

RESOLUTION NO. 42

**RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF
THE FORMER MILPITAS REDEVELOPMENT AGENCY APPROVING A
RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD OF
JANUARY 1 TO JUNE 30, 2015 (FY 14-15B)**

WHEREAS, the California State Legislature enacted Assembly Bill x1 26 to dissolve redevelopment agencies formed under the Community Redevelopment Law (Health and Safety Code section 33000 et seq.), as amended by Assembly Bill 1484, Statutes of 2012, enacted June 27, 2012 (the "Dissolution Law"); and

WHEREAS, the Dissolution Law requires the Successor Agency to a former redevelopment agency to submit to the Oversight Board for its approval, no later than October 2, 2014, a Recognized Obligation Payment Schedule covering the period January 1, 2015, to June 30, 2015 (ROPS 14-15B); and

WHEREAS, in accordance with AB 1484, the Successor Agency to the former Milpitas Redevelopment Agency ("Successor Agency") prepared and submitted ROPS 14-15B to the County Administrative Officer, the County Auditor-Controller, and the Department of Finance at the same time the Successor Agency submitted the ROPS to the Oversight Board of the Successor Agency ("Oversight Board") for its consideration and approval; and

WHEREAS, the ROPS 14-15B has been considered by the Oversight Board at a public meeting.

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board has considered the full record before it, which includes but is not limited to the staff report, testimony by staff and the public, the objection letter from the County Controller-Treasurer dated September 15, 2014, and other materials and evidence provided to it.

BE IT FURTHER RESOLVED that the Oversight Board approves ROPS 14-15B as revised by the Oversight Board to amend line items 5, 12, 13, 15, and 16, consistent with the County Controller-Treasurer's objection letter attached hereto, and to amend line item 14, column C to replace "Bond Expenditure Agreement" with "Improvement/Infrastructure"

BE IT FURTHER RESOLVED that the Oversight Board directs Successor Agency staff to forward the approved ROPS, as revised by the Oversight Board, to the Santa Clara County Auditor-Controller, the California Department of Finance, and the California State Controller's Office for certification and approval.

PASSED AND ADOPTED this 18th day of September, 2014, by the following vote:

AYES: Medina, McNerny, Knopf, Williams

NOES: Karlen, Reliford

ABSENT: Mendizabal

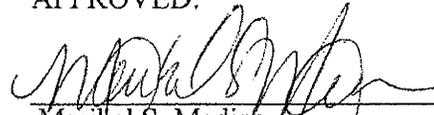
ABSTAIN:

ATTEST:



Barbara Crump
Oversight Board Secretary

APPROVED:



Maribel S. Medina
Oversight Board Chair

County of Santa Clara

Finance Agency
Controller-Treasurer



County Government Center
70 West Hedding Street, East Wing 2nd floor
San Jose, California 95110-1705
(408) 299-5206 FAX 287-7629

NOTICE OF OBJECTION TO ROPS

September 15, 2014

City of Milpitas
455 E Calaveras Blvd
Milpitas, CA 95035

City of Milpitas Oversight Board
455 E Calaveras Blvd
Milpitas, CA 95035

Department of Finance
915 L Street
Sacramento, CA 95814

ROPS Period: ROPS 14-15B (January 1, 2015 – June 30, 2015)
Successor Agency: City of Milpitas

To the Successor Agency, Oversight Board, and Department of Finance:

Pursuant to Health and Safety Code section 34182.5, our office has reviewed the Recognized Obligation Payment Schedule (ROPS) submitted by the above-noted successor agency for the above-noted period. After reviewing all items and funding sources, the Santa Clara County Auditor-Controller objects to the following items and/or funding sources on the submitted ROPS:

Item 5 – Financing Agreement for SunPower

Under the Financing Agreement, dated February 1, 2011, between the former Milpitas Redevelopment Agency (former RDA) and SunPower Corporation Inc. (SunPower), the former RDA agreed to make a series of payments to SunPower until January 1, 2014. The express terms of the agreement limited the aggregate amount of the payments to no more than \$1,300,000, as explained in the County Auditor-Controller's AUP Report, which is incorporated by reference herein, and was shared with the parties by at least October 24, 2012 per the attached e-mail. Following the dissolution of the former RDA, the Oversight Board approved the Financing Agreement as an enforceable obligation payable on the ROPS. The Successor Agency made payments to SunPower in an aggregate amount of \$1,300,000, including the final payment of \$200,000 on ROPS period 13-14B (January 2, 2014 through June 30, 2014). By the terms of the

Board of Supervisors: Mike Wasserman, Cindy Chavez, Dave Cortese, Ken Yaeger, S. Joseph Simitian
County Executive: Jeffery V. Smith

agreement, the Successor Agency has satisfied the total outstanding obligation due under the Financing Agreement.

In accordance with Health and Safety Code section 34187(a)(1), the Auditor-Controller recommends that Financing Agreement be retired as an enforceable obligation on the ROPS.¹ Furthermore, this conclusion is consistent with the determination by the Department of Finance (DOF) in its letter dated April 10, 2014. Thus, the ROPS Detail Form for this item should be retired (column "J" of Item 5 should be changed from "N" to "Y") to reflect a zero balance (column "I" should be changed from "\$200,000" to "\$0").

