued

(d) Cash and Investments

The Agency pools its investment funds with those of the City for maximum return. A substantial portion of these investments are held in the State Treasurer's Local Agency Investment Pool, which is highly liquid.

Investments are included within the financial statement classifications of "Cash and investments" and "Restricted cash and investments" and are stated at fair value.

The Agency has adopted the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Pools," which require governmental entities to report certain investments at fair value and recognize the corresponding change in the fair value of investments in the year in which the change occurred.

(e) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

(f) Land Held for Resale

Land held for resale is valued at the lower of cost or estimated net realizable value, determined upon execution of a disposition and development agreement. The amount of land held for resale outstanding at June 30, 2011 was \$3,091,868.

(g) Capital Assets

Capital assets of the Agency are reported in the statement of net assets. Capital assets are defined by the Agency as all land and buildings; vehicles, and equipment with an initial individual cost of more than \$5,000; and improvements and infrastructure assets with costs of more than \$100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The Agency does not have any depreciable assets and therefore depreciation has not been recorded.

(h) Long-Term Obligations

In the government-wide statements long-term obligations are recorded as liabilities in the statement of net assets.

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

1. Summary of Significant Accounting Policies, continued

(i) *Property Taxes*

The Agency receives incremental property taxes on property within its project area over a base-assessed valuation on the date the project area was established.

The duties of assessing and collecting property taxes are performed by the County of Contra Costa Assessor and Tax Collector, respectively. Under the County's "Teeter Plan," the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Tax levies cover the period from July 1 to June 30 of each year. All tax liens attach annually on the first day in January preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property, as it exists on that date.

Secured property taxes are levied against real property and are due and payable in two equal installments. The first installment is due on November 1 and becomes delinquent if not paid by December 10. The second installment is due on February 1 and becomes delinquent if not paid by April 10. Unsecured personal property taxes are due on July 1 each year.

(j) *Allocation of Interest Income Among Funds*

The City pools all non-restricted cash for investment purchases and allocates interest income based on month-end cash balances. Funds that have restricted cash record interest income in the respective fund. The Agency's funds are included in this allocation.

(k) *Estimates*

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

(l) *Fund Balances*

The Agency implemented Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" for the year ended June 30, 2011. As a result, the Agency now reports the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – includes amounts that have constraints on the use of the resources by being externally imposed, imposed by law through constitution, or through enabling legislation.

Committed – includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision making authority, the City Council.

Assigned – includes amounts that are constrained by the Agency's intent to be used for a specific purpose.

Unassigned – the residual classification which includes all spendable amounts not contained in other classifications.

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

1. Summary of Significant Accounting Policies, continued

(l) Fund Balances, continued

The Agency's Board authorizes assigned amounts for specific purposes pursuant to the policy-making powers granted through a resolution. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Agency considers restricted amounts to be used first, then unrestricted. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, they are considered to be spend in the order as follows: Committed, assigned, and then unassigned.

2. Stewardship, Compliance and Accountability

Budgetary Accounting

In conjunction with the City's budgeting process, the Agency is required to adopt an annual budget at the fund level, the legal level of budgetary control, which is in accordance with generally accepted accounting principles, for all of its funds on or before June 30 for the ensuing fiscal year.

The following fund had expenditures in excess of appropriations for the year ended June 30, 2011:

Redevelopment Capital Projects Fund	\$ (663,770)
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3. Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 28, 2011, the Governor of the State of California signed into law Assembly Bills X1 26 and 27. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective June 28, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city or county may adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City of San Ramon has not yet determined whether it will participate in the voluntary program.

Assembly Bill X1 26 also directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be returned to the redevelopment agency or to the public body designated as the successor agency by Assembly Bill X1 26. The State Controller's Office has not yet provided any information about the timing or process for this statewide asset transfer review.

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

3. Recent Changes in Legislation Affecting California Redevelopment Agencies, continued

The League of California Cities, the California Redevelopment Association (CRA) and others filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court agreed to hear the case and issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that “the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012.” A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (“EOPS”) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (“ROPS”) by September 30, 2011.

Enforceable obligations under Assembly Bill X1 26 include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency but specifically excluded are agreements, contracts or arrangements between the City and the Agency. Consequently, in the event that Assembly Bill X1 26 is upheld by the Supreme Court, the receivable recognized by the City that had previously loaned or advanced funds to the Agency would become uncollectible with a loss recognized by the City. Additionally, the City would be impacted by the elimination of future reimbursements to the City by the Agency for shared administrative services.

At the time of the issuance of this report, the outcome the petition challenging the validity of of AB1X 26 and 27 upon the Agency is unknown. The Supreme Court heard oral arguments by the parties on November 10, 2011, and is expected to issue its decision before January 15, 2012.

