

JUN 14 2012

City Manager's Office

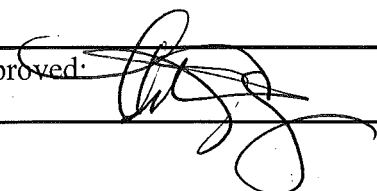


# Memorandum

**TO:** HONORABLE MAYOR AND CITY COUNCIL, SUCCESSOR AGENCY OVERSIGHT BOARD

**FROM:** Julia H. Cooper

**SUBJECT:** SUCCESSOR AGENCY PROPERTY TAX UPDATE **DATE:** June 13, 2012

Approved: 

Date: 6/14/12

## INFORMATION

This information memo has been prepared for the Mayor and City Council and the Successor Agency Oversight Board to provide a summary of the activities related to disbursement of the June 1, 2012, tax increment/property tax revenues to the City of San José as Successor Agency ("Successor Agency") to cover Enforceable Obligations for the period July 1 to December 31, 2012. The memo is divided into two sections: Chronology of Recent Events and Potential Impacts of Recent Events.

### Chronology of Recent Events

On May 11, 2012, the Successor Agency received notification from the Santa Clara County ("County") Director of Finance (Attachment A) providing preliminary estimates of distributions from the Redevelopment Property Tax Trust Funds (RPTTF) to all nine former redevelopment agencies in the County. The notification contained an estimate of gross tax increment available to the Successor Agency which was approximately \$3.6 million (\$7.2 million annually) less than Successor Agency staff estimates. In a subsequent meeting with County representatives Successor Agency staff was informed that three different pre-1989 tax levies historically provided as property tax would no longer be provided to the Successor Agency.

On May 21, 2012, the Executive Officer of the Successor Agency sought clarification of the County's interpretation of the three tax overrides and pass-through payments (Attachment B) and requested a response by May 25. On May 30, 2012, the Executive Officer received a response from the County (Attachment C) which maintained the position that these tax levies would not be included in the County's property tax disbursement calculation.

On June 1, 2012, the Successor Agency received notification (Attachment D) from the County's Controller-Treasurer Division that the County would be depositing approximately \$61.7 million dollars in the Successor Agency's RPTTF. The document provided a numeric illustration which confirmed that the County would withhold the tax overrides (\$3.6 million on a semi-annual basis) and additionally would treat its own subordinate pass-through payment, in the amount of

June 13, 2012

Subject: Successor Agency Property Tax Update

Page 2

\$15.7 million as senior to all other former Agency indebtedness, including outstanding bonds. Combined, these actions would equate to a property tax distribution which was approximately \$20 million less than the distribution anticipated by Successor Agency staff.

On **June 4, 2012**, the City, on behalf of the Successor Agency, filed an event notice with the Electronic Municipal Market Access (“EMMA”) system<sup>1</sup> to notify bondholders of the potential impact of these proposed actions on the Successor Agency’s ability to make full debt service payments on senior non-housing tax allocation bonds on August 1, 2012. While cash flow issues arise from a \$20 million reduction of tax increment, the more immediate and severe issue for the Successor Agency, is the proposed change in priority of the County’s pass-through payment and claim to property tax monies pledged to bondholders. These concerns resulted in several communications between (i) the San José City Attorney’s Office and the State Controller; (Attachments E & F) (ii) the Santa Clara County Counsel’s Office and the State Controller; and (Attachment G) (iii) the Mayor of San José (Attachments H & I) and the Santa Clara County Board of Supervisors’ President (Attachment J).

As part of the dissolution process, a successor agency is required to determine, on a semi-annual basis, if it has sufficient funds to pay all of its enforceable obligations as shown on a Recognized Obligation Payment Schedule approved by the Oversight Board (ROPS). If an insufficiency of funds is projected to occur in any six month ROPS period, the successor agency is required to submit to the County Auditor-Controller proof of such deficiency. On May 1, the Successor Agency submitted a Notice of Insufficiency of Funds, which was transmitted by the County Auditor Controller on May 11, 2012. On May 24, 2012, the State Controller requested additional supporting documentation for the insufficiency. **On June 6, 2012**, the State Controller sent a Request to Review Distributions the San Jose RPTTF to the County Auditor (Attachment K). **On June 7, 2012**, prior to the release of the insufficiency of funds report, the County Finance Director responded to the State Controller’s request for an assessment of property tax distributions made to date (Attachment L). This communication summarized the insufficiency of funds report for San José and indicated that the submission would include identification of two additional areas of disagreement. **On June 8, 2012**, the County Auditor-Controller transmitted to the State Controller, per the legislation, a verified insufficiency of funds report for the Successor Agency for the period of July 1, 2012 through December 31, 2012 (Attachment M).