Item 12 – Housing Successor Agency Administrative Costs

The Successor Agency requested \$94,193 as a "housing entity administrative cost allowance" pursuant to Health and Safety Code section 34171(p). Section 34171(p) restricts this allowance to local housing authorities designated pursuant to section 34176(b)(2) or (3); that is, local housing authorities that *involuntarily* assumed responsibility as housing successor. On January 4, 2012, the City of Milpitas Housing Authority *elected* to retain the housing functions of the former RDA pursuant to Health and Safety Code section 34176(a).² Therefore, the City of Milpitas/City of Milpitas Housing Authority is ineligible under section 34171(p) and the Successor Agency's request must be denied.

Furthermore, the City of Milpitas Housing Authority, as a component unit with the same governing board as the City itself, is considered the "City" for the purposes of the Dissolution Law under Health and Safety Code section 34167.10. Accordingly, it cannot receive the "housing entity administrative cost allowance," which is designated for independent local housing authorities that were *involuntarily* designated by law as housing successors pursuant to Health and Safety Code sections 34176(b)(2)-(3). Moreover, as indicated in the legislative history of AB 471, the intent of this provision was to reach approximately 10 entities statewide that had been placed in this predicament by law.

Item 13 - LMIHF Loan

Item 15 - Pension

Item 16 - Retiree Medical Benefits

These items correspond to prior Items 3, 7, and 8 and have been repeatedly denied by both the Oversight Board and the DOF. Additionally, these items were retired by the Oversight Board in Resolution No. 28 for ROPS 13-14B and again in Resolution No. 33 for ROPS 14-15A in accordance with Health and Safety Code section 34187(a)(1) in which the balances were reduced to zero. The Oversight Board's action was approved as reflected in the DOF's ROPS determination letter dated April 10, 2014. Pursuant to Health and Safety Code section 34178(a),

¹ Health and Safety Code section 34177.3(c) prohibits the Successor Agency from making additional payments in connection with the Financing Agreement because the agreement does not require any further payments to be made.

² The City's election is indicated in the attached Resolution.

the Oversight Board and the Successor Agency may not restore funding to an obligation that was deleted or reduced by the DOF unless it reflects decisions made during the meet-and-confer process or pursuant to a court order. We understand that the Successor Agency did not request further administrative review of these determinations through DOF's meet-and-confer process as set forth in Health and Safety Code section 34177(m). Thus, the Auditor-Controller considers the determinations by the DOF and the Oversight Board as final and conclusive, and accordingly objects to the placement of these items on this or any future ROPS. Items 13, 15 and 16 should be removed and are not properly before the Oversight Board for consideration.

The City has asserted that Item 13 is an enforceable obligation under Health and Safety Code section 34171(d)(1)(G). However, this item was never approved on the Housing Asset Transfer form pursuant to section 34176 in August 2012, and therefore this receivable is not an asset of the housing successor. This item not substantively and procedurally eligible as a payment owing to the LMIHF under the Dissolution Law under that paragraph. Furthermore, the housing successor did not request a meet-and-confer with DOF regarding its determinations for the Housing Asset Transfers pursuant to section 34176(a)(2). Thus, the Auditor-Controller considers this determination by the DOF as final and conclusive.

The City has asserted that Items 14 and 15 are enforceable obligations under Health and Safety Code section 34171(d)(1)(C); however, this paragraph specifically authorizes payments for *city* employees that performed redevelopment work *only* with respect to payments for "layoffs or terminations." Pension and retiree health unfunded liabilities are only authorized for *agency* employees by the express language of that paragraph.

In addition, the Auditor-Controller hereby incorporates by reference the substantive, procedural and financial objections to these items that were raised with each prior ROPS cycle and are attached hereto.

Corrections

For Item No. 2 – "Agreement of Purchase and Sale," City staff have agreed to amend the obligation type to "miscellaneous," the contact termination date to 6/17/2034, and add the following corresponding comment: "The termination date is the earlier of 6/30/2038 or the termination date of the Redevelopment Plan (6/17/2034)" consistent with Oversight Board Resolution No. 33.

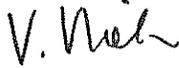
In accordance with Health and Safety Code section 34182.5, if the Oversight Board disputes any of these objections, it may choose to refer such disputed findings to the Department of Finance for final determination.

Please note that items and/or funding sources not questioned during this review are subject to subsequent review if they are included on a future ROPS. We also reserve the right to object to an item and/or funding source (including, but not limited to, the use of fund balance) on a future ROPS, even if no objection was made on a preceding ROPS.

Successor Agency: City of Milpitas
Notice of Objection to ROPS 14-15B
September 15, 2014
Page 4 of 4

Additionally, pursuant to Health and Safety Code section 34186(a), the County Auditor-Controller may review the prior period payments and the prior period estimated versus actual payments reported on the ROPS. This review is ongoing, and this letter does not apply to the true-up of prior period payments. In addition, my office is continuing its review of the cash balances reported by the successor agency on the ROPS. The results of this review will be transmitted to the Department of Finance as soon as possible.

