

County of Santa Clara

Finance Agency

County Government Center
70 West Hedding Street, East Wing, 2nd Floor
San Jose, California 95110-1705
(408) 299-5205 FAX: (408) 287-7629



Wednesday, October 10, 2012

Hon. John Chiang, State Controller
P.O. Box 942850
Sacramento, CA 94250

Ms. Ana Matosantos, Director
Department of Finance
915 L Street
Sacramento, CA 95814

Oversight Board for the Milpitas Successor Agency
455 East Calaveras Boulevard
Milpitas, CA 95035

City of Milpitas Successor Agency
455 East Calaveras Boulevard
Milpitas, CA 95035

Re: Milpitas Redevelopment Agency Agreed Upon Procedures Report Pursuant to Health and Safety Code Section 34182

Dear State Controller, Department of Finance, Oversight Board, and Successor Agency:

We present this Agreed Upon Procedures Report for the Milpitas Redevelopment Agency ("Agency") in accordance with Health and Safety Code section 34182. This report is presented in several sections, with attachments including tables for the establishment of assets and liabilities. The agreed upon procedures were performed by Harvey M. Rose and Associates, LLC, and staff from the County Finance Agency.

By law, the purpose of this report is to establish the assets, liabilities, and other indebtedness of the former redevelopment agency, as well as to document and determine any passthrough payment obligations to taxing entities.

Below, we highlight the major findings.

Major Findings

Assets

Schedule 1 shows all assets that were available upon termination of the Authority on January 31, 2012. This has been divided into two components: (1) Assets Transferable to the Housing Successor Agency and (2) Assets Available for the Successor Agency under the Purview of the Oversight Board. Total assets excluding housing available to the Successor Agency were \$251,110,479.

The major adjustments to assets related to numerous asset transfers that occurred in early 2011 in an attempt to shield the former redevelopment agency's assets from the RDA dissolution process. These adjustments relate to transfers to the Milpitas Economic Development Corporation (EDC) and the City of Milpitas, and they are described in further detail below and in the accompanying report.

The asset Schedule 1 and accompanying narrative Section I should be useful in reconciling information to the due diligence review process. A full description of the Agency's real property assets can be found on Schedule 4 and in narrative Section IV; this should be useful during preparation and review of the long-term property management plan required by AB 1484.

Liabilities

Schedule 2 shows all established liabilities and other obligations at January 31, 2012, totaling \$362,474,616, exclusive of administrative costs. All adjustments to obligations listed by the Successor Agency are explained in detail in narrative Section II.

The most significant adjustments included:

- The addition of \$7,700,000 resulting from a grant made by the Agency to a private developer. This amount was not included in the initial Recognized Obligation Payment Schedule (ROPS) for Milpitas because no payments were required during the six month period from January 1 to June 30, 2012.
- The deletion of unfunded pension and retiree health costs related to city employees because these costs are not Agency obligations.
- The reclassification of one loan obligation that was invalidated as of February 1, 2012, under Health and Safety Code sections 34171(d)(2) and 34178(a). Pursuant to AB 1484, if the Successor Agency receives a "finding of completion" from the Department of Finance, these loan obligations are eligible for restoration under certain conditions and upon Oversight Board approval. One of the conditions is that the obligations must be recalculated from origination at the rate earned by the Local Agency Investment Fund

(LAIF).¹ Accordingly, Schedule 2 shows the recalculated amount, should all relevant conditions be met and the obligations are restored as enforceable.

The liabilities section—Schedule 2 and narrative Section II—should be useful in reconciling information to ROPS as they come due.

Pass-through Obligations

The Agency has statutory (AB 1290) pass-through obligations, as reflected in Exhibit E prepared by the County Finance Agency.

Asset Transfers

In early 2011, the Milpitas City Council took numerous actions to shield the Milpitas Redevelopment Agency's assets from the impending RDA dissolution process. In particular, sitting as the RDA Board and also as the City Council and Board of Directors for the newly-created EDC,² the City Council approved the transfer of much of the RDA's real property and cash and cash equivalents to the City and EDC.

Real Property Transfers

The table in Schedule 4 and description in narrative Section IV contains a comprehensive list of real property, including all real property transferred to the City and subject to the State Controller's Orders to return unallowable transferred assets to the Successor Agency.

Cash and Cash Equivalent Transfers

As described in narrative Section III, much of the former RDA's cash and cash equivalents were transferred to the newly-formed EDC or to the City. A comprehensive list of asset transfers between January 1, 2011, and January 31, 2012, are listed on Schedule 3 and explained in detail in narrative Section III.

In brief, net of amounts already returned, this report notes the following major adjustments (as of January 31, 2012):

- \$40.14 million in unrestricted cash;
- \$3.63 million in restricted cash;
- \$6.58 million in unrestricted housing cash; and,
- \$6.39 million in advances to the City.

¹ Health and Safety Code section 34191.4(b).

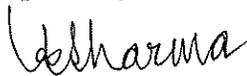
² Health and Safety Code section 34167.10 defines "city" for purposes of RDA Dissolution Law to include component units and related entities. There is no question that the EDC meets this statutory definition at the time of the transfers.

Agreed Upon Procedures Report for the Milpitas Redevelopment Agency
Executive Summary
Wednesday, October 10, 2012
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The State Controller has completed his review of asset transfers and, pursuant to Health and Safety Code section 34167.5, has ordered both the City and EDC to return numerous transferred assets. This report incorporates those findings as applicable in the asset and transfer schedules, Schedules 1 and 3 respectively.

Accordingly, Schedule 1 includes numerous adjustments to reflect unallowable asset transfers net of those assets that had been returned by those entities as of January 31, 2012. These adjusted amounts are deemed restored to the Successor Agency by this audit.

Respectfully submitted,



Vinod K. Sharma, C.P.A.
Director of Finance
County of Santa Clara

**Dissolution Audit
of the
Redevelopment Agency
of the**

City of Milpitas

**Phase 2 Report
Volume 1:**

**Establishment of
Assets, Liabilities and Transfers
As of January 31, 2012**

Prepared for the
Auditor-Controller of the
County of Santa Clara

Prepared by
Harvey M. Rose and Associates, LLC
1390 Market Street, Suite 1150
San Francisco, CA 94102

October 10, 2012

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public sector management consulting



October 10, 2012

Mr. Vinod Sharma
Director Finance
County of Santa Clara
70 West Hedding Street
San Jose, CA 95110

Dear Mr. Sharma:

As requested by the Auditor-Controller of the County of Santa Clara, Harvey M. Rose and Associates, LLC has established the assets, liabilities, and transfers as of January 31, 2012 of the City of Milpitas Successor Agency to the City of Milpitas Redevelopment Agency, the results of which are contained in this report.

Our review included an entrance conference on March 12, 2012; followed by several information gathering meetings, email correspondences, and telephone conversations with Successor Agency staff; an initial report on the Recognized Obligation Payment Schedule for the January 1 – June 30, 2012 period; completion of the agreed-upon procedures (AUP) engagement as required by Section 34182 of the California Health and Safety Code; an exit conference on September 25, 2012 and subsequent revisions of the draft report; and this final report issued on October 10, 2012.

This report includes a schedule of assets as of January 31, 2012 (Schedule 1), a schedule of liabilities as of January 31, 2012 (Schedule 2) and a schedule of asset transfers that occurred between January 1, 2011 and January 31, 2012 (Schedule 3). Explaining the detail of each schedule is a narrative section with descriptions of each item and the value as reported in the audited financial statements as of June 30, 2010, June 30, 2011, and as reported by the City in its January 31, 2012 trial balance financial statement for Schedule 1 and Schedule 3. The values shown in Schedule 2 were based on the final Recognized Obligation Schedule (ROPS) as approved by the State. Each of the amounts on these schedules is supported by one or more source documents derived from the City's accounting records, documents filed with the County Recorder, annual independent audit reports, actuarial reports, various contracts and agreements, council resolutions and minutes, State Controller and State Treasurer documents, and many other sources. These support documents are available in PDF format and include 116

attachments that are referenced throughout the report. Lastly, Section IV of the report describes each real estate property listed in the January 31, 2012 RDA property inventory, to assist the Oversight Board in determining the appropriate disposition of each property pursuant to the requirements of ABX1 26 and AB 1484. The descriptions include when the property was acquired, the entity that acquired it, the funding source used for the acquisition, and how the property is used. Attached to this report is a summary of the exit conference process, the subsequent revisions to the draft report, and the initial written comments provided by the City. The City has requested that we not include their September 27, 2012 response to the draft report, and chose not to provide an updated response in this final report without first seeing the entire revised report. This final revised report will be provided to the City for their review, and the City will have the opportunity to provide a subsequent written response to this report. However, in order to comply with Health and Safety Code Section 34182, the County Auditor-Controller must transmit this report to the State Controller's Office and the Department of Finance.

It is noted that to the extent a legal determination was necessary for and reflected in the schedules and narratives of assets, liabilities, and transfers in this report, we deferred to the opinion of the Office of the County Counsel for the County of Santa Clara. In addition, the report relies heavily on the accuracy of the accounting records and reports generated by the City for financial activity subsequent to June 30, 2011. As disclosed in Section IV of this report, the City advised us of prior accounting errors related to approximately \$10.1 million of real estate assets, and our review identified several real estate parcels for which title had been legally transferred from the RDA to the City, without the knowledge of City financial staff. While these problems could be in part the result of the rapid pre-dissolution activities that occurred prior to January 31, 2012, we have made every effort in the time available to ensure the accuracy of the information presented in this report.

Finally, we wish to thank the County Controller's Office for its substantial efforts in completing the Agreed Upon Procedures (AUP) form provided in Exhibit A, C, D, and E of the report, and City staff for their assistance and efforts to provide us the records and documents used to compile this report, as well as their participation in the exit conference and draft report review process.

Harvey M. Rose Associates, LLC

City of Milpitas Redevelopment Agency
Establishment of Assets as of 1/31/12
County of Santa Clara Auditor-Controller
 (Per ABX1 26 - Section 34182)

All Funds Summary									
Item No.	Description	Milpitas RDA Audited Fin Stmts Ended 6/30/2010	Milpitas RDA Audited Fin Stmts Ended 6/30/2011	Milpitas RDA Unaudited 1/31/2012 Trial Balance*5	Adjustments				Established Per Auditor/Controller 1/31/2012
					Increases		Decreases		
					Amount	Ref	Amount	Ref	
<u>Assets Transferable to Housing Successor Agency:</u>									
1	Loans Receivable	27,692,642	29,832,457	0	29,775,732	Sect I, Item 1	0		29,775,732
2	Prepays, materials, supplies & Deposits	3,218	3,822	0	0		0		0
3	Property Held for Resale*6	14,537,403	0	0	15,399,645	Sect I-Item 3	0		15,399,645
	Subtotal Housing Assets	42,233,263	29,836,279	0	45,175,377		0		45,175,377
<u>Assets Available to RDA Successor Agency:</u>									
4	Cash and Investments-Unrestricted*4	40,989,260	375,738	3,818	40,144,130	Sect I, Item 4 and Attachment 3	0		40,147,948
5	Cash and Investments-Restricted*4	11,524,668	0	0	3,628,027	Sect I, Item 5	0		3,628,027
6	Cash and Investments-Housing Unrestricted	12,921,686	11,687,354	2,989	6,582,557	Sect I, Item 6 and Attachment 3	(2,989)		6,582,557
7	Accounts Receivable	24,818	196	0	0		0		0
8	Receivables from Other Gov't	461,321	163,221	0	0		0		0
9	Receivables - Interest-Housing	60,644	40,049	0	0		0		0
10	Interest Receivable	261,734	0	0	0		0		0
11	Advances to City*4	6,389,612	0	0	6,389,612	Sect I, Item 11	0		6,389,612
12	Advances to Other Funds-Housing	0	8,925,177	0	0	Sect I, Item 12, Attachment 110	0		0
13	Prepays, materials, supplies Deposits	84,355	15,868	0	0		0		0
14	Market Gain/(Loss)*7	0	0	(91,962)	91,962	Sect I, Item 14	0		0
15	Property Held for Resale*3	6,988,800	0	0	8,788,800	Sect I, Item 15	0		8,788,800
	Subtotal Project Assets	79,706,898	21,207,603	(85,155)	65,625,088		(2,989)		65,536,944
<u>Capital Assets:</u>									
16	Land*2	41,060,512	19,374,632	19,374,632	19,424,821	Sect I, Item 16	0		38,799,453
17	Construction in Progress	79,338,602	79,079,114	79,079,114	0	Sect I, Item 17	0		79,079,114
18	Depreciable Capital Assets-Net*1	70,398,239	0	0	67,694,968	Sect I, Item 17	0		67,694,968
	Subtotal Capital Assets	190,797,353	98,453,746	98,453,746	87,119,789		0		185,573,535
	Total Assets	\$ 312,737,514	\$ 149,497,628	\$ 98,368,591	\$ 197,920,254		\$ (2,989)		\$ 296,285,856

Schedule 1 Notes:

- *1: Depreciable Capital Assets totaling \$67,694,968 were transferred to the City General Fund on June 30, 2011 (P:37 CAFR). However, on April 20, 2012 the State Controller issued an order requiring all asset transfers made subsequent to January 1, 2011 must be reversed and returned to the RDA Successor Agency pursuant to Health and Safety Code Section 34167.5
- *2: Land totaling \$29,518,466 was transferred to the General Fund pursuant to Council action of March 7, 2011. However, due to the order of the State Controller described in note 1, this transfer must be reversed
- *3: Property held for resale totaling \$8,788,800 was transferred to the City General Fund on June 30, 2011. However, due to the order of the State Controller described in note 1, this transfer must be reversed.
- *4: Net Assets totaling \$52,340,476 were transferred from the RDA to the Economic Development Corporation on March 7, 2011 pursuant to Council action. However, due to the order of the State Controller described in note 1, this transfer must be reversed.
- *5: Excludes Housing Authority Assets in Fund 295, which totaled \$54,103,055 as of January 31, 2012 and included \$15,399,055 of property held for investment. This Fund was created in December 2011 when \$11,968,745 of unrestricted cash was transferred from the RDA Housing Reserve Fund to the new Housing Authority Fund
- *6: The 11 properties described in this item were approved for transfer to the Milpitas Housing Authority by the State Department of Finance on August 31, 2012.
- *7: The RDA January 31, 2012 trial balance statement separately reported an investment loss as of January 31, 2012 of \$91,962, rather than combining it with the Cash and Investments -Unrestricted account shown as Item 4. Investment gains and losses as of June 30, 2010 and 2011 are combined in the amounts shown in those columns. This amount was already reduced in line 6.

City of Milpitas Redevelopment Agency
Establishment of Liabilities at 1/31/12
County of Santa Clara Auditor-Controller
 (Per ABX1 26 - Section 34182)

Item No.	Debt Obligation listed on ROPS Project Name or Debt Obligation	Total Debt Obligations per Initial ROPS 1/31/2012	Adjustments		Reference	Established Per Auditor/Controller 1/31/2012
			Increases Amount	Decreases Amount		

Section 1 - Debt Obligations

1	2003 Tax Allocation Bonds-U.S. Bank	264,575,084.38		9,548,779.38	Attachment 74,75	255,026,305.00
2	Agreement of Purchase and Sale - County of Santa Clara [4]	93,000,000.00	5,000,000.00		Section II: Item 2, Attachment 77,78	98,000,000.00
3	Financing Agreement - Sun Power Corp	1,500,000.00		200,000.00	Attachment 79	1,300,000.00
3	Subtotal Section 1	359,075,084.38	5,000,000.00	9,748,779.38		354,326,305.00

Section 2 - Contracts

4	Contract for consulting svcs	88,000			Attachment 80	88,000.00
5	Contract for consulting svcs - Willdan Fin Svcs	132,000.00			Attachment 81	132,000.00
6	Contract for consulting svcs - Environ Sys Inc	29,756.12		20,279.38	Attachment 82,83,84	9,476.74
7	Contract for consulting svcs - Biggs Cardosa Associate	368.79		368.79	Attachment 85	0.00
8	Contract for consulting svcs - Biggs Cardosa Associate	10,013.44		5,125.00	Attachment 86	4,888.44
9	Contract for Services - Prints Charles Repro	1,461.00			Attachment 87	1,461.00
10	Contract for Services - Prints Charles Repro	995.00			Attachment 87	995.00
11	Contract for Services - Prints Charles Repro	69.00			Attachment 87	69.00
12	Contract for construction	25,082.00		17,531.94	Attachment 88	7,550.06
13	Contract for construction - Hometown Constr Inc	404,905.50		399,182.00	Attachment 89,90	5,723.50
14	Project Administration costs - City Staff	7,293.85		7,293.85	Attachment 91	0.00
15	Project Administration costs - City Staff	29,019.32		28,288.07	Attachment 91	731.25
16	Project Administration costs - City Staff	6,084.42		6,084.42	Attachment 91	0.00
17	Project Administration costs - City Staff	16,557.93		15,263.43	Attachment 91	1,294.50
18	Project Administration costs - City Staff	8,949.36		8,949.36	Attachment 91	0.00
19	Project Administration costs - City Staff	1,748.68		1,748.68	Attachment 91	0.00
20	Project Administration costs - City Staff	20,895.15		17,659.00	Attachment 91	3,236.15
21	Contract for consulting svcs - MBIA Muni Services, LLC	150,000.00		72,734.00	Attachment 92	77,266.00
22	Contract for consulting svcs - Murphy & Assoc	60,836.00		1,725.00	Attachment 93,94	59,111.00
23	Contract for construction - Cal West Lighting & Maint	98,780.00		42,271.25	Attachment 95	56,508.75
25	Calpers-Pension and Retiree Health Insurance (OPEB) [3]				Section II Item 25	
26	South Main Senior Lifestyles, LLC	0.00	7,700,000.00		Section II Item 26	7,700,000.00
20	Subtotal Section 2	1,092,815.56	7,700,000.00	644,504.17		8,148,311.39
23	Grand Total ROPS	360,167,899.94	12,700,000.00	10,393,283.55		362,474,616.39

Section 3 - Administrative Costs

Obligations That Were Reclassified As Administrative Costs by the State Department of Finance

1	Contract for consulting services-Maze & Assoc	387,420.00				387,420.00
2	Contract for Services-Variou Vendors	12,625.00				12,625.00
3	Contract for consulting services - Schaff & Wheeler Eng	104,649.00				104,649.00
4	Cooperation Agrmt-5/18/1976 - Employees of Agency	4,366,172.00		0.00	Section II Item Adm 4	0.00
5	Contract for Services ABAG Plan	2,878.00				2,878.00
6	Contract for Services - PG&E	88,263.00				88,263.00
7	Contract for Services - ABAG Power	1,781.00				1,781.00
8	Contract for Services - City of Milpitas	6,430.00				6,430.00
8	Subtotal Section 3	4,970,218.00				604,046.00

Obligations That Were Submitted As Administrative Costs by the Successor Agency

10	Contract for consulting services - Murphy & Assoc	17,911.00				17,911.00
11	Contract for consulting services - Jarvis, Fay, Doporto & Gibson	7,392.00				7,392.00
12	Contract for Services - ABAG Plan	7,500.00				7,500.00
13	Contract for Services - Various Vendors	7,500.00				7,500.00
14	Contract for Services - PG&E	50,000.00				50,000.00
15	Contract for Services - ABAG Power	1,055.00				1,055.00
16	Contract for Services - City of Milpitas	2,000.00				2,000.00
17	Successor Agency Adm Fee [1]	624,247.00				624,247.00
9	Subtotal Section 3	717,605.00				717,605.00
17	Grand Total Admin Costs [2]	5,687,823.00				1,321,651.00

Section 4 - City Obligations That May Be Deemed Enforceable Upon Finding of Completion and Oversight Board Approval (Adjusted to LAIF from Origination)

24	City Loan entered into on 9/7/2004	23,225,237.40		13,874,435.96	Attachment 96,97,111	9,448,938.55
1	Subtotal Section 4	23,225,237.40	0.00	13,874,435.96		9,448,938.55

Notes: [1] The Successor Agency administration fee is based on the amount approved pursuant to the ROPS for the period January 1 to June 30, 2012. Subsequent administrative fees for each future ROPS period are limited pursuant to Health and Safety Code Section 34171 and are subject to approval by the Oversight Board.
 [2] Administrative costs are subject to an annual cap pursuant to Health and Safety Code Section 34171(b).
 [3] Pension and retiree health insurance unfunded liabilities have been determined to be solely a liability of the City and not an enforceable obligation of the Successor Agency.
 [4] Estimated remaining balance for the Agreement of Purchase & Sale between Santa Clara County and Milpitas RDA: Minimum of \$83M or Average of \$98M or Maximum of \$113M.