### **Potential Impacts of Recent Events**

#### **Subordinate Pass-Through and Tax Override Cash Flow Impacts**

As discussed previously, the proposed actions would result in a \$20 million reduction to the Successor Agency’s property tax distribution. As a consequence of this, Successor Agency staff projects a potential \$11 million shortfall in funds available for payment to senior bondholders on August 1, 2012. (Attachment N). Attachment N also includes additional projections on the

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<sup>1</sup> Electronic Municipal Market Access (“EMMA”) is the municipal disclosure website sponsored by the Municipal Securities Rule Making Board (“MSRB”). As of July 1, 2009, this is the required method for notifying and communicating with the municipal market.

June 13, 2012

**Subject: Successor Agency Property Tax Update**

Page 3

availability of funds for the 20% Housing indebtedness. The table below summarizes the difference between the Successor Agency's and the County's calculations on the distribution of property tax revenues to and from the RPTFF.

<b>80% TAX ALLOCATION BONDS DEBT SERVICE COVERAGE: (Senior and Subordinate Tax Allocation Bonds only)</b>		
	<u>Successor Agency</u>	<u>County</u>
<b>80% of Available Tax Increment</b>	<b>\$66,916,638</b>	<b>\$51,459,142</b>
Plus: Amount Available with Fiscal Agent	29,807,082	29,807,082
<b>Total Amount Available for August 1, 2012 DS Payment</b>	<b>\$96,723,720</b>	<b>\$81,266,224</b>
80% Senior Debt Service Payment - Due August 1, 2012	92,316,948	92,316,948
<b>Surplus/(Deficit) Coverage</b>	<b>\$4,406,772</b>	<b>(\$11,050,724)</b>
Subordinate Debt Service Payment - Due thru Dec. 2012	4,392,307	4,392,307
<b>Surplus/(Deficit) Coverage after Subordinate DS</b>	<b>\$14,465</b>	<b>(\$15,443,031)</b>

### Insufficiency of Funds Report Impacts

The insufficiency of funds report submitted to the State Controller verifies a deficiency of funds for the period July 1, 2012, through December 31, 2012. This report includes all enforceable obligations, not just senior and subordinate tax allocation bonds. In the report, the County Auditor-Controller identified two additional items of disagreement between the Successor Agency's cash flow deficit projection (\$33.7 million) and the County's deficit projection (\$17.3 million). In addition to the exclusion of overrides from deposit into the RPPTF and the deduction of the subordinate County pass-through payment, the report reveals other discrepancies. These are related to several line items, including a \$10.1 million transfer of non-property tax increment housing assets, as permitted by the legislation, to the City, in its capacity as successor housing agency. The second item relates to the inclusion of \$4.5 million in potential asset sale revenues during the July 1 to December 31 ROPs period. Successor Agency staff has communicated to the County Auditor-Controller that these assets are currently not under contract and that sales are unlikely to occur prior to December 31, 2012. In addition to the disputed items in the joint Successor Agency/County cash flow analysis, the Auditor-Controller attached an additional cash flow document which successor agency staff has not received sufficient explanation of the document to attest to its accuracy.

The State Controller requested a review of the insufficiency of funds report which allows them ten days to perform due diligence review of the submission. Per the legislation, the State Controller should conclude its review of the report on or before June 18, 2012.

June 13, 2012

**Subject: Successor Agency Property Tax Update**

Page 4

Ratings Impacts

Based on these recent events, all three national rating agencies took action related to the former Redevelopment Agency's bonds. A detailed information memo was circulated to the Council regarding the rating actions and is available on the City's website.<sup>2</sup>

Prior to the aforementioned rating actions Moody's, S&P, and Fitch ratings are summarized below for your reference:

	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
Agency 80% Merged Area TABs	Range from "Baa3" to "Baa2"	BBB	Range from "BBB-" to "BB+"
Housing 20% Set-Aside TABs	A3	A	A

The current ratings from Moody's, S&P, and Fitch are summarized below for your reference:

	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
Agency 80% Merged Area TABs	Range from "Ba3" to "Ba2"	BBB	Range from "BB-" to "BB"
Housing 20% Set-Aside TABs	Baa2	A	A

The immediate impacts of these rating actions are higher fees associated with the Successor Agency's variable rate debt as well as potential events of default. The downgrade actions taken by Moody's trigger significant events on the Agency 80% Merged Area subordinate bonds, secured by the JPMorgan letter of credits, and the Housing 20% Set-Aside subordinate bonds that are a private placement with Wells Fargo Bank. The downgrades result in increases in the annual fees paid to JPMorgan of approximately \$725,000 and to Wells Fargo Bank of approximately \$530,000.