Sincerely yours,



Irene Lui, C.P.A.
Controller-Treasurer
County of Santa Clara

Attachment: ROPS 14-15B as submitted to the County Auditor-Controller by Successor Agency
E-mail re: SunPower
DOF ROPS 14-15A Determination Letter dated April 10, 2014
City of Milpitas Resolution No. HA/ 8151/ RA428 Designating a Successor Agency
and Successor Housing Agency
City of Milpitas Successor Agency Minutes for January 4, 2012
County Auditor-Controller Notice of Objection excluding ROPS schedules for:
ROPS 14-15A – February 18, 2014
ROPS 13-14B – September 10, 2013
ROPS III – September 25, 2012

Recognized Obligation Payment Schedule (ROPS 14-15B) - Summary

Filed for the January 1, 2015 through June 30, 2015 Period

Name of Successor Agency: Milpitas
 Name of County: Santa Clara

Current Period Requested Funding for Outstanding Debt or Obligation		Six-Month Total
Enforceable Obligations Funded with Non-Redevelopment Property Tax Trust Fund (RPTTF) Funding Sources (B+C+D):		\$ 3,989,878
A	Bond Proceeds Funding (ROPS Detail)	3,989,878
C	Reserve Balance Funding (ROPS Detail)	-
D	Other Funding (ROPS Detail)	-
E Enforceable Obligations Funded with RPTTF Funding (F+G):		\$ 9,672,046
F	Non-Administrative Costs (ROPS Detail)	9,543,757
G	Administrative Costs (ROPS Detail)	128,289
H Current Period Enforceable Obligations (A+E):		\$ 13,661,924

Successor Agency Self-Reported Prior Period Adjustment to Current Period RPTTF Requested Funding		
I	Enforceable Obligations funded with RPTTF (E):	9,672,046
J	Less Prior Period Adjustment (Report of Prior Period Adjustments Column S)	(83,535)
K Adjusted Current Period RPTTF Requested Funding (I-J)		\$ 9,588,511

County Auditor Controller Reported Prior Period Adjustment to Current Period RPTTF Requested Funding		
L	Enforceable Obligations funded with RPTTF (E):	9,672,046
M	Less Prior Period Adjustment (Report of Prior Period Adjustments Column AA)	-
N Adjusted Current Period RPTTF Requested Funding (L-M)		9,672,046

Certification of Oversight Board Chairman:
 Pursuant to Section 34177 (m) of the Health and Safety code, I
 hereby certify that the above is a true and accurate Recognized
 Obligation Payment Schedule for the above named agency.

<u>Emma C. Karlen</u>	<u>Director of Financial Services</u>
Name	Title
/s/ <u>Emma C. Karlen</u>	<u>9/8/2014</u>
Signature	Date

Recognized Obligation Payment Schedule (ROPS 14-15B) - ROPS Detail
January 1, 2015 through June 30, 2015
 (Report Amounts in Whole Dollars)

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Item #	Project Name / Debt Obligation	Obligation Type	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Retired	Funding Source					Six-Month Total
										Non-Redevelopment Property Tax Trust Fund (Non-RPTTF)			RPTTF		
										Bond Proceeds	Reserve Balance	Other Funds	Non-Admin	Admin	
								\$ 315,645,377		\$ 3,989,878	\$ -	\$ -	\$ 9,543,757	\$ 128,289	\$ 13,661,924
1	2003 Tax Allocation Bonds	Bonds Issued On or Before 12/31/10	11/20/2003	9/1/2032	US Bank	Bonds issued to fund redevelopment projects	Project Area #1	213,971,629	N				3,630,804		3,630,804
2	Agreement of Purchase and Sale	City/County Loans On or Before 6/27/11	8/3/2003	6/17/2034	County of Santa Clara	Land Purchase	Project Area #1	80,000,000	N				5,000,000		5,000,000
5	Financing Agreement	Miscellaneous	2/1/2011	1/1/2016	SunPower Corporation	Assistance per CRL 33444.6	Project Area #1	200,000	N				200,000		200,000
9	Administrative Costs of Successor Agency	Admin Costs	1/1/2015	6/30/2015	City of Milpitas	Administrative costs to wind down RDA	Project Area #1	128,289	N					128,289	128,289
11	Property appraisal services	Property Dispositions	7/1/2014	6/30/2015	To be determined	Appraisal of Sucessor Agency properties		40,000	N						-
12	Housing Successor Agency Administrative Costs	Housing Admin Costs	1/1/2015	6/30/2015	City of Milpitas Housing Authority	Administrative costs to administer housing programs (AB 471)	Project Area #1	94,493	N				94,493		94,493
13	LMIHF Loan	Interfund Loan	8/18/2010	8/18/2020	City of Milpitas Housing Authority	LMIHF money loaned to former RDA to purchase land. Repayment pursuant to HSC 34171(d)(1)(G) and 34191.4(b)(1)	Project Area #1	6,978,224	N				348,911		348,911
14	Main Street Pavement Reconstruction	Bond Expenditure Agreement	10/7/2014	10/7/2024	City of Milpitas	Use unspent bond proceeds in accordance with bond covenants (HSC Section 34191.4 (c))	Project Area #1	3,989,878	N	3,989,878					3,989,878
15	Pension payments	Unfunded liability	7/1/2014	7/1/2033	CalPERS	Pension payments for City employees who performed work directly on behalf of former RDA pursuant to HSC 34171 (d)(1)(C)	Project Area #1	6,582,877	N				173,234		173,234
16	Retiree Medical Benefits payments	Unfunded liability	7/1/2014	7/1/2033	California Employers' Retiree Benefit Trust (CERBT)	Retiree Medical Benefits payments for City employees who performed work directly on behalf of former RDA pursuant to HSC 34171 (d)(1)(C)	Project Area #1	3,659,987	N				96,315		96,315
17									N						-
18									N						-
19									N						-
20									N						-
21									N						-
22									N						-
23									N						-
24									N						-
25									N						-
26									N						-

Recognized Obligation Payment Schedule (ROPS 14-15B) - Report of Cash Balances

(Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. For tips on how to complete the Report of Cash Balances Form, see https://rad.dof.ca.gov/rad-sa/pdf/Cash_Balance_Agency_Tips_Sheet.pdf.

