



December 18, 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

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 15, 2012. 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 III) to the California Department of Finance (Finance) on August 20, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 15, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 26, 2012.

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 item being disputed.

- Item No. 7 – 2002 Series B COPs (Agency share) in the amount of \$670,917. Finance continues to deny the item. Finance denied the item as the former redevelopment agency (RDA) was not a party to the indebtedness obligations. The Agency contends the item is an enforceable obligation because the First Amendment to a Reimbursement Agreement between the former RDA and the City related to the issuance of a 2002 Certificates of Participation (COPs) issued by the Santa Clara Sports and Open Space Authority (SOSA). The debt issued by SOSA was used to refund prior debt issuances from 1993 and 1989 of SOSA, the former RDA, and the City. HSC section 34171 (d) (2) states that written agreements entered into at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations. Although the Reimbursement Agreement is solely for the purpose of securing or repaying indebtedness obligations, it was not entered into at the time of issuance of the indebtedness obligations. Finance has not issued a Finding of Completion to the Agency; therefore, the provisions of HSC section 34171 apply. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, the item is not an enforceable obligation.

- Item No. 8 – Settlement Agreement in the amount of \$34.4 million. Finance continues to deny the item. Finance denied the item as this settlement agreement requires the Agency to enter into a new agreement. 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). The Agency contends the item is an enforceable obligation because the underlying agreements at issue include a Cooperation Agreement entered into between the former RDA and the Santa Clara Stadium Authority dated February 22, 2011, and a Predevelopment Funding Agreement between the former RDA, the Santa Clara Stadium Authority, and the Forty Niners entered into on March 21, 2012. However, the settlement agreement requires the Agency to enter into a new agreement, which is prohibited by HSC section 34177.3. 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. Finance continues to deny the item. Finance denied the item as requesting funds to reimburse unfunded obligations of the former RDA for a period that occurred prior to the dissolution of the RDA 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. The Agency contends the item is an enforceable obligation because the cash flow loan was used to pay the enforceable obligations due from July through December 2012 as well as the July True Up Payment since the Agency had no cash resources to make the payment. However, based on available information the former RDA had transferred \$11.8 million of unrestricted cash and equivalent balances to the City that was unallowable; therefore, the Agency should have had enough funds available to pay the enforceable obligations and the July True Up Payment. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.
- Item No. 12 for oversight board legal services in the amount of \$85,000. Finance no longer reclassifies the item as an administrative cost. The Agency contends the item is an enforceable obligation because the contract for Oversight Board Counsel was entered into by the Oversight Board in order to provide representation when the Oversight Board was sued in Forty Niners SC Stadium, LLC. vs. Oversight Board. HSC section 34171 (b) allows litigation expenses related to assets or obligations to be funded with property tax outside the administrative cap. Therefore, the item is an enforceable obligation.

In addition, per Finance's ROPS letter dated October 15, 2012, the following items not disputed by the Agency continue to be denied:

- Administrative costs exceed allowance by \$229,098. 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 \$392,759. The Agency received \$125,000 for the July through December period. Therefore, \$267,759 remains for the January through June period. As a result, \$229,098 of the claimed \$496,857 in administrative costs is not allowed.
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The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$10,407,482 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 12,844,472
Less: Six-month total for item(s) denied	
Item 7	343,749
Item 11	2,361,000
Total approved RPTTF for enforceable obligations	\$ 10,139,723
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	267,759
<b>Total RPTTF approved:</b>	<b>\$ 10,407,482</b>
<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 2,952,253
Total RPTTF for the period January through June 2013	10,139,723
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 13,091,976</b>
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	392,759
Administrative allowance for the period of July through December 2012	125,000
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 267,759</b>

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.

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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Irene Lui, Controller Treasurer, County of Santa Clara  
California State Controller's Office