In addition to the significant increase in the fees paid by the Successor Agency to JPMorgan and Wells Fargo, a provision in the Private Placement Agreement with Wells Fargo Bank triggers a "Special Termination Event" on the subordinate housing bonds if a decrease in the rating below Baa1 occurs on any senior obligations. According to the bond documents, the City can request

<sup>2</sup> "2012 Rating Actions related to Redevelopment Agency Debt Obligations", June 8, 2012.  
(<https://www.piersystem.com/external/content/document/1914/1464407/1/06-08-12%20Finance.PDF>)

June 13, 2012

**Subject: Successor Agency Property Tax Update**

Page 5

that Wells Fargo Bank waive the "Special Termination Event" in writing. The City has requested, and is working closely with Wells Fargo Bank to secure this written waiver. If a written waiver is not received, all the housing subordinate bonds (approximately \$94 million) will become immediately due and payable.

An interdepartmental team, including representatives from the City Manager's Office, City Attorney's Office, Finance Department, Housing Department and Successor Agency staff, is working closely with all parties at the local and State level to reach a resolution as soon as possible.

The City Finance Department has taken the lead role in communicating with the financial markets, which includes posting information to EMMA for availability to the entire market and engaging in ongoing conversations with the rating agencies and bond insurers. The Finance Department has also used the services of our Housing Financial Advisor (Ross Financial) and the City's General Financial Advisor (Public Resources Advisory Group) to help navigate these "uncharted waters" and to continue to communicate timely and accurately to the financial markets. It is this open, honest and timely communications which are a key element in maintaining our long-term credibility in the financial markets.

/s/

JULIA H. COOPER  
Acting Director of Finance

For questions, please contact Julia H. Cooper, Acting Director of Finance at (408) 535-7011.

Attachments

# Attachment A

# County of Santa Clara

Finance Agency

County Government Center  
70 West Hedding Street, East Wing, 2nd Floor  
San Jose, California 951 10-1705  
(408) 299-5205 FAX: (408) 287-7629



May 11, 2012

**Re: May 1 Estimate of Distributions from Redevelopment Property Tax Trust Funds**

Dear Successor Agency Finance Directors and Finance Directors of Affected Taxing Entities:

Please find attached the May 1, 2012, estimate of distributions from the Redevelopment Property Tax Trust Funds (RPTTFs) for the former redevelopment agencies within Santa Clara County provided to the State Department of Finance (DOF) pursuant to Health & Safety Code section 34182(c)(3). This estimate is for the first distribution of money from the RPTTF for each former redevelopment agency. The distribution will occur on June 1, 2012, and in accordance with the "waterfall" as provided in section 34183. These estimates are based on the best available information as of this date. There are a number of outstanding issues that will affect the final distributions and their timing, most significantly the final valid Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012, through December 31, 2012. Therefore, these estimates are subject to change.

Because we know that this marks a very significant shift in the distribution of former tax increment, we wanted to explain a number of items on the report so as to anticipate and respond to likely questions:

## The "Waterfall" – Order and Priority of Payments

Section 34183(a) provides that the county auditor-controller shall make distributions from RPTTFs twice annually (every January 16 and June 1) as follows:

- County Administrative Costs: The costs for implementation of ABX1 26, including the one-time audit pursuant to section 34182, are listed separately on the estimate. In accordance with DOF guidance, only costs incurred up to April 30, 2012, will be allocated to the June 1, 2012, RPTTF distributions. As we have indicated since this process began, these charges will be substantially higher in these first periods due to the one-time audits being performed on all of the agencies. Final audits are due to the State Controller on July 15, 2012. If you would like further details on the County's implementation charges, please do not hesitate to contact John Guthrie, ABX1 26 Project Manager, at (408) 299-5246. In addition, separately listed, are the normal PTAF charges.

Letter to Successor Agency Finance Directors and Finance Directors of Affected Taxing Entities  
Re: May 1 Estimate of Distributions from Redevelopment Property Tax Trust Funds  
May 11, 2012

- Passthroughs: Section 34183(a)(1) provides that the first priority of payment is for passthroughs, both negotiated and statutory. The auditor-controller is now responsible for making these passthrough payments directly from the RPTTFs. We have attempted to gather all information related to those passthroughs (primarily negotiated) which our office did not previously handle. We have also attempted to account for those payments that need to be made for this fiscal year given the implementation of ABX1 26 and payments already made (or not made) by former RDAs. Please notify us immediately if we are missing any relevant passthrough information. Also, please note that the passthrough portion of the audit has not yet been completed, and there may be appropriate adjustments at the next distribution on January 16, 2013, to account for any findings.