The San Ramon Redevelopment Agency is currently subject to the suspension provisions of Assembly Bill X1 26. There are three possible consequences to the Agency flowing from a decision of the Supreme Court, when it is rendered:

- (1) If the Supreme Court determines that both AB 1X 26 (suspension/dissolution) and AB 1X 27 (voluntary redevelopment) are valid, the City Council of the City of San Ramon will then need to consider whether to participate in the alternative voluntary redevelopment program. The result of the City's decision to participate is that the Agency would no longer be subject to the suspension provisions and would continue in existence with all powers and authority provided by the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*). As consideration for the opportunity to participate in the alternative voluntary redevelopment program, the City would be required to make annual remittance payments to the County Auditor-Controller benefitting the State and affected taxing entities. It is expected that the City's annual remittance payments would be reimbursed by the Agency from tax increment revenues from the San Ramon Redevelopment Project. The first annual remittance payment calculated for the City (for the 2011-12 fiscal year) is the amount of \$1,925,005 (this is the result of an informal appeal following the initial calculation of \$2,033,559).

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

3. Recent Changes in Legislation Affecting California Redevelopment Agencies, continued

- (2) If the Supreme Court determines that both AB 1X 26 (suspension/dissolution) and AB 1X 27 (voluntary redevelopment) are valid, but the City Council decides **not** to participate in the voluntary program, or if the Supreme Court determines that AB 1X 26 (suspension/dissolution) is valid, but AB 1X 27 (voluntary redevelopment) is **not** valid, the Agency will continue to be subject to the suspension provisions of Part 1.8 and then would be dissolved in accordance with the provisions of Part 1.85 of AB 1X 26. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.
- (3) If the Supreme Court determines that both AB 1X 26 (suspension/dissolution) and AB 1X 27 (voluntary redevelopment) are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*) as it existed prior to the enactment of AB 1X 26 and AB 1X 27.

4. Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	\$ 7,121,525
Restricted cash and investments	<u>10,663,142</u>
Total cash and investments	<u><u>\$ 17,784,667</u></u>

Cash and investments as of June 30, 2011 consist of the following:

Cash pooled with City of San Ramon	\$ 7,121,525
Investments	<u>10,663,142</u>
Total cash and investments	<u><u>\$ 17,784,667</u></u>

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

4. **Cash and Investments**, continued

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the *investment types* that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address *interest rate risk*, *credit risk*, and *concentration of credit risk*. This table does not address investment of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy; nor does the table address the investment of funds set aside for the payment of retiree health care benefits which are governed by a separate less restrictive section of the California Government Code.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None	None
Federal Agency Securities	5 years	None	None	None
Commercial Paper	270 days	A1/P1/F1	25%	10%
Medium-Term Notes	5 years	AA	30%	None
Bankers' Acceptances	180 days	None	40%	10%
Negotiable Time Certificates of Deposit	5 years	AA	30%	None
Repurchase Agreements	30 days	None	None	None
Money Market Mutual Funds	5 years	AAAm	15%	None
Municipal Bonds	5 years	AA	None	None
Local Agency Bonds	5 years	AA	None	None
Local Agency Investment Fund (LAIF)	N/A	None	15%	None

* Excluding amounts held by bond trustee and funds invested for the payment of retiree health care benefits.

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

4. **Cash and Investments, continued**

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the *investment types* that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address *interest rate risk*, *credit risk*, and *concentration of credit risk*.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer	Minimum Credit Quality
U.S. Treasury Obligations	None	None	None	None
Federal Securities	None	None	None	None
Federal Agency Obligations	3 years	None	None	AAA
Commercial Paper	270 days	None	None	A-1, AAA
Medium-Term Corporate Notes	5 years	None	None	None
Banker's Acceptance	366 days	None	None	A-1
Mortgage-backed Securities	None	None	None	None
Money Market Funds	N/A	None	None	AAAm
Municipal Bonds	None	None	None	AAA
Local Agency Bonds	None	None	None	None
Investment Agreements	30 years	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None	None

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

4. Cash and Investments, continued

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric. The City's cash and investment pool had a weighted average days to maturity of 342 days at June 30, 2011.

Information about the sensitivity of the fair values of the Agency's investment (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Investment Type	Remaining Maturity				Total
	12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months	
Money Market Funds	\$ 7,121,525	\$ -	\$ -	\$ -	\$ 7,121,525
Held by bond trustee:					
Money Market Funds	4,573,155	-	-	-	4,573,155
Federal Agency Securities	4,915,704	1,174,283	-	-	6,089,987
	<u>\$ 16,610,384</u>	<u>\$ 1,174,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,784,667</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End			Total
			AAA	A+	Not Rated	
Money Market Funds	N/A	\$ 7,121,525	\$ -	\$ -	\$ -	\$ 7,121,525
Held by bond trustee:						
Money Market Funds	AAA	-	4,573,155	-	-	4,573,155
Federal Agency Securities	AAA	-	6,089,987	-	-	6,089,987
		<u>\$ 7,121,525</u>	<u>\$ 10,663,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,784,667</u>

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

4. Cash and Investments, continued

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of *total Agency investments* are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Federal Home Loan Bank Bonds	Federal Agency Securities	\$ 4,003,640
Federal National Mortgage Association	Federal Agency Securities	1,280,736

5. Interfund Activity

(a) Advances

The Redevelopment Agency Board authorized a loan from the Low/Mod Housing Fund to the Redevelopment Special Revenue Fund for \$2,888,859 for five years at the City pool interest rate. As part of the State's adopted 2009-10 budget, the State included a revenue shift of \$2.05 billion from California redevelopment agencies. For San Ramon, the Agency's share of this revenue shift is just under \$2.9 million for 2009-10.

