

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
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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

Successor Agency Contact Information

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

Primary Contact Name: Emma Karlen
Primary Contact Title: Director of Financial Services
Address: 455 E. Calaveras Blvd., Milpitas, CA
95035
Contact Phone Number: (408)586-3145
Contact E-Mail Address: ekarlen@ci.milpitas.ca.gov

Secondary Contact Name: Jane Corpus Takahashi
Secondary Contact Title: Finance Manager
Secondary Contact Phone Number: (408)586-3125
Secondary Contact E-Mail Address: jcorpus@ci.milpitas.c.agov

SUMMARY OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Filed for the January 1, 2013 to June 30, 2013 Period

Name of Successor Agency: City of Milpitas

	Total Outstanding Debt or Obligation
Outstanding Debt or Obligation	357,444,248
Current Period Outstanding Debt or Obligation	Six-Month Total
A Available Revenues Other Than Anticipated RPTTF Funding	-
B Enforceable Obligations Funded with RPTTF	15,829,429
C Administrative Allowance Funded with RPTTF	346,067
D Total RPTTF Funded (B + C = D)	16,175,496
Total Current Period Outstanding Debt or Obligation (A + B + C = E) <i>Should be same amount as ROPS form six-month total</i>	16,175,496
E Enter Total Six-Month Anticipated RPTTF Funding	16,175,496
F Variance (D - E = F) <i>Maximum RPTTF Allowable should not exceed Total Anticipated RPTTF Funding</i>	-
Prior Period (January 1, 2012 through June 30, 2012) Estimated vs. Actual Payments (as required in HSC section 34186 (a))	
G Enter Estimated Obligations Funded by RPTTF <i>(Should be the same amount as RPTTF approved by Finance, including admin allowance)</i>	13,109,194
H Enter Actual Obligations Paid with RPTTF	12,417,565
I Enter Actual Administrative Expenses Paid with RPTTF	624,247
J Adjustment to Redevelopment Obligation Retirement Fund (G - (H + I) = J)	67,382
K Adjustment to RPTTF	16,108,114

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.

Emma C. Karlen	Director of Financial Services
Name	Title
Signature	August 8, 2012
	Date

RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS III)
January 1, 2013 through June 30, 2013

Item #	Project Name / Debt Obligation	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2012-13	Funding Source						
									LMIHF	Bond Proceeds	Reserve Balance	Admin Allowance	RPTTF	Other	Six-Month Total
	Grand Total						\$ 357,444,248	\$ 18,415,893	\$ -	\$ -	\$ -	\$ 346,067	\$ 15,829,429	\$ -	\$ 16,175,496
1	2003 Tax Allocation Bonds	11/20/2003	9/1/2032	US Bank	Bonds issued to fund redevelopment projects	Project Area #1	250,982,200.63	13,568,533.75					3,929,429		3,929,429
2	Agreement of Purchase and Sale	8/3/2003	6/30/2033	County of Santa Clara	Land Purchase	Project Area #1	79,000,000.00	4,000,000.00					4,000,000		4,000,000
3	LMIHF Loan	8/18/2010	8/17/2030	Successor Housing Agency	Land Purchase	Project Area #1	7,434,356.16	0.00							-
4	LMIHF Loan	2/25/2011	2/24/2031	Successor Housing Agency	Land Purchase	Project Area #1	1,920,821.92	0.00							-
5	Financing Agreement	2/1/2011	2/22/2015	SunPower Corporation	Assistance per CRL 33444.6	Project Area #1	400,000.00	200,000.00					200,000		200,000
6	Disposition and Development Agreement	8/18/2009	1/19/2022	South Main Manor LLC	LMI Housing Assistance	Project Area #1	7,700,000.00	0.00					7,700,000		7,700,000
7	Cooperation Agreement	5/18/1976	n/a	City of Milpitas	Unfunded pension liability allocated to former RDA employees	Project Area #1	6,431,272.00	0.00							-
8	Cooperation Agreement	5/18/1976	n/a	City of Milpitas	Unfunded retiree medical benefits liability allocated to former RDA employees	Project Area #1	3,575,597.00	0.00							-
9	Administrative Costs of Successor Agency	n/a	n/a	City of Milpitas	Administrative costs to wind down RDA	Project Area #1	n/a	647,359				346,067			346,067
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Name of Successor Agency: City of Milpitas
 County: County of Santa Clara