In addition, please note that we will be creating a reserve to account for adjustments to AB1290 statutory passthrough based on the Los Angeles Unified School District (LAUSD) decision. As you may be aware, the Court of Appeal in that case determined that school entities' share of AB1290 passthrough must include the ERAF they receive. We are still waiting for a methodology and final determination by the courts in a currently-pending follow up action. The ultimate effect will be to re-distribute some yet-to-be-determined amount of the AB1290 paid to school entities that receive ERAF. We will implement the final decision in the LAUSD matter retroactive to this fiscal year.

- ROPS: Section 34183(a)(2) provides for payments, in a specified order of priority, on valid ROPS. The auditor-controller will transfer to each successor agency's Redevelopment Obligation Retirement Fund the amount stated on its valid ROPS. For a ROPS to be valid, it must meet the requirements of section 34177(l). For the purposes of this estimate, we used the best available information but are aware that the process of certifying and adopting ROPS is currently ongoing.
- Administrative Costs: Section 34183(a)(3) provides for the payment of successor agency administrative costs subject to a cap pursuant to section 34171(b). These monies will be paid directly to successor agencies, but only pursuant to an approved administrative budget and in accordance with the statutory cap.
- Residual: Section 34183(a)(4) provides that any residual money in the RPTTF is to be paid out to all affected taxing entities pursuant to section 34188 (pro-rata shares of property tax).
- Debt Service: With the implementation of ABX1 26 and the end of tax increment, State law requires—where increment was formerly allocated to RDAs—that special taxes not be placed into the RPTTF. The overall amounts placed into the RPTTF reflect this change.



Letter to Successor Agency Finance Directors and Finance Directors of Affected Taxing Entities  
Re: May 1 Estimate of Distributions from Redevelopment Property Tax Trust Funds  
May 11, 2012

- **Reserves:** Section 34183(a) does not expressly provide for the creation of reserves. However, in accordance with DOF guidance and the draft guidelines from the Property Tax Managers Group of the State Association of County Auditors, in certain circumstances it is appropriate to create a reserve within the RPTTF (e.g., to account for uneven debt payments that cannot be satisfied with the semi-annual distributions). Such amounts will be held in trust and not distributed as residual.

In addition, there are certain successor agencies where there are outstanding items that are under discussion for potential certification by the county auditor-controller and approval by the oversight board. The auditor-controller will hold such amounts in reserve and not distribute these amounts as residual to taxing entities pending action on these items.

#### **Insufficient Funds Reports and "Reverse Waterfall"**

By May 1<sup>st</sup>, where applicable, we should have received from each successor agency notification as to whether there will be insufficient funds—from all sources, including RPTTF, assets, and other revenues—to meet all obligation payments due in the next ROPS period. Please formally notify us immediately if your successor agency has an insufficient funds situation as we must forward such notice to DOF and the State Controller.

Section 34183(b) provides a methodology to address insufficient funds situations. It specifies reductions in amounts paid out of the RPTTF as follows:

- First, residual is reduced.
- Second, the successor agency administrative allowance is reduced.
- Third, subordinated passthroughs are reduced.

Where applicable, we have applied this methodology in the attached estimate.

#### **Correction to Account for Over-Apportionment**

For this first distribution from RPTTFs, there is a unique apportionment issue. The monies for the first ROPS period (January 1, 2012, through June 30, 2012) were provided in several tax distributions by the auditor-controller up through February 1, 2012, and those apportionments were provided prior to the certification and approval of first period ROPS. Therefore, in many cases, there were significant over-apportionments of tax revenues for the first ROPS period.

Pursuant to DOF Guidance: "For those agencies that received the regular property tax allocation in December, those amounts determined to be due to taxing agencies for the January to June period should be deducted from the June 1 payments due to successor agencies for the July 1, 2012, through December 31."


Letter to Successor Agency Finance Directors and Finance Directors of Affected Taxing Entities  
Re: May 1 Estimate of Distributions from Redevelopment Property Tax Trust Funds  
May 11, 2012

2012 period. We have followed this procedure in the attached estimates, showing the overpayments as a deduction against ROPS and successor agency administration distributions for the June 1, 2012, distribution.

We understand that some successor agencies may have used part of the earlier apportionment for payments due in the first half of this fiscal year. However, section 34177(1)(3) provides that "Former redevelopment agency enforceable obligation payments due, and reasonable or necessary administrative costs due or incurred, prior to January 1, 2012, shall be made from property tax revenues received in the spring of 2011 property tax distribution, and from other revenues and balances transferred to the successor agency." We are therefore correcting the over-apportionment, as shown on the attached estimate.