**City of Milpitas Redevelopment Agency
Transfer of Assets
January 1, 2011 to January 31, 2012
FY 2011-12**

No.	Date	Fund Making Transfer	Fund/Entity Receiving Assets	Description	Purpose of Transfer		Documentation Reference	Transfer Disallowed
					Capital Project /Operating Costs	Asset Transfers		
<i>Transfer of RDA Housing Assets</i>								
1	Jan 2012	Housing Reserve Spec Rev Fd 290	Successor Agency Fund 930	Trnsf Unenc Housing Cash to Suc Ag	0	241,456	Attachment 70	
2	Jan 2012	Housing Reserve Spec Rev Fd 290	Successor Agency Fund 930	Trnsf Unenc Housing Cash to Suc Ag	0	6,582,557	Attachment 9	Yes
3	Jan 2012	Housing Reserve Spec Rev Fd 290	Housing Authority Fund 295	Trnsf Housing Assets to Housing Auth	0		*2 Attachment 10	Yes
4	Jan 2012	Housing Reserve Spec Rev Fd 290	Housing Authority Fund 295	Trnsf Housing Assets to Housing Auth	0	29,775,732	Attachment 10	
5	Dec 2011	Housing Reserve Spec Rev Fd 290	RDA Project Fund 390	Pay share of debt svc costs	387,397	0	Attachment 69	
6	Dec 2011	Housing Reserve Spec Rev Fd 290	City General Fund	Reimb Operating Costs	1,032,754	0	Attachment 69	
	Total				1,420,151	36,599,745		
<i>Transfer of RDA Project Assets</i>								
7	01/31/12	Economic Develop Corp Fund 901	RDA CIP Fund 391	Reimb Project Costs	0	(1,117,612)	*4 Attachment 101	
8	01/31/12	Economic Develop Corp Fund 900	RDA Project Fund 390	Reimb RDA costs 7/1/11 to 1/31/12	0	(1,061,094)	*4 Attachment 101	
9	01/06/12	Economic Develop Corp Fund 900	Mission West Properties, LLC	Land Purchase	3,000,000	0	Attachment 98	Yes
	Total				3,000,000	(2,178,706)		
	FY 2011-12 Total (7/1-1/31)				4,420,151	34,421,039		

FY 2010-11

No.	Date	Fund Making Transfer	Fund Receiving Assets	Description	Purpose of Transfer		Documentation Reference	Transfer Disallowed
					Capital Project /Operating Costs	Asset Transfers		
<i>Transfer of RDA Housing Assets</i>								
10	2010-11	Housing Reserve Spec Rev Fd	City General Fund	Transfer of Property Held for Resale	0	15,339,645	Attachment 102	Yes
11	2010-11	Housing Reserve Spec Rev Fd	City General Fund	Reimb Operating Costs	1,065,811	0	Attachment 102	
12	2010-11	Housing Reserve Spec Rev Fd	RDA Capital Projects Fund	Pay share of debt svc costs	387,677	0	Attachment 103	
	Total				1,453,488	15,339,645		
<i>Transfer of RDA Project Assets</i>								
13	2010-11	RDA Capital Projects Fund	Economic Develop Corp	Transfer of Assets to new EDC	0	62,047,925	Attachment 102	Yes
14	2010-11	Economic Develop Corp	RDA Capital Projects Fund	Transfer of Capital Project Amounts	0	(9,707,450)	*4 Attachment 102	
15	2010-11	RDA Capital Projects Fund	City General Fund	Trnsf of Property Held for Resale	0	8,788,800	*3 Attachment 102	Yes
16	Mar 2011	RDA (Fund not identified)	City (Fund not identified)	Transfer of land parcels	0	19,424,821	*1 Attachment 104	Yes
17	2010-11	RDA Capital Projects Fund	City General Fund	Return Unused Cap Proj Funds	150,000	0	Attachment 102	
18	2010-11	RDA Capital Projects Fund	City General Fund	Reimburse Operating Costs	4,630,655	0	Attachment 102	
19	2010-11	RDA Capital Projects Fund	Public Art	Fund Public Art Project	107,112	0	Attachment 102	
20	2010-11	RDA Capital Projects Fund	Street Improvement	Return Unused Cap Proj Funds	244,439	0	Attachment 102	
21	2010-11	RDA Capital Projects Fund	Storm Drain Development	Fund Capital Project	35,000	0	Attachment 102	
22	2010-11	RDA Capital Projects Fund	Sewer Utility Enterprise	Fund Capital Project	15,580	0	Attachment 102	
	Total				5,182,786	80,554,096		
<i>Transfer of RDA Capital Assets</i>								
23	3/x/11	RDA (Fund not identified)	City (Fund not identified)	Transfer of completed capital projects	0	67,694,968	Attachment 104	Yes
24	2010-11	RDA Capital Projects Fund	Housing Reserve Spec Rev Fd	Trnsf of 20% required prop tax incr	11,668,669	0	Attachment 103	
	Total				11,668,669	67,694,968		
	FY 2010-11 Total (1/1-6/30)				18,304,943	163,588,709		
	Grand Total Transfers (1/1/11 to 1/31/12)				22,725,094	198,009,748		

*Notes: *1 The transfer of \$29,518,466 in FY 2010-11 was corrected in FY 2011-12 to remove three parcels from the RDA Fund and designate them as General Fund assets. These parcels are identified as items 7, 10a and 10b in Section IV of the report. The corrected book value of the remaining RDA land parcels transferred is \$19,424,821.

*2 This transfer amounted to \$8,925,178, however because the transfer pertained to an advance between RDA funds, due to the dissolution, the transfer became a loan to itself by the RDA and was therefore a \$0 value asset.

*3 This property value was reported on the June 30, 2011 CAFR as \$8,781,000 due to an accounting error.

*4 These were reverse cash transfers back to the RDA from the Economic Development Corp.

Table of Successor Agency Real Property
(Inclusive of Unallowable Transfers; Exclusive of Housing Assets)

This is a comprehensive list of the Agency’s real property, inclusive of unallowable transfers but *exclusive* of housing assets transferable to the housing successor agency. For detail, please refer to the specific items in Narrative Section IV.

Item #	APN	Use	Book Value	Title Transferred?
1, 25	022-02-047	Police Dept.	\$3,070,000	March 2011 to City
2, 30	086-02-061	Fire Station #4	\$816,000	March 2011 to City
3a, 3b, 3c, 3d, 31	022-08-003	County Health Center Parking Garage	\$3,798,884	January 2012 to City
4	029-17-004 to -013, -015	Sports Center Complex	\$7,393,308	March 2011 to City
5	086-10-025	School Lease; Sal Cracolice Bldg	\$39,441	March 2011 to City
6	022-02-012	Public Works	\$770,131	March 2011 to City
8	028-34-001 to -094	Vacant Land	\$6,800,000	March 2011 to City
9	028-24-025	Library & Parking Garage	\$401,690	March 2011 to City
23	086-22-031	Property Held for Resale	\$1,800,000	March 2011 to City
24	086-02-086	Property Held for Resale	\$6,988,800	March 2011 to City
26	028-24-044	Senior Center	\$2,640,000	Not Transferred
27	086-11-008	Fire Station #1	\$6,240,000	Not Transferred
28	026-13-033	Fire Station #3	\$890,000	Not Transferred
29	028-12-023	City Hall & Community Center	\$5,940,000	Not Transferred

CITY OF MILPITAS

Redevelopment Agency Dissolution Audit
as of January 31, 2012

SECTION I: ASSETS as of JANUARY 31, 2012
(Reported on Schedule 1)

Assets Transferable to Housing Successor Agency:

<u>Item Number</u>	<u>Description</u>	
1	<u>Receivables - Loans:</u>	<u>\$29,775,732</u>
	<p>The Low and Moderate Income Housing Fund balance of Receivables - Loans as of June 30, 2010 amounted to \$27,692,642. This balance increased to \$29,832,457 on June 30, 2011, but was reduced to \$0.00 as of January 31, 2012 due to the transfer of the \$29,775,732¹ loan receivable balance from the RDA Housing Reserve Fund 290 to the newly created Housing Authority Fund 295 in January 2012 (Attachment 3 page 1 and 4, Attachment 10).</p> <p>The full amount of the transferred Receivables – Loans is shown as an Auditor-Controller adjustment increasing the Receivables – Loans account by \$29,775,732 as of January 31, 2012. The detail of these loans is shown in Attachment 65. It is noted that these items may transfer to the housing successor pursuant to Health and Safety Code section 34176.</p>	
3	<u>Property Held for Resale:</u>	<u>\$15,399,645</u>
	<p>The RDA Housing Reserve Fund 290 owned properties valued at \$14,537,403 as of June 30, 2010 and increased those assets to \$15,773,898 during FY 2010-11. These properties were transferred to the City General Fund on June 30, 2011 (Attachment 11 page 1 and 2). However, since this transfer occurred after June 27, 2011, the transfer was in violation of Health and Safety Code Section 34163.5, which prohibits redevelopment agencies from disposing of assets, including real property and including by sale or transfer. Subsequently, on August 10, 2011 one of the parcels valued at \$374,253 was sold for \$250,000, resulting in a loss of \$124,253, and reducing the book value</p>	

¹ Between June 30, 2011 and January 31, 2012, the loan receivable balance declined from \$29,832,457 to \$29,775,732 due to the receipt of principal payments on outstanding loans.

of Property Held for Resale to \$15,399,645 (Attachment 4). On January 31, 2012, the properties held for resale by the General Fund were then transferred to the Milpitas Housing Authority Fund 295. However, both of these transfers were invalidated by the letter of demand from the State Controller on April 20, 2012 pursuant to Health and Safety Code Section 34167.5.

Subsequently, on August 31, 2012, the State Department of Finance (DOF) issued a letter to the City of Milpitas Housing Authority in which DOF advised the Milpitas Housing Authority, that except for one item on the City's Housing Assets Transfer Form submitted for the period February 1, 2012 through August 1, 2012, DOF is not objecting to the remaining items listed on the Form. Included on the form (Attachment 110) were the 11 properties listed on Attachment 4 which pertain to the \$15,399,645 of Property Held for Resale that comprises this item. Therefore, these items are listed as transferrable to the housing successor. This amount, \$15,399,645, is also shown on the Establishment of Assets as of 1/31/12 - Schedule 1 as the amount established by the Auditor-Controller.

In addition to these 11 properties that were approved by the DOF, on February 28, 2011, the RDA Project Fund 390 acquired an additional parcel of land for \$1,800,000 described as 1432 Main Street (Attachment 15). This parcel is treated separately and described in further detail under item 15 below.

Assets Transferable to the RDA Successor Agency:

<u>Item Number</u>	<u>Description</u>	<u></u>
4	<u>Cash and Investments - Unrestricted:</u>	<u>\$40,147,948</u>

The RDA's Project Fund 390 cash balance of \$40,989,260 on June 30, 2010 decreased to \$375,738 as of June 30, 2011, and totaled \$3,818 as of January 31, 2012, based on the City's January 2012 trial balance report (Attachment 3, page 3). The significant decrease in cash from June 30, 2010 occurred primarily as a result of the transfer of \$37,600,000 of pooled investments and \$6,579,505 of unrestricted cash to the Economic Development Corporation (Attachment 12) on March 7, 2011. The transfer of RDA monies out of the RDA was invalidated by the letter of demand from the State Controller on April 20, 2012 pursuant to Health and Safety Code Section 34167.5. In addition, after accounting for transactions between July 1, 2011 and January

31, 2012, including the apportionment of additional property tax increment monies in FY 2011-12, the Controller adjusted cash balance as of January 31, 2012 is \$40,147,948. The City argues that the \$995,786 market gain should not be added back because of subsequent losses in the investment portfolio; however, this asset was transferred to the EDC and the State Controller has taken the consistent position that the value of the assets transferred is the value to be returned.

Cash and Investments – Unrestricted – Reconciliation				
RDA (390/391) Transfer to EDC (900/901)	Date	Account	Fund: 390/900	Fund: 391/901
	3/7/2011	Cash	(\$6,579,505)	\$3,759,787
	3/7/2011	Investments Pooled	\$37,600,000	
	3/7/2011	Market Gain	\$995,789	
	3/7/2011	Deferred Revenue	(\$310,451)	
	3/15/2011 - 6/30/2011	Tax Increments	\$12,294,281	
EDC Transfers to RDA	6/30/2011	Reimb RDA expenditures	(\$5,269,988)	(\$448,941)
	1/31/2012	Reimb RDA expenditures	(\$1,061,094)	(\$835,748)
Cash and Investments - Net Reimbursements			\$37,669,032	\$2,475,098
Plus Trial Balance at 1/31/12			\$3,818	
Schedule I Item 4: Cash and Investments - Unrestricted			\$40,147,948	

Consequently, the adjusted amount of the transferred cash and investments is shown as an Auditor-Controller adjustment increasing Unrestricted Cash and Investments as of January 31, 2012 to \$40,147,948.

5 Cash and Investments - Restricted: **\$3,628,027**

The RDA's 1997 and 2003 Bond Funds 392 and 395 total restricted cash balance related to its 1997 and 2003 Tax Anticipation Bonds (TABs) amounted to \$11,524,668 as of June 30, 2010. This total balance declined in FY 2010-11 to \$7,898,411 as of March 7, 2011. During FY 2010-11, the City created an Economic Development Corporation that received its initial funding by transfer of RDA assets on March 7, 2011 amounting to \$62,047,925. All of the

restricted 1997 (\$400,230 Attachment 23.5) and 2003 (\$7,498,181 Attachment 23.6) TAB cash was included in the March 7, 2011 transfer (Attachment 13). These monies were transferred to the Economic Development Corporation – 1997 TABs Fund 902, and the Economic Development Corporation – 2003 TABs Fund 905. Therefore, the January 31, 2012 RDA restricted cash balance was \$0.00. However, as previously described, this transfer was invalidated by the letter of demand from the State Controller on April 20, 2012 pursuant to Health and Safety Code Section 34167.5. Further, between March 7, 2011 and January 31, 2012, the Economic Development Corporation made expenditures to reimburse the RDA for \$4,270,384 of costs and included market gains of \$18,184. The City argues that the market gain should not be included because of subsequent losses in investments; however, this asset was transferred to the EDC and the value of the assets transferred is the value to be returned. Consequently, the adjusted amount of Cash - Restricted is shown as an Auditor-Controller adjustment amounts to \$3,628,027 as of January 31, 2012, as shown in the table below.

Cash and Investments – Restricted – Reconciliation				
RDA Transfer to EDC	Date	Account	Fund: 392/902	Fund: 395/905
	3/7/2011	Cash	\$400,230	\$2,154
	3/7/2011	Investments Specific Fund		\$7,477,843
	3/7/2011	Market Gain Specific Fund		\$18,184
EDC Transfers to RDA	6/30/2011	Reimb RDA expenditures	(\$79,823)	(\$3,908,698)
	1/31/2012	Reimb RDA expenditures	(\$205,838)	(\$76,026)
Cash and Investments - Net Reimbursements			\$114,569	\$3,513,458
Total Cash and Investments – Restricted			\$3,628,027	

6 Cash and Investments Housing - Unrestricted: **\$6,582,557**

The RDA’s Housing Reserve Fund 290 cash balance of \$12,921,686 on June 30, 2010 (Attachment 1) decreased to \$11,687,354 on June 30, 2011 (Attachment 2) and to \$2,989 on January 31, 2012 (Attachment 3). The primary cause of the decrease was a transfer of \$11,968,745 in December 2011 from Fund 290 to the new Housing Authority Fund 295 (Attachment 5 page 2). Subsequently, this transfer was reversed and a total of \$10,087,418 was transferred to the

Successor Agency (\$9,845,961.90 by journal voucher 121103, and \$241,455.66 by journal voucher 121118 (Section III Item 1 and 2, and Attachment 9 page 1 and 2)). However, as previously described, this transfer was invalidated by the letter of demand from the State Controller on April 20, 2012 pursuant to Health and Safety Code Section 34167.5. In addition, between July 1, 2011 and January 31, 2012 additional revenues were generated, additional expenses incurred, and \$3,867,933 of housing set-aside monies were returned to the RDA Project Fund 390.²

Consequently, the net effect of these transfers, after accounting for adjustments to cash between July 1, 2011 to January 31, 2012, is \$6,582,557 as shown on Schedule 1 Established per Auditor-Controller as of January 31, 2012, and as shown in the table below.

Cash and Investment – Housing Unrestricted – Reconciliation			
	Date	Account	Fund: 290
CAFR FY2011	6/30/2011	Cash	\$11,779,316
	6/30/2011	Market Gain/(Loss)	-\$91,962
Revenues & Expenditures	7/1/11 - 1/31/12	Revenues	\$615,520
	7/1/11 - 1/31/12	Add: FY11 Prepaid Items	\$3,822
	7/1/11 - 1/31/12	Expenditures	-\$401,084
	7/1/11 - 1/31/12	Subtract: FY11 Accrued Payroll and Accounts Payable	-\$29,481
Transfers	1/31/2012	Transfer to RDA - Prior Year 10% excess housing set-aside	-\$3,867,933
	12/31/2011	Transfer to City - Cost Reimbursement	-\$1,032,754
	12/31/2011	Transfer to RDA - Debt Service Payment	-\$387,397
	1/31/2012	Transfer Tenant Deposits - Housing Authority Fund 295	-\$2,500
	1/31/2012	Accrued Payroll	-\$2,990
Total Housing Cash			\$6,582,557

11 Advances to City:

\$6,389,612

² These monies had been transferred to the Housing Reserve Fund 290 in FY 2010-11, but pursuant to a negotiated litigation settlement between the County and the Milpitas RDA, \$3,867,933 of the FY 2011-12 low- and moderate- income housing set-aside (the additional 10% set-aside) was returned to the RDA Project Fund.

