INFORMATIONAL MEMORANDUM

TO: Commission on Community Investment and Infrastructure

FROM: Tiffany Bohee, Executive Director

SUBJECT: Independent Auditor’s Reports and Basic Financial Statements for the Year Ended June 30, 2013

DISCUSSION

I am pleased to transmit the attached Independent Auditor’s Reports and Basic Financial Statements for the Year Ended June 30, 2013, prepared by our independent auditors, Macias Gini O’Connell.

As presented in the Statement of Fiduciary Net Position (page 3), the Agency reported $595 million in total assets, comprised of $393 million in cash, receivables and other non-capital assets, and $202 million in net capital assets. This represents a $163 million increase from our assets as of June 30, 2012, primarily due to the transfer back from the City and County of San Francisco of approximately $202 million in housing assets related to ongoing obligations, partially offset by the remittance of $11.5 million in surplus unrestricted funds to taxing entities. Those assets were initially transferred to the City as Housing Successor Agency, but were subsequently transferred back to OCII pursuant to instructions from Department of Finance regarding the administration of such assets.

The Agency’s $1.05 billion in total liabilities presented in the Statement of Fiduciary Net Position included $37 million in current payables and other liabilities, and $1.01 billion in long-term obligations, primarily outstanding long-term tax allocation bond debt scheduled to be retired over the next 28 years, through 2041. The total liabilities reflect a $44 million decline from the prior year, primarily due to payment of principal on long term debt.

As shown in our Statement of Changes in Fiduciary Net Position (page 4), the Agency brought in $114 million in property tax revenues ($11 million increase from prior year), $16 million in “charges for services” (primarily lease and garage revenues from Yerba Buena Center and Gardens, South Beach Harbor and other properties), $15.6 million in other revenues, including Mission Bay and Hunters Point Shipyard developer reimbursements and $2 million in Transbay land sale deposits held for transfer to the Transbay Joint Powers Authority.

$136 million in expenses and other charges include $70.5 million in operating expenses, $5.5 million in depreciation, and $60 million in debt interest. The $190 million “Extraordinary item from Redevelopment Agency Dissolution,” reflects the return of housing assets from the City and the transmittal of surplus funds to the taxing entities discussed previously.

The auditors provided an unqualified opinion that the financial statements are in compliance with generally accepted accounting principles. The auditors did not note any significant deficiencies or material weaknesses related to internal controls or compliance with governing laws, regulations, contracts and grant agreements. The auditors noted that OCII had successfully implemented measures to address the material weakness identified for the prior year ending June
30, 2012 regarding a shortage of staffing resources to support the Agency’s financial reporting responsibilities.

The auditors noted that OCII has not provided a Management’s Discussion and Analysis to supplement the financial statements. Such a discussion is considered by the Government Accounting Standards Board to be an essential part of financial reporting to put financial statements in context. However, due to the difficulty in comparing results post-Dissolution to prior years, this discussion was not included to supplement OCII’s financial statements for the prior year ended June 30, 2012 or for this year. We do expect to include such a discussion to accompany the next financial statements for the year ending June 30, 2014.

(Originated by Leo Levenson, Deputy Director for Finance and Administration)

[Signature]
Tiffany Bohoe
Executive Director

Attachment: Independent Auditor’s Reports and Basic Financial Statements for the Year Ended June 30, 2013