Thank you all for your continued cooperation and support in this very difficult and complex implementation process. Please do not hesitate to contact us with questions. The main contact regarding these estimates is Jai Singh, Controller-Treasurer Division Manager, at (408) 299-5251 or [jai.singh@fin.sccgov.org](mailto:jai.singh@fin.sccgov.org).

Sincerely yours,



Vinod K. Sharma  
Director of Finance

c: Hon. John Chiang, State Controller  
Ms. Ana J. Matosantos, Director, California Department of Finance  
Successor Agency Executive Officers  
Oversight Board Members

# Attachment B

May 21, 2012

Vinod K. Sharma  
County of Santa Clara  
Director of Finance  
70 West Hedding Street, East Wing 2nd Floor  
San Jose, California 95110

Re: Successor Agency Estimated Property Tax Fund Allocation

Dear Vinod:

I am in receipt of your letter dated May 11, 2012 regarding the estimated June 1, 2012 distribution from the Redevelopment Property Tax Fund ("Fund") established for the Successor Agency to the Redevelopment Agency of the City of San Jose. Since the San Jose dollar amounts were incomplete, we cannot comment with specificity as to the amounts expected to be distributed to us. However we have concerns regarding several of the concepts in your letter as to how the ABX1 26 "waterfall" will be applied. Specifically, it appears that your proposed methodology does not take into account existing tax increment pledges related to bond indebtedness. Furthermore, the result is an impermissible reordering of the priority of payment of enforceable obligations of the former Redevelopment Agency, contrary to your obligation to administer the Fund "for the benefit of the holders of former redevelopment agency enforceable obligations" (Health and Safety Code Section 34182 (c) (2)).

The clear and express intent of ABX1 26 is to honor these enforceable obligations with the highest priority given to bondholders. Health and Safety Code Section 34174(a) provides:

It is the intent of this part that **pledges** of revenues associated with enforceable obligations of the former redevelopment agencies **are to be honored**. It is intended that the cessation of any redevelopment agency **shall not affect** either the pledge, the legal existence of that pledge, **or the stream of revenues available to meet the requirements of the pledge**. (Emphasis added).

San Jose Merged Area Pledge of Tax Revenues (the "80% Pledge")

The Redevelopment Agency of the City of San Jose Merged Area Redevelopment Project Tax Allocation Bonds ("Senior TABs") are secured by a pledge of all tax revenues (excluding former 20% Housing Set Aside and any senior pass through payments). This is referred to as the "80% Pledge" to distinguish it from the pledge of the 20% Housing Set Aside.

This is referred to as the "80% Pledge" to distinguish it from the pledge of the 20% Housing Set Aside.

The Indenture for the Senior TABs requires that all 80% revenues due to the Agency in a fiscal year be sent directly to the Trustee and held by the Trustee until all debt service requirements for the next 12 months have been met. At that point the Trustee transfers excess 80% revenues back to the Agency to pay for other enforceable obligations, including, in order of priority, debt service on the Agency's Merged Area Redevelopment Project Revenue Bonds ("Subordinate TABs"), the ERAF Loan from CSCDA, City of San Jose Financing Authority Revenue Bonds (4<sup>th</sup> and San Fernando Parking Garage"); and the City of San Jose Financing Authority Lease Revenue Bonds Series 2001F (Convention Center), all of are also secured by pledges of 80% of the tax increment from the redevelopment projects areas. This covenant provides security to the holders of the Senior TABs that all pledged revenues will be available to debt service on the Senior TABs, before any other obligation of the former Agency. It also provides assurance to subordinate creditors that there is an established priority of payment from the former Agency's pledge of tax increment revenues.

This flow of funds is reflected in the Passthrough Agreement, originally entered into between the Agency and the County in December 1993 in anticipation of the initial issuance under the Senior TABs Indenture. Since 1994 the County has submitted to the Agency 100% of tax increment. Immediately on receipt, the Agency transferred 80% of the tax increment to Trustee and 20% to the Low and Moderate income Housing Fund. The Agency then paid its statutory pass through obligations, County Property Tax Administration Fee, subordinate debt obligations, and other contractual obligations, including the negotiated County passthrough payment, which is subordinate to all other obligations of the former Agency.

#### Obligations Secured by the Former 20% Housing Set Aside.

In addition to the bonds secured by the 80% Pledge, the Agency has issued debt secured by the 20% Housing Set Aside. Although ABX1 26 has eliminated the 20% Set Aside, it cannot extinguish the pledge. (Section 34175(a)) However, unlike the 80% Bonds, the Indentures securing the Housing obligations do not require the Trustee to hold all tax revenues until a full year of debt service has been accumulated. Instead, funds are transferred to the Trustee as needed to make debt service payments when due.