Capital Assets Transferable to Successor Agency:

<u>Item Number</u>	<u>Description</u>	
16	<u>Land:</u>	<u>\$38,799,453</u>
	<p>The June 30, 2010 audited financial statements of the Milpitas Redevelopment Agency reported in Note 7 on page 37 Land valued at \$41,060,512 (Attachment 17). The June 30, 2011 audited financial statements reported a reduction in the land value to \$19,374,632 as a result of retirements amounting to \$29,518,466 (Attachment 18). Subsequently, on April 12, 2012, the City reported its land value as of January 31, 2012 to the State Controller to be \$19,374,632 (Attachment 19). This reduction in the value of RDA land held in the Projects Fund 390 resulted from transfers made on March 7, 2011 and January 26, 2012 that transferred a total of \$29,518,466 to the City General Fund 100 as described in Item 16 of Section III Transferred Assets.</p> <p>Subsequently, the City reported that \$10,093,645 of the \$29,518,466 transferred related to accounting errors pertaining to three of the 31 items identified in Section IV of this report as items 7, 10a and 10b. Consequently, the corrected transfer of RDA assets to the City amounted to \$19,424,821 and is shown on the Establishment of Assets as of January 31, 2012 - Schedule 1 as an Auditor-Controller adjustment increasing the Land account by \$19,424,821 as of January 31, 2012.</p> <p>As previously described, these transfers were subsequently invalidated by the letter of demand from the State Controller on April 20, 2012 pursuant to Health and Safety Code Section 34167.5. Consequently, the full amount of the transferred Land is shown as an Auditor-Controller adjustment increasing the capital asset account Land by \$19,424,821 as of January 31, 2012 to \$38,799,453. Pursuant to Health and Safety Code Section 34175, this asset was automatically transferred to the RDA Successor Agency on February 1, 2012. See Section IV or Schedule 4 of this report for a complete list of transferred parcels.</p>	
17	<u>Construction in Progress:</u>	<u>\$79,079,114</u>
	<p>The RDA capital asset account Construction in Progress amounted to \$79,338,602 as of June 30, 2010 (Attachment 17) and decreased to \$79,079,114 as of June 30, 2011 (Attachment 18). The City reported no change in the value</p>	

CITY OF MILPITAS

Redevelopment Agency Dissolution Audit
as of January 31, 2012

SECTION II: LIABILITIES
(Reported on Schedule 2)

<u>Item Number</u>	<u>Description</u>	
1	<u>U.S. Bank</u>	<u>\$255,026,305.00</u>
	In 2003, the RDA issued Tax Allocation Bonds in the original principal amount of \$200,000,000.00, pursuant to agreements by and between the RDA and U.S. Bank National Association (Attachments 74 & 75). These bonds are secured by tax increment revenues. The City provided a debt service schedule showing a total repayment obligation including the principal and interest of \$359,913,732.77 (Attachment 76). Based on the payment history on the debt service schedule, we calculated the RDA repaid \$104,887,427.77 as of January 31, 2012, leaving a \$255,026,305.00 balance, which is to be repaid through September 2032.	
2	<u>County of Santa Clara</u>	<u>\$98,000,000.00</u>
	On June 3, 2003, the RDA and the County of Santa Clara executed an agreement of purchase and sale for County property (Attachment 77). The purchase price was the sum of (1) \$135,000,000.00 payable in installments over 20 years, (2) the amount paid by a third-party to purchase the land, \$57,750,000.00, and (3) additional payments beginning June 30, 2024 equal to the greater of (A) \$2,000,000.00 or (B) one-half of the City of Milpitas' annual sales tax and use tax revenue, not exceeding \$5,000,000.00 per year. In addition, there is a separate agreement that provides that the City shall be liable to the extent that the RDA does not or cannot fulfill its obligations, including termination of the RDA project area.	
	The City provided a debt service schedule showing the RDA repaid \$72,000,000.00 as of January 31, 2012, leaving a \$83,000,000.00 balance (Attachment 78), which is to be repaid through June 2033. This reflects the minimum due under the agreement. As shown in Attachment 78, because of the sales tax payment provision, the amount outstanding is a range from	

\$83,000,000.00 to \$113,000,000.00, with \$98,000,000.00 representing the mid-point in the expected amounts to be paid. Consequently, the minimum balance due as of January 31, 2012 amounts to \$83,000,000.00. For the establishment of liabilities, the amount is shown as the mid-point of \$98,000,000.00, although the actual liability may increase or decrease, may be payable in part from the City pursuant to the separate agreement, or may be otherwise adjusted pursuant to the provisions of the agreement. The first Recognized Obligation Payment Schedule showed the outstanding amount as \$93,000,000.00; accordingly, the amount is adjusted by \$5,000,000.00 on Schedule 2 to \$98,000,000.00, with a note regarding the payment range.

3 SunPower Corporation \$1,300,000.00

The SunPower Corporation contract with the RDA is dated February 1, 2011 and requires the RDA to pay SunPower a contract maximum of \$1,500,000.00, including \$700,000.00 in 2011, and up to \$200,000.00 per year over the four year period, ending January 2014, and contingent upon SunPower satisfying its annual requirements under the contract (Attachment 79). The Oversight Board approved \$700,000.00 for the January 1 to June 30, 2012 period, with payment scheduled for June 2012. However, the January 31, 2012 balance is not the contract maximum of \$1,500,000.000, because the contract specifies: a) SunPower to prove by December 1 of the preceding year it met its annual requirements in order to receive the first of four \$200,000.00 annual payments; and b) it cannot receive more than \$200,000.00 in any given year. Based on the express terms of the contract and the February 1, 2011 date of its execution, SunPower could never receive \$200,000.00 for one of the four contract years, as shown below:

<u>Planned Date</u>	<u>Contract Milestone</u>	<u>Payment Due</u>
02/01/11	Contract First Year.....	700,000
12/31/11	Contractor Meets Annual Requirements	
01/01/12	2011 Performance Payment.....	200,000
12/31/12	Contractor Meets Annual Requirements	
01/01/13	2012 Performance Payment.....	200,000
12/31/13	Contractor Meets Annual Requirements	
01/01/14	2013 Performance Payment.....	<u>200,000</u>
Total RDA Obligation.....		\$1,300,000

Accordingly the total contract obligation as of January 31, 2012 was \$1,300,000.00.

4 Arbitrage Compliance Specialists \$88,000.00

The Arbitrage Compliance Specialists contract with the City is estimated to have a total obligation of \$88,000.00 for services related to RDA bond issues, including \$4,000.00 in FY 2011-12, \$2,500.00 of which is due in the six month period from January 1 to June 30, 2012. The contract documentation provided included arbitrage rebate calculations and accounts for \$1,500.00 per year for the 1997 and 2003 RDA bond issues (Attachment 80). The City reported additional costs are estimated for the calculation of yield reduction payments. The Oversight Board approved \$2,500.00 for the January 1 to June 30, 2012 ROPS period, with payment scheduled in April 2012. Therefore, the January 31, 2012 balance was \$88,000.00. The City advised it will submit this item on future ROPS as an administrative expense subject to statutory allowance and Oversight Board approval.

5 Willdan Financial Services \$132,000.00

The City provided documentation to prove Willdan Financial Services provides annual disclosure services to the City of Milpitas and the RDA (Attachment 81). The total estimated amount of this obligation as reported by the City is \$132,000.00, based on \$6,000.00 per year for 22 years. The Oversight Board approved \$3,203.00 for the January 1 to June 30, 2012 ROPS period, with payment scheduled for June 2012. Therefore, the January 31, 2012 balance was \$132,000.00. The City advised it will submit this item on future ROPS as an administrative expense subject to statutory allowance and Oversight Board approval.

6 Environmental Systems, Inc. \$9,476.74

The Environmental Systems, Inc. contract dated April 5, 2011 for HVAC system repairs at the Milpitas Library is with the City (Attachment 82), not the RDA. However, the Oversight Board approved the contract as an obligation of the RDA, because the City provided documentation to show it was recognized by the RDA Board as an RDA contract (Attachment 83). The City reported total costs incurred under the contract were \$29,756.12, of which the RDA previously paid \$18,851.38, and the Oversight Board authorized the City to pay the \$10,904.74 balance for the January 1 to June 30, 2012 period, with final payments scheduled for January and April 2012. A payment of \$1,428.00 was made on January 6, 2012 (Attachment 84), leaving a \$9,476.74 balance as of January 31, 2012, which was to be paid in full in April 2012.

7 Biggs Cardosa Associates, Inc. \$0.00

The Biggs Cardosa Associates, Inc. contract with the City of Milpitas and RDA dated August 4, 2009 and amended twice, last on December 31, 2010 for \$66,000.00 ended on July 31, 2011 (Attachment 85). This contract is to provide engineering services related to the Milpitas Library Parking Garage Screens. The total amount of this obligation is \$368.79, which the Oversight Board approved for the January 1 to June 30, 2012 ROPS period, with a final payment scheduled in January 2012. Therefore, this obligation was retired as of January 31, 2012.

8 Biggs Cardosa Associates, Inc. \$4,888.44

The Biggs Cardosa Associates, Inc. contract with the RDA for \$40,000.00 ended on January 30, 2012 (Attachment 86). The City reported total costs incurred under the contract were \$10,013.44, of which the RDA previously paid \$5,125.00, and the Oversight Board authorized the City to pay the \$4,888.44 balance for the January 1 to June 30, 2012 ROPS period, with a final payment scheduled in March 2012. Therefore, the January 31, 2012 balance was \$4,888.44.

9 Prints Charles Reprographics \$1,461.00

The Prints Charles Reprographics contract dated April 20, 2010 is with the City and the RDA (Attachment 87). The contract maximum is \$90,000.00, with a \$1,461.00 total obligation related to Project #8162. The Oversight Board approved \$1,461.00 for the January 1 to June 30, 2012 period, with final payments scheduled in March and June 2012. Therefore, the January 31, 2012 balance was \$1,461.00.

10 Prints Charles Reprographics \$995.00

The Prints Charles Reprographics contract dated April 20, 2010 is with the City and the RDA (Attachment 87). The contract maximum is \$90,000.00, with a \$995.00 total obligation related to Project #8198. The Oversight Board approved \$995.00 for the January 1 to June 30, 2012 ROPS period, with final payments scheduled in March and June 2012. Therefore, the January 31, 2012 balance was \$995.00.

11 Prints Charles Reprographics \$69.00

The Prints Charles Reprographics contract dated April 20, 2010 is with the City and the RDA (Attachment 87). The contract maximum is \$90,000.00, with a \$69.00 total obligation related to Project #8182. The Oversight Board approved \$69.00 for the January 1 to June 30, 2012 ROPS period, with a final payment scheduled in April 2012. Therefore, the January 31, 2012 balance was \$69.00.

12 Advanced Design Consultants \$7,550.06

The Advanced Design Consultants contract dated June 21, 2011 is with the City and the RDA in the amount up to \$25,082.00 (Attachment 88), of which the RDA previously paid \$14,111.94, and the Oversight Board approved the \$10,970.06 balance for the January 1 to June 30, 2012 ROPS period, with final payments scheduled in January, March, April and June 2012. The January payment amounted to \$3,420.00, leaving a \$7,550.06 balance as of January 31, 2012.

13 Hometown Construction, Inc. \$5,723.50

The Hometown Construction, Inc. contract dated May 17, 2011 is with the City of Milpitas, not the RDA (Attachment 89). However, the Oversight Board approved the contract as an obligation of the RDA, because the City provided documentation to show it was recognized by the RDA Board as an RDA contract (Attachment 90). The total obligation amount is \$404,905.50, of which the RDA previously paid \$399,182.00, and the Oversight Board approved the \$5,723.50 balance for the January 1 to June 30, 2012 ROPS period, with a final payment scheduled in March 2012. Therefore, the January 31, 2012 balance was \$5,723.50.

14 City of Milpitas staff \$0.00

Midtown Parking Garage Project #8161 staff costs were estimated to total \$7,293.85 in FY 2011-12, including \$614.00 in January 2012 and no costs for the remainder of the fiscal year. This is an RDA-funded capital project and staff costs were based on actual hours reported by engineering staff and their applicable hourly rates (Attachment 91). Pursuant to the Cooperation Agreement between the City and the RDA dated May 18, 1976, all costs incurred by the City in rendering services to the RDA are reimbursable. The Oversight Board approved the \$614.00 balance of FY 2011-12 staff costs for

the January 1 to June 30, 2012 ROPS period. The City reportedly retired this obligation as of January 31, 2012.

15 City of Milpitas staff \$731.25

City Building Improvements Project #8182/8982 staff costs were estimated to total \$29,019.32 in FY 2011-12, including \$4,336.51 in January 2012 and \$731.25 during the remainder of the fiscal year. This is an RDA-funded capital project. Its staff costs were based on actual hours reported by engineering staff and their applicable hourly rates (Attachment 91). Pursuant to the aforementioned 1976 Cooperation Agreement between the City and the RDA, the Oversight Board approved the \$5,067.76 balance of FY 2011-12 staff costs for the January 1 to June 30, 2012 ROPS period. The City reported making a payment of \$4,336.51 in January 2012, leaving a balance of \$731.25 as of January 31, 2012.

16 City of Milpitas staff \$0.00

Soundwall Renovation Project #8196 staff costs were estimated to total \$6,084.42 in FY 2011-12, including \$31.06 in January 2012 and no costs for the remainder of the fiscal year. This is an RDA-funded capital project. Its staff costs were based on actual hours reported by engineering staff and their applicable hourly rates (Attachment 91). Pursuant to the 1976 Cooperation Agreement between the City and the RDA, the Oversight Board approved the \$31.06 balance of FY 2011-12 staff costs for the January 1 to June 30, 2012 ROPS period. The City reportedly retired this obligation as of January 31, 2012.

17 City of Milpitas staff \$1,294.50

City staff costs are associated with the Department of Energy grant #8198, based on four hours per week of an Assistant Engineer's time (Attachment 91). The total obligation amount is estimated to total \$16,557.93 in FY 2011-12, including \$3,844.85 during the second half of the fiscal year. The Oversight Board approved the \$3,844.85 balance of FY 2011-12 staff costs for the January 1 to June 30, 2012 ROPS period. The City reported making a payment of \$2,550.35 in January 2012, leaving a balance of \$1,294.50 as of January 31, 2012.

18 City of Milpitas staff \$0.00

Library Project #8162 staff costs were estimated to total \$8,949.36 in FY 2011-12, including \$549.95 in January 2012 and no costs for the remainder of the

fiscal year. This is an RDA-funded capital project. Its staff costs were based on actual hours reported by engineering staff and their applicable hourly rates (Attachment 91). Pursuant to the 1976 Cooperation Agreement between the City and the RDA, the Oversight Board approved the \$549.95 balance of FY 2011-12 staff costs for the January 1 to June 30, 2012 ROPS period. The City reportedly retired this obligation as of January 31, 2012.

19 City of Milpitas staff \$0.00

Street Light Poles Improvement Project #8199 staff costs were estimated to total \$1,748.68 in FY 2011-12, all of which was to be expended in June 2012. This is an RDA-funded capital project. Its staff costs were based on actual hours reported by engineering staff and their applicable hourly rates (Attachment 91). Pursuant to the 1976 Cooperation Agreement between the City and the RDA, the Oversight Board approved the \$1,748.68 balance of FY 2011-12 staff costs for the January 1 to June 30, 2012 ROPS period. The City reported this project was completed in January 2012, and it retired this obligation as of January 31, 2012.

20 City of Milpitas staff \$3,236.15

Abel Street Transit Connect Project #4260/8960 staff costs were estimated to total \$20,895.15, including \$13,128.39 in FY 2011-12, of which \$2,916.35 was due in January 2012 and \$3,236.15 during the remainder of the fiscal year. This is a partially RDA-funded capital project. Its staff costs were based on actual hours reported by engineering staff and their applicable hourly rates (Attachment 91). Pursuant to the 1976 Cooperation Agreement between the City and the RDA, the Oversight Board approved the \$6,152.50 balance of FY 2011-12 staff costs for the January 1 to June 30, 2012 ROPS period. The City reported making a payment of \$2,916.35 in January 2012, leaving a balance of \$3,236.15 as of January 31, 2012.

21 MBIA Muni Services, LLC \$77,266.00

The MBIA Muni Services, LLC contract through June 30, 2012 is between the City of Milpitas and the consultant for auditing property and sales taxes and RDA tax increment monies (Attachment 92). The contract requires the payment of an ongoing fee for two subsequent years into the future following the discovery of unidentified or incorrectly identified RDA tax increment monies. The ongoing fee is 25 percent of the amount of recovery. The total obligation is estimated to be \$150,000.00, with \$100,000.00 in FY 2011-12 and \$23,766.00 in June 2012. The allocation of costs to the RDA for

interest at a rate of 10 percent (Attachment 96). The City provided a debt service schedule showing a total repayment obligation including the principal and interest of \$24,418,456.88 (Attachment 97). The Oversight Board approved a payment of \$3,600,000 for the January 1 to June 30, 2012 ROPS period, leaving a \$20,818,456.88 balance as of January 31, 2012. However, on advice of County Counsel to the Auditor-Controller, this agreement is invalid, because:

- (1) Health and Safety (H&S) Section 34171(d)(2) specifies that agreements between the city that created the redevelopment agency and the former redevelopment agency are not enforceable obligations, effective February 1, 2012.
- (2) Health and Safety (H&S) Section 34178(a) invalidates all agreements between the city that created the redevelopment agency and the former redevelopment agency, effective February 1, 2012.

It should be noted that pursuant to H&S Section 34191.4(b)(2), the City of Milpitas as Successor Agency may reenter into this agreement upon: a) the State Department of Finance issuing a "finding of completion" to the Successor Agency that completes the due diligence review and meets other requirements; and b) the Oversight Board approving the agreement as an enforceable obligation of the former RDA. However, according to the same section of the Health and Safety Code, the principal amount of the agreement must be recalculated from origination at the interest rate earned by funds deposited into the State's Local Agency Investment Fund (LAIF). The City provided a recalculated total amount due under the agreement of \$24,248,939 as of January 31, 2012, including the principal amount and interest of \$3,793,747 at LAIF interest rates, beginning in FY 2004-05 (Attachment 111). We noted the RDA repaid \$14,800,000.00 as of January 31, 2012, leaving a \$9,448,938.55 balance.

25 CalPERS-Pension and Retiree Health Insurance \$0.00

The City prepared an estimate of the former Milpitas Redevelopment Agency's share of the CalPERS unfunded liability pertaining to the City's miscellaneous employees, based on the actuarial valuation as of June 30, 2010. The City's estimate amounted to \$6,431,272 based on a total City miscellaneous employee unfunded liability of \$53,356,959. Similarly, the City calculated an estimate of the former Milpitas Redevelopment Agency's

share of the retiree health insurance (OPEB) unfunded liability which totaled \$29,665,722 as of July 1, 2011. The City's estimate of the RDA's share amounted to \$3,575,697. (Attachment 105).

However, there is a fundamental problem with these items: they do not relate to RDA employees, but rather are liabilities related to City employees. Specifically, the RDA reimbursed the City for the use of City employees pursuant to the 1976 Cooperation Agreement. Under that agreement, the RDA was responsible for paying for the time of City staff in furtherance of RDA work, at an hourly rate that included the cost of benefits. The fact that the City now has an unfunded liability, and that some City staff were working on RDA activities, does not change the fundamental contractual nature of this arrangement. This is equivalent to the RDA paying professional rates to consultants who subsequently realized that they had under-billed for their services because they incurred increased benefits costs to their employees; the RDA would not be responsible for those costs. The City's unfunded liabilities related to retiree health and CalPERS are not liabilities of the RDA, and this item is therefore entirely disallowed.

In addition, even if these were allowable costs, there are severe and fatal problems with the City's methodology. These problems include that (1) the City failed to use an all funds budget—by using the general fund budget, RDA costs were inflated; (2) the City used budgeted rather than actual amounts; (3) the City included all expenditures, including fringe benefits, rather than PERSable salaries only; and (4) the actual valuation should be as of January 31, 2012, which is the date of dissolution, rather than the unfunded liability as of June 30, 2010.

26 South Main Senior Lifestyles, LLC \$7,700,000.00

The South Main Senior Lifestyles, LLC contract with the RDA for development of a two-phased residential complex of 387 housing units was entered into on August 18, 2009 (Attachment 115). A provision of this agreement specifies that in order to support phase one of the development, the RDA must provide a grant in the amount of \$7,700,000.00 to South Main Senior Lifestyles (Attachment 116). The City reported that no payments have been made to South Main Senior Lifestyles for phase one of the development as of the writing of this report. Therefore, the January 31, 2012 balance was \$7,700,000.00. This obligation was not considered during the review of the initial Recognized Obligation Payment Schedule (ROPS) for Milpitas,

because no payments were required during the six-month period from January 1 to June 30, 2012.

