



December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 7, 2014. 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 Finance on September 25, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 7, 2014. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 20, 2014.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

- Item No. 14 – Main Street Pavement Reconstruction using unspent bond proceeds totaling \$3,989,878. 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. Pursuant to HSC section 34191.4 (c) (2) (A), the Agency is listing the excess bond proceeds on ROPS 14-15B. However, it was our initial understanding that \$524,926 was from bonds that are no longer outstanding and the requirements of the bond covenants no longer exist.

During the Meet and Confer process, the Agency provided the Bond Indenture, Certificate of Arbitrage, and outstanding balance of the bonds to support the \$524,926 as bond proceeds. Therefore, Finance is approving \$3,989,878 of excess bond proceeds for transfer to the City.

In addition, per Finance's letter dated November 7, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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.

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. The Agency's maximum approved RPTTF distribution for the reporting period is \$8,675,466 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
<u>Denied Item</u>	
Item No. 12	(94,493)
Total RPTTF for non-administrative obligations	8,630,804
Total RPTTF authorized for non-administrative obligations	\$ 8,630,804
Total RPTTF requested for administrative obligations	128,289
Total RPTTF authorized for administrative obligations	\$ 128,289
Total RPTTF authorized for obligations	\$ 8,759,093
ROPS 13-14B prior period adjustment	(83,627)
Total RPTTF approved for distribution	\$ 8,675,466

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

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

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, 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, Finance Agency Director, Santa Clara County
California State Controller's Office