The Redevelopment Agency Board authorized a loan from the Low/Mod Housing Fund to the Redevelopment Special Revenue Fund an additional \$594,765 to supplement the State's Supplemental Educational Revenue Augmentation Fund for 2010-2011.

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

5. Interfund Activity, continued

(b) Transfers

Inter-fund transfers for the year ended June 30, 2011 consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Low/Mod Income Housing Set-Aside		
Special Revenue Fund	RDA Tax Allocation	\$ 234,000 (c)
	RDA Tax Allocation 2006	1,253,595 (c)
		<u>1,487,595</u>
Redevelopment Special Revenue	RDA Capital Projects	726,689 (a) (b)
	RDA Tax Allocation	4,431,385 (c)
	RDA Tax Allocation 2006	1,823,580 (c)
	Nonmajor ERAF Tax Bond	141,281 (c)
		<u>7,122,935</u>
Redevelopment Tax Allocation 2006	Low/Mod Income Housing	922,095 (a) (b)
	Redevelopment Special	
	Revenue	1,726,689 (b) (d)
	RDA Capital Projects	1,636,486 (b)
		<u>4,285,270</u>
		<u>\$ 12,895,800</u>

a Transfers to funds for operation expenditures

b Transfers to fund capital improvements

c Transfers to fund debt service

d Transfers to fund administrative expenses

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

6. Notes Receivable

Notes receivable activity for the year ended June 30, 2011 is as follows:

	Balance as of July 1, 2010	Increases	Decreases	Balance as of June 30, 2011
Greystone Homes	\$ 5,000	\$ -	\$ -	\$ 5,000
Bollinger Crest Apt. Investor, LLC	202,701	-	(202,701)	-
American Baptist Homes	5,500,000	-	-	5,500,000
REHAB Loan Program	318,398	-	(2,460)	315,938
Total	\$ 6,026,099	\$ -	\$ (205,161)	\$ 5,820,938

(a) Greystone Homes, Inc.

In January 1996, the Agency and the City entered into an Affordable Housing Agreement with Greystone Homes, Inc. The agreement provides for various restrictions on the project to facilitate the affordability of housing units to qualifying low and moderate-income residents. The agreement calls for the reduction of the purchase price of affordable units by \$5,000. Upon initial sale of each affordable unit, the homebuyer will execute a promissory note to the Agency for \$9,925, accruing annually compounded interest at 3 percent for a term not to exceed 30 years. The homebuyer agrees to repay the note upon sale or transfer of the affordable unit. (For each note, \$4,925 represents the deferred payment of the San Ramon Valley Boulevard Widening Fee to the City). The amount of notes outstanding as of June 30, 2011 was to \$5,000.

(b) Bollinger Crest Apartment Investors, LLC

In March 1998, the Agency entered into an Affordable Housing Agreement with Bollinger Crest Apartment Investors, LLC. The agreement provides for various restrictions on the project to facilitate the rental of housing units to qualifying low and moderate income residents. The agreement calls for a subsidy grant of \$266,000 from the Agency to the 65 unit housing project along with a deferment of development fees amounting to \$40,000. The grant was recorded as an expenditure of housing funds. The deferred fees are expected to become payable to the Agency at the expiration of the term of the agreement which is 15 years.

In September 1998, the agreement was amended to include two loans which total \$225,000. The loans were made to finance the cost of construction improvements on land that is partially Agency-owned. The loans of \$125,000 and \$100,000 accrue interest of 2.5 percent per year and are payable in installments of \$10,000 and \$8,000, respectively. The loan was paid off in September 2010. As such, the outstanding balance as of June 30, 2011 was \$0.

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

6. Notes Receivable, continued

(c) American Baptist Homes

In April 2007, the Agency approved a loan to American Baptist Homes in the amount of \$5,500,000 for the development and improvement of real property for the purpose of developing 105 units of multifamily housing for seniors to very low income and low income households in the City of San Ramon. The \$5,500,000 includes a \$750,000 loan from the State of California to the Agency which was loaned by the Agency to American Baptist Homes. The loan is due and payable in full no later than fifty-five (55) years from the completion date. The outstanding balance as of June 30, 2011 was \$5,500,000.

