



December 18, 2012

Mr. Brice McQueen, Successor Agency Manager
City of Sunnyvale
650 W. Olive Ave.
Sunnyvale, CA 94088

Dear Mr. McQueen:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 14, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Sunnyvale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 14, 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 27, 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. 2 – 1998 Certificates of Participation (Parking Facility Funding) in the amount of \$13.4 million. Finance continues to deny the item. The certificates are enforceable obligations; however, Finance denied the item as payment is pledged and secured by rental payments required by the City of Sunnyvale. The Agency contends the item is an enforceable obligation because the 1977 First Amended Repayment Contract is a valid enforceable obligation pursuant to HSC Sections 34171 (d) (2) and 34178 (b) (1) because it is a duly authorized written agreement that was 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. However, in the Trust Agreement and the Facility Lease dated March 1, 1998, the City pledged funds for the rental payments. The Amended and Restated Reimbursement Agreement for 1998 Certificates of Participation was entered into on April 24, 2012, between the City and the Agency. The agreement is not valid as HSC section 34177.3 (a) prohibits successor agencies from creating new enforceable obligations and the Reimbursement Agreement is a new enforceable obligation. Therefore, the item is not an enforceable obligation.
- Item No. 4 – 1977 Loan Repayment Agreement in the amount of \$28.2 million. Finance continues to deny the item at this time. Finance denied the item as HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created

the redevelopment agency (RDA) and the former RDA are not enforceable. This agreement was not made within the first two years of the creation of the RDA. The Agency contends the item is an enforceable obligation because the Repayment Contract is an authorized written agreement 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 as set forth in HSC Sections 34171 (d) (2) and 34178 (b) (1). However, the City loaned funds to the former RDA, so the former RDA could make the debt service payments on their indebtedness obligations. The City was providing the security or repayment of the indebtedness obligations, not the former RDA. Furthermore, the 1977 Lease Revenue Bonds have since been refunded and no further payments are necessary. 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 currently not an enforceable obligation.

- Item 5 – 2010 Amended Disposition and Development and Owner Participation Agreement (ADDOPA) in the amount of \$52.8 million. Finance continues to deny the item at this time. Finance denied the item as payment is not required for this project during the ROPS III period. The Agency contends the item is an enforceable obligation because the ADDOPA obligates the Successor Agency to make a known payment (\$2,047,984) for Fiscal Year 2012-13 as it is expected that the milestones that trigger this payment will be met during the January through June 2013 period. However, the milestones have not been triggered and no amounts are currently due. If the milestones were to be triggered during the January through June 2013 period, the amount due should be placed on a subsequent ROPS for payment. Therefore, the item is currently not an enforceable obligation.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$683,232 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 4,826,000
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item No. 2	239,564
Item No. 4	2,000,000
Item No. 5	2,047,984
Total approved RPTTF for enforceable obligations	\$ 538,452
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	144,780
Total RPTTF approved:	\$ 683,232

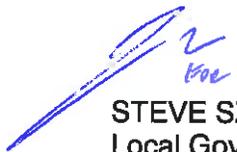
Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account 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.

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. Grace K. Leung, Director of Finance, City of Sunnyvale
Ms. Irene Lui, Controller Treasurer, County of Santa Clara
California State Controller's Office