



October 15, 2012

Mr. Richard Keit, Managing Director
City of San Jose
200 East Santa Clara St., 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), the City of San Jose Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 31, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

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

- Item No. 57 – Reserve for Funding Debt Obligations in the amount of \$7,888,325. HSC section 34171(d)(1)(A) states that a reserve may be held when required by the bond indenture or when the next property tax allocation will be insufficient to pay for the next payment due in the following half of the calendar year. The reserve was incorrectly reported and overstated by \$5,487,652. Therefore, the current request of \$7,888,325 has been reduced by \$5,487,652 leaving a net reserve balance of \$2,400,673. This revised obligation now represents the reserve required to be set aside to cover any insufficiency for uneven debt service payments for this Housing Set-Aside Tax Allocation Bond.
- Item No. 97 – Corporate Expansion Program in the amount of \$250,000. This pertains to a reimbursement agreement that states the Agency shall provide funding on or before December 31, 2012. This item will expire before the ROPS III period begins. Therefore, the item is not eligible for Redevelopment Property Tax Trust Fund money.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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: \$93,413,328 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 97,672,530
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 57	5,487,652
Item 97	250,000
Total approved RPTTF for enforceable obligations	<u>\$ 91,934,878</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>1,478,450</u>
Total RPTTF approved:	\$ 93,413,328

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the property tax increment that was available prior to 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 successor agency in the RPTTF.

Please direct inquiries to Robert Scott, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,


STEVE SZALAY
Local Government Consultant

cc: Mr. Abraham Andrade, Jr., Chief Financial Officer, City of San Jose
Ms. Irene Lui, Controller Treasurer, Santa Clara County
Ms. Jacelyn Ma, Property Tax Apportionment Manager, Santa Clara County
Ms. Manju Beher, Internal Auditor, Santa Clara County