(d) REHAB Loan Program

In November 2007, the Agency implemented a Home Rehabilitation Loan Program to fund the existing Home Rehabilitation Grants and the Exterior Enhancement Rebate Program for fiscal year 2007-08. The Housing Rehabilitation Loan Program proposes a \$35,000 deferred loan be made available to medium, low, very low and extremely low income households at 3% interest. The loan would accrue interest for 30 years and be due upon sale, transfer, or refinance of the property. It is anticipated that repayments will start in year four of the program. Recycled funds will be used to fund future housing rehabilitation loans. During fiscal year 2010-11, \$2,461 was returned for unused funds. The outstanding balance as of June 30, 2011 was \$315,938.

7. Capital Assets

In accordance with GASB Statement No. 34, the Agency has reported all capital assets in the statement of net assets. The following table presents the capital assets activity for the year ended June 30, 2011:

	Balance at July 1, 2010	Increases	Decreases*	Balance at June 30, 2011
Capital Assets Not				
Being Depreciated:				
Land	\$ 6,789,253	\$ -	\$ -	\$ 6,789,253
Construction in progress	7,135,798	2,454,357	(9,590,155)	-
Total Capital Assets				
Not Being Depreciated	\$ 13,925,051	\$ 2,454,357	\$ (9,590,155)	\$ 6,789,253

* Deletions are transfers of assets to the City of San Ramon

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

8. Long-Term Liabilities

Long-term liability activity for the year ending June 30, 2011 is as follows:

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011	Due Within One Year
Tax allocation bonds:					
1998 Tax Allocation Bonds	\$ 21,115,000	\$ -	\$ (735,000)	\$ 20,380,000	\$ 770,000
2004 Tax Allocation Bonds	6,395,000	-	(350,000)	6,045,000	360,000
2006 Tax Allocation Bonds A	31,866,570	-	-	31,866,570	-
2006 Tax Allocation Bonds B	21,235,000	-	(865,000)	20,370,000	1,035,000
Premium on Debt	551,969	-	(21,233)	530,736	-
Revenue bonds:					
2005 ERAF Tax Revenue Bonds	295,000	-	(55,000)	240,000	55,000
2006 ERAF Tax Revenue Bonds	355,000	-	(50,000)	305,000	55,000
HELP Loan	750,000	-	-	750,000	-
Total Long-Term Debt	<u>\$ 82,563,539</u>	<u>\$ -</u>	<u>\$ (2,076,233)</u>	<u>\$ 80,487,306</u>	<u>\$ 2,275,000</u>

(a) 1998 Tax Allocation Bonds

On April 1, 1998, tax allocation revenue bonds in the amount of \$26,920,000 were issued to advance refund certain tax allocation revenue bonds, to repay the long-term advance from the City and to finance capital projects. Interest on the bonds accrues at 3.60-5.30% and is payable semiannually on February 1 and August 1. Principal is payable each February 1.

All tax increment revenues except dedicated housing tax increment allocation are the security for the bonds. These revenues have been pledged until the year 2028. The total debt service amount for the bonds is \$31.4 million. Pledged tax increment revenue recognized during the fiscal year ended June 30, 2011 was \$7.0 million in parity with the 2004 Tax Allocation Bond and the 2006 Tax Allocation Bonds Series A and B as against the total debt service payment of \$1.8 million.

Cash and investments in the custody of the fiscal agent are restricted by the bond resolutions for payment of principal and interest on the tax allocation bonds. In addition, the bonds resolutions require retention of funds held by the fiscal agent prior to use for other than debt service.

The Agency is in compliance with the covenants contained in debt indentures, which require the establishment of certain specific accounts for the tax allocation bonds.

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

8. Long-Term Liabilities, continued

(a) 1998 Tax Allocation Bonds, continued

Debt service payments on the 1998 Tax Allocation Revenue Bonds payable will be made from the debt service fund. Annual debt service requirements to maturity are as follows:

Year Ending June 30	1998 Tax Allocation Bonds		
	Principal	Interest	Total
2012	\$ 770,000	\$ 1,077,060	\$ 1,847,060
2013	810,000	1,039,330	1,849,330
2014	850,000	996,400	1,846,400
2015	895,000	951,350	1,846,350
2016	945,000	903,915	1,848,915
2017-2021	5,530,000	3,713,180	9,243,180
2022-2026	7,160,000	2,084,225	9,244,225
2027-2028	3,420,000	274,275	3,694,275
Total	<u>\$ 20,380,000</u>	<u>\$ 11,039,735</u>	<u>\$ 31,419,735</u>

(b) 2004 Tax Allocation Bonds

On July 29, 2004, tax allocation revenue bonds in the amount of \$8,105,000 were issued to advance refund certain tax allocation revenue bonds. Interest on the bonds accrues at 2.5 to 5.0 percent and is payable semiannually on February 1 and August 1. Principal is payable each February 1. Bonds maturing on or after August 1, 2004 are subject to call on any interest payment date at par plus a premium of up to two percent. Term bonds maturing February 1, 2024 are subject to mandatory sinking fund redemption at par commencing February 1, 2005. The bonds are payable solely from the Agency's tax increment revenues.