A	B	C	D	E	F	G	H	I	
Cash Balance Information by ROPS Period		Fund Sources						Comments	
		Bond Proceeds		Reserve Balance		Other	RPTTF		
		Bonds Issued on or before 12/31/10	Bonds Issued on or after 01/01/11	Prior ROPS period balances and DDR RPTTF balances retained	Prior ROPS RPTTF distributed as reserve for future period(s)	Rent, Grants, Interest, Etc.	Non-Admin and Admin		
ROPS 13-14B Actuals (01/01/14 - 06/30/14)									
1	Beginning Available Cash Balance (Actual 01/01/14)			67,382		134,325	78,594		
2	Revenue/Income (Actual 06/30/14) RPTTF amounts should tie to the ROPS 13-14B distribution from the County Auditor-Controller during January 2014					2,225	9,253,054	\$2,149 represents interest received in ROPS 13-14B. \$76 represents interest received in prior ROPS period.	
3	Expenditures for ROPS 13-14B Enforceable Obligations (Actual 06/30/14) RPTTF amounts, H3 plus H4 should equal total reported actual expenditures in the Report of PPA, Columns L and Q						9,169,595		
4	Retention of Available Cash Balance (Actual 06/30/14) RPTTF amount retained should only include the amounts distributed for debt service reserve(s) approved in ROPS 13-14B								
5	ROPS 13-14B RPTTF Prior Period Adjustment RPTTF amount should tie to the self-reported ROPS 13-14B PPA in the Report of PPA, Column S	No entry required						83,535	
6	Ending Actual Available Cash Balance C to G = (1 + 2 - 3 - 4), H = (1 + 2 - 3 - 4 - 5)	-	-	67,382	-	136,550	78,518		
ROPS 14-15A Estimate (07/01/14 - 12/31/14)									
7	Beginning Available Cash Balance (Actual 07/01/14) (C, D, E, G = 4 + 6, F = H4 + F4 + F6, and H = 5 + 6)	-	-	67,382	-	136,550	162,053		
8	Revenue/Income (Estimate 12/31/14) RPTTF amounts should tie to the ROPS 14-15A distribution from the County Auditor-Controller during June 2014	3,989,878					9,835,246	Beginning available cash balances of \$67,382 in E1; \$134,245 in G1; and \$78,670 in H1 were withheld (deducted) by the County from the ROPS FY14-15A distribution.	
9	Expenditures for ROPS 14-15A Enforceable Obligations (Estimate 12/31/14)			67,382		136,550	9,911,611		
10	Retention of Available Cash Balance (Estimate 12/31/14) RPTTF amount retained should only include the amount distributed for debt service reserve(s) approved in ROPS 14-15A								
11	Ending Estimated Available Cash Balance (7 + 8 - 9 - 10)	3,989,878	-	-	-	-	85,688		

From: Emma Karlen
Sent: Thursday, March 07, 2013 5:44 PM
To: Emma Karlen
Subject: FW: Initial \$700,000 payment---UCC-1 Form: SunPower Corporation (i)

Attachments: 20121024190345297.pdf

From: Jane Corpus Takahashi [<mailto:jcorpus@ci.milpitas.ca.gov>]
Sent: Wednesday, October 24, 2012 7:26 PM
To: John Osmer; Bryan Otake
Cc: Edna Auxtero; Jia Liu; Zahid Hussain; Maureen Koay; Emma Karlen; Martin Morales
Subject: RE: Initial \$700,000 payment---UCC-1 Form: SunPower Corporation (i)

Hi John,
There is no issue with making a \$200,000 payment for the second installment payment made available as of January 1, 2012. However, the County Finance Agency through their Agreed Upon Procedures Report(AUP) for the Milpitas Redevelopment Agency, does not recognize the first installment payment to be available January 1, 2011. Until this issue is resolved, we are unable make the additional \$200,000. I have attached the portion of the AUP related to this contract.

On Friday, the City will wire the \$200,000 to the Bank of America account provided for the initial \$700,000 payment.

Please let me know if you have any questions.

Jane Corpus
City of Milpitas
Finance Manager
408.586.3125

From: John Osmer [<mailto:John.Osmer@sunpowercorp.com>]
Sent: Tuesday, October 16, 2012 1:09 PM
To: Bryan Otake; Jane Corpus Takahashi
Cc: Edna Auxtero; Jia Liu; Zahid Hussain; Maureen Koay; Emma Karlen; Martin Morales
Subject: Re: Initial \$700,000 payment---UCC-1 Form: SunPower Corporation (i)

Hi Bryan, Jane,

Can you provide and update on this? We need to close the \$400K as soon as possible.

