



November 18, 2015

Mr. Richard Keit, Managing Director
City of San Jose
200 East Santa Clara Street, 14th Floor Tower
San Jose, CA 95113

Dear Mr. Keit:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of San Jose Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on October 5, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item Nos. 1, 249, 250, and 251 – Reserves to fulfill the legal requirements of the Bond Indentures to fund the full year's debt service requirements totaling \$53,372,522. The Agency requested Redevelopment Property Tax Trust Fund (RPTTF) funding for debt service payments due for both the ROPS 15-16B and ROPS 16-17A periods. Based on our review, the bond indentures (for the bonds listed above) require all tax revenues to be deposited until the full year's bond debt service is covered. Therefore, the debt service payments requested for the following bonds were approved as follows:
 - Item No. 1 – Reserves required for the Housing Senior Bonds in the amount of \$14,322,406
 - Item No. 249 – Reserves required for the Non-Housing Senior Bonds in the amount of \$31,460,000
 - Item No. 250 – Reserves required for the Subordinate Housing Bonds in the amount of \$3,085,975
 - Item No. 251 – Reserves required for the Subordinate Non-Housing Bonds in the amount of \$4,504,141

Pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional \$53,372,522 requested to be held in reserve along with the amounts required for the current ROPS period should be transferred upon receipt to the bond trustee(s). The amounts approved for debt service payments on this ROPS are restricted for that purpose and are not authorized for other ROPS items. Any requests to fund these debt service items again

in the ROPS 16-17A period will be denied unless insufficient RPTTF was received to satisfy the approved annual debt service payments.

The request to fund bond reserves for Item Nos. 1, 249, 250, and 251 are based on an estimate of the January 2, 2016 RPTTF distribution. This estimate appears high given recent RPTTF distributions. The funds available to fund these items may less than Finance's authorization, should the Agency's actual January 2, 2016 RPTTF distribution be less than projected.

- The Agency has advised Finance that the incorrect funding source was input for multiple obligations, and has requested that Finance adjust the funding source for the following:

Item No.	Decrease in Request for Other Funds	Revised Request for Other Funds	Increase in Request for RPTTF	Revised Request for RPTTF
19	\$85	\$0	\$85	\$3,420
23	35	0	35	3,620
35	4,929	687,690	4,929	351,540
36	54	0	54	9,230
37	49	0	49	8,616
Totals	\$5,152	\$687,690	\$5,152	\$376,426

Additionally, the Agency has requested that Finance increase the amounts requested for RPTTF for the following items, and in the following amounts:

Item No.	Original Request for RPTTF	Adjustment	Revised Request for RPTTF
152	\$9,176	\$54	\$9,230
153	7,521	41	\$7,562
Totals	\$16,697	\$95	\$16,792

As a result of the above adjustments, the Agency's request for Non-Admin RPTTF has increased by \$5,247 (\$5,152 + \$95), to \$110,571,360.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table on the next page only reflects the Agency's self-reported prior period adjustment.

In addition, Finance noted on the Agency's ROPS 14-15B prior period adjustment worksheet, for Item No. 155 the Agency's expenditures exceeded Finance's authorization for Other Funds by \$159,251. Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper

expenditure authority is received from your oversight board and Finance prior to making payments on enforceable obligations.

Except for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 \$111,829,775 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	110,566,113
Total RPTTF requested for administrative obligations	1,258,415
Total RPTTF requested for obligations on ROPS 15-16B	\$ 111,824,528
RPTTF adjustment to non-administrative obligations	5,247
Total RPTTF authorized for non-administrative obligations	110,571,360
Total RPTTF authorized for administrative obligations	1,258,415
Total RPTTF authorized for obligations	\$ 111,829,775
ROPS 14-15B prior period adjustment	0
Total RPTTF approved for distribution	\$ 111,829,775

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Julia Cooper, Chief Financial Officer, City of San Jose
Ms. Emily Harrison, Finance Agency Director, Santa Clara County