All tax increment revenues except dedicated housing tax increment allocation are the security for the bonds. These revenues have been pledged until the year 2024. The total debt service amount for the bonds is \$8.1 million. Pledged tax increment revenue recognized during the fiscal year ended June 30, 2011 was \$7.0 million in parity with the 1998 Tax Allocation Bond and the 2006 Tax Allocation Bonds Series A and B as against the total debt service payment of \$0.6 million.

Cash and investments in the custody of the fiscal agent are restricted by the bond resolutions for payment of principal and interest on the tax allocation bonds. In addition, the bond resolutions require retention of funds held by the fiscal agent prior to use for other than debt service.

The Agency is in compliance with the covenants contained in debt indentures, which require the establishment of certain specific accounts for the tax allocation bonds.

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

8. Long-Term Liabilities, continued

(c) 2004 Tax Allocation Bonds, continued

Debt service payments on the 2004 Tax Allocation Revenue Bonds payable will be made from the debt service fund. Annual debt service requirements to maturity are as follows:

Year Ending June 30	2004 Tax Allocation Bonds		
	Principal	Interest	Total
2012	\$ 360,000	\$ 263,795	\$ 623,795
2013	375,000	250,475	625,475
2014	390,000	236,600	626,600
2015	405,000	221,000	626,000
2016	420,000	204,800	624,800
2017-2021	2,385,000	741,210	3,126,210
2022-2024	1,710,000	169,015	1,879,015
Total	\$ 6,045,000	\$ 2,086,895	\$ 8,131,895

(d) 2006 Tax Allocation Revenue Bonds

On October 24, 2006, tax allocation revenue bonds, series A and B in the amount of \$54,531,570 were issued to provide three separate loans to the Agency to finance projects of benefit to the City of San Ramon Redevelopment Project, to pay costs of issuance incurred in connection with the issuance of the bonds and to acquire reserve fund surety bonds for each series of the bonds. Interest on the bonds accrues at 5.00 to 5.95 percent and is payable semiannually on February 1 and August 1. Principal is payable each February 1.

All tax increment revenues except dedicated housing tax increment allocation are the security for the bonds. These revenues have been pledged until the year 2038. The total debt service amount for the bonds is \$113.0 million. Pledged tax increment revenue recognized during the fiscal year ended June 30, 2011 was \$7.0 million in parity with the 1998 Tax Allocation Bond and the 2004 Tax Allocation Bond as against the total debt service payment of \$3.2 million.

Cash and investments in the custody of the fiscal agent are restricted by the bond resolutions for payment of principal and interest on the tax allocation bonds. In addition, the bond resolutions require retention of funds held by the fiscal agent prior to use for any other debt service.

The Agency is in compliance with the covenants contained in debt indentures, which require the establishment of certain specific accounts for the tax allocation bonds.

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

8. Long-Term Liabilities, continued

(d) 2006 Tax Allocation Revenue Bonds, continued

Debt service payments on the 2006 Tax Allocation Revenue Bonds payable will be made from the debt service fund. Annual debt service requirements to maturity are as follows:

Year Ending June 30	2006 Tax Allocation Revenue Bonds Series A		
	Principal	Interest	Total
2012	\$ -	\$ 976,750	\$ 976,750
2013	-	976,750	976,750
2014	-	976,750	976,750
2015	-	976,750	976,750
2016	-	976,750	976,750
2017-2021	2,092,964	6,585,786	8,678,750
2022-2026	3,340,018	9,023,732	12,363,750
2027-2031	4,849,066	14,239,684	19,088,750
2032-2036	13,194,522	9,365,228	22,559,750
2037-2038	8,390,000	634,250	9,024,250
Total	\$ 31,866,570	\$ 44,732,430	\$ 76,599,000

Year Ending June 30	2006 Tax Allocation Revenue Bonds Series B		
	Principal	Interest	Total
2012	\$ 1,035,000	\$ 1,164,913	\$ 2,199,913
2013	1,095,000	1,110,058	2,205,058
2014	1,150,000	1,051,475	2,201,475
2015	1,210,000	989,375	2,199,375
2016	1,275,000	924,035	2,199,035
2017-2021	3,545,000	3,682,958	7,227,958
2022-2026	1,670,000	3,111,833	4,781,833
2027-2031	3,015,000	2,469,748	5,484,748
2032-2036	4,285,000	1,416,398	5,701,398
2037-2038	2,090,000	188,318	2,278,318
Total	\$ 20,370,000	\$ 16,109,110	\$ 36,479,110