Pursuant to Health and Safety Code section 34186 (a)
 PRIOR PERIOD ESTIMATED OBLIGATIONS vs. ACTUAL PAYMENTS
 RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS I)
 January 1, 2012 through June 30, 2012

Page/Form	Line	Project Name / Debt Obligation	Payee	Description/Project Scope	Project Area	LMIHF		Bond Proceeds		Reserve Balance		Admin Allowance		RPTTF		Other	
						Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual
		Grand Total				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 624,247	\$ 624,247	\$ 12,484,947	\$ 12,417,565	\$ -	\$ -
p1/Form A	1	2003 Tax Allocation Bonds	US Bank	Bonds issued to fund redevelopment project	Project Area #1									4,044,104	4,044,104		
p1/Form A	2	City loan entered into 9/7/2004	City of Milpitas	Loan for Purchase of properties	Project Area #1									3,600,000	3,600,000		
p1/Form A	3	Agreement of Purchase and Sale	County of Santa Clara	Land Purchase	Project Area #1									4,000,000	4,000,000		
p1/Form A	4	Contract for consulting services	ACS	Calculation of bond arbitrage	Project Area #1									2,250	750		
p1/Form A	5	Contract for consulting services	Willdan Financial Services	Bond continued disclosure report	Project Area #1									3,203	3,078		
p1/Form A	7	Contract for consulting services	Environmental Systems Inc	Installation of HVAC at Library #8182	Project Area #1									10,905	1,428		
p1/Form A	9	Financing Agreement	SunPower Corporation	Assistance per CRL 33444.6	Project Area #1									700,000	700,000		
p1/Form A	12	Contract for consulting services	Bigg Cardosa Assoc. Inc	Design services public imp project #8161	Project Area #1									368	369		
p1/Form A	13	Contract for consulting services	Bigg Cardosa Assoc. Inc	Design services public imp project #8182	Project Area #1									4,888	1,233		
p1/Form A	14	Contract for services	Prints Charles Reprographics	Graphic reproduction services #8162	Project Area #1									1,461	99		
p1/Form A	15	Contract for services	Prints Charles Reprographics	Graphic reproduction services #8198	Project Area #1									995	691		
p1/Form A	16	Contract for services	Prints Charles Reprographics	Graphic reproduction services #8182	Project Area #1									69	0		
p1/Form A	17	Contract for services	Advanced Design Consultants	Design of Sports Ctr lighting #8198	Project Area #1									10,970	9,060		
p1/Form A	18	Contract for construction	Hometown Construction Inc	Installation of HVAC at Library #8182	Project Area #1									5,724	5,724		
p1/Form A	23	Project Administration Costs	City of Milpitas	Midtown Parking Garage #8161	Project Area #1									614	614		
p1/Form A	24	Project Administration Costs	City of Milpitas	City Building Improvements #8182	Project Area #1									5,068	5,481		
p1/Form A	25	Project Administration Costs	City of Milpitas	Soundwall Renovation #8196	Project Area #1									31	31		
p1/Form A	26	Project Administration Costs	City of Milpitas	Dept. of Energy Grant #8198	Project Area #1									3,845	2,837		
p1/Form A	27	Project Administration Costs	City of Milpitas	Library Project #8162	Project Area #1									550	550		
p1/Form A	28	Project Administration Costs	City of Milpitas	Street Lightpole Imp #8199	Project Area #1									1,749	1,749		
p1/Form A	29a	Project Administration Costs	City of Milpitas	Abel St. Transit connect #4260	Project Area #1									6,152	6,152		
p1/Form A	29b	Contract for consulting services	MuniServices LLC	Sales. use tax audit, analysis & compliance	Project Area #1									23,766	0		
p1/Form A	30	Contract for consulting services	Murphy & Associates	Legal Counsel	Project Area #1									1,725	1,725		
p1/Form A	32	Contract for construction	Cal-West	Traffic signal & street light pole improv.	Project Area #1									56,509	31,890		
p1/Form C		Admin. Costs of Successor Agency	Staff, consultants & utilities	Wind down of Successor Agency	Project Area #1							624,247	624,247				