

# County of Santa Clara

Finance Agency  
Controller-Treasurer

County Government Center  
70 West Hedding Street, East Wing 2<sup>nd</sup> 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").

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**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)

## Recognized Obligation Payment Schedule (ROPS 14-15A) - Summary

Filed for the July 1, 2014 through December 31, 2014 Period

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

Current Period Requested Funding for Outstanding Debt or Obligation	Six-Month Total
<b>Enforceable Obligations Funded with Non-Redevelopment Property Tax Trust Fund (RPTTF) Funding</b>	
<b>A Sources (B+C+D):</b>	<b>\$ -</b>
B Bond Proceeds Funding (ROPS Detail)	-
C Reserve Balance Funding (ROPS Detail)	-
D Other Funding (ROPS Detail)	-
<b>E Enforceable Obligations Funded with RPTTF Funding (F+G):</b>	<b>\$ 10,075,543</b>
F Non-Administrative Costs (ROPS Detail)	9,903,804
G Administrative Costs (ROPS Detail)	171,739
<b>H Current Period Enforceable Obligations (A+E):</b>	<b>\$ 10,075,543</b>
<b>Successor Agency Self-Reported Prior Period Adjustment to Current Period RPTTF Requested Funding</b>	
I Enforceable Obligations funded with RPTTF (E):	10,075,543
J Less Prior Period Adjustment (Report of Prior Period Adjustments Column S)	(78,670)
<b>K Adjusted Current Period RPTTF Requested Funding (I-J)</b>	<b>\$ 9,996,873</b>
<b>County Auditor Controller Reported Prior Period Adjustment to Current Period RPTTF Requested Funding</b>	
L Enforceable Obligations funded with RPTTF (E):	10,075,543
M Less Prior Period Adjustment (Report of Prior Period Adjustments Column AA)	-
<b>N Adjusted Current Period RPTTF Requested Funding (L-M)</b>	<b>10,075,543</b>

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 Karlen	Finance Director
Name	Title
/s/ Emma Karlen	2/4/2014
Signature	Date



**Recognized Obligation Payment Schedule (ROPS) 14-15A - 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.

A	B	C	D	E	F	G	H	I	
		<b>Fund Sources</b>							
		<b>Bond Proceeds</b>		<b>Reserve Balance</b>		<b>Other</b>	<b>RPTTF</b>		
	<b>Cash Balance Information by ROPS Period</b>	Bonds Issued on or before 12/31/10	Bonds Issued on or after 01/01/11	Prior ROPS period balances and DDR balances retained	Prior ROPS RPTTF distributed as reserve for next bond payment	Rent, Grants, Interest, Etc.	Non-Admin and Admin	<b>Comments</b>	
<b>ROPS 13-14A Actuals (07/01/13 - 12/31/13)</b>									
1	<b>Beginning Available Cash Balance (Actual 07/01/13)</b> Note that for the RPTTF, 1 + 2 should tie to columns J and O in the Report of Prior Period Adjustments (PPAs)			67,382		134,321	203,967	Cash was adjusted (increased) by \$134,321 due to market value adjustment at 6/30/13	
2	<b>Revenue/Income (Actual 12/31/13)</b> Note that the RPTTF amounts should tie to the ROPS 13-14A distribution from the County Auditor-Controller during June 2013					4	9,863,695		
3	<b>Expenditures for ROPS 13-14A Enforceable Obligations (Actual 12/31/13)</b> Note that for the RPTTF, 3 + 4 should tie to columns L and Q in the Report of PPAs						9,988,992		
4	<b>Retention of Available Cash Balance (Actual 12/31/13)</b> Note that the RPTTF amount should only include the retention of reserves for debt service approved in ROPS 13-14A								
5	<b>ROPS 13-14A RPTTF Prior Period Adjustment</b> Note that the RPTTF amount should tie to column S in the Report of PPAs.	No entry required						78,670	
6	<b>Ending Actual Available Cash Balance</b> C to G = (1 + 2 - 3 - 4), H = (1 + 2 - 3 - 4 - 5)	\$ -	\$ -	\$ 67,382	\$ -	\$ 134,325	\$ -		
<b>ROPS 13-14B Estimate (01/01/14 - 06/30/14)</b>									
7	<b>Beginning Available Cash Balance (Actual 01/01/14)</b> (C, D, E, G = 4 + 6, F = H4 + F4 + F6, and H = 5 + 6)	\$ -	\$ -	\$ 67,382	\$ -	\$ 134,325	\$ 78,670		
8	<b>Revenue/Income (Estimate 06/30/14)</b> Note that the RPTTF amounts should tie to the ROPS 13-14B distribution from the County Auditor-Controller during January 2014						9,253,054		
9	<b>Expenditures for 13-14B Enforceable Obligations (Estimate 06/30/14)</b>						9,253,130		
10	<b>Retention of Available Cash Balance (Estimate 06/30/14)</b> Note that the RPTTF amounts may include the retention of reserves for debt service approved in ROPS 13-14B								
11	<b>Ending Estimated Available Cash Balance (7 + 8 - 9 - 10)</b>	\$ -	\$ -	\$ 67,382	\$ -	\$ 134,325	\$ 78,594		





# County of Santa Clara

Finance Agency  
Controller-Treasurer



County Government Center  
70 West Hedding Street, East Wing 2<sup>nd</sup> 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*  
 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