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

8. Long-Term Liabilities, continued

(e) 2005 ERAF Tax Revenue Bonds

In April 2005, the Agency issued bonds under the CRA/ERAF Loan Program to facilitate payment of 2004-05 ERAF property tax. These bonds are called 2005 California Statewide Communities Development Authority Taxable Revenue Bonds, carry interest rates ranging from 3.87% to 5.01%, and are payable in 10 years per the debt service schedule shown as follows:

Year Ending June 30	2005 ERAF Tax Revenue Bonds		
	Principal	Interest	Total
2012	\$ 55,000	\$ 11,790	\$ 66,790
2013	60,000	9,167	69,167
2014	60,000	6,233	66,233
2015	65,000	3,257	68,257
Total	\$ 240,000	\$ 30,447	\$ 270,447

(f) 2006 ERAF Tax Revenue Bonds

In May 2006, the Agency issued bonds under the CRA/ERAF Loan Program to facilitate payment of 2005-06 ERAF property tax. These bonds are called 2006 California Statewide Communities Development Authority Taxable Revenue Bonds, carry interest rates ranging from 5.28% to 5.67%, and are payable in 10 years per the debt service schedule shown as follows:

Year Ending June 30	2006 ERAF Tax Revenue Bonds		
	Principal	Interest	Total
2012	\$ 55,000	\$ 17,105	\$ 72,105
2013	55,000	14,064	69,064
2014	60,000	10,995	70,995
2015	65,000	7,629	72,629
2016	70,000	3,969	73,969
Total	\$ 305,000	\$ 53,762	\$ 358,762

(g) HELP Loan

In April 2007, the Agency received a Housing Enabled by Local Partnership (HELP) loan from the California Housing Finance Agency (CalHFA). The loan carries an interest rate of 3%, with principal and interest due 10 years from the original date of the loan. The \$750,000 was loaned by the Agency to American Baptist Homes as documented in Note 6(c).

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

9. Fund Equity

(a) Fund Balance Reserves

In the fund financial statements, the Agency has established reservations to segregate portions of fund balance which are not appropriable for expenditure in future periods, or which are legally set aside for a specific future use.

The Agency's governmental funds reserves at June 30, 2011 are presented below, followed by explanations of the nature and purpose of each reserve.

	Low/Mod Income Housing Fund	Redevelopment Special Revenue Fund	Redevelopment Capital Projects Fund	Redevelopment Tax Allocation Debt Service Fund	Redevelopment Tax Allocation 2006 Debt Service Fund	ERAF Tax Bond Debt Service Fund	Total
Nonspendable							
Advances	\$ 3,483,624	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,483,624
Restricted							
Land held for resale	2,271,868	-	820,000	-	-	-	3,091,868
Redevelopment	29,526	(3,367,599)	3,929,231	-	-	-	591,158
Debt Services	-	-	-	4,943,861	7,192,004	816	12,136,681
Total Restricted	<u>2,301,394</u>	<u>(3,367,599)</u>	<u>4,749,231</u>	<u>4,943,861</u>	<u>7,192,004</u>	<u>816</u>	<u>15,819,707</u>
Total fund balance	<u>\$ 5,785,018</u>	<u>\$ (3,367,599)</u>	<u>\$ 4,749,231</u>	<u>\$ 4,943,861</u>	<u>\$ 7,192,004</u>	<u>\$ 816</u>	<u>\$ 19,303,331</u>

10. Pass-through Payments

Pursuant to California Redevelopment Law (Health and Safety Code Section 33607.5), the Agency is obligated to pass-through a portion of the gross tax increment received on the Project Area to jurisdictions within the project area. In fiscal year 2010-11, the Agency calculated and remitted \$2,456,719 in pass-through payments to the affected jurisdictions, which included a Supplemental Education Revenue Augmentation Fund (SERAF) payment.

In fiscal year 2009-10, the State Legislature passed a bill which requires redevelopment agencies statewide to distribute a portion of their property tax increments to schools. The additional SERAF portion in fiscal year 2010-11 for the Agency is \$594,765.

The State also directed that the above amounts be included in the Agency's total incremental property tax receipts for purposes of calculating the amounts to be set aside for low and moderate-income housing.

SAN RAMON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

11. Related Party Agreement

In February 2011, the City entered into a lease with the San Ramon Redevelopment Agency for the lease of two separate Agency-owned properties within the San Ramon Redevelopment Project Area, for the purpose of developing affordable housing. Under the lease, the City will act as a master developer for the properties for a twenty (20) year term, during which time it will market the properties for affordable housing development, negotiate the terms of the redevelopment of the properties with developers selected by the City, and maintain and prepare the properties for development. The City will pay the Agency an annual lease payment of \$1. The lease also grants the City the option to purchase the properties for \$1. The nominal lease rate and purchase price are consistent with the restrictions on the development of these properties for low and moderate income housing and authorized by Health and Safety Code Section 33334.2.