Adm 4 Cooperation Agreement 5/18/76 \$0.00

Pursuant to a Cooperation Agreement between RDA and City dated May 18, 1976 providing for reimbursement of RDA costs incurred by the City, the City reported a future RDA obligation of \$4,366,172.00. However, pursuant to Health and Safety Code Sections 34171(d)(2) and 34178(a), as of February 1, 2012, agreements between cities and the redevelopment agencies they created are not enforceable and are invalid. However, the types of expenditures covered by this agreement were subsequently determined by the State Department of Finance to be an administrative cost in their May 30, 2012 letter to the City (Attachment 113).

CITY OF MILPITAS

Redevelopment Agency Dissolution Audit
as of January 31, 2012

SECTION III: TRANSFERRED ASSETS
(Reported on Schedule 3)

Background

In Spring 2011, under the impending threat of the Governor's proposal to dissolve redevelopment agencies, the Milpitas City Council, sitting as the Board for the Redevelopment Agency and the City, took numerous actions in a series of meetings to shift the majority of RDA assets to the City and City-controlled entities. As described in Section IV, significant property transfers shifted real property assets to the City.

In addition, to further protect assets, the City established the Milpitas Economic Development Corporation (EDC), with the City Council sitting as its Board of Directors. In an example of the frenzied pace of activity leading to the transfer of cash, bond proceeds, and other assets, a special meeting of the City Council was called on March 7, 2011. The minutes from that meeting describe that the "City Manager . . . addressed the City Council regarding the state Governor's proposed budget, which was expected to include a proposal to do away with Redevelopment Agencies in this state. Therefore, staff was recommending this evening a series of actions to insulate the City's redevelopment assets from anticipated legislation."³ Those actions included, that night, the adoption of resolutions authorizing the transfer of real property to the City (Resolution No. RA408) and transfer of cash and bond proceeds to the EDC (Resolution No. RA409), adopted after 7:43 pm. Immediately thereafter, at 7:46 pm, the City Council met for the first meeting of the "newly established Economic Development Corporation" to adopt bylaws (Resolution No. EDC-1) and ratify the agreement with the RDA and City (Resolution No. EDC-2).

The City Council held additional meetings, including a special meeting on March 28, 2011, to convey additional parcels to the City and to have the City and EDC enter into an option agreement to purchase the parcels from the City.⁴ This section details

³ The minutes are available on the City's website at:
<http://www.ci.milpitas.ca.gov/pdfs/council/2011/030711/minutes.pdf>.

⁴ The minutes are available on the City's website at:
<http://www.ci.milpitas.ca.gov/pdfs/council/2011/032811/minutes.pdf>.

each transfer of assets or significant movement of RDA assets in fiscal years 2010-2011 and 2011-2012. The purpose is to fully account for the RDA's assets, including unallowable transfers, which need to be included in the establishment of assets in Schedule 1 and described in narrative Section I.

<u>Item Number</u>	<u>Fund Making Transfer</u>	<u>Fund Receiving Assets</u>	<u>Transferred Amount</u>
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		930 Successor Agency	
1	<u>290 Housing Reserve Fund</u>	<u>Retirement Obligation Fund</u>	<u>\$241,456</u>

Cash-Unrestricted: On January 31, 2012, the RDA Housing Reserve Fund 290 transferred \$241,456 of surplus unrestricted cash to the Successor Agency Obligation Retirement Fund 930 (Attachment 9, page 2 and Attachment 70). This transfer is in accordance with the requirements of the Health and Safety Code 34176.

		930 Successor Agency	
2	<u>290 Housing Reserve Fund</u>	<u>Retirement Obligation Fund</u>	<u>\$6,582,557</u>

Cash-Unrestricted: On January 31, 2012, the RDA Housing Reserve Fund 290 transferred \$9,845,962 of surplus unrestricted cash to the Successor Agency Obligation Retirement Fund 930 (Attachment 9). In addition, a second cash transfer on the same date described as item 1 above, accounted for \$241,456, bringing the total cash transferred from the Housing Reserve Fund 290 to the Successor Agency Retirement Obligation Fund 930 on January 31, 2012 to \$10,087,418. This transfer was in accordance with the requirements of the Health and Safety Code 34176. However, of this amount, \$3,867,933 of FY 2010-11 low and moderate income set-aside funds were then transferred to RDA Project Fund 390, and various Housing Reserve Fund expenses and revenues were accounted for resulting in a net balance available of \$6,582,557 (see reconciliation in Section I, item 6). This amount should be remitted to the County Auditor-Controller pursuant to Health and Safety Code 34177(d).

3	<u>290 Housing Reserve Fund</u>	<u>295 Housing Authority Fund</u>	<u>\$0</u>
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Advances to Other Funds: On January 31, 2012, the RDA Housing Reserve Fund 290 transferred \$8,925,178 of Advances to Other Funds to the Milpitas Housing Authority Fund 295 (Attachment 66). These advances financed the acquisition of two land purchases made on August 17, 2010 for \$6,800,000 and

on February 25, 2011 for \$1,800,000, which are described in Section IV, items 18 and 21 of this report. As described in Section I, item 12, this asset has subsequently been determined to be invalid. Therefore, the transfer is shown at a \$0.00 value here and on Schedule 3.

4 290 Housing Reserve Fund 295 Housing Authority Fund \$29,775,732

Receivable – Loans: On January 31, 2012, the RDA Housing Reserve Fund 290 transferred \$29,775,732 of Loans Receivable to the Milpitas Housing Authority Fund 295. (The journal voucher for this transfer is shown as Attachment 10.) As described in Section I, item 1, these items may transfer to the housing successor agency per Health and Safety Code section 34176.

5 290 Housing Reserve Fund 390 RDA Project Fund \$387,397

Cash: On December 31, 2011, the Housing Reserve Fund 290 transferred \$387,397 to the RDA Projects Fund 390 to pay its share of the annual debt service costs associated with outstanding 1997 and 2003 TABs as required by Health and Safety Code Section 34169 (Attachment 69). Subsequently, on January 31, 2012 the excess cash balance in this fund was transferred to the Successor Agency Obligation Retirement Fund 930 as described in this section, item 2. This expenditure was for an EOPS item and appears allowable.

6 290 Housing Reserve Fund 100 General Fund \$1,032,754

Cash: On December 31, 2011, the Housing Reserve Fund 290 transferred \$1,032,754 to the General Fund 100 to pay its share of FY 2011-12 operating costs incurred by the General Fund and reimbursed by the RDA Housing Reserve Fund in accordance with the 1976 reimbursement agreement (Attachment 22 and 69). Subsequently, on January 31, 2012 the excess cash balance in this fund was transferred to the Successor Agency Obligation Retirement Fund 930 as described in this section, item 2. This expenditure was for an EOPS item and appears allowable.

7 901 Econ Devel Corp CIP Fund 391 RDA CIP Fund (\$1,117,612)

Cash: On January 31, 2012, the Economic Development Corporation reverse-transferred a total of \$1,117,612 back to the RDA CIP Fund 391 (Attachment 101). The purpose of this transfer was to reimburse the RDA CIP Fund for project costs incurred. This transfer back of cash from the EDC reduces the

South Main Senior Lifestyles senior housing project in accordance with an August 2009 disposition and development agreement (Attachment 20). Further, on August 10, 2011 one of the parcels valued at \$374,253 was sold for \$250,000, resulting in a loss of \$124,253, and reducing the book value of Property Held for Resale to \$15,399,645 (Attachment 4). Subsequently, in January 2012, most of these properties were again transferred from the General Fund to the newly created Housing Authority Fund 295, which was created in December 2011. The properties transferred from the General Fund to Fund 295 were valued at \$15,339,645 on January 31, 2012 (Attachment 21).

As described in Section I, item 3, these assets are transferable to the housing successor agency per Health and Safety Code section 34176.

11 290 Housing Reserve Fund 100 General Fund \$1,065,811

Cash: Periodically, during FY 2010-11, the RDA transferred funds from the Housing Reserve Fund to the City General Fund to reimburse the City for administrative and support services provided by City staff for redevelopment Housing Fund related administrative and project activities. These reimbursements were made pursuant to the 1976 Cooperation Agreement between the City and the Redevelopment Agency (Attachment 22). This transfer occurred during the first half of FY 2010-11, prior to the effective date of ABX1 26 and is reported for informational purposes only to account for all of the transfers reported in the June 30, 2011 audited financial statements.

12 290 Housing Reserve Fund 390 RDA Projects Fund \$387,677

Cash: During FY 2010-11, the Housing Reserve Fund 290 transferred \$387,677 to the RDA Projects Fund 390 to pay its share of the annual debt service costs associated with outstanding 1997 and 2003 TABs (Attachment 69). This transfer occurred during the first half of FY 2010-11, prior to the effective date of ABX1 26 and is reported for informational purposes only to account for all of the transfers reported in the June 30, 2011 audited financial statements.

13 390 Projects Fund 900 Economic Devel Corp \$62,047,925

Cash, Investments and Other Assets: On March 7, 2011, the City transferred a total of \$62,047,925 of RDA assets to the newly created Economic Development Corporation pursuant to Council and Agency Board action at a joint meeting on that date. The assets were transferred pursuant to a series of

13 journal entries made between March 7, 2011 and June 30, 2011 (Attachment 23.1-23.7) and included the following assets:

Cash-Tax Increment (3/15 to 6/30)	\$12,294,282
Cash-Unrestricted	(2,819,718)
Cash-Restricted Bond Funds	402,384
Investments-Pooled	37,600,000
Investments-Restricted Bond Funds	7,477,843
Investment Gains (Losses)	1,013,973
Advances to the City	6,389,612
Deferred Revenue	<u>(310,451)</u>
Total	<u>\$62,047,925</u>

As described in Section I, item 4, this transfer is now invalid pursuant to Health and Safety Code Section 34167.5 (Attachment 6) and the April 20, 2012 order by the State Controller (Attachment 7). Further, Health and Safety Code Section 34167.10 (Attachment 8) defines a city to include corporate entities created by the city, such as the Milpitas Economic Development Corporation. Consequently, this cash and the other assets transferred from the RDA Project Fund to the Economic Development Corporation must be returned to the Successor Agency. These amounts are offset in the adjustment described in Section I, items 4, 5, and 11 (Schedule 1, lines 4, 5, 11), by the amounts returned to the Successor Agency or RDA, as described in items 7, 8, and 14 in this section.

14 900 Economic Devel Corp 390 RDA Projects Fund (\$9,707,450)

Cash: On June 30, 2011, the City transferred a total of \$9,707,450 of cash from the newly created Economic Development Corporation back to the RDA (Attachment 24). The purpose of this transfer was to reimburse the RDA Projects Fund for project costs incurred, and reduces the amount owed back from the EDC, as shown in the reconciliation in Section I, item 4. The cash payment to the RDA was for project costs as follows:

390 RDA Projects Fund	\$8,869,988
391 RDA CIP Fund	448,941
392 RDA 1997 Bond Fund	79,823
395 RDA 2003 Bond Fund	<u>308,698</u>
Total	<u>\$9,707,450</u>

15	<u>390 RDA Projects Fund</u>	<u>100 General Fund</u>	<u>\$8,788,800⁵</u>
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Property Held for Resale: On March 7, 2011 and June 30, 2011, the Milpitas RDA transferred land to the City General Fund valued at \$6,988,800 and \$1,800,000 respectively, for a total land transfer of \$8,788,800. The March 7, 2011 transfer pertained to a 3.42 acre parcel known as the Alder property, which was acquired from the Santa Clara Valley Transportation Authority in August 2000 for future development (Attachment 16 and 72). Although this property was grant deeded to the City, a Memorandum of Option was also recorded on March 29, 2011 providing the Milpitas Economic Development Corporation an option to purchase this property from the City for a period of 20 years expiring in 2031 (Attachment 47, page 6). The June 30, 2011 transfer was a property described as 1432 South Main Street, which had been recently acquired by the Redevelopment Agency on February 28, 2011 (Attachment 15). These items were described in detail in Section I, item 15, and are disallowed transfers.

16	<u>390 RDA Projects Fund</u>	<u>100 General Fund</u>	<u>\$29,518,466</u>
	Less Accounting Errors		<u>(10,093,645)</u>
	Corrected Total		<u>\$19,424,821</u>

Land: Between March 7, 2011 and January 26, 2012, the RDA Projects Fund transferred 24 land parcels with a book value of \$29,518,466 to the City (Attachment 25). As previously described in Section I, these transfers were subsequently invalidated by the letter of demand from the State Controller on April 20, 2012 pursuant to Health and Safety Code Section 34167.5. Further, the City reported that \$10,093,645 of the \$29,518,465.54 transferred related to accounting errors pertaining to three of the 24 parcels identified in Section IV of this report as items 7, 10a and 10b. Consequently, the corrected transfer of RDA assets to the City amounted to \$19,424,821 and is shown on the Establishment of Assets as of January 31, 2012 - Schedule 1 as an Auditor-Controller adjustment increasing the Land account by \$19,424,821 as of January 31, 2012.

⁵ The June 30, 2011 CAFR reported the transfer to be \$8,781,000 on page 29 and in note 8 on page 39. The City advised us that the property reported as costing \$1,792,200 was incorrectly stated due to an accounting error and should have been \$1,800,000.

18 390 RDA Projects Fund 100 General Fund \$4,630,655

Cash: Periodically, during FY 2010- 11, the RDA transferred funds to the City General Fund to reimburse the City for administrative and support services provided by City staff for redevelopment administrative and project activities (Attachment 102). These reimbursements were made pursuant to the 1976 Cooperation Agreement between the City and the Redevelopment Agency, (Attachment 22). This transfer occurred during the first half of FY 2010-11, prior to the claw-back date of ABX1 26 and is reported for informational purposes only to account for all of the transfers reported in the June 30, 2011 audited financial statements.

23 390 RDA Projects Fund 100 General Fund \$67,694,968

Capital Projects: On June 30, 2011, the RDA transferred assets related to 69 completed capital projects with a book value of \$67,694,968 to the City General Fund (Attachment 104). These completed projects included:

<u>No.</u>	<u>Type</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Book Value</u>
27	Building Improvements	\$90,158,380	\$36,329,019	\$53,829,361
21	Land Improvements	11,315,519	6,277,405	5,038,114
<u>21</u>	<u>Machinery-Equipment</u>	<u>16,768,354</u>	<u>7,940,862</u>	<u>8,827,492</u>
<u>69</u>	<u>Total</u>	<u>\$118,242,253</u>	<u>\$50,547,286</u>	<u>\$67,694,967*</u>

* \$1 discrepancy due to rounding.

A detailed listing of the projects is shown in Attachment 26. As described in Section I, item 18, these transfers are unallowable and are added back as adjustments to Schedule 1, line 18.

24 390 RDA Projects Fund 290 Housing Reserve Fund \$11,668,669

Property Tax Revenue: On June 30, 2011, the RDA transferred 30.0 percent of its FY 2010-11 property tax increment revenue from the RDA Projects Fund to the Housing Reserve Fund to satisfy the State required 20 percent minimum set-aside of property tax increment revenue for low and moderate income housing purposes. FY 2010-11 property tax increment revenue totaled \$39,003,681 (Attachment 27). On January 31, 2012, the City transferred the remaining balance in the Housing Reserve Fund 290 to the Successor Agency Retirement Obligation Fund 930 as described in this section, item 2. This item is listed to fully account for transfers in the relevant time period.

Note: Items 17, 19, 20, 21, and 22 on the Transfer of Assets Schedule 3 are relatively small transfers ranging from \$15,580 to \$244,439 related to reimbursement of various City funds for RDA costs associated with specific capital projects and the RDA's share of debt service costs. Separate narrative descriptions of those transactions are not included in this report.

CITY OF MILPITAS

Redevelopment Agency Dissolution Audit
as of January 31, 2012

SECTION IV: DESCRIPTION OF RDA 1/31/12
REAL PROPERTY INVENTORY
(See also Schedule 4)

This section of the report provides a description of 31 separate real estate property related transactions in the Milpitas Redevelopment Agency real estate inventory as of January 31, 2012, or transferred to other entities subsequent to January 1, 2011 (Attachment 99). Schedule 4 is a table of the real property assets focused on parcels.

The following 14 real estate parcels and parcel groupings (items 1 through 10b) with a combined total of \$29,518,465.54 were transferred from the Milpitas RDA in March 2011 to the City of Milpitas. However, these transfers were subsequently invalidated pursuant to Health and Safety Code Section 34167.5 (Attachment 6) and the April 20, 2012 order by the State Controller (Attachment 7). Further, the City reported that \$10,093,645 of the \$29,518,465.54 transferred related to accounting errors pertaining to items 7, 10a and 10b. Consequently, the corrected transfer of RDA assets to the City amounted to \$19,424,821.

Health and Safety Code Section 34167.5 requires that any city, county or agency, that directly or indirectly, received any assets from a redevelopment agency after January 1, 2011, upon receipt of an order from the State Controller, shall immediately reverse the transfer and return the applicable assets to the successor agency of the relevant redevelopment agency.

<u>Item</u> <u>Number</u>	<u>APN</u>	<u>From</u>	<u>To</u>	<u>Use</u>	<u>Book</u> <u>Value</u>
1	022-02-047	RDA	City of Milpitas	Police Dept	\$694,896.36

Pursuant to the accounting records of the City of Milpitas (Attachment 99), the acquisition cost (\$694,896.36) of this parcel of land APN 022-02-047 was transferred by the Milpitas Redevelopment Agency in March 2011 to the City (Attachment 14). However, additional site improvement costs to this parcel amounting to \$2,375,104 are accounted for and described in item 25 in this

section. Item 25 has not been transferred to the City. Parcel 022-02-047 is located at 1271 and 1275 North Milpitas Boulevard in Milpitas, which is the location of the City of Milpitas Police Department and the Public Works Department Corporation Yard.

2 086-02-061 RDA City of Milpitas Fire Station #4 \$559,057.00

Parcel number 086-02-061 was transferred by the Milpitas Redevelopment Agency in March 2011 pursuant to Grant Deed 21511606 to the City of Milpitas (Attachment 33). The parcel is located at 775 Barber Lane in Milpitas and is the site of Fire Station Number 4. The size of this parcel was not reported in the deed. Pursuant to the accounting records of the City of Milpitas, the appreciated value of the site resulting from site improvements costing \$256,943 have not been transferred to the City, and is described as item 30 in this section. This transfer of the land, which was acquired at a cost of \$559,057 was authorized by a joint resolution of the Milpitas City Council, the Milpitas Redevelopment Agency and the Milpitas Housing Authority by Resolution RA5 on January 17, 2012.

County Health Center

3a 022-08-003 RDA City of Milpitas Parking Garage \$953,427.50

Legal title to parcel number 022-08-003 was transferred by the Milpitas Redevelopment Agency on January 26, 2012 pursuant to Grant Deed 21511605 to the City of Milpitas (Attachment 34). This land parcel was acquired on March 15, 2005 at a cost of \$1,986,013.75 and is located at 93 North Main Street in Milpitas. Subsequently, additional costs related to this parcel increased the RDA total cost to \$3,798,883.75. This property is the site of a City Parking Garage, which is primarily used by the County Health Center (Attachment 50). The transfer of this property was authorized by a joint resolution of the Milpitas City Council, the Milpitas Redevelopment Agency and the Milpitas Housing Authority by Resolution RA5 on January 17, 2012.

However, the accounting records of the City of Milpitas, show that four separate accounting transfers of the partial cost of parcel number 022-08-003 were made in FY 2010-11. This item, 3a, describes the first partial transfer of the total cost of parcel 022-08-003 in the amount of \$953,427.50, which was transferred by the Milpitas Redevelopment Agency in March 2011 to the City of Milpitas.