#### Impact of ABX1 26 on Flow of Funds.

In order to comply with the requirements of the former Agency's Indentures and the provisions of ABX1 26, the County and Successor Agency have agreed that the flow of funds going forward will be as follows:

1. County calculates the amount of property tax revenues that would have been allocated to the former Redevelopment Agency.

2. County deducts County Administrative Costs. Although this is not an allowable deduction under the Indenture for the 80% Bonds, it may be deducted from the portion of tax revenues that was formerly the 20% Set Aside.
3. County deducts and makes statutory pass through payments to taxing entities.
4. County deposits the remainder into the Fund.
5. On June 1 and January 16 each year, County transfers the entire balance of the Fund to the Successor Agency.
6. Successor Agency transfers 100% of the 80% pledge to the Senior Bond Trustee.
7. Successor Agency transfers the remainder to a separate Housing Obligation Fund for the payment of obligations secured by the former 20% Housing Fund.
8. Excess 80% Funds returned by the Senior Bond Trustee (generally at the end of the fiscal year) are transferred to other fiscal agents, to make debt service payments in priority of pledge.
9. Excess 20% Funds after all 20% obligations are paid are used to pay other 80% obligations, to the extent necessary.

Please confirm by May 25, 2012 that you intend to comply with this agreed upon procedure. Please also confirm that in the event this procedure, or any enforceable obligation of the former Agency, is challenged by the California Department of Finance, the disputed amounts will remain in the Fund, in trust for the all of the bondholders to which tax increment was pledged, pending a resolution of the dispute.

#### Documentation of Calculations

In order to ensure that the amount deposited into the Fund is accurate, we need to understand the calculations and assumptions that you refer to in your May 11 letter. Specifically:

1. County Administrative Costs. It is our understanding that you intend to deduct approximately \$137,000 from the June 1, 2012 distribution for expenses incurred in implementing ABX1 26 through April 30, 2012. Remaining costs will be deducted from the January 2013 distribution. Please provide documentation of costs incurred to date by May 25, 2012.
2. Passthroughs. The Agency had historically been making statutory passthrough payments to the taxing entities as a function of the requirement that the County transmit 100% of tax increment to the Agency. We have provided your staff with the historic calculations, including information on offsets required to be made pursuant to Section 33607.5(a) (2). Please provide documentation of your calculation of the statutory passthrough payments by May 25, 2012.
3. "Debt Service". Your letter refers to a deduction from the amounts deposited into the Fund for special taxes. It is our understanding that this refers not necessarily to "debt service", but to certain property tax levies that will amount to a deduction of approximately \$7 million annually from

your duty under ABX1 26. Please explain the legal basis for this deduction and why this is occurring now, with no warning or explanation. Furthermore, with regard to each such deduction please provide, by May 25, 2012, the following information:

- a. The purpose of the levy
  - b. The taxing entity imposing the levy
  - c. The tax rate.
  - d. The date the levy was imposed.
4. Correction to Account for Over-Appportionment. Your letter indicates that you will be taking deductions from the June 1, 2012 distribution for "overpayments" of tax increment made through January 31, 2012. Please confirm by May 25, 2012 that there will be no deduction for this reason from the property tax revenues expected to be received by the Successor Agency on June 1, 2012. If you propose to make such a deduction from the tax revenues pledged to the creditors of the former Agency, please specify the following information:
- a. The amount of the proposed deduction,
  - b. The legal basis for the deduction
  - c. The method of calculating the deduction
  - d. The facts substantiating the deduction.

As Successor Agency, we are required to "perform obligations required pursuant to any enforceable obligation [of the former Redevelopment Agency]" (Section 34177(c)). Therefore, in order to avoid a breach of the covenant under the Indenture for the Senior TABs, as well as various other obligations, we must have your assurance that the County will follow the agreed upon distribution mechanics set forth above with regard to the June 1, 2012 distribution. We will need a response from you as soon as possible, but in any event, by May 25, 2012, in order to take any necessary action on behalf of the holders of the obligations of the former Redevelopment Agency.

Sincerely,



Debra Figone  
City Manager/Successor Agency Executive Officer

C: Mayor and City Council  
San José Oversight Board  
Jeff Smith, County Executive  
John Chiang, State Controller  
Ana Matosantos, Director, California Dept. of Finance

# Attachment C



# 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



May 29, 2012

Ms. Debra Figone, City Manager  
City of San José  
200 E. Santa Clara St.  
San José, CA 95113

**Re: San José Successor Agency Estimated Property Tax Fund Allocation**

Dear Ms. Figone:

I write in response to your letter of May 21, 2012, regarding the May 1, 2012, estimate of distributions from the San José Redevelopment Property Tax Trust Fund (SJRPTTF).

