



May 15, 2015

Mr. Gary Ameling, Assistant City Manager and Director of Finance  
City of Santa Clara  
1500 Warburton Avenue  
Santa Clara, CA 95050

Dear Mr. Ameling:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 17, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Santa Clara Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on March 11, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 17, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 30, 2015.

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 determinations being disputed.

- Item Nos. 1, 2, 4, 5, and 8 – 1999, 2003, and 2011 Tax Allocation Bonds and 2011 Cooperation and Predevelopment Funding Agreement. Finance continues to approve these items for payment from Other Funds. During the Meet and Confer process, the Agency contended that these items require payment from property tax revenue and should be reclassified from Other Funds to the Redevelopment Property Tax Trust Fund (RPTTF). Although these items are secured by a pledge of property tax revenue, nothing prohibits these items from being funded by Other Funds. Therefore, Finance continues to approve these items to be funded from Other Funds as submitted by the Oversight Board (OB).
- Item No. 33 – Unspent 1999 Bond Proceeds in the amount of \$12,200,000 from Bond Proceeds. Finance continues to approve this item to use the bond proceeds to defease or redeem the 1999 Tax Allocation Bonds. During the Meet and Confer process, the Agency contended that they believe the OB exceeded its authority with regards to the use of these bond proceeds and this item on the ROPS is not appropriate. However, OB Resolution No. 2015-03 was approved by Finance on April 15, 2015, to use 1999 bond proceeds to defease a portion of the Agency's 1999 Tax Allocation Bond debt. Therefore, Finance continues to approve this item as submitted by the OB.

- Item Nos. 36, 37, and 38 – The following items related to the Santa Clara Convention Center continue to be denied:

Item No.	ROPS 15-16A Other Funds Requested Amount	Total Outstanding Amount
36	\$ 3,212,718	\$ 6,559,833
37	301,212	602,424
38	126,472	126,472
<b>Total</b>	<b>\$ 3,640,402</b>	<b>\$ 7,288,729</b>

Finance understands that despite the writ of mandate issued against the City of Santa Clara (City) to return the Convention Center to the Agency, the City has taken the position that it is not currently required to comply with the writ and thus does not intend to return the Convention Center to the Agency. Given the City's position and that the ROPS request is based on the Agency's possession of the Convention Center, Finance initially denied these items.

During the Meet and Confer process, the Agency contended that these items were placed on the ROPS to address the Agency obligations if the City is required to return the Convention Center to the Agency at the conclusion of the litigation. The Agency requested that Finance provide conditional approval of the items to pay for maintenance and operations if the Convention Center is returned. Based on information provided by the Agency during the Meet and Confer process, the City, in order to preserve its rights to have its cross petition heard, has submitted a return on the writ of mandate to the court indicating that it has not complied with the writ pending the outcome of the April 24, 2015 hearing in order to preserve its rights in the litigation, including its right to appeal.

Pursuant to HSC section 34171 (d) (1) (F), the costs of maintaining Agency owned assets prior to disposition constitutes enforceable obligations; however, as it currently stands, the Agency does not own the Convention Center and statute does not allow contingent amounts to be included on a ROPS. Therefore, the costs associated with operating and maintaining the Convention Center is not approved and Finance is not granting conditional approval of the amounts requested.

Furthermore, Item No. 36 represents a request to fund Convention Center operations. It is not clear what portion of the request, if any, would qualify as an Agency obligation under HSC section 34171 (d). To the extent the City complies with the writ and returns the Convention Center to the Agency, the Agency may relist these items on a future ROPS for Finance's review.

- During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF funding. 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 or when payment from property tax revenues is required by an enforceable obligation. Therefore, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- o Item No. 13 – Administrative Cost Allowance in the amount of \$250,000. The Agency requests \$250,000 of RPTTF; however, Finance is reclassifying \$250,000 to Other Funds. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has monies available in Other Funds. Therefore, Finance is approving the use of Other Funds in the amount of \$250,000.

During the Meet and Confer process, the Agency contended that the administrative cost allowance should be \$265,000 because Item Nos. 1, 2, 4, 5, and 8 should be funded from the RPTTF instead of Other Funds, which would make the Agency eligible to receive 3 percent of the RPTTF approved. However, as previously stated, it has been determined that these items are to be funded from Other Funds. Therefore, Finance continues to approve \$250,000 in administrative costs to be funded from Other Funds.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 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 the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is zero as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	0
Total RPTTF requested for administrative obligations	250,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 250,000</b>
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 0</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>250,000</b>
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 13	(250,000)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 0</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 0</b>
ROPS 14-15A prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 0</b>

Pursuant to HSC section 34177 (I) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 15-16A review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the beginning balances for Other Funds

and RPTTF. As a result, Finance will continue to work with the Agency after the ROPS 15-16A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16B.

Please refer to the ROPS 15-16A 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 July 1 through December 31, 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 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) 445-3274.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Mr. Marcelo Penha, Assistant Director of Finance, City of Santa Clara  
Ms. Emily Harrison, Finance Agency Director, Santa Clara County  
California State Controller's Office