County Health Center

3b 22-08-003 RDA City of Milpitas Parking Garage \$1,530,000.00

Pursuant to the accounting records of the City of Milpitas, the second transfer (item 3b) of the partial cost of parcel 22-08-003 related to \$1,530,000 of design costs for the County Health Center Parking Garage. These costs were capitalized as fixed assets and subsequently transferred by the Milpitas Redevelopment Agency on March 28, 2011 to the City.

County Health Center

3c 22-08-003 RDA City of Milpitas Parking Garage \$55,905.00

Pursuant to the accounting records of the City of Milpitas, the third transfer (item 3c) of the partial cost of parcel 22-08-003 related to \$55,905 of site preparation costs for the County Health Center Parking Garage. These costs were capitalized as fixed assets and subsequently transferred by the Milpitas Redevelopment Agency on March 28, 2011 to the City.

County Health Center

3d 22-08-003 RDA City of Milpitas Parking Garage \$226,965.00

Pursuant to the accounting records of the City of Milpitas, the fourth transfer (item 3d) of the partial cost of parcel 22-08-003 related to \$226,965 of additional site preparation costs for the County Health Center Parking Garage. These costs were capitalized as fixed assets and subsequently transferred by the Milpitas Redevelopment Agency on March 28, 2011 to the City. The remaining \$1,032,586.25 cost of the site, which was not transferred in the RDA's accounting records, is discussed in item 31 of this section of the report.

4 029-17-004* RDA City of Milpitas Sports Center \$7,393,308.00

Parcel number 029-17-004* was transferred by the Milpitas Redevelopment Agency on March 28, 2011 pursuant to Grant Deed 21128231 to the City of Milpitas (Attachment 35). These parcels are located at 1325 East Calaveras Boulevard in Milpitas, which is the site of the City Sports Center. Parcel 1 and options on 11 additional parcels at a cost of \$616,109 each were acquired by the Redevelopment Agency in 1985 at a cost of \$616,109 (Attachment 51). These parcels were previously a portion of the Ayer High School campus. The Sports Center includes four swimming pools, a large fitness center, a

gym, two aerobics studios, locker rooms and shower facilities. The acreage of the combined parcels was not reported.

*Also includes 029-17-005 through 029-17-013 and 029-17-015

School Lease

5 086-10-025 RDA City of Milpitas Sal Cracolice Bldg \$39,441.00

Parcel number 086-10-025 was transferred by the Milpitas Redevelopment Agency on March 28, 2011 pursuant to Grant Deed 21128230 to the City of Milpitas (Attachment 36). This parcel is located at 540 South Abel Street in Milpitas and is the site of the Sal Cracolice Building, which was initially used by the City's Recreation Department and was subsequently leased to the Magnolia Charter Academy School for a period of three years commencing in August 2013. In addition, a Memorandum of Option identified as County Recorder 21128237 provides an option to the Milpitas Economic Development Corporation to purchase this property from the City for a period of 20 years expiring on March 28, 2031. This parcel was sold by the County to the RDA for \$0 on a combined basis with the sale of the Elmwood land. The \$39,441 value of this parcel represents the closing costs that were capitalized in the City's accounting records.

6 022-02-012 RDA City of Milpitas Public Works \$770,131.00

Parcel number 022-02-012 was transferred by the Milpitas Redevelopment Agency on March 28, 2011 pursuant to Grant Deed 21128229 to the City of Milpitas (Attachment 37). This parcel is located at 1265 North Milpitas Boulevard in Milpitas and is the site of the City's Department of Public Works. In addition, a Memorandum of Option identified as County Recorder 21128236 provides an option to the Milpitas Economic Development Corporation to purchase this property from the City for a period of 20 years expiring on March 28, 2031.

7 086-02-086 RDA City of Milpitas Vacant Land \$5,110,381.00

Parcel number 086-02-086 was transferred by the Milpitas Redevelopment Agency on March 7, 2011 pursuant to Grant Deed 21104353 to the City of Milpitas (Attachment 47). This 3.342 acre property is known as the Alder property, which was purchased by the Redevelopment Agency on August 17, 2000, is located at Alder Drive and Barber Lane in Milpitas (Attachment 62). In addition, a Memorandum of Option identified as County Recorder 21128233 provides an option to the Milpitas Economic Development

Corporation to purchase this property from the City for a period of 20 years expiring on March 28, 2031. Pursuant to the City's accounting records, the value of this land is a duplication of the land listed in item 24 in this section of the report. The value of \$5,110,381 was an accounting error and was corrected by the City by deleting it from the fixed assets in June 2012. The State Controller's Office reported in its August 28, 2012 Milpitas Redevelopment Agency Asset Transfer Review that it accepted the City's corrections.

8 028-34-001* RDA City of Milpitas Vacant Land \$6,800,000.00

Parcel number 028-34-001* was transferred by the Milpitas Redevelopment Agency on March 7, 2011 pursuant to Grant Deed 21104352 to the City of Milpitas (Attachment 48). The property is known as the Apton property and is comprised of numerous parcels as noted below. The land was originally planned for condominium development and is located at 230 North Main Street in Milpitas (Attachment 63). The land was acquired by the RDA in August 2010 and was rezoned by the City as open space. A Memorandum of Option identified as County Recorder 21128234 provides an option to the Milpitas Economic Development Corporation to purchase this property from the City for a period of 20 years expiring on March 28, 2031.

*and includes 028-34-002 through 028-34-094.

Library & Parking

9 028-24-025 RDA City of Milpitas Garage \$401,689.68

Parcel number 028-24-025 was transferred by the Milpitas Redevelopment Agency on March 7, 2011 pursuant to Grant Deed 21104351 to the City of Milpitas (Attachment 49). This property, which was purchased by the Redevelopment Agency on December 20, 2004, comprises a portion of the property that accommodates the library and parking garage and is located at 86 North Main Street in Milpitas (Attachment 64). In addition, a Memorandum of Option identified as County Recorder 21128235 provides an option to the Milpitas Economic Development Corporation to purchase this property from the City for a period of 20 years expiring on March 28, 2031.

				Affordable	
11	<u>086-53-070</u>	<u>RDA</u>	<u>City of Milpitas</u>	<u>Housing Unit</u>	<u>\$339,958.00</u>

Parcel number 086-53-070 was transferred by the Milpitas Redevelopment Agency on March 7, 2011 pursuant to Grant Deed 21104362 to the City of Milpitas (Attachment 38). This parcel is condominium unit 324 located at 22 Wind Song in Milpitas, and is an affordable housing unit. It was purchased by the Redevelopment Agency on August 21, 2009 (Attachment 53). This parcel was subsequently transferred to the Milpitas Housing Authority, the Successor Housing Agency and approved by the State Department of Finance as a housing asset.

				Affordable	
12	<u>086-61-212</u>	<u>RDA</u>	<u>City of Milpitas</u>	<u>Housing Unit</u>	<u>\$376,795.14</u>

Parcel number 086-61-212 was transferred by the Milpitas Redevelopment Agency on March 7, 2011 pursuant to Grant Deed 21104360 to the City of Milpitas (Attachment 40). This parcel is condominium number 101 located at 600 South Abel Street in Milpitas, and is an affordable housing unit. It was purchased by the Redevelopment Agency on February 16, 2011 (Attachment 55). This parcel was subsequently transferred to the Milpitas Housing Authority, the Successor Housing Agency and approved by the State Department of Finance as a housing asset.

13	<u>086-61-082</u>	<u>RDA</u>	<u>City of Milpitas</u>	<u>Housing Unit</u>	<u>\$294,920.97</u>
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Parcel number 086-61-082 was transferred by the Milpitas Redevelopment Agency on March 7, 2011 pursuant to Grant Deed 21104359 to the City of Milpitas (Attachment 41). This parcel is condominium number 306 located at 700 South Abel Street in Milpitas, and is an affordable housing unit. It was purchased by the Redevelopment Agency on February 28, 2011 (Attachment 56). This parcel was subsequently transferred to the Milpitas Housing Authority, the Successor Housing Agency and approved by the State Department of Finance as a housing asset.

				Affordable	
14	<u>086-49-057</u>	<u>RDA</u>	<u>City of Milpitas</u>	<u>Housing Unit</u>	<u>\$248,183.52</u>

Parcel number 086-49-057 was transferred by the Milpitas Redevelopment Agency on March 7, 2011 pursuant to Grant Deed 21104358 to the City of Milpitas (Attachment 42). This parcel is condominium number 195 located at

347 Imagination Place in Milpitas, and is an affordable housing unit. It was purchased by the Redevelopment Agency on July 8, 2009 (Attachment 57). This parcel was subsequently transferred to the Milpitas Housing Authority, the Successor Housing Agency and approved by the State Department of Finance as a housing asset.

Affordable

15 086-53-052 RDA City of Milpitas Housing Unit \$357,837.10

Parcel number 086-53-052 was transferred by the Milpitas Redevelopment Agency on March 7, 2011 pursuant to Grant Deed 21104357 to the City of Milpitas (Attachment 43). This parcel is condominium number 306 located at 48 Run Walk in Milpitas, and is an affordable housing unit. It was purchased by the Redevelopment Agency on July 8, 2009 (Attachment 58). This parcel was subsequently transferred to the Milpitas Housing Authority, the Successor Housing Agency and approved by the State Department of Finance as a housing asset.

Affordable

16 086-49-033 RDA City of Milpitas Housing Unit \$299,580.20

Parcel number 086-49-03 was transferred by the Milpitas Redevelopment Agency on March 7, 2011 pursuant to Grant Deed 21104356 to the City of Milpitas (Attachment 44). This parcel is condominium number 225 located at 351 Celebration Drive in Milpitas, and is an affordable housing unit. It was purchased by the Redevelopment Agency on April 28, 2010 (Attachment 59). This parcel was subsequently transferred to the Milpitas Housing Authority, the Successor Housing Agency and approved by the State Department of Finance as a housing asset.

Property Held for Resale

Senior

17 086-22-027* RDA City of Milpitas Housing Units \$12,443,137.00

Parcel number 086-22-027* was transferred by the Milpitas Redevelopment Agency on March 7, 2011 pursuant to Grant Deed 21104354 to the City of Milpitas (Attachment 46). This 5.94 acre property located at 1504 to 1620 South Main Street in Milpitas, was purchased November 23, 2009 (Attachment 61). The RDA entered into a Developer Disposition Agreement with South Main Senior Lifestyle to develop the land into 387 senior and

multi-family housing units, including affordable housing units. The parcel was subsequently transferred to the Milpitas Housing Authority, the Successor Housing Agency and approved by the State Department of Finance as a housing asset.

*and 086-22-028, 086-22-033, 086-22-034, 086-22-041 and 086-22-042.

18 086-49-046 RDA City of Milpitas Housing Unit \$258,159.50

Parcel number 086-49-086 was transferred by the Milpitas Redevelopment Agency to the City of Milpitas on March 7, 2011. The parcel is located at 340 Celebration Drive in Milpitas, and is an affordable housing unit. It was purchased by the RDA on July 10, 2009. The parcel was subsequently transferred to the Milpitas Housing Authority, the Successor Housing Agency and approved by the State Department of Finance as a housing asset.

19 086-54-052 RDA City of Milpitas Housing Unit \$305,094.59

Parcel number 086-54-052 was transferred by the Milpitas Redevelopment Agency on January 21, 2011 pursuant to Grant Deed 21104361 to the City of Milpitas (Attachment 39). This parcel is a condominium comprised of two parcels including module number 9 and residential unit 905 located at 254 Parc Place Drive in Milpitas, and is an affordable housing unit. It was purchased by the Redevelopment Agency on January 27, 2011 (Attachment 54). The parcel was subsequently transferred to the Milpitas Housing Authority, the Successor Housing Agency and approved by the State Department of Finance as a housing asset.

20 086-61-177 RDA City of Milpitas Housing Unit \$227,923.68

Parcel number 086-61-177 was transferred by the Milpitas Redevelopment Agency to the City of Milpitas on March 7, 2011. This parcel is condominium unit 208 located at 600 South Abel Street in Milpitas, and is an affordable housing unit. It was purchased by the RDA on May 24, 2011. The parcel was subsequently transferred to the Milpitas Housing Authority, the Successor Housing Agency and approved by the State Department of Finance as a housing asset.

21 086-60-010 RDA City of Milpitas Housing Unit \$374,252.60

Parcel number 086-60-010 was transferred by the Milpitas Redevelopment Agency to the City of Milpitas on March 7, 2011. This parcel is an affordable housing unit located at 642 Claridad Loop in Milpitas. It was purchased by the RDA on August 31, 2010 and was sold on August 10, 2011 for \$250,000. The sale proceeds were transferred to the former RDA Housing Reserve Fund and ultimately to the RDA Successor Agency Retirement Obligation Fund as part of the unencumbered cash balance that was transferred on February 1, 2012. The Resale Restriction and Option to Purchase Agreement was entered into with the Buyer of this property on June 22, 2011 and the option to purchase was executed on August 10, 2011 (Attachment 112).

22 086-67-078 RDA City of Milpitas Housing Unit \$248,055.76

Parcel number 086-67-078 was transferred by the Milpitas Redevelopment Agency to the City of Milpitas on March 7, 2011. This parcel is an affordable housing condominium unit 313 located at 1101 South Main Street, in Milpitas. It was purchased by the RDA on May 20, 2011. The parcel was subsequently transferred to the Milpitas Housing Authority, the Successor Housing Agency and approved by the State Department of Finance as a housing asset.

Total Items 11 through 22 Transferred to City in March 2011 \$15,773,898.06

Items 11 through 20 and 22, which have a total asset value of \$15,773,898.06, were transferred to the Milpitas Housing Authority. All of the assets transferred were subsequently approved by the State Department of Finance as housing assets. Item 21 was sold to a low income first-time homebuyer for \$250,000. The sale proceeds were transferred to the former RDA Housing Reserve Fund and ultimately to the RDA Successor Agency Retirement Obligation Fund as part of the unencumbered cash balance that was transferred on February 1, 2012. The adjusted balance of \$15,399,645 is shown on Schedule 1, line 3.

The following two land parcels were transferred from the Milpitas Redevelopment Agency to the City of Milpitas in violation of Health and Safety Code sections 34167.5 and 34163(d), and are subject to the State Controller's Order to return unallowable asset transfers.

				Property Held	
23	<u>086-22-031</u>	<u>RDA</u>	<u>City of Milpitas</u>	<u>for Resale</u>	<u>\$1,792,200.00</u>

Parcel number 086-22-031 was transferred by the Milpitas Redevelopment Agency on March 7, 2011 pursuant to Grant Deed 21104355 to the City of Milpitas (Attachment 45). This 1.00 acre parcel, which was purchased on February 28, 2011 by the Redevelopment Agency is located at 1440 South Main Street in Milpitas and is known as the Austin property and held for resale (Attachment 15 and 60). This parcel's value was subsequently corrected by the City to be \$1,800,000, and is shown accordingly in Section I. This item is described in greater detail in Section I, item 15.

				Property Held	
24	<u>086-02-086</u>	<u>RDA</u>	<u>City of Milpitas</u>	<u>for Resale</u>	<u>\$6,988,800.00</u>

Parcel number 086-02-086 was transferred by the Milpitas Redevelopment Agency on March 7, 2011 pursuant to Grant Deed 21104353 to the City of Milpitas (Attachment 47 and 72). This 3.342 acre property is known as the Alder property, which was purchased by the Redevelopment Agency on August 17, 2000, is located at Alder Drive and Barber Lane in Milpitas (Attachment 62). In addition, a Memorandum of Option identified as County Recorder 21128233 provides an option to the Milpitas Economic Development Corporation to purchase this property from the City for a period of 20 years expiring on March 28, 2031. This item is described in greater detail in Section I, item 15.

Total Items 23 and 24 Property Held for Resale Transferred to the City \$8,781,000.00

The following seven properties were not transferred from the Milpitas Redevelopment Agency to the City of Milpitas and remained in the \$19,374,633.25 property inventory of the RDA as of January 31, 2012.

25	<u>022-02-047</u>	<u>RDA</u>	<u>City of Milpitas</u>	<u>Police Dept</u>	<u>\$2,375,104.00</u>
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Parcel number 022-02-047 is located at 1275 North Milpitas Boulevard in Milpitas and is the location of the City of Milpitas Police Department and the Public Works Department Corporation Yard. The \$2,375,104 value of this property represents its appreciated value due to site improvements since acquired at an original cost of \$694,896.36. This property remained in the

\$19,374,633.25 property inventory of the RDA as of January 31, 2012, but the parcel was transferred as described in item 1.

26 028-24-044 RDA City of Milpitas Senior Center \$2,640,000.00

Parcel number 028-24-044 is a 3.419 acre property located at 160 North Main Street in Milpitas and is the site of the City of Milpitas old Senior Center. This property remained in the \$19,374,633.25 property inventory of the RDA as of January 31, 2012.

27 086-11-008 RDA City of Milpitas Fire Station #1 \$6,240,000.00

Parcel number 086-11-008 is a 3.281 acre parcel located at 777 South Main Street in Milpitas and is the site of Fire Station Number 1. This property remained in the \$19,374,633.25 property inventory of the RDA as of January 31, 2012.

28 026-13-033 RDA City of Milpitas Fire Station #3 \$890,000.00

Parcel number 026-13-033 is a 1.131 acre property located at 45 Midwick Drive in Milpitas and is the site of Fire Station Number 3. This property remained in the \$19,374,633.25 property inventory of the RDA as of January 31, 2012.

City Hall &

29 028-12-023 RDA City of Milpitas Community Center \$5,940,000.00

Parcel number 028-12-023 is a 4.263 acre property located at 40 North Milpitas Boulevard in Milpitas and is the site of the City's Barbara Lee Senior Center and City Hall. This property includes two parcels, one costing \$5,845,512.00 (Community Center) and the second parcel costing \$94,488.00 (City Hall), for a total of \$5,940,000.00. This property remained in the \$19,374,633.25 property inventory of the RDA as of January 31, 2012.

30 086-02-061 RDA City of Milpitas Fire Station #4 \$256,943.00

Parcel number 086-02-061 is located at 775 Barber Lane in Milpitas and is the site of Fire Station Number 4. The size of this parcel is not known. The appreciated value of this property resulted from site improvements, which totaled \$256,943 and have not been transferred from the RDA. The original

Agreed Upon Procedures and Findings Summary

A. RDA Dissolution and Restrictions

For each redevelopment agency dissolved, perform the following:

1. Obtain a copy of the enforceable obligation payment schedule (EOPS) for the period of August 1, 2011, through December 31, 2011. *
- 1.1. Trace the redevelopment project name or area (which ever applies) associated with the obligations, the payee, a description of the nature of the work/service agreed to, and the amount of payments made by month through December 31, 2011, and *
- 1.2. Compare it to the legal document(s) that forms the basis for the obligations. Since amount could be estimated, determine that they are stated as such and that legal documentation supports those estimates. *

Finding: Based on procedures performed, we noted there were obligations in the Initial EOPS for the period of August 1, 2011 through December 31, 2011 where legal supporting documentation was not adequate to determine whether it was a former redevelopment obligation. Refer to Exhibit B for a detailed summary.

2. Obtain a copy of all amended EOPS filed during the period of January 1, 2012, through June 30, 2012. *
- 2.1 Trace the redevelopment project name or area (which ever applies) associated with the obligations, the payee, a description of the nature of the work/service agreed to, and the amount of payments to be made by month through June 30, 2012, and *
- 2.2 Compare it to the legal documents that form the basis for the obligations. Again, since amount could be estimated, determine that they are stated as such and that legal documentation supports those estimates. *

Findings: Based on procedures performed, we noted there were obligations in the Amended EOPS for the period of August 1, 2011 through December 31, 2011 where legal supporting documentation was not adequate to determine whether it was a former redevelopment obligation. In addition, there were payments based on estimates that were not specifically identified as such in the Initial EOPS. Refer to Exhibit B for a detailed summary.

