



May 30, 2012

Gary Ameling, Finance Director
City of Santa Clara
1500 Warburton Ave.
Santa Clara, CA 95050

Dear Mr. Ameling:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Santa Clara Successor Agency (Agency) submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 5, 2012 for the period January to June 2012 and May 25, 2012 for the period July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

In a letter dated April 20, 2012, Finance provided the Agency with notice that an item in ROPS for January through June was denied as an enforceable obligation (EO). However, after further review of additional documents provided by the Agency, Finance is approving that ROPS dated April 5, 2012 as filed.

The ROPS for the July through December 2012 period is also approved as filed except for the following:

HSC section 34171 (d) lists enforceable obligations characteristics. Based on a sample of items reviewed and application of the law, the following do not qualify as EOs:

- Page 1, items 7 through 9 – Promissory note and loan agreements with the City totaling \$10.9 million. HSC section 34171 (d) (2) states that loans between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA.
- Administrative costs exceed allowance by \$1,156,283. HSC section 34171 (b) limits fiscal year 2011-12 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Therefore, \$1,156,283 of the claimed \$1,406,283 in administrative costs is not an EO. The following line item is considered an administrative expense: Page 2, item 1.

This letter supercedes previous Finance letters and represents our final determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination

with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Please direct inquiries to Robert Scott, Supervisor or Brian Dunham, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Irene Lui, Division Manager, Santa Clara County Controller-Treasurer