### Impact of ABX1 26 on Flow of Funds

In your letter, you requested confirmation regarding the procedure of distributions from the SJRPTTF. Please be assured that my office has been extremely diligent at implementing ABX1 26. We will fully comply with the law governing the distribution of funds from the SJRPTTF, which is governed by Health and Safety Code section 34183. Specifically, section 34183 directs county auditor-controllers to make distributions pursuant to a set priority order. The command in section 34183 applies “[n]otwithstanding any other law” and establishes a very specific procedure for distributions, as explained in my letter of May 11, 2012. The flow of funds listed on pages 2-3 of your letter does not comport with section 34183.<sup>1</sup> We want to assure you that, to the extent an enforceable obligation is certified by my office but is challenged by the State Department of Finance (DOF), we intend to hold such amounts in reserve pending a resolution of the issue in accordance with the terms of ABX1 26.

### Documentation of Calculations

Your request for specific documentation regarding a number of calculations is addressed below:

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<sup>1</sup> For example, San José’s positions with respect to the “80% Pledge” and “20% Set Aside” appear to be at odds with the distribution scheme in section 34183. Under ABX1 26, these pledges should be satisfied by the successor agency transferring to the fiscal agent the designated percentages of the amount allocated by the county auditor-controller from the RPTTF to the successor agency’s Redevelopment Obligation Retirement Fund pursuant to section 34183(a)(2). In addition, section 34183(a)(1) requires all passthrough payments to be made, including those pursuant to section 33401, before distribution of funds to the successor agency for ROPS payments.

Letter to Ms. Debra Figone, City Manager, City of San José  
 Re: San José Successor Agency Estimated Property Tax Fund Allocation  
 May 29, 2012

1. County Administrative Costs

You requested documentation regarding the County's administrative costs. These costs include two components. First, there are external audit costs, which are based on the external auditor's contracts, tracked by invoices received from the audit firm. Second, there are internal costs associated with implementation, including the time of staff to administer the trust fund, supervise and assist with audit work, certification of Recognized Obligation Payment Schedules (ROPS), and related implementation matters. No time related to oversight board administration, preparation, or attendance is charged as a County administrative cost. All costs are tracked, to the extent possible, to each individual RPTTF; general costs are allocated among the RPTTFs in proportion to the cost spent on each successor agency in the specified period.

For the SJRPPTF, the most recent summary of costs is as follows, and is described further in the attachments to this letter:

1. County Auditor's Admin Cost		
- External Audit Costs	66,500.00	
- Controller's Office Admin Costs	<u>89,689.01</u>	156,189.01
2. SB2557 Property Tax Admin Fee		<u>2,386,163.29</u>
		2,542,352.30

Further administrative costs, including audit costs, will be accounted for in future RPTTF distributions. As explained in my May 11, 2012, letter, most of the ABX1 26 administrative costs are one-time in nature.

2. Passthroughs

You requested documentation regarding the calculation of statutory passthrough payments. Please see the attached worksheet, provided to City staff on May 23, 2012. As confirmed by City staff and my staff, these numbers include the statutorily-permitted offsets provided by the City. As indicated in my May 11, 2012, letter, if you have additional questions you may contact Jai Singh, Controller-Treasurer Division Manager, at (408) 299-5251 or [jai.singh@fin.sccgov.org](mailto:jai.singh@fin.sccgov.org).

3. Debt Service Levies

Special taxes must constitutionally be used only for the purposes for which they are levied. Therefore, as explained in my May 11, 2012, letter, the auditor-controller will not deposit special taxes into the RPTTF. There are three such levies applicable to San José:

Letter to Ms. Debra Figone, City Manager, City of San José  
 Re: San José Successor Agency Estimated Property Tax Fund Allocation  
 May 29, 2012

- The County Retirement Levy, which is a voter-approved special tax, has been imposed since fiscal year 1945 for the specific purpose of funding the County’s retirement obligations to its officers and employees.
- The Santa Clara Valley Water District Zone W-1 Bond, approved by voters in 1963, is restricted to paying for debt service associated with the \$42 million Zone W-1 Bond. The debt obligation will be completely paid as of this fiscal year, and the tax will no longer be collected beginning in fiscal year 2012-13.
- The Santa Clara Valley Water District State Water Project override levy is restricted to paying for the costs associated with the State Water Project contractual obligations and based on state water general obligation bonds. The State Water Project override levy and bonds were approved in a statewide election with the passage of the Burns Porter Act in 1960 and is exempt from Prop. 13 as prior voter-approved indebtedness. (*See Goodman v. County of Riverside* (1983) 140 Cal. App. 3d 900.)

