



October 15, 2012

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

Dear Mr. Ameling:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Santa Clara Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 20, 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. 7 – 2002 Series B COPS (Agency share) in the amount of \$670,917. The former redevelopment agency was not a party to the indebtedness obligations; therefore, the item is not an Agency enforceable obligation.
- Item No. 8 – Settlement Agreement in the amount of \$34.4 million. This settlement agreement requires the Agency to enter into a new contract. HSC section 34177.3 prohibits the Agency from creating new enforceable obligations and prohibits the transfer of any revenues of the Agency to any party except pursuant to an enforceable obligation on an approved Recognized Obligation Payment Schedule (ROPS). Therefore, the item is not an enforceable obligation and is not eligible for funding.
- Item No. 11 – City ROPS Loan in the amount of \$5.9 million. Requesting funds to reimburse unfunded obligations of the former Redevelopment Agency for a period that occurred prior to the dissolution of the redevelopment agency is not an enforceable obligation. The July 2012 True Up process was to collect residual pass-through payments owed to the taxing agencies for the January through June 2012 period, not to cause shortfalls in funding for the July through December 2012 period expenses. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.
- Administrative costs exceed allowance by \$316,649. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated to the Agency in 2012-13 equals \$390,209. The Agency received \$125,000 for

the July through December period. Therefore, \$265,209 remains for the January through June period. Item No. 12 for oversight board legal services in the amount of \$85,000 is considered a general administrative expense and has been reclassified. As a result, \$316,649 of the claimed \$581,858 in administrative costs is not allowed.

Except for item(s) denied in whole or in part as enforceable obligation(s) 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$10,319,932 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 12,844,472
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 7	343,749
Item 11	2,361,000
Item 12 *	85,000
Total approved RPTTF for enforceable obligations	<u>\$ 10,054,723</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>265,209</u>
Total RPTTF approved:	\$ 10,319,932
* Reclassified as administrative cost	
Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 2,952,253
Total RPTTF for the period January through June 2013	10,054,723
Total RPTTF for fiscal year 2012-13:	\$ 13,006,976
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	390,209
Administrative allowance for the period of July through December 2012	125,000
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 265,209

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/>.

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.

Mr. Ameling
October 15, 2012
Page 3

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 Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Irene Lui, Controller Treasurer, County of Santa Clara