



December 17, 2014

Mr. Brice McQueen, Successor Agency Manager
City of Sunnyvale
650 West Olive Avenue
Sunnyvale, CA 94088

Dear Mr. McQueen:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 17, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Sunnyvale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on October 3, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 17, 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 December 4, 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. 13 – Amended and Restated Reimbursement Agreement (Agreement) for the 1998 Certificates of Participation in the amount of \$201,625 with a total outstanding obligation of \$30,314,960 is denied. Finance continues to deny this item. This item corresponds to Item No.10 listed on the previous ROPS and has been repeatedly denied. The Agreement is between the Agency and the City of Sunnyvale for the purpose of reimbursing payments to the 1998 Certificates of Participation. Finance initially denied this item pursuant to HSC section 34171 (d) (2), which states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations.

The Agency stated that this Agreement was reentered into pursuant to HSC section 34178 (a). However, it is our understanding that neither the Oversight Board (OB) nor Finance approved the terms of the Agreement. During the Meet and Confer process, the Agency contended that the OB approved a motion on April 9, 2012. Based on the approved minutes dated May 14, 2012, a motion was moved and passed to approve the obligation for the 1998 Certificates of Participation as Item 2 on the ROPS subject to the Agency staff working out an appropriate reimbursement agreement. This OB action merely authorized staff to work out a reimbursement agreement; to our knowledge, it did not approve the reimbursement agreement that was entered into as the actual

agreement was not presented to the OB for consideration. Therefore, the actual reimbursement agreement that was entered into was never reviewed or approved by the OB nor was it provided to Finance for our review.

In addition, the obligation title states this is an amended and restated reimbursement agreement; however, it is our understanding that there is not an original reimbursement agreement to the 1998 Certificates of Participation. During the Meet and Confer process, the Agency contended that the 2012 Amended and Restated Reimbursement Agreement is an amendment and restatement of the 1977 Reimbursement Agreement. However, the 1977 Reimbursement Agreement is not an enforceable obligation because it was not entered into at the time of issuance of the indebtedness obligations (the 1998 Certificates of Participation) nor was it solely for the purpose of securing or repaying those indebtedness obligations. The Agency did not provide an agreement that was entered into at the time of issuance of the indebtedness obligations (the 1998 Certificates of Participation) and solely for the purpose of securing or repaying those indebtedness obligations. Therefore, amended and restated is not an accurate description of the Agreement as there is no agreement specifically related to the 1998 Certificates of Participation to be amended and restated.

As such, this item is not an enforceable obligation and Redevelopment Property Tax Trust Fund (RPTTF) funding in the amount of \$201,625 is denied.

- 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 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.

During the Meet and Confer process, the Agency contended that the CAC should not have reduced administrative costs by \$36,870 related to legal fees. However, based on the CAC's review of the Agency's self-reported prior period adjustment, this amount was related to litigation costs, which were denied by Finance. Therefore, Finance maintains the CAC's prior period adjustment amount of \$114,911.

In addition, per Finance's letter dated November 17, 2014, we continue to make the following determination not contested by the Agency during the Meet and Confer:

- Item No. 12 – Deferred Housing Set-Aside Repayment in the amount of \$3,582 is not allowed. HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the County Auditor-Controller's (CAC) report, the amount distributed to the taxing entities for fiscal year 2012-13 and 2013-14 were \$7,056,206 and \$7,933,521, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for fiscal year 2014-15 is \$438,657. Therefore, of the \$442,239 requested for the Low and Moderate Income Housing Fund loan repayment, \$3,582 in excess is not allowed.

Except for items denied in whole or in part, 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 \$634,567 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	829,685
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 954,685
Total RPTTF requested for non-administrative obligations	829,685
<u>Denied Items</u>	
Item No. 12	(3,582)
Item No. 13	(201,625)
	(205,207)
Total RPTTF authorized for non-administrative obligations	\$ 624,478
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 749,478
ROPS 13-14B prior period adjustment	(114,911)
Total RPTTF approved for distribution	\$ 634,567

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. Grace Leung, Director of Finance, City of Sunnyvale
Ms. Emily Harrison, Finance Agency Director, Santa Clara County
California State Controller's Office