As stated in Note 3, the suspension provisions of AB 1X 26 declare agreements between an agency and the city or county that created it invalid if entered into after January 1, 2011, and those provisions require the State Controller to review any redevelopment agency activities to determine whether an asset transfer between an agency and any public body occurred on or after January 1, 2011, in which case the State Controller may order the return of such assets to the redevelopment agency. The lease between the City and the Agency described above falls within the scope of these provisions of AB 1X 26.

12. Prior Period Adjustment

During the fiscal year 2010-11, beginning net assets were adjusted by the following:

- (a) The City did not record construction in progress for projects within the Redevelopment Agency.

Agency-wide Statements:

Net assets at beginning of year as previously reported	\$ (42,194,161)
(a) Construction in progress adjustment	7,135,798
Net assets beginning of year, as restated	<u><u>\$ (35,058,363)</u></u>



REQUIRED SUPPLEMENTARY INFORMATION

SAN RAMON REDEVELOPMENT AGENCY

BUDGET COMPARISON SCHEDULE

LOW/MOD INCOME HOUSING SET-ASIDE SPECIAL REVENUE FUND

Fiscal year ended June 30, 2011

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues:				
Property taxes	\$ 1,562,577	\$ 1,562,577	\$ 1,614,001	\$ 51,424
Investment income	-	-	3,370	3,370
Miscellaneous	-	-	200,612	200,612
Total revenues	1,562,577	1,562,577	1,817,983	255,406
Expenditures:				
Current:				
Redevelopment	1,580,776	1,680,776	1,291,602	389,174
Excess (deficiency) of revenues over (under) expenditures	(18,199)	(118,199)	526,381	644,580
Other financing sources (uses):				
Transfers in	1,239,544	1,908,742	922,095	(986,647)
Transfers out	(1,487,595)	(1,487,595)	(1,487,595)	-
Total other financing sources (uses)	(248,051)	421,147	(565,500)	(986,647)
Net change in fund balances	(266,250)	302,948	(39,119)	(342,067)
Fund balances at beginning of year	5,824,137	5,824,137	5,824,137	-
Fund balances at end of year	\$ 5,557,887	\$ 6,127,085	\$ 5,785,018	\$ (342,067)

SAN RAMON REDEVELOPMENT AGENCY

BUDGET COMPARISON SCHEDULE

REDEVELOPMENT SPECIAL REVENUE FUND

Fiscal year ended June 30, 2011

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues:				
Property taxes	\$ 6,250,310	\$ 6,250,310	\$ 6,456,006	\$ 205,696
Miscellaneous	-	-	29	29
Total revenues	6,250,310	6,250,310	6,456,035	205,725
Expenditures:				
Current:				
Redevelopment	1,342,820	4,374,204	4,075,555	298,649
Pass-through payments	1,543,145	1,543,145	1,689,910	(146,765)
SERAF payment	-	594,198	594,765	(567)
Total expenditures	2,885,965	6,511,547	6,360,230	151,317
Excess (deficiency) of revenues over (under) expenditures	3,364,345	(261,237)	95,805	357,042
Other financing sources (uses):				
Transfer in from the City	2,000,000	2,000,000	2,000,000	-
Transfers out to the City	(150,000)	(150,000)	(150,000)	-
Transfers in	1,908,590	1,908,590	1,726,689	(181,901)
Transfers out	(7,122,935)	(7,122,935)	(7,122,935)	-
Total other financing sources (uses)	(3,364,345)	(3,364,345)	(3,546,246)	(181,901)
Change in fund balances	-	(3,625,582)	(3,450,441)	175,141
Fund balances at beginning of year	82,742	82,842	82,842	-
Fund balances at end of year	\$ 82,742	\$ (3,542,740)	\$ (3,367,599)	\$ 175,141

SAN RAMON REDEVELOPMENT AGENCY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

1. Budgetary Accounting

In conjunction with the City's budgeting process, the Agency is required to adopt an annual budget at the fund level, the legal level of budgetary control, which is in accordance with generally accepted accounting principles, for all of its funds on or before June 30 for the ensuing fiscal year.

SUPPLEMENTARY INFORMATION

SAN RAMON REDEVELOPMENT AGENCY

BUDGET COMPARISON SCHEDULE

REDEVELOPMENT CAPITAL PROJECTS FUND

Fiscal year ended June 30, 2011

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues:			
Investment income	\$ 35,000	\$ 27,820	\$ (7,180)
Total revenues	35,000	27,820	(7,180)
Expenditures:			
Capital outlay	2,363,175	3,026,945	(663,770)
Total expenditures	2,363,175	3,026,945	(663,770)
Excess (deficiency) of revenues over (under) expenditures	(2,328,175)	(2,999,125)	(670,950)
Other financing sources (uses):			
Transfers in	2,363,175	2,363,175	-
Total other financing sources (uses)	2,363,175	2,363,175	-
Change in fund balances	35,000	(635,950)	(670,950)
Fund balances at beginning of year	5,385,181	5,385,181	-
Fund balances at end of year	\$ 5,420,181	\$ 4,749,231	\$ (670,950)

