DEPARTMENT OF FINANCE

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November 7, 2014

Ms. Emma Karlen, Director of Financial Services
City of Milpitas
455 East Calaveras Boulevard
Milpitas, CA 95035

Dear Ms. Karlen:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Milpitas Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 25, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determination:

- Item No. 12 – Housing Authority Administrative Cost Allowance in the amount of $94,493 is denied. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing successor to the former redevelopment agency of the City of Milpitas is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law pursuant to HSC section 34167.10. Therefore, $94,493 of housing successor administrative allowance is not allowed. In addition, Finance notes the OB did not approve this item listed on the ROPS. For future ROPS, the Agency should only submit OB approved ROPS.

- Item No. 14 – Main Street Pavement Reconstruction using unspent bond proceeds totaling $3,989,878 is partially denied. The Agency received a Finding of Completion on September 10, 2013, and can now utilize proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the original bond covenants.

  Pursuant to Oversight Board Resolution No. 38, the Agency agreement with the City of Milpitas (City) to transfer excess pre-2011 bond proceeds in the amount of $3,989,878 obligates the City to expend and maintain excess bond proceeds in accordance with the bond covenants. As required by HSC section 34191.4 (c) (2) (A), the Agency is listing the excess bond proceeds on ROPS 14-15B. However, it is

our understanding $524,926 of this total is from bonds that are no longer outstanding and the requirements of the bond covenants no longer exist. Therefore, these funds should be available for other uses. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available. Therefore, Finance is approving $3,464,952 of the excess bond proceeds for transfer to the City and reclassifying $524,926 to the following item:

- Item No. 1 - $524,926 is reclassified from RPTTF to Other Funds. Therefore, Finance is approving RPTTF in the amount of $3,105,878 and the use of Other Funds in the amount of $524,926, totaling $3,630,804.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is $8,150,540 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution For the period of January through June 2015		
Total RPTTF requested for non-administrative obligations		8,725,297
Total RPTTF requested for administrative obligations		128,289
Total RPTTF requested for obligations on ROPS	**$**	**8,853,586**
Total RPTTF requested for non-administrative obligations		**8,725,297**
Denied Item		
Item No. 12		(94,493)
Total RPTTF for non-administrative obligations		**8,630,804**
Cash Balances - Item reclassified to Other Funds		
Item No. 1		(524,926)
Total RPTTF authorized for non-administrative obligations	**$**	**8,105,878**
Total RPTTF requested for administrative obligations		**128,289**
Total RPTTF authorized for administrative obligations	**$**	**128,289**
Total RPTTF authorized for obligations	**$**	**8,234,167**
ROPS 13-14B prior period adjustment		(83,627)
Total RPTTF approved for distribution	**$**	**8,150,540**

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to the enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Jane Corpus Takahashi, Finance Manager, City of Milpitas
Ms. Emily Harrison, Controller Treasurer, Santa Clara County
California State Controller's Office