3. Identify any obligation listed on the EOPS that were entered into after June 27, 2011, by inspecting the date of incurrence specified on Form A of the Statement of Indebtedness filed with the County Auditor-Controller, which was filed on or before October 1, 2011. *

Findings: No exceptions were noted as result of applying this procedure.

4. Inquire and specifically state in the report the manner in which the agency did or did not execute a transfer of the Low and Moderate Income Housing Fund to the redevelopment successor agency by February 1, 2012. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the successor agency. If the successor agency is a party other than the agency that created the redevelopment agency, an examination of bank statements and changing of account titles and fund names evidencing such transfer will be sufficient. *

Findings: Based on the procedures performed, it is noted that the Milpitas Redevelopment Agency's Low and

EXHIBIT A

Moderate Income Housing Fund was transferred to Milpitas Housing Authority which was then subsequently transferred to the successor agency. Refer to Section I: Item 6 and Section III: Transferred Assets for details.

5. Inquire and specifically state in the report how housing activities (assets and functions, rights, powers, duties, and obligations) were transferred and the manner in which this agency did or did not execute a transfer. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the other agency. An examination of bank statements and changing of account titles and fund names evidencing such transfers will be sufficient. If the housing successor is a party other than the agency that created the redevelopment agency, an examination of bank statements and re-recording of titles evidencing such transfer will be sufficient. *

Finding: Based on the procedures performed, it is noted that the Milpitas Redevelopment Agency has transferred the balances of its Housing Reserve Fund 290 to the successor agency on January 31, 2012. Refer to Section III: Transferred Assets for details.

6. For each obligation on the Enforceable Obligation Payment Schedule identified as qualifying under Section 34167 (d) perform the following:

6.1 For Bonds:

- Obtain the bond documents.
- Obtain the documentation of bond covenants
- Trace the bond to its issuing legislation.
- Trace the bond to its issuing party. Identify if it is issued by the RDA or other entity.
- Determine if the issuing legislation qualifies the bond for inclusion on the Enforceable Obligation Payment Schedule.
- Segregate bond obligations by component, i.e. required debt service, reserve set-asides, other payments.

6.2 For Loans:

- Trace each loan to its lawful purpose, for example money borrowed from the Low and Moderate Income Housing Fund. Provide documentation of the purpose.
- Trace the loan to a required repayment schedule or other mandatory loan terms.
- Provide documentation of the schedule or terms.

6.3 For Payments required:

- Trace each required payment to the source of the requirement.
- Provide documentation of the source and of the terms.

6.4 For judgments or settlements:

- Trace each judgment or settlement to its source document. Provide documentation and substantiation of the source and the terms.

- 6.5 For “Any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy”:

- Trace each agreement or contract to its source document. Provide documentation of the source.

EXHIBIT A

- Trace each agreement to documentation justifying that it is not void because of a debt limit violation or public policy. Provide documentation of the justification.

6.6 Contracts or agreements necessary for the continued administration or operation of the redevelopment agency to the extent permitted by this part, including, but not limited to, agreements to purchase or rent office space, equipment and supplies, and pay-related expenses pursuant to Section 33127 and for carrying insurance pursuant to Section 33134; perform the following:

- Identify the justification for the obligation. Provide the reason.
- Trace each agreement or contract to its source document. Provide documentation of the source.

6.7 For each obligation on the Enforceable Obligation Payment Schedule, ensure:

- The obligation was an obligation of the RDA as of June 27, 2011 per Health and Safety code Sections 34161 through 34165. Under these codes, the RDA cannot incur new indebtedness or expand existing monetary or legal obligations, amend agreements, contracts, etc. as of June 28, 2011.

6.8 For each obligation on the Enforceable Obligation Payment Schedule:

- Trace it to the FY11 Statement of Indebtedness. Document the differences.
- Identify items on the EOPS that were updated/changed from the original schedule, substantiate the reason for the change, and ensure that these items are subjected to all applicable procedures identified above

Findings: Results of performing the procedures are summarized on Exhibit B. All items requiring documentation to be submitted have been provided to the County separately and are not incorporated into the accompanying report.

B. Successor Agency

1. Inspect evidence that a successor agency:

(a) Has been established by February 1, 2012; and *

(b) The successor agency oversight board has been appointed, with names of the successor agency oversight board members, which must be submitted to the Department of Finance by May 1, 2012. *

Findings: No exceptions were noted as a result of the procedure performed.

2. Inquire regarding the procedures accomplished and specifically state in the report the manner in which this agency did or did not execute a transfer of operations to the successor agency, which was due by February 1, 2012. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the successor agency. If the successor agency is a party other than the agency that created the redevelopment agency, an examination of bank statements and changing of account titles and fund names evidencing such transfers will be sufficient. *

Findings: The RDA did establish a new fund for the Successor Agency. This was Fund 930 named RDA Obligation Retirement. The City accounts for each fund using one main bank account which also includes the successor agency fund.

3. Ascertain that the successor agency has established the Redevelopment Obligation Retirement Fund(s) in its accounting system. *

EXHIBIT A

Findings: The City established Fund 930 named RDA Obligation Retirement Fund in its accounting system.

4. Inspect the EOPS and ROPS and identify the payments that were due to be paid through the date of the AUP report. Select a sample (based on a dollar amount and/or percentage amount as determined by the Santa Clara County Auditor-Controller) and compare the payments that were due to be paid through the date of the AUP report to a copy of the cancelled check or other documentation supporting the payment. *

Findings: We performed the testing of disbursements based on the dollar amount as determined by the County Auditor-Controller and no exceptions were noted.

5. Obtain listings that support the asset figures (cash, investments, accounts receivable, notes, receivables, fixed assets, etc.) in the audited financial statements as of June 30, 2010, June 30, 2011 and as of January 31, 2012, as determined by the successor agency and include as an Exhibit to the AUP report. *

Finding: See results summarized in Exhibit C.

C. Recognized Obligation Payment Schedule (Draft ROPS)

1. Obtain a copy of the initial draft of the ROPS from the successor agency and inspect evidence that the initial draft of the ROPS was prepared by March 1, 2012. *

Findings: No exceptions were noted as a result of the procedure performed.

2. Note in the minutes of the Oversight Board that the draft ROPS has been approved by the Oversight Board. If the Oversight Board has not yet approved the draft ROPS as of the date of the AUP, this should be mentioned in the AUP report. *

Findings: No exceptions were noted as a result of the procedure performed. The Oversight Board approved the draft ROPS on April 10, 2012.

3. Inspect evidence that a copy of the draft ROPS was submitted to the County Auditor-Controller, State Controller, and Department of Finance. *

Findings: No exceptions were noted as a result of the procedure performed.

4. Inspect evidence that the draft ROPS includes monthly scheduled payments for each enforceable obligation for the current six-month reporting time period. *

Findings: No exceptions were noted as a result of the procedure performed.

5. Select a sample (based on dollar amount and/or percentage amount as determined by the Santa Clara County Auditor-Controller) and trace enforceable obligations listed on the draft ROPS to the legal document that forms the basis for the obligation. *

Findings: We traced 100% of the enforceable obligations listed on the EOPS for the period August 1, 2011 to June 30, 2012 to the documentation that forms the basis of that obligation; otherwise, we reported any differences or lack of support as findings noted on Exhibit D. For the ROPS that covers the period of January 1, 2012 to June 30, 2012, we noted there were no exceptions in tracing the obligations on the ROPS to the obligations on the Initial EOPS or the Amended EOPS.

EXHIBIT A

6. Trace the obligations enumerated on the draft ROPS to the obligations enumerated on the EOPS (including amendments) and note any material differences as agreed to by the Santa Clara County Auditor-Controller. *

Findings: No exceptions were noted in tracing the obligations on the ROPS to the obligations on the EOPS.

7. Review the Initial Recognized Obligation Payment Schedule to ensure:

- It includes projected dates.
- It includes amounts of scheduled payments for each enforceable obligation.
- The dates and payments are included for the remainder of the time period during which the redevelopment agency would have been authorized to obligate property tax increment had such a redevelopment agency not been dissolved.
- Ensure that all obligations to be paid on the Initial Recognized Obligation Payment Schedule were subjected to the procedures applied above to Enforceable Obligations Payment Schedule.
- For payments already made, trace the payment amount and date to the documentation of the payment and to the Initial ROPS.
- Verify that payments made by the successor agency were made in accordance with the Enforceable Obligation Payment Schedule and Recognized Obligation Payment Schedule.
- Pursuant to Health and Safety Code Section 34178, determine which written agreements are valid and bind the successor agency.

Findings: For bullets one through four, there is no exception to be noted as a result of this procedure. For the fifth and sixth bullet, we subjected the payments listed on the draft ROPS and EOPS to the testing at Procedure B.4. The payments were made according to each obligation listed on the ROPS. For the last bullet, there is no exception to be noted as a result of this procedure.

D. Recognized Obligation Payment Schedule (Final ROPS)

1. Obtain a copy of the final ROPS (January 1, 2012, through June 30, 2012) from the successor agency.*

Findings: No exceptions were noted as a result of the procedure performed.

2. Inspect evidence that the final ROPS was submitted to the County Auditor-Controller, the State Controller, and Department of Finance by April 15, 2012, and is posted on the website of the City/County as successor agency (Health and Safety Code section 34177(2)(C)). *

Findings: Certified final ROPS was submitted to the County Auditor-Controller, the State Controller, and the Department of Finance on April 26, 2012.

3. Inspect the final ROPS and identify the payments that were due to be paid through the date of the Agreed-Upon Procedures report. *

Findings: There were no differences between the payments due to be paid, as listed on the draft ROPS and the final ROPS, the payments due to be paid on the final ROPS were satisfied during the performance of Procedure B.4.

4. For payments on the ROPS that were identified as being due through the date of the Agreed-Upon Procedures report, inspect evidence of payment and determine that amounts agree to the purpose of the obligation as amounts could be estimated. *

EXHIBIT A

Findings: There were no differences between the payments due to be paid, as listed on the draft ROPS and the final ROPS; the payments due to be paid on the final ROPS were satisfied during the performance of Procedure B.4.

5. Select a sample (based on a dollar amount and/or percentage amount as determined by the Santa Clara County Auditor-Controller) and trace enforceable obligations listed on the final ROPS to the legal agreements or documents that forms the basis for the obligation. *

Findings: We traced 100% of the enforceable obligations listed on the EOPS for the period August 1, 2011 to June 30, 2012, which covered all obligations listed on the final ROPS to the documentation that forms the basis of that obligation. Refer to Exhibit B for the noted exceptions.

6. Obtain a copy of the final statement of indebtedness and note any difference between the Statement of Indebtedness and the final ROPS.

Findings: The final ROPS is not comparable to the Statement of Indebtedness as it only includes 6 months of obligations, whereas the Statement of Indebtedness covered 12 months of obligations. Differences are noted in Exhibit B.

7. Determine the priority and source of payments to be made from the Redevelopment Property Tax Trust Fund pursuant to Health and Safety Code section 34183(a)(2).

Findings: For the purpose of making payments of available funds from the Redevelopment Property Tax Trust Fund (net of the Auditor-Controller's Administrative Cost, SB 2557, and non-subordinated pass-through payments), the priorities are Tax Allocation Debt Obligations, Contractual Obligations and the administrative cost allowance. See Schedule 2 for the order of prioritization.

8. Identify enforceable obligations on the final ROPS that were not already tested in other procedures, and test

Findings: We noted no other enforceable obligations on the final ROPS that were not tested in other procedures.

E. Other Procedures

1. Obtain a list of pass-through obligations and payment schedules. *

Findings: The County Finance Agency performed this procedure. See results summarized at Exhibit E.

2. Obtain a list of pass-through obligations and payments made from the successor agency from July 1, 2011 through January 31, 2012, inspect evidence of payment, and note any differences from the list of pass-through obligations and payments made. *

Findings: The County Finance Agency performed this procedure. See results summarized at Exhibit E.

3. Issue Agreed-Upon Procedures Report and distribute to the California State Controller by **July 15, 2012.** *

Findings: Upon passage of AB1484, the report due date was amended to October 5, 2012. As such, this report is issued on October 10, 2012, and the Santa Clara County Auditor-Controller plans to distribute it to the California State Controller by October 10, 2012.

EXHIBIT A

4. Determine and verify that all of the former redevelopment agency assets and liabilities, properties, contracts, leases, books and records, buildings, and equipment that were properly closed out by the former redevelopment agency and transferred to the successor agency.

Findings: We noted that some of the assets and liabilities, properties, contracts, leases, buildings, and equipment at January 31, 2012, where applicable, were transferred to the Successor Agency on February 1, 2012. However, some of the assets and liabilities, properties, leases, buildings, and equipment were transferred to either the City General Fund or the Milpitas Economic Development Corporation. For more details pertaining to this procedure refer to Section III: Transferred Assets for details.

5. Verify that successor agencies remitted all unencumbered balances of RDA funds to the county controller for distribution to taxing entities, pursuant to Health and Safety Code section 34177(d).

Findings: We noted the Successor Agency has not remitted unencumbered balances of RDA funds to the County Auditor-Controller as the date of this report.

F. Establish each redevelopment agency's assets and liabilities in compliance with H&S 34182(a) (2) perform the following:

1. Obtain a summary schedule and detail listing of the redevelopment agency's assets as of January 1, 2011. Total the detail listing to the summary amounts.

Findings: Results of performing this procedure are summarized on Exhibit C. For the establishment of the redevelopment agency's assets at January 31, 2012, we summarized our results at Schedule 1. Refer to Schedule 4 for details of real property.

2. Obtain a summary schedule and detail listing of the redevelopment agency's liabilities as of each of the dates listed below. Total the detail listing to the summary amounts.
 - June 30, 2010
 - June 30, 2011
 - January 31, 2012

Findings: Results of performing this procedure are summarized on Exhibit C. For the establishment of the redevelopment agency's liabilities at January 31, 2012, we summarized our results at Schedule 2.

3. Compare each period's assets and liabilities and document the changes.

Findings: The changes were documented as additions and deletions, which is the most efficient way to document the changes as required by Procedure F.4.

4. Obtain a listing of the additions and deletions of assets and liabilities for the periods:
 - June 30, 2010 to January 1, 2011
 - January 1, 2011 to June 30, 2011
 - July 1, 2011 to February 1, 2012

Findings: Refer to Exhibit C for details referring to the above dates regarding additions and deletions of RDA assets and liabilities.

EXHIBIT A

5. Sum the activity to ensure: beginning balance plus additions less deletions equals ending balance.

Findings: Refer to Exhibit C for details pertaining to this procedure.

6. For each asset, confirm its existence by either physically observing the asset (preferred) or, if asset is not reasonably available for viewing, obtain documentation confirming the existence of the asset.

Findings: Assets listed in report have references to documentation confirming the existence of asset, the ownership, the date placed in service, and the current condition. No exception was noted as a result of performing this procedure. Additions and deletions are summarized at Exhibit C.

7. Provide documentation of the asset cost, date placed in service, current condition, and ownership by the RDA and successor agency.

Findings: Refer to finding in Procedure F.6 for details pertaining to this procedure.

8. For deletions, obtain documentation of the disposal, including manner of disposal and, if a sale or transfer, the entity or person receiving the asset.

Findings: We obtained documentation of the transfer of capital assets to the City and Milpitas Economic Development Corporation (MEDC). Details of the transfer are on Section III: Transferred Assets.

9. Compare transferred assets between 2009-10, 2010-11 and 2011-12. Obtain explanations for increases.

Findings: Refer to Schedule 1 for summarized results for this procedure.

10. Obtain a list of assets transferred from the RDA. For assets transferred during these periods from the RDA (for example, to the sponsoring community, JPA, or economic development corporation):

- Provide a listing of all transferred assets, including the item(s) value and entity or person to which the RDA transferred the item.
- Provide documentation of the reason for the transfer.
- Identify if the State Controller's Office (SCO) has reviewed the transfer.
- If reviewed by the SCO, provide results of the SCO review.
- If not reviewed by the SCO, provide the reason not reviewed.

Findings: Results of performing this procedure are summarized on Schedule 3. On August 28, 2012 the State Controller's Office issued Asset Transfer Review Report for Milpitas Redevelopment Agency to the City. The review of assets transferred during the period of January 1, 2011 through January 31, 2012 identified unallowable transfers of assets to the City and MHEDC. Included in the review report is the State Controller's Order to reverse all unallowable transfers to the City.

11. For assets that are Low and Moderate Income Housing Funds:

- Provide substantiation of the effect of any subsequent legislation (if passed) on the transfer.

Findings: AB 1484, enacted on June 27, 2012, modified and provided some clarifications to the treatment of housing assets under the RDA Dissolution Act (ABx1 26). It now includes a definition of housing assets and requires certain actions that must occur by August 1, 2012 with respect to the transfer of housing assets. It

EXHIBIT A

requires the transferred assets and future revenues from housing assets be maintained in the Low and Moderate Housing Assets Fund of the housing successor and that such funds be used in accordance with the existing California Redevelopment Law. It allows the use of unspent housing bond proceeds issued prior to January 1, 2011 to be used for housing projects, consistent with the bond covenants, which must be listed on the ROPS.

12. Review the audited financial statements as of June 30, 2010, and June 30, 2011.

- Verify the agency received an unqualified opinion on the financial statements; if other than unqualified, document the reasons for the qualification.
- Obtain copies of the audit, management letter, and any other results/products delivered by the auditors.
- Trace asset and liability amounts as of June 30, 2010, and June 30, 2011, to the annual financial audit of the Agency. Identify reasons for differences.

Findings: We obtained copies of former redevelopment agency's audited financial statements and management letter for the fiscal year ended June 30, 2010 and June 30, 2011 and noted unqualified opinions for both fiscal years. Refer to Exhibit C for the June 30, 2010 and June 30, 2011 assets and liabilities, which reconciled to the audited financial statements for those dates. Any noted exceptions are summarized on the Schedule 1 and Schedule 2.

13. Perform analysis as follows:

- Compare the financial statements as of June 30, 2010, to the statements as of June 30, 2011, and January 31, 2012.
- Identify fluctuations in amounts greater than \$5,000. Substantiate reasons for the fluctuations. For this fluctuation analysis, include all amounts (revenue, expense, assets, liabilities, and fund balance).
- Trace revenue received (for example lease payments received) to the assets that generated the revenue.
- Read the footnotes. Identify assets.
- Trace assets identified to the RDA assets as of January 31, 2012. Identify and substantiate reasons for differences.
- Review expenditures made after June 27, 2011, to ensure they met the conditions of Part 1.8 (commencing with Health & Safety Code Section 34161).
- For each expenditure, provide its rationale.
- For each expenditure greater than \$10,000, provide substantiation that it meets the requirements of Part 1.8.
- Confirm assets with successor agency personnel.
- Ask successor agency personnel of any assets not recorded.
- Obtain a written statement from successor agency personnel verifying that all assets have been recorded.
- Review RDA board minutes from June 30, 2010 to date, to identify any assets not recorded and liabilities transferred in.
- Review property transfer listing provided by the County Clerk-Recorder from January 1, 2011 through February 29, 2012 to identify any assets not recorded. To the extent possible and practical, trace the city's records and transactions and reconcile to the financial statements.

Findings: For the results of the procedures related to comparing the financial statements at three reporting dates (June 30, 2010, June 30, 2011 and January 31, 2012) and the reporting of fluctuations between these dates, see the analysis at Exhibit D. Large fluctuations in assets were noted due to transfers of these items to other entities. Large fluctuations in liabilities were noted due to either payments being made to end obligations or expenses incurred due to the dissolution of the RDA. Assets were confirmed with the successor agency and further questions were asked regarding any assets not recorded. No written statement was provided from successor agency personnel to verify that all assets have been recorded. No exceptions were noted after reviewing the RDA board minutes. There are issues identifying several assets due to transfers made to entities other than the

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successor agency. Refer to Section III, Section IV, Schedule 3 & Schedule 4 for details pertaining to this procedure.