Thanks,
John

RESOLUTION NO. ____

A RESOLUTION OF THE CITY OF MILPITAS HOUSING AUTHORITY, THE CITY OF MILPITAS, AND THE MILPITAS REDEVELOPMENT AGENCY DESIGNATING A SUCCESSOR AGENCY AND SUCCESSOR HOUSING AUTHORITY

WHEREAS, the California Supreme Court, in its recent decision in the case of *California Redevelopment Association v. Matosantos*, has ruled that all redevelopment agencies in California shall be subject to liquidation and dissolution pursuant to Assembly Bill (“AB”) X1 26; and

WHEREAS, specifically, AB X1 26 dissolves all existing redevelopment agencies as of February 1, 2012, and provides that, except for those provisions of the Community Redevelopment Law that were repealed, restricted, or revised pursuant to AB X1 26, all authority, rights, powers, duties and obligations previously vested in the former redevelopment agencies will henceforth be vested in those entities designated as “successor agencies” and “successor housing agencies”; and

WHEREAS, such successor entities shall be responsible for winding down the affairs of former redevelopment agencies, in conjunction with local oversight boards; and

WHEREAS, on February 15, 2011, the City Council adopted Resolution No. 8062, authorizing the establishment of the City of Milpitas Housing Authority; and

WHEREAS, the City of Milpitas and the City of Milpitas Housing Authority wish to remove any doubt as to their intention to serve as successor entities to the Milpitas Redevelopment Agency.

NOW, THEREFORE the City of Milpitas Housing Authority Commission, the City Council of the City of Milpitas, and the Milpitas Redevelopment Agency Board of Directors hereby find, determine, and resolve as follows:

1. The Housing Authority Commission, the City Council and Agency Board of Directors have considered the full record before them, which may include but is not limited to such things as the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to them. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.
2. Pursuant to Health & Safety Code Section 34173, the City Council hereby elects and designates the City of Milpitas to serve as the successor agency to the former Milpitas Redevelopment Agency.
3. Pursuant to Health & Safety Code Section 34176, the Authority Commission hereby elects and designates the Milpitas Housing Authority as the successor entity to take on the responsibility of performing the housing functions previously performed by the Milpitas Redevelopment Agency. All rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the former Milpitas Redevelopment Agency, to the extent permitted by Health & Safety Code Section 34176, are hereby transferred to the Milpitas Housing Authority.
4. The officers and staff of the Housing Authority, the City of Milpitas, and the Milpitas Redevelopment Agency are hereby authorized and directed to do any and all things which

they may deem necessary or advisable to effectuate this Resolution, and any such actions previously taken by such officers are hereby ratified and confirmed.

5. The adoption of this Resolution is not intended to and shall not constitute a waiver by the Housing Authority, the City, or the Agency of any right those entities may have to challenge the legality of the application of any portion or all of AB X1 26 not otherwise settled in a court of final jurisdiction.

PASSED AND ADOPTED this ___ day of ____, 2012, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, Housing Authority Secretary/
Agency Secretary/City Clerk

Jose S. Esteves, Chair/Chair/Mayor

APPROVED AS TO FORM:

Michael J. Ogaz, Housing Authority Counsel/
Agency Counsel/City Attorney



April 10, 2014

Ms. Emma Karlen, Director of Financial Services
City of Milpitas
455 East Calaveras Boulevard
Milpitas, CA 95035

Dear Ms. Karlen:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Milpitas Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 28, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, which may have included obtaining clarification for various items.

Based on our review, we are approving all of the items listed on your ROPS 14-15A at this time.

However, during our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Funds (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds on-hand in the amount of \$134,245.

Therefore, the funding source for the following item has been reclassified to Other Funds in the amount specified below:

Item No. 1 – 2003 Tax Allocation Bonds in the amount of \$ 9,903,804. The Agency requests \$ 9,903,804 of non-admin RPTTF; however, Finance is reclassifying \$134,245 to Other Funds. Therefore, Finance is approving non-admin RPTTF in the amount of \$9,769,559 and the use of Other Funds in the amount of \$134,245, totaling \$ 9,903,804.

In addition, Finance believes Item No. 5, Financing Agreement with SunPower Corporation, should be retired. Finance notes the Oversight Board's (OB) decision to postpone retirement in order to further vet the disputed amount outstanding pursuant to OB Resolution No. 33-2014. However, it is our understanding no repayments is obligated beyond January 1, 2014.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of Redevelopment

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$9,902,628 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	9,943,804
Total RPTTF requested for administrative obligations	171,739
Total RPTTF requested for obligations	\$ 10,115,543
Total RPTTF requested for non-administrative obligations	9,943,804
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 1	(134,245)
Total RPTTF authorized for non-administrative obligations	\$ 9,809,559
Total RPTTF requested for administrative obligations	171,739
Total RPTTF authorized for administrative obligations	\$ 171,739
Total RPTTF authorized for obligations	\$ 9,981,298
ROPS 13-14A prior period adjustment	(78,670)
Total RPTTF approved for distribution	\$ 9,902,628

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a

Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Jane Corpus Takahashi, Finance Manager, City of Milpitas
Ms. Irene Lui, Controller Treasurer, Santa Clara County
California State Controller's Office

County of Santa Clara

Finance Agency
Controller-Treasurer

County Government Center
70 West Hedding Street, East Wing 2nd floor
San Jose, California 95110-1705
(408) 299-5206 FAX 287-7629



NOTICE OF OBJECTION TO ROPS

February 18, 2014

City of Milpitas
455 E Calaveras Blvd
Milpitas, CA 95035

City of Milpitas Oversight Board
455 E Calaveras Blvd
Milpitas, CA 95035

Department of Finance
915 L Street
Sacramento, CA 95814

ROPS Period: ROPS 14-15A (July 1, 2014 – December 31, 2014)
Successor Agency: City of Milpitas