SAN RAMON REDEVELOPMENT AGENCY

BUDGET COMPARISON SCHEDULE

REDEVELOPMENT TAX ALLOCATION 1998/2004 DEBT SERVICE FUND

Fiscal year ended June 30, 2011

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues:			
Investment income	\$ 120,000	\$ 31,969	\$ (88,031)
Total revenues	<u>120,000</u>	<u>31,969</u>	<u>(88,031)</u>
Expenditures:			
Debt service:			
Principal retirement	1,085,000	1,085,000	-
Interest and fees	1,580,385	1,580,134	251
Total Expenditures	<u>2,665,385</u>	<u>2,665,134</u>	<u>251</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,545,385)</u>	<u>(2,633,165)</u>	<u>(87,780)</u>
Other financing sources (uses):			
Transfers out to the City	(2,180,000)	(2,000,000)	180,000
Transfers in	4,665,385	4,665,385	-
Total other financing sources (uses)	<u>2,485,385</u>	<u>2,665,385</u>	<u>180,000</u>
Change in fund balances	(60,000)	32,220	92,220
Fund balances at beginning of year	<u>4,911,641</u>	<u>4,911,641</u>	-
Fund balances at end of year	<u><u>\$ 4,851,641</u></u>	<u><u>\$ 4,943,861</u></u>	<u><u>\$ 92,220</u></u>

SAN RAMON REDEVELOPMENT AGENCY

BUDGET COMPARISON SCHEDULE

REDEVELOPMENT TAX ALLOCATION 2006 DEBT SERVICE FUND

Fiscal year ended June 30, 2011

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues:			
Investment income	\$ 250,000	\$ 23,124	\$ (226,876)
Total revenues	250,000	23,124	(226,876)
Expenditures:			
Debt service:			
Principal retirement	865,000	865,000	-
Interest and fees	2,212,175	2,199,161	13,014
Total Expenditures	3,077,175	3,064,161	13,014
Excess (deficiency) of revenues over (under) expenditures	(2,827,175)	(3,041,037)	(213,862)
Other financing sources (uses):			
Transfers in	3,077,175	3,077,175	-
Transfers out	(5,453,818)	(4,285,270)	1,168,548
Total other financing sources (uses)	(2,376,643)	(1,208,095)	1,168,548
Change in fund balances	(5,203,818)	(4,249,132)	954,686
Fund balances at beginning of year	11,441,136	11,441,136	-
Fund balances at end of year	\$ 6,237,318	\$ 7,192,004	\$ 954,686

SAN RAMON REDEVELOPMENT AGENCY
BUDGET COMPARISON SCHEDULE
NON-MAJOR ERAF TAX BOND DEBT SERVICE FUND
Fiscal year ended June 30, 2011

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 291	\$ 291
Total revenues	-	291	291
Expenditures:			
Debt service:			
Principal retirement	105,000	105,000	-
Interest and fees	36,281	36,281	-
Total Expenditures	141,281	141,281	-
Excess (deficiency) of revenues over (under) expenditures	(141,281)	(140,990)	291
Other financing sources (uses):			
Transfers in	141,281	141,281	-
Total other financing sources (uses)	141,281	141,281	-
Change in fund balances	-	291	291
Fund balances at beginning of year	525	525	-
Fund balances at end of year	\$ 525	\$ 816	\$ 291

SAN RAMON REDEVELOPMENT AGENCY
COMPUTATION OF LOW AND MODERATE INCOME
EXCESS SURPLUS

Fiscal year ended June 30, 2011

Opening fund balance - July 1, 2010		\$ 5,824,137
Less unavailable amounts:		
Advances to other funds		(2,888,859)
Land held for resale		(3,091,868)
Encumbrances		<u>-</u>
Available Low/Moderate Income Housing Funds		(156,590)
Limitation (Greater of \$1,000,000 or Four Years Set-Aside):		
Set-aside for last four years		
2009-10	\$ 1,691,610	
2008-09	1,767,879	
2007-08	1,591,977	
2006-07	<u>1,530,460</u>	
Total Set-Aside for last four years	<u><u>6,581,926</u></u>	
Base limitation	<u><u>1,000,000</u></u>	
Greater Amount		<u>6,581,926</u>
Computed Excess Surplus - July 1, 2010		<u><u>NONE</u></u>

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE

Agency Board Members of the San Ramon Redevelopment Agency
San Ramon, California

Compliance

We have audited the San Ramon Redevelopment Agency ("Agency") compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Agency's management. Our responsibility is to express an opinion on Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on redevelopment program has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all the deficiencies in the internal control that might be deficiencies, 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.

This report is intended solely for the information of the Redevelopment Agency, the Board of Directors, and the California State Controller, and is not intended to be and should not be used by anyone other than these specified parties.

Burr Pilger Mayer, Inc.

San Jose, California
December 22, 2011