G. To document and determine each redevelopment agency's pass-through payment obligations to other taxing agencies

Findings: The County Finance Agency performed this procedure. See results summarized at Exhibit E.

H. To document and determine both the amount and the terms of any indebtedness incurred by the redevelopment agency

1. For each indebtedness incurred by the agency that will be transferred to the control of the Successor Agency, i.e. Enforceable Obligations:
 - Agree it to the liabilities tested above, as of each of these dates:
 - June 30, 2010
 - June 30, 2011 and
 - January 31, 2012.
 - Agree it to the audited financial statements as of June 30, 2010 and June 30, 2011.

Findings: The indebtedness obligations transferred to the control of the Successor Agency are summarized at Schedule 2, and have been reconciled to the obligations in Exhibit C, which were in turn reconciled to the June 30, 2010 and June 30, 2011 audited financial statements in Procedure F.12.

*Procedures Required by California State Controller Office

City of Milpitas Redevelopment Agency
Detailed Schedule of Procedures and Findings

EXHIBIT B

County of Santa Clara Auditor-Controller
(Pre Agreed-Upon Procedures)

Procedure Number:			A.1		A.2		A.1.2, A.2.2, and A.6		A.1.2 and A.2.2	A.6.7	A.6.8		Explanation of Findings
Description	Original EOPS (8/1/11 - 12/31/11) O/S Obligation	Total	Amended EOPS (1/1/12 - 6/30/12) O/S Obligation		Agreed Enforceable Obligation to Documentation?	Amount Based on Estimate?	Obligation as of 6/27/11?	Statement of Indebtedness FY 2011-12		Changes from Initial EOPS to Amended EOPS			
			Page/Item #	Amount				Page/Item #	Amount		(Y/N)	(Y/N)	
2003 Tax Allocation Bonds	US Bank	Bonds issue to fund redelopment projects	Page 1 / Item 1	264,575,084	Page 1 / Item 1	264,575,084	Y	Y	Y	264,575,084	(0)	0	This item was approved by the Oversight Board for the Jan 1 to Jun 30, 2012 ROPS period.
City Loan entered into on 9/7/2004	City of Milpitas	Loan for Purchase of properties	Page 1 / Item 2	23,225,237	Page 1 / Item 2	23,225,237	N	Y	N	23,225,237	(0)	0	This is not an enforceable obligation, because the Health & Safety Code invalidates all agreeme between the RDA and the city that created the RDA, effective February 1, 2012.
Agreement of Purchase and Sale	County of Santa Clara	Land Purchase	Page 1 / Item 3	89,314,208	Page 1 / Item 3	89,314,208	Y	Y	Y	89,314,208	0	0	This item was approved by the Oversight Board for the Jan 1 to Jun 30, 2012 ROPS period.
Agreement of Purchase and Sale	Mission West Properties	Land Purchase	Page 1 / Item 4	21,780,000	Page 1 / Item 4	21,780,000	N	Y	N	21,780,000	0	0	This item is not a RDA enforceable obligation.
Employee Costs	Employees of Agency	Payroll and benefits for employees	Page 1 / Item 5	7,484,866	Page 1 / Item 5	367,065,267	N	Y	N	n/a	n/a	359,580,401	This item was determined by the State Department of Finance to be an administrative cost in its May 30, 2012 letter to the City.
Housing Fund Loan	RDA Housing Fund	Loan for Purchase of properties	Page 1 / Item 6	8,600,000	Page 1 / Item 6	8,924,678	N	Y	N	8,924,678	(0)	324,678	This item was determined to be invalid because the loan from the RDA to the Housing Fund is an asset of the Successor Agency and therefore a loan to itself.
Contract for consulting services	Arbitrage Compliance Specialists	Calculation of bond arbitrage	Page 1 / Item 7	4,000	Page 1 / Item 7	4,000	N	Y	N	See Note 1	See Note 1	0	This item was determined by the State Department of Finance to be an administrative cost in its May 30, 2012 letter to the City.
Contract for consulting services	US Bank	Adm fees for debt services	Page 1 / Item 8	4,000	Page 1 / Item 8	3,950	Y	Y	Y	See Note 1	See Note 1	(50)	This item is considered an administrative cost subject to statutory allowance and Oversight Board approval.
Contract for consulting services	Willdan Financial Services	Bond continued disclosure report	Page 1 / Item 9	6,000	Page 1 / Item 9	6,000	Y	Y	Y	See Note 1	See Note 1	0	This item is considered an administrative cost subject to statutory allowance and Oversight Board approval.
Contract for consulting services	Milpitas Chamber of Commerce	Business Outreach	Page 1 / Item 10	80,000	Page 1 / Item 10	80,000	N	Y	N	See Note 1	See Note 1	0	This is not an RDA contract and therefore is not an enforceable obligation.
Contract for consulting services	Maze & Associates	Financial Statement Audit fees	Page 1 / Item 11	17,610	Page 1 / Item 11	17,610	N	Y	N	See Note 1	See Note 1	0	This item was determined by the State Department of Finance to be an administrative cost in its May 30, 2012 letter to the City.
Contract for consulting services	MuniServices LLC	Property Tax audit fee	Page 1 / Item 12	100,000	Page 1 / Item 12	100,000	Y	Y	Y	See Note 1	See Note 1	0	This item was approved by the Oversight Board for the Jan 1 to Jun 30, 2012 ROPS period. However, the City will submit it on future ROPS as an administrative cost subject to statutory allowance and Oversight Board approval.
Contract for consulting services	Murphy & Associates	Redevelopment legal services	Page 1 / Item 13	149,040	Page 1 / Item 13	149,040	Y	Y	Y	See Note 1	See Note 1	0	This item was approved by the Oversight Board for the Jan 1 to Jun 30, 2012 ROPS period. However, the City will submit it on future ROPS as an administrative cost subject to statutory allowance and Oversight Board approval.
Contract for consulting services	Jarvis Fay Doport & Gibson	Redevelopment legal services	Page 1 / Item 14	7,392	Page 1 / Item 14	7,392	N	Y	N	See Note 1	See Note 1	0	This is not an RDA contract and therefore is not an enforceable obligation.
Contract for consulting services	Nicolay Consulting Group	GASB 45 Actuary Study	Page 1 / Item 15	1,580	Page 1 / Item 15	1,580	N	Y	N	See Note 1	See Note 1	0	This is not an RDA contract and therefore is not an enforceable obligation.
Contract for construction	Access Communications Inc	Communication systems upgrade	Page 1 / Item 16	15,396	Page 1 / Item 16	15,396	N	Y	N	See Note 2	See Note 2	0	This is not an RDA contract and therefore is not an enforceable obligation.
Contract for consulting services	Biggs Cardosa Associates Inc	Design services for various public imp projects	Page 1 / Item 17	24,741	Page 1 / Item 17	24,741	Y	Y	Y	See Note 1	See Note 1	0	This item was approved by the Oversight Board for the Jan 1 to Jun 30, 2012 ROPS period.
Contract for services	Prince Charles Reprographics	Graphic reproduction services	Page 1 / Item 18	4,639	Page 1 / Item 18	4,639	Y	Y	Y	See Note 1	See Note 1	0	This item was approved by the Oversight Board for the Jan 1 to Jun 30, 2012 ROPS period.
Contract for services	Consolidated Engin Lab	Public project inspection services	Page 1 / Item 19	28,232	Page 1 / Item 19	28,232	N	Y	N	See Note 1	See Note 1	0	This is not an RDA contract and therefore is not an enforceable obligation.
Contract for consulting services	RTS Systems & Design	Design services for parking garage screen	Page 1 / Item 20	4,500	Page 1 / Item 20	4,500	N	Y	N	See Note 1	See Note 1	0	This is not an RDA contract and therefore is not an enforceable obligation.
Contract for construction	Green Earth Engineering	Installation of parking garage screen	Page 1 / Item 21	127,497	Page 1 / Item 21	127,497	N	Y	N	See Note 2	See Note 2	0	This is not an RDA contract and therefore is not an enforceable obligation.
Contract for consulting services	Schaaf & Wheeler Engineers	Design services for flood plain	Page 1 / Item 22	114,779	Page 1 / Item 22	114,779	N	Y	N	See Note 1	See Note 1	0	This item was determined by the State Department of Finance to be an administrative cost in its May 30, 2012 letter to the City.
Contract for construction	Environmental Systems Inc	Installation of HVAC at Library	Page 1 / Item 23	29,756	Page 1 / Item 23	29,756	Y	Y	Y	See Note 2	See Note 2	0	The RDA was not a signatory to the agreement. However, the Oversight Board approved it for the Jan 1 to Jun 30, 2012 ROPS period.
Contract for consulting services	Noll & Tam Architects	Design of Senior Center	Page 1 / Item 24	24,509	Page 1 / Item 24	24,509	N	Y	N	See Note 1	See Note 1	0	This is not an RDA contract and therefore is not an enforceable obligation.
Contract for consulting services	Advanced Design Consultants	Design of Sports Center Lighting	Page 1 / Item 25	25,082	Page 1 / Item 25	25,082	Y	Y	Y	See Note 1	See Note 1	0	This item was approved by the Oversight Board for the Jan 1 to Jun 30, 2012 ROPS period.
Contract for construction	Ashron Construction	Construction of Soundwall	Page 1 / Item 26	59,000	Page 1 / Item 26	59,000	N	Y	N	See Note 2	See Note 2	0	This is not an RDA contract and therefore is not an enforceable obligation.
Contract for construction	Cal-West	Construction of Street Light Poles	Page 1 / Item 27	98,780	Page 1 / Item 27	98,780	Y	Y	Y	See Note 2	See Note 2	0	This item was approved by the Oversight Board for the Jan 1 to Jun 30, 2012 ROPS period.
Contract for consulting services	Pacific Municipal Consulting	Consultant for Climate Action Plan	Page 1 / Item 28	41,411	Page 1 / Item 28	41,411	N	Y	N	See Note 1	See Note 1	0	This is not an RDA contract and therefore is not an enforceable obligation.
Contract for construction	Hometown Construction Inc	Installation of HVAC at Comm Ctr	Page 1 / Item 29	404,906	Page 1 / Item 29	404,906	Y	Y	Y	See Note 2	See Note 2	0	This item was approved by the Oversight Board for the Jan 1 to Jun 30, 2012 ROPS period.
Contract for construction	DRT Grading & Paving Inc	N. Main St parking lot resurfacing	Page 1 / Item 30	64,946	Page 1 / Item 30	64,946	N	Y	N	See Note 2	See Note 2	0	This is not an RDA contract and therefore is not an enforceable obligation.
Contract for Services	ABAG PLAN	liability insurance	Page 2 / Item 1	42,892	Page 2 / Item 1	42,892	N	Y	N	See Note 1	See Note 1	0	This item was determined by the State Department of Finance to be an administrative cost in its May 30, 2012 letter to the City.
Contract for Services	various vendors	Copier lease, printing, storage, office equip	Page 2 / Item 2	50,000	Page 2 / Item 2	50,000	N	Y	N	See Note 1	See Note 1	0	This item was determined by the State Department of Finance to be an administrative cost in its May 30, 2012 letter to the City.
Contract for Services	PG&E	utility costs	Page 2 / Item 3	178,000	Page 2 / Item 3	178,000	N	Y	N	See Note 1	See Note 1	0	This item was determined by the State Department of Finance to be an administrative cost in its May 30, 2012 letter to the City.
Contract for Services	ABAG POWER	utility costs	Page 2 / Item 4	5,000	Page 2 / Item 4	5,000	N	Y	N	See Note 1	See Note 1	0	This item was determined by the State Department of Finance to be an administrative cost in its May 30, 2012 letter to the City.

City of Milpitas Redevelopment Agency
Detailed Schedule of Procedures and Findings

EXHIBIT B

County of Santa Clara Auditor-Controller
(Pre Agreed-Upon Procedures)

Procedure Number:			A.1		A.2		A.1.2, A.2.2, and A.6	A.1.2 and A.2.2	A.6.7	A.6.8			Explanation of Findings
Description			Original EOPS		Amended EOPS		Agreed Enforceable Obligation to Documentation?	Amount Based on Estimate?	Obligation as of 6/27/11?	Statement of Indebtedness FY 2011-12		Changes from Initial EOPS to Amended EOPS	
			(8/1/11 - 12/31/11)	Total	(1/1/12 - 6/30/12)	Total				Amount	Differences		
			Q/S Obligation		Q/S Obligation					(Y/N)	(Y/N)		
Page/Item #	Amount	Page/Item #	Amount										
Contract for Services	City of Milpitas	utility costs	Page 2 / Item 5	14,500	Page 2 / Item 5	14,500	N	Y	N	See Note 1	See Note 1	0	This item was determined by the State Department of Finance to be an administrative cost in its May 30, 2012 letter to the City.
Homeowner Assoc Dues	Parc Metro Comm. Assoc	HOA dues for 5 affordable units	Page 2 / Item 6	13,260	Page 2 / Item 6	13,260	N	Y	N	See Note 3	See Note 3	0	This is not an RDA obligation. Obligations related to housing were transferred to the designated housing entity under the Health & Safety Code.
Homeowner Assoc Dues	Terra Serena HOA	HOA Dues for 1 affordable unit	Page 2 / Item 7	3,848	Page 2 / Item 7	3,848	N	Y	N	See Note 3	See Note 3	0	This is not an RDA obligation. Obligations related to housing were transferred to the designated housing entity under the Health & Safety Code.
Homeowner Assoc Dues	Merit Property Mgmt	HOA Dues for 2 affordable units	Page 2 / Item 8	7,042	Page 2 / Item 8	7,042	N	Y	N	See Note 3	See Note 3	0	This is not an RDA obligation. Obligations related to housing were transferred to the designated housing entity under the Health & Safety Code.
Homeowner Assoc Dues	Luna HOA	HOA Dues for 2 affordable units	Page 2 / Item 9	9,666	Page 2 / Item 9	19,486	N	Y	N	See Note 3	See Note 3	9,820	This is not an RDA obligation. Obligations related to housing were transferred to the designated housing entity under the Health & Safety Code.
Contract for Services	Note World	Billing & collection of home loan program	Page 2 / Item 10	34,000	Page 2 / Item 10	34,000	N	Y	N	See Note 1	See Note 1	0	This is not an RDA contract and therefore is not an enforceable obligation.
Contract for Services	CRA, NAIOP etc.	membership dues	Page 2 / Item 11	21,000	Page 2 / Item 11	21,439	N	Y	N	See Note 1	See Note 1	439	At the City's request, this item was removed from the initial ROPS.
Financing Agreement	SunPower Corporation	Assistance per CRL 33444.6	Page 2 / Item 12	1,500,000	Page 2 / Item 12	1,500,000	Y	Y	Y	1,500,000	0	0	This item was approved by the Oversight Board for the Jan 1 to Jun 30, 2012 ROPS period.
Public Works Agmt dd 6/3/03	City of Milpitas	construction of public improvement		0	Page 2/ Item 13	20,650,000	N	Y	N	20,650,000	0	20,650,000	This is not an enforceable obligation, because the Health & Safety Code invalidates all agreements between the RDA and the city that created the RDA, effective February 1, 2012.
Successor Agency Adm fee	City of Milpitas	Adm fees due to dissolution of RDA	-	0	Page 2/ Item 14	47,080,498	Y	Y	Y	n/a	n/a	47,080,498	This item is considered an administrative cost subject to statutory allowance and Oversight Board approval.
Successor Agency adm fee	City of Milpitas	oversight board support costs	-	0	Page 2/ Item 15	To be determined	Y	Y	Y	n/a	n/a	To be determined	This item is considered an administrative cost subject to statutory allowance and Oversight Board approval.
DDA dated 8/18/09	South Main Manor LLC	Financial Assistance	-	0	Page 2/ Item 16	7,700,000	Y	Y	Y	n/a	n/a	7,700,000	This obligation was not considered during the review of the initial ROPS, because no payments were due between Jan 1 and Jun 30, 2012.
OPA dated 8/3/10	Intergral Communities	Financial Assistance	-	0	Page 2/ Item 17	41,300,000	N	Y	N	n/a	n/a	41,300,000	This obligation was not considered during the review of the initial ROPS, because no payments were due between Jan 1 and Jun 30, 2012.
Possible contribution to County PERS - if ordered by Superior Court in case of County of Santa Clara v. All persons Interested in the Matter of the Sixth Amendment to the Great Mall Redevelopment Project.	County of Santa Clara	legal liability	-	-	Page 2/ Item 18	to be determined	N	Y	N	n/a	n/a		Item based on contingency that did not occur.
Statutory Payments	County General	Payments per CRL 33607.5 and .7	Page 3 / Item 1	504,419		16,774,643	Y	Y	Y	n/a	n/a	16,270,224	These items are Pass Through Agreements. Refer to Exhibit E for details.
Statutory Payments	County Library	Payments per CRL 33607.5 and .7	Page 3 / Item 2	90,650	Page 3/Item 1	3,014,603	Y	Y	Y	n/a	n/a	2,923,953	These items are Pass Through Agreements. Refer to Exhibit E for details.
Statutory Payments	City of Milpitas	Payments per CRL 33607.5 and .7	Page 3 / Item 3	407,485	Page 3/Item 2	13,383,557	Y	Y	Y	n/a	n/a	12,976,072	These items are Pass Through Agreements. Refer to Exhibit E for details.
Statutory Payments	Milpitas Unified	Payments per CRL 33607.5 and .7	Page 3 / Item 4	847,750	Page 3/Item 3	28,192,267	Y	Y	Y	n/a	n/a	27,344,517	These items are Pass Through Agreements. Refer to Exhibit E for details.
Statutory Payments	San Jose Comm College	Payments per CRL 33607.5 and .7	Page 3 / Item 5	137,460	Page 3/Item 4	4,571,271	Y	Y	Y	n/a	n/a	4,433,812	These items are Pass Through Agreements. Refer to Exhibit E for details.
Statutory Payments	County School Service	Payments per CRL 33607.5 and .7	Page 3 / Item 6	23,417	Page 3/Item 5	2,224,894	Y	Y	Y	n/a	n/a	2,201,477	These items are Pass Through Agreements. Refer to Exhibit E for details.
Statutory Payments	County Office of Education	Payments per CRL 33607.5 and .7	Page 3 / Item 7	43,486	Page 3/Item 6	0	Y	Y	Y	n/a	n/a	(43,486)	These items are Pass Through Agreements. Refer to Exhibit E for details.
Statutory Payments	SCV Water Dist East 1	Payments per CRL 33607.5 and .7	Page 3 / Item 8	38,520	Page 3/Item 7	1,280,985	Y	Y	Y	n/a	n/a	1,242,466	These items are Pass Through Agreements. Refer to Exhibit E for details.
Statutory Payments	SCV Water Dist	Payments per CRL 33607.5 and .7	Page 3 / Item 9	3,760	Page 3/Item 8	125,026	Y	Y	Y	n/a	n/a	121,267	These items are Pass Through Agreements. Refer to Exhibit E for details.
Statutory Payments	Bay Area Air Quality Mgmt	Payments per CRL 33607.5 and .7	Page 3 / Item 10	3,896	Page 3/Item 9	129,556	Y	Y	Y	n/a	n/a	125,661	These items are Pass Through Agreements. Refer to Exhibit E for details.
Statutory Payments	SCV Water Dist St Wtr Pro	Payments per CRL 33607.5 and .7	Page 3 / Item 11	11,188	Page 3/Item 10	372,051	Y	Y	Y	n/a	n/a	360,863	These items are Pass Through Agreements. Refer to Exhibit E for details.
Statutory Payments	SCVWD Zone W-4	Payments per CRL 33607.5 and .7	Page 3 / Item 12	2,884	Page 3/Item 11	95,898	Y	Y	Y	n/a	n/a	93,014	These items are Pass Through Agreements. Refer to Exhibit E for details.
Statutory Payments	County Retirement	Payments per CRL 33607.5 and .7	Page 3 / Item 13	89,572	Page 3/Item 12	3,909,498	Y	Y	Y	n/a	n/a	3,819,926	These items are Pass Through Agreements. Refer to Exhibit E for details.
Statutory Payments	Co Library Retirement	Payments per CRL 33607.5 and .7	Page 3 / Item 14	5,593	Page 3/Item 13	242,140	Y	Y	Y	n/a	n/a	236,547	These items are Pass Through Agreements. Refer to Exhibit E for details.
Statutory Payments	SCVWD St Project	Payments per CRL 33607.5 and .7	Page 3 / Item 15	20,086	Page 3/Item 14	647,571	Y	Y	Y	n/a	n/a	627,486	These items are Pass Through Agreements. Refer to Exhibit E for details.
Statutory Payments	SCVWD Zone 1	Payments per CRL 33607.5 and .7	Page 3 / Item 16	612	Page 3/Item 15	10,496	Y	Y	Y	n/a	n/a	9,884	These items are Pass Through Agreements. Refer to Exhibit E for details.