To the Successor Agency, Oversight Board, and Department of Finance:

Pursuant to Health and Safety Code section 34182.5, our office has reviewed the Recognized Obligation Payment Schedule (ROPS) submitted by the above-noted successor agency for the above-noted period. After reviewing all items and funding sources, the Santa Clara County Auditor-Controller objects to the following items and/or funding sources on the submitted ROPS:

Item 5 – Financing Agreement for SunPower

The Successor Agency has satisfied the total outstanding obligation. Under the financing agreement, SunPower Corp. was eligible to receive annual payments of up to \$200,000 until January 1, 2014. The Successor Agency made the final \$200,000 payment to SunPower during ROPS period 13-14B. The financing agreement prohibits additional payments from being made. Thus, the ROPS Detail Form for this item should be retired (column "J" of Item 5 should be changed from "N" to "Y") to reflect a zero balance (column "I" should be changed from "\$200,000" to "\$0").

//

Board of Supervisors: Mike Wasserman, Cindy Chavez, Dave Cortese, Ken Yaeger, S. Joseph Simitian
County Executive: Jeffery V. Smith

Successor Agency: City of Milpitas
Notice of Objection to ROPS 14-15A
February 18, 2014

Items 3, 4, 6, 7 & 8 – Column “J” Correction

These items were retired by the Oversight Board in Resolution No. 28 for ROPS 13-14B, consistent with the County Auditor-Controller’s Objection Letter for ROPS 13-14B. These items in the ROPS Detail Form should be retired (column “J” for Items 3, 4, 6, 7 & 8 should be changed from “N” to “Y”).

In accordance with section 34182.5, if the Oversight Board disputes any of these objections, it may choose to refer such disputed findings to the Department of Finance for final determination.

Please note that items and/or funding sources not questioned during this review are subject to subsequent review if they are included on a future ROPS. We also reserve the right to object to an item and/or funding source (including, but not limited to, the use of fund balance) on a future ROPS, even if no objection was made on a preceding ROPS.

Additionally, pursuant to Health and Safety Code section 34186(a), the County Auditor-Controller may review the prior period payments and the prior period estimated versus actual payments reported on the ROPS. This review is ongoing, and this letter does not apply to the true-up of prior period payments. In addition, my office is continuing its review of the cash balances reported by the successor agency on the ROPS. The results of this review will be transmitted to the Department of Finance as soon as possible.

Sincerely yours,



Irene Lui, C.P.A.
Controller-Treasurer
County of Santa Clara

Attachment: ROPS 14-15A as submitted to the County Auditor-Controller by Successor Agency
Notice of Objection to ROPS 13-14B (without attachment)

County of Santa Clara

Finance Agency
Controller-Treasurer



County Government Center
70 West Hedding Street, East Wing 2nd floor
San Jose, California 95110-1705
(408) 299-5206 FAX 287-7629

NOTICE OF OBJECTION TO ROPS

Tuesday, September 10, 2013

City of Milpitas
455 E Calaveras Blvd
Milpitas, CA 95035

City of Milpitas Oversight Board
455 E Calaveras Blvd
Milpitas, CA 95035

Department of Finance
915 L Street
Sacramento, CA 95814

ROPS Period: January 1, 2014 to June 30, 2014 - ROPS 13-14B

Successor Agency: City of Milpitas

To the Successor Agency, Oversight Board, and Department of Finance:

Pursuant to Health and Safety Code section 34182.5, my office has reviewed the Recognized Obligation Payment Schedule (ROPS) submitted by the above-noted successor agency for the above-noted period. After reviewing all items and funding sources, the Santa Clara County Auditor-Controller objects to the following items and/or funding sources on the submitted ROPS:

<u>Item No.</u>	<u>Project Name /Description</u>	<u>Funding Source:</u>	<u>Reason for Objection:</u>
3, 4	LMIHF Loan - Land Purchase	Non-Admin RPTTF	These items represent intrafund loans from the LMIHF. DOF and the State Controller have determined that these loans were made for unpermitted non-LMIHF purposes and cannot be paid or transferred to the Successor Housing Entity. Therefore, these items must be retired to reflect a "\$0" balance.

Board of Supervisors: Mike Wasserman, Cindy Chavez, Dave Cortese, Ken Yeager, S. Joseph Simitian
County Executive: Jeffrey V. Smith

			<p>By letter dated August 31, 2012, the Department of Finance (DOF) denied the transfer of these obligations to the Successor Housing Agency. These items did not meet the definition of housing asset in Health and Safety Code (HSC) section 34176(e) because the items were interfund transfers between the former RDA's LMIHF and the Capital Projects Fund for non-LMIH purposes.</p> <p>By letter dated October 15, 2012, DOF denied this item as an enforceable obligation with reference to the Auditor-Controller's objection letter dated September 25, 2012. Pursuant to HSC section 34178(a), oversight boards and successor agencies may not restore funding to an obligation that was deleted or reduced by DOF unless it reflects decisions made during the meet and confer process or pursuant to a court order.</p>
6	Disposition and Development Agreement - LMI Housing Assistance		<p>Based on our review of the agreement and available supporting documentation, this agreement terminated pursuant to Article 3.6.1 in November 2011. This item must be retired to reflect a "\$0" balance.</p> <p>By letter dated October 15, 2012, DOF denied this item as an enforceable obligation with reference to the Auditor-Controller's objection letter dated September 25, 2012. Pursuant to HSC section 34178(a), oversight boards and successor agencies may not restore funding to an obligation that was deleted or reduced by DOF unless it reflects decisions made during the meet and confer process or pursuant to a court order.</p>
7, 8	Cooperation Agreement - Unfunded pension and medical benefits liability allocated to former RDA employees	Non-Admin RPTTF	<p>These items should be retired and reflect a "\$0" balance.</p> <p>By letter dated October 15, 2012, DOF denied this item as an enforceable obligation with reference to the Auditor-Controller's objection letter dated September 25, 2012.</p>