Note 1: The total for "Contract of Consulting services on the Amended EOPS is \$983,295.65. The total on the Statement of Indebtedness is \$982,907. A total difference of \$308.50.

Note 2: The total for "Contract for Construction" on the Amended EOPS and the Statement of Indebtedness is \$800,281.

Note 3: The total for "Contract for Homeowner Association Dues" on the Amended EOPS is \$43,636. The total on the Statement of Indebtedness is \$33,817. A total difference of \$9,818.

Additions and Deletions of Assets and Liabilities

County of Santa Clara Auditor-Controller
(Per Agreed-Upon Procedures)

	Audited	Unaudited		Audited	Unaudited		Unaudited
	6/30/2010	Additions	Deletions	6/30/2011	Additions	Deletions	1/31/2012
Assets							
Cash and Investments-Unrestricted	40,989,260	264,831,730	305,445,252	375,738	75,251,668	75,623,588	3,818
Cash and Investments - Restricted	11,524,668	34,721,809	46,246,477	0	7,946,882	7,946,882	0
Accounts Receivable	24,818	440,975	465,597	196	74	271	(0)
Receivables from Other Gov't	461,321	179,550	477,650	163,221	0	163,221	0
Interest Receivable	261,734	0	261,734	0	0	0	0
Advances to City	6,389,612	7,228,775	13,618,387	0	0	0	0
Prepays, materials, supplies, Deposits	84,355	15,868	84,355	15,868	0	15,868	0
Property Held for Resale	6,988,800	0	6,988,800	0	1,800,000	1,800,000	0
Capital Assets							
Land	41,060,512	7,832,586	29,518,466	19,374,632	3,000,000	3,000,000	19,374,632
Construction in Progress	79,338,602	2,103,544	2,363,032	79,079,114	0	0	79,079,114
Depreciable Capital Assets - Net	70,398,239	0	70,398,239	0			0
Total Assets	257,521,921	317,354,837	475,867,989	99,008,769	87,998,625	88,549,830	98,457,563

	6/30/2010	Additions	Deletions	6/30/2011	Additions	Deletions	1/31/2012
Assets - Housing							
Cash and Investments - Housing							
Unrestricted	12,921,686	17,662,855	18,897,187	11,687,354	50,357,524	62,041,889	2,989
Loans Receivable	27,692,642	3,080,421	940,606	29,832,457	29,832,457	59,664,913	0
Advances to Other Funds - Housing	0	8,964,382	39,205	8,925,177	26,775,535	35,700,712	0
Interest Receivable - Housing	60,644	40,049	60,644	40,049	0	40,049	(0)
Prepays and Deposits	3,218	5,042	4,438	3,822		3,822	0
Property Held for Resale	14,537,403	1,827,043	16,364,446	0	3,297,010	3,297,010	0
Total Assets	55,215,593	31,579,792	36,306,526	50,488,859	110,262,526	160,748,396	2,989

	6/30/2010	Additions	Deletions	6/30/2011	Additions	Deletions	1/31/2012
Liabilities							
Accounts Payable	1,862,760	33,281,149	31,935,945	517,556	14,514,988	13,997,433	1,035,111
Accrued Payroll	51,194	295,935	282,209	37,468	94,249	52,906	78,810
Refundable Deposits	0	0	0	0	0	0	0
Deferred Revenue	310,451	1,460,065	1,149,614	0	0	0	0
Total Liabilities	2,224,405	35,037,149	33,367,768	555,024	14,609,237	14,050,339	1,113,921

Additions and Deletions of Assets and Liabilities

County of Santa Clara Auditor-Controller
(Per Agreed-Upon Procedures)

	Audited	Unaudited		Audited	Unaudited		Unaudited
	6/30/2010	Additions	Deletions	6/30/2011	Additions	Deletions	1/31/2012
Liabilities - Housing							
Accounts Payable	50,110	2,413,523	2,383,438	20,025	102,143	82,118	40,050
Accrued Payroll	8,120	53,597	54,933	9,456	30,017	23,550	15,924
Refundable Deposits	3,721	1,221	0	2,500	2,500	0	5,000
Deferred revenue	27,692,642	979,812	3,444,804	30,157,634	60,371,994	30,214,359	60,315,269
Total Liabilities	27,754,593	3,448,153	5,883,175	30,189,615	60,506,654	30,320,027	60,376,242
Encumbrances (or Long-Term Liabilities)							
Long-Term Debt							
2003 Tax Allocation Bonds	174,180,000	0	5,240,000	168,940,000	0	5,410,000	163,530,000
Installment Purchase Agreement	36,962,829	0	2,984,862	33,977,967	0		
Purchase and Sale Agreement	23,179,718	2,045,519	2,000,000	23,225,237	1,193,219	24,418,457	0
Interest Payable	2,787,569	0	59,941	2,727,628	0		
Total Encumbrances	237,110,116	2,045,519	10,284,803	228,870,832	1,193,219	29,828,457	163,530,000

***Note:**

*1: Information is not available on the City trial balance.

Analysis of Changes in Ending Balances

County of Santa Clara Auditor-Controller

(Per Agreed-Upon Procedures)

Description	Unaudited Comparison			Notes/Comments for the Variance	Per Audited Financial Statements		
	6/30/2011	1/31/2012	Change 6/30/11 - 1/31/12		6/30/2010	6/30/2011	Change 6/30/10 - 6/30/11
ASSETS							
Cash and Investments-Unrestricted	375,738	3,818	(371,920)	Section I item 4 (RDA transfer to Econ Dev Corp)	40,989,260	375,738	(40,613,522)
Cash and Investments - Restricted	0	0	0	Section I item 5 (RDA transfer to Econ Dev Corp)	11,524,668	0	(11,524,668)
Accounts Receivable	196	0	(196)		24,818	196	(24,622)
Receivables from Other Gov't	163,221	0	(163,221)		461,321	163,221	(298,100)
Interest Receivable	0	0	0		261,734	0	(261,734)
Advances to City	0	0	0	Section I item 11 (RDA transfer to Econ Dev Corp)	6,389,612	0	(6,389,612)
Prepays, materials, supplies, Deposits	15,868	0	(15,868)		84,355	15,868	(68,487)
Market Gain/(Loss)	0	0	0		0	0	0
Property Held for Resale	0	0	0	Section I item 15 (RDA transfer to City Gen Fd)	6,988,800	0	(6,988,800)
Capital Assets		0	0			0	0
Land	19,374,632	19,374,632	0	Section I item 16 (RDA transfer to City Gen Fd)	41,060,512	19,374,632	(21,685,880)
Construction in Progress	79,079,114	79,079,114	0		79,338,602	79,079,114	(259,488)
Depreciable Capital Assets - Net	0	0	0	Section I item 18 (RDA transfer to City Gen Fd)	70,398,239	0	(70,398,239)
Total Assets	99,008,769	98,457,564	(551,205)		257,521,921	99,008,769	(158,513,152)
ASSETS - Housing							
Cash and Investments - Housing Unrestricted	11,687,354	2,989	(11,684,365)	Section I item 6 (RDA transfer to Housing Authority Fd 295)	12,921,686	11,687,354	(1,234,332)
Loans Receivable	29,832,457	0	(29,832,457)	Section I item 1 (RDA transfer to Housing Authority Fd 295)	27,692,642	29,832,457	2,139,815
Advances to Other Funds - Housing	8,925,177	0	(8,925,177)	Section I Item 12 (Loan between RDA funds 290 and 391)	0	8,925,177	8,925,177
Interest Receivable - Housing	40,049	0	(40,049)		60,644	40,049	(20,595)
Prepays and Deposits	3,822	0	(3,822)		3,218	3,822	604
Property Held for Resale		0	0	Section I item 3 (RDA transfer to City Gen Fd)	14,537,403		(14,537,403)
Total Assets	50,488,859	2,989	(50,485,870)		55,215,593	50,488,859	(4,726,734)
LIABILITIES							
Accounts Payable	517,556	0	(517,556)	Section II Items 4 - 23	1,862,760	517,556	(1,345,204)
Accrued Payroll	37,468	3,874	(33,594)		51,194	37,468	(13,726)
Refundable Deposits	0	0	0		0	0	0
Deferred Revenue	0	0	0		310,451	0	(310,451)
Total Liabilities	555,024	3,874	(551,150)		2,224,405	555,024	(1,669,381)
LIABILITIES - Housing							
Accounts Payable	20,025	(0)	(20,025)		1,862,760	20,025	(1,842,735)
Accrued Payroll	9,456	(2,989)	(12,445)		51,194	9,456	(41,738)
Refundable Deposits	2,500	0	(2,500)		0	2,500	2,500
Deferred revenue	30,157,634	0	(30,157,634)	Section I item 1 (RDA transfer to Housing Authority Fd 295)	310,451	30,157,634	29,847,183
Total Liabilities	30,189,615	(2,989)	(30,192,604)		2,224,405	30,189,615	27,965,210

Analysis of Changes in Ending Balances

County of Santa Clara Auditor-Controller

(Per Agreed-Upon Procedures)

Description	Unaudited Comparison			Notes/Comments for the Variance
	6/30/2011	1/31/2012	Change 6/30/11 - 1/31/12	
LIABILITIES - Long Term				
Long-Term Debt				
2003 Tax Allocation Bonds	168,940,000	163,530,000	(5,410,000)	Section II item 1
Installment Purchase Agreement	33,977,967			Information is not available on the City trial balance.
Purchase and Sale Agreement with the City	23,225,237	23,225,237	0	Section II item 24
Interest Payable	2,727,628			Information is not available on the City trial balance.
Total Long Term Liabilities	228,870,832	186,755,237	(5,410,000)	
FUND BALANCE				
Reserved for:			0	
Encumbrances			0	
Advances			0	
Prepays and Deposits				
Property held for resale				
Unreserved, designated for:				
Projects				
Change in investment market values				
Capital Projects Fund				
Nonspendable	15,868	0	(15,868)	
Unassigned	(8,941,046)		8,941,046	
Total Fund Balance	(8,925,178)	0	8,925,178	
FUND BALANCE - Housing				
Reserved for:				
Encumbrances				
Prepays and Deposits				
Property held for resale				Section I item 3 (RDA transfer to City Gen Fd)
Nonspendable	3,822	0	(3,822)	
Restricted for Low and Moderate Income Housing	20,295,422	20,299,244	3,822	
Total Fund Balance	20,299,244	20,299,244	0	
REVENUES				
Property Taxes	39,003,681	16,671,277	(22,332,404)	Per AB1x26, effective February 1, 2012 the property tax revenues are to be deposited into the Redevelopment Property Tax Increment Fund.
Use of Money and Property	416,709	20,500	(396,209)	Partial year receipts.
Intergovernmental	112,731	190,360	77,629	
Developer Contributions	101,167	93,467	(7,700)	
Other	3,221	0	(3,221)	
Total Revenues	39,637,509	16,975,604	(22,661,905)	

REVENUES - Housing				
Property Taxes	0	0	0	
Use of Money and Property	377,576	144,247	(233,329)	
Intergovernmental	0	0	0	
Developer Contributions	425,000	0	(425,000)	The differences are due to comparison of partial year revenues to annual revenues.

Per Audited Financial Statements		
6/30/2010	6/30/2011	Change 6/30/10 - 6/30/11
174,180,000	168,940,000	(5,240,000)
36,962,829	33,977,967	(2,984,862)
23,179,718	23,225,237	45,519
2,787,569	2,727,628	(59,941)
237,110,116	228,870,832	(8,239,284)
		0
1,453,939		(1,453,939)
6,079,161		(6,079,161)
84,355		(84,355)
6,988,800		(6,988,800)
		0
12,699,450		(12,699,450)
995,789		(995,789)
36,198,669		(36,198,669)
	15,868	15,868
	(8,941,046)	(8,941,046)
64,500,163	(8,925,178)	(73,425,341)
		0
1,736		(1,736)
3,218		(3,218)
14,537,403		(14,537,403)
	3,822	3,822
12,918,643	20,295,422	7,376,779
27,461,000	20,299,244	(7,161,756)
37,162,281	39,003,681	1,841,400
997,931	416,709	(581,222)
1,656,906	112,731	(1,544,175)
0	101,167	101,167
19,693	3,221	(16,472)
39,836,811	39,637,509	(199,302)
		0
363,814	377,576	13,762
0	0	0
1,275,000	425,000	(850,000)

Analysis of Changes in Ending Balances

County of Santa Clara Auditor-Controller

(Per Agreed-Upon Procedures)

Description	Unaudited Comparison			Notes/Comments for the Variance	Per Audited Financial Statements		
	6/30/2011	1/31/2012	Change 6/30/11 - 1/31/12		6/30/2010	6/30/2011	Change 6/30/10 - 6/30/11
Other	940,876	56,969	(883,907)		236,937	940,876	703,939
Total Revenues	1,743,452	201,216	(1,542,236)		1,875,751	1,743,452	(132,299)
EXPENDITURES							
Current:							0
General Government, Public works, Planning and Neighborhood Services, Supplemental educational revenue: Augmentation fund payment	7,055,992	1,539,565	(5,516,427)	The differences are due to comparison of partial year expenditures to annual expenditures.	14,096,365	7,055,992	(7,040,373)
Capital outlay	8,953,948	301,202	(8,652,746)		10,478,973	8,953,948	(1,525,025)
Debt Service:			0				0
Principal	10,224,862	5,410,000	(4,814,862)		12,569,105	10,224,862	(2,344,243)
Interest and Fees	9,703,024	6,184,298	(3,518,726)		9,414,454	9,703,024	288,570
Total Expenditures	35,937,826	13,435,065	(22,502,761)		46,558,897	35,937,826	(10,621,071)
EXPENDITURES - Housing							
Current:							0
General Government, Public works, Planning and Neighborhood Services, Supplemental educational revenue: Augmentation fund payment	3,346,491	404,073	(2,942,418)	The differences are due to comparison of partial year expenditures to annual expenditures.	3,621,550	3,346,491	(275,059)
Total Expenditures	3,346,491	404,073	(2,942,418)			3,621,550	3,346,491
Other Financing Sources (USES)							
Transfers in from the City	10,167,680	8,114,727	(2,052,953)		1,703,737	10,167,680	8,463,943
Transfers out to the City	(76,011,712)	5,928,958	81,940,670		(5,976,871)	(76,011,712)	(70,034,841)
Transfers in	387,677	0	(387,677)		387,131	387,677	546
Transfers out	(11,668,669)	0	11,668,669		(8,175,650)	(11,668,669)	(3,493,019)
Total Other Financing Sources	(77,125,024)	14,043,684	91,168,708		(12,061,653)	(77,125,024)	(65,063,371)
Other Financing Sources - Housing (USES)							
Transfers in from the City	0	(374,253)	(374,253)				0
Transfers out to the City	(16,839,709)	1,032,754	17,872,463		(1,083,675)	(16,839,709)	(15,756,034)
Transfers in	11,668,669	0	(11,668,669)		8,175,650	11,668,669	3,493,019
Transfers out	(387,677)	10,837,886	11,225,563		(387,131)	(387,677)	(546)
Total Other Financing Sources	(5,558,717)	11,496,388	17,055,105		6,704,844	(5,558,717)	(12,263,561)
Net Change in Fund Balance	13,470,710	23,636,926	10,166,216		83,493,278	13,470,710	(70,022,568)

EXHIBIT E

PASS-THROUGH OBLIGATIONS MILPITAS REDEVELOPMENT AGENCY

Review of the Pass-Through Obligations (Procedures E.1, E.2, and G) was satisfactorily completed by County of Santa Clara (County) Finance Agency staff.

The Milpitas Redevelopment Agency has only statutory pass-through obligations as required by AB 1290.

County Property Tax Division Staff has confirmed all statutory pass-through amounts and all payments were made by the County on June 1, 2012. All future pass-through computations and payments will be the responsibility of the County Finance Agency.

A summary of the pass-through obligations follows:

FY 2011-12 AB1290 Pass-through			
	Before February 1, 2012 Payments	June 1, 2012 Payments	Total
County General	228,853.59	7,755.05	236,608.64
County Library	36,046.07	1,847.00	37,893.07
City of Milpitas	148,185.70	66,215.48	214,401.18
Berryessa Elementary	-	-	-
Milpitas Unified	312,108.01	243,842.91	555,950.92
Eastside High School	-	-	-
San Jose Community College	50,607.15	39,540.06	90,147.21
County Office of Education	24,631.13	19,243.89	43,875.02
SCVWD East 1	14,181.39	9,193.09	23,374.48
SCVWD General	1,499.08	905.08	2,404.16
Bay Area Air Quality Management	1,434.28	1,120.62	2,554.90
SCVWD State Water Project	11,205.79	4,431.00	15,636.79
SCVWD Zone W-4	1,061.66	677.07	1,738.73
ERAF - To be allocated to Local Educational Agency	-	213,130.76	213,130.76
	829,813.85	607,902.01	1,437,715.86

[1] - Methodologies for Distribution of the fund to the Affected Local Educational Agencies were recommended by State Controller Office on August 13, 2012.

EXHIBIT F

CITY OF MILPITAS WRITTEN RESPONSE

Pursuant to government auditing standards of the United States Government Accountability Office (USGAO), following the preparation of a draft report, we provided a copy of the report to the City on September 21, 2012, and conducted an exit conference on September 25, 2012, for purposes of discussing the report content, findings, conclusions and recommendations, and making corrections and clarifications as appropriate. It should be noted that the draft report included all of the detailed schedules and narrative related to assets, liabilities and transfers, but did not include the exhibits that were separately prepared by the County Controller pertaining to Pass-Throughs and Agreed Upon Procedure tasks.

Based on the exit conference meeting, our discussions and the exchange of additional documents, the City submitted an initial written response dated September 27, 2012. The City provided specific responses to various items in the draft report, and submitted additional information for our consideration in making changes to correct and clarify information in the draft report. In addition, during the first week of October we exchanged information by e-mail and telephone. During this period, we provided the City with revised sections of the report and described other changes that had been made by e-mail and telephone, as a result of the additional information provided by the City.

As required by Section 5.32 to 5.38 of the USGAO audit standards, following the exit conference and report revision process, on October 3, 2012 we solicited a final written response from the City to be included in the final report. The City has requested that we not include their September 27, 2012 response to the draft report, and chose not to provide an updated response in this final report without first seeing the entire revised report. This final revised report will be provided to the City for their review, and the City will have the opportunity to provide a subsequent written response to this report. However, in order to comply with Health and Safety Code Section 34182, the County Auditor-Controller must transmit this report to the State Controller's Office and the Department of Finance.