		<p>Pursuant to HSC section 34178(a), oversight boards and successor agencies may not restore funding to an obligation that was deleted or reduced by DOF unless it reflects decisions made during the meet and confer process or pursuant to a court order.</p> <p>The Auditor-Controller maintains the following objections to these items. First, the suggested obligations do not meet the definition of “enforceable obligation” under HSC section 34171(d). The obligations arise from the Cooperation Agreement entered into between the former RDA and the City of Milpitas dated May 18, 1976. Pursuant to HSC sections 34171(d)(2) and 34178(a), this agreement is void and not an enforceable obligation. Moreover, HSC section 34171(d)(1) only supports payment of pension obligations for <i>agency</i> employees.</p> <p>Second, even assuming the Cooperation Agreement was valid, its terms do not establish an obligation for the RDA to pay for pension or other benefits. Section 2 of the agreement states the RDA shall pay all-inclusive hourly rates for services rendered by City employees. The RDA has no further obligation to fund City employee retirement beyond the rate charged by City and already reimbursed by RDA in prior years. Assuming a balance remained pursuant to the agreement, any outstanding amounts owed are subordinate to all other debts and obligations of the former RDA.</p> <p>Third, even assuming these were considered enforceable obligations, the methodology used to calculate the pension obligations is flawed because it is based on a generic overhead cost allocation of the RDA as applied to all City employees, and not an actuarial report related to any specific personnel who worked on RDA matters. (See</p>
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			also page 18 of the Auditor-Controller's Phase 2 Dissolution Audit of the Redevelopment Agency of the City of Milpitas, dated October 10, 2010, previously provided to the Oversight Board and incorporated herein by reference.)
10	Litigation Costs - Litigation costs related to the wind down of RDA	Non-Admin RPTTF	This line is no longer needed and should be retired and reflect a "\$0" balance.

In accordance with section 34182.5, if the Oversight Board disputes any of these objections, it may choose to refer such disputed findings to the Department of Finance for final determination.

Please note that items and/or funding sources not questioned during this review are subject to subsequent review if they are included on a future ROPS. We also reserve the right to object to an item and/or funding source (including, but not limited to, the use of fund balance) on a future ROPS, even if no objection was made on a preceding ROPS.

Additionally, pursuant to Health and Safety Code section 34186(a), the County Auditor-Controller may audit the prior period payments and the prior period estimated versus actual payments reported on the ROPS. This audit is ongoing, and this letter does not apply to the true-up of prior period payments.

Sincerely yours,



 Irene Lui, C.P.A.
 Controller-Treasurer
 County of Santa Clara

Attachments:

- Department of Finance Letter regarding the Housing Asset Transfer Form
(Aug. 31, 2012)
- Department of Finance Letter regarding Meet-and-Confer for ROPS III
(October 15, 2012)
- ROPS 13-14B as submitted to the County Auditor-Controller by Successor Agency



August 31, 2012

Ms. Emma Karlen, Finance Director
Milpitas Housing Authority
455 East Calaveras Boulevard
Milpitas, California 95035

Dear Ms. Karlen:

Subject: Housing Assets Transfer Form

Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the Milpitas Housing Authority (Authority) submitted a Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on August 1, 2012 for the period February 1, 2012 through August 1, 2012.

HSC section 34176 (e) defines a housing asset. Assets transferred deemed not to be a housing asset shall be returned to the successor agency. Finance has completed its review of your Form, which included obtaining clarification for various items. Based on a sample of line items reviewed and the application of law, Finance is objecting an asset or transfer of asset identified on your Form.

Exhibit D, Item 107 is a \$7.4 million receivable balance. The receivable is derived from an inter-fund loan the former Redevelopment Agency's Low and Moderate Income Housing Fund (LMIHF) provided to the City of Milpitas (City). The purpose of the loan was to fund a City streetscape improvement project, a non-LMIHF project. HSC Section 34176 (e) (3) allows for a transfer of any loan or grant receivable funded from the LMIHF from homebuyers, homeowners, nonprofit or for-profit developers to the Authority. However, the receivable is not derived from low and moderate income housing-related loans or grants. Therefore, the \$7.4 million receivable is not a housing asset and may not be transferred to the Authority.

Except for the item disallowed as noted above, Finance is not objecting to the remaining items, if any, listed on your Form. If you disagree with our determination with respect to any items on the Form, you may request a Meet and Confer within five business days of receiving this letter.

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: On the following page

Ms. Karlen
August 31, 2012
Page 2

Ms. Irene Lui, Division Manager, Santa Clara County Controller-Treasurer
Ms. Jacelyn Ma, Property Tax Apportionment Manager, County of Santa Clara
Ms. Manju Beher, Internal Auditor Supervisor, County of Santa Clara
California State Controller's Office



October 15, 2012

Ms. Emma Karlen, Financial Services Director
City of Milpitas
455 East Calaveras Boulevard
Milpitas, CA 95035

Dear Ms. Karlen:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Milpitas Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 31, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

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

The following items were not approved by the Oversight Board in their August 16, 2012 meeting and no documents were provided showing the Agency is obligated to make payments:

- Item 3 and 4 – “LMIHF Loan” totaling 9.4 million funded by the Redevelopment Property Tax Trust Fund (RPTTF) funding
- Item 6, 7, and 8 – Cooperative Agreements and Development and Disposition Agreements (DDA) totaling \$17.7 million funded by the RPTTF funding.

The Santa Clara County Finance Agency issued a “NOTICE OF OBJECTION TO ROPS” letter dated September 25, 2012 objecting to the above items for the same reason: no Oversight Board approval and not documents obligating the Agency to make payments.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$8,373,312 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 8,129,429
Less: Six-month total for items(s) denied	
Item 3	0 *
Item 4	0 *
Item 6	0 *
Item 7	0 *
Item 8	0 *
Total approved RPTTF for enforceable obligations	\$ 8,129,429
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	243,883
Total RPTTF approved:	\$ 8,373,312

*No RPTTF funding requested for the reporting period

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

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

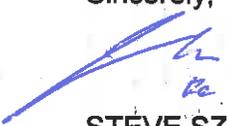
<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>.

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

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

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

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Jane Corpus Takahashi, Finance Manager, City of Milpitas
Ms. Irene Lui, Controller-Treasurer, Santa Clara County

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



NOTICE OF OBJECTION TO ROPS

Tuesday, September 25, 2012

City of Milpitas
455 E Calaveras Blvd
Milpitas, CA 95035

City of Milpitas Oversight Board
455 E Calaveras Blvd
Milpitas, CA 95035

Department of Finance
915 L Street
Sacramento, CA 95814

ROPS Period: January 1, 2013 to June 30, 2013

Successor Agency: City of Milpitas

To the Successor Agency, Oversight Board, and Department of Finance:

On August 24, 2012, my office issued a letter of “No Objection” to the Recognized Obligation Payment Schedule for the period of January 1 to June 30, 2013, (ROPS III), for the City of Milpitas Successor Agency. That letter was based on actions by the Milpitas Oversight Board at its meeting of August 16, 2012, to approve ROPS III *excluding* items not payable during the relevant period. We now understand the Oversight Board’s action may not have been accurately implemented. Moreover, the Department of Finance (DOF) letter, dated August 31, 2012, reporting on its review of the Housing Asset Transfer Form, raised additional issues that impacted our analysis of ROPS III. This letter replaces and entirely supersedes the “No Objection” letter previously issued by my office.

Following our review of ROPS III, we identified items 3, 4, 6, 7, and 8 as problematic and in need of further review. Particularly, item 6 was listed as payable in the amount of \$7,700,000—seemingly without support—which in response to our questions was revised by the Successor Agency as non-payable. Though we could not fully resolve our questions related to these items, we were comfortable issuing a letter of no objection in light of the Oversight Board’s exclusion of these items from their adoption of the ROPS. However, it has come to our attention the ROPS and Oversight Board resolution provided to the DOF may not accurately reflect the Oversight

Board's action in excluding these items from ROPS III. We understand this issue has been placed on the agenda for the upcoming Oversight Board meeting.

Pursuant to Health and Safety Code section 34182.5, the Santa Clara County Auditor-Controller objects to the following items and/or funding sources on the submitted ROPS:

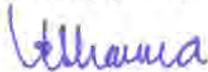
<u>Line No.</u>	<u>Item</u>	<u>Funding Source</u>	<u>Reason for Objection</u>
3, 4	LMIHF Loans	RPTTF	<p>These line items relate to interfund loans from the LMIHF.</p> <p>The DOF disallowed these loans as a transferable housing asset because they did not meet the definition of housing asset in HSC 34176 and were not permissible uses of LMIHF moneys. Therefore, these items cannot be repaid to the housing successor agency on ROPS III.</p>
7, 8	Unfunded pension and retiree medical liabilities	RPTTF	<p>These line items attempt to represent unfunded pension and retiree medical liabilities for city employees who performed RDA-related work. Pursuant to the cooperation agreement between the City and RDA, the RDA reimbursed the City for City employees' time spent on RDA projects. Importantly, those employees remained City employees, not RDA employees.</p> <p>This item does not satisfy the requirements for any allowable category of enforceable obligations under ABX1 26 and AB1484 because these obligations relate to City, not RDA, employees. In addition, the methodology used to calculate the amounts is highly problematic because it is based on a generic overhead cost allocation of the RDA as applied to all City employees, and not an actuarial report related to any specific personnel who worked on RDA matters.</p>

Notice of Objection to ROPS
ROPS Period: January 1, 2013 to June 30, 2013
Successor Agency: City of Milpitas
Page 3 of 3

In accordance with section 34182.5, if the Oversight Board disputes any of these objections, it may choose to refer such disputed findings to the Department of Finance for final determination.

Please note that items and/or funding sources not questioned during this review are subject to subsequent review if they are included on a future ROPS. We also reserve the right to object to an item and/or funding source (including, but not limited to, the use of fund balance) on a future ROPS, even if no objection was made on a preceding ROPS.

Sincerely yours,



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

Attachment: ROPS as submitted to County Auditor-Controller by Successor Agency