You also requested information on the tax rates, which are as follows:

Tax Rates	Secured	Unsecured	
County Retirement Levy	0.03880%	0.03880%	On Total Increment
State Water Project	0.00630%	0.00700%	On Land & Improvement Only
Santa Clara Valley Water District Zone W-1 Bond	0.00010%	0.00020%	On Land & Improvement Only

4. Over-Apportionment

You requested information regarding over-apportionments. As explained in my May 11, 2012, letter, section 34177(d)(3) requires that “[f]ormer redevelopment agency enforceable obligation payments due, and reasonable or necessary administrative costs due or incurred, prior to January 1, 2012, shall be made from property tax revenues received in the spring of 2011 property tax distribution, and from other revenues and balances transferred to the successor agency.” Accordingly, property taxes already distributed in this fiscal year are actually related to the first RPTTF distribution for the fiscal year (formerly January 16, 2012, but modified per the Supreme Court’s order to May 16, 2012) and are to be used for the first ROPS for the period of January 1, 2012, through June 30, 2012. My office will account for this apportionment of property tax by applying the amounts already distributed in excess of the first ROPS, if any, toward the second and, if necessary, subsequent ROPS. This is a one-time issue that relates directly to the delay in implementation of ABX1 26.

As explained to City staff on May 23, 2012, there is no fiscal effect of accounting for this apportionment on San José. This is because the combined costs on San José’s first and second ROPS, together, account for the full apportionment of taxes during the fiscal year. Hence, there is no actual reduction in amounts to be distributed to the San José Successor Agency from the RPTTF because, in aggregate, there was no over-apportionment to San José in fiscal year 2011-12.

Letter to Ms. Debra Figone, City Manager, City of San José  
Re: San José Successor Agency Estimated Property Tax Fund Allocation  
May 29, 2012

If you have additional questions, please do not hesitate to contact me.

Sincerely,



Vinod K. Sharma  
Director of Finance

Attachments: AB 1290 Passthrough Calculations  
County Administration Costs

cc: Hon. John Chiang, State Controller  
Ms. Ana J. Matosantos, Director, California Department of Finance  
San José Oversight Board  
Dr. Jeffrey V. Smith, County Executive

RDA Successor Agencies  
Proposed Audit Costs Summary  
April 30, 2012

		April 30, 2012	
City	Firm	Total Cost	
102739	Non-Distributable		
102741	Campbell	Rose	\$ 31,680
102742	Cupertino	Rose	\$ 23,760
102743	Los Gatos	MGO	\$ 29,680
102744	Milpitas	Rose	\$ 47,520
102745	Mtn. View	MGO	\$ 22,260
102746	Morgan Hill	Rose	\$ 47,520
102747	San Jose	BPM	\$ 66,500
102748	Santa Clara	Rose	\$ 47,520
102750	Sunnyvale	MGO	\$ 22,260
	Total		\$ 338,700

County Reimbursable Admin Costs  
 SAP Internal Orders  
 Period: Up to April 30, 2012

SIO#	City	Total County Admin Cost [A]	Contract Services [B]	Total County Admin Cost excluding external audit cost [C] = [A] - [B]	Allocation %	Allocated Non-Distributable Cost [D]	Total Cost [E] = [C] + [D]
102741	Campbell	\$ 20,827.71	\$ 10,591.10	\$ 10,236.61	6.11%	\$ 9,169.80	\$ 19,406.41
102742	Cupertino	\$ 17,015.73	\$ 7,423.41	\$ 9,592.32	5.73%	\$ 8,592.65	\$ 18,184.97
102743	Los Gatos	\$ 23,087.46	\$ 12,478.00	\$ 10,609.46	6.34%	\$ 9,503.79	\$ 20,113.25
102744	Milpitas	\$ 36,260.74	\$ 12,541.45	\$ 23,719.29	14.16%	\$ 21,247.38	\$ 44,966.67
102745	Mountain View	\$ 24,496.13	\$ 13,580.00	\$ 10,916.13	6.52%	\$ 9,778.50	\$ 20,694.63
102746	Morgan Hill	\$ 50,624.84	\$ 25,577.59	\$ 25,047.25	14.96%	\$ 22,436.94	\$ 47,484.19
102747	San Jose	\$ 78,032.70	\$ 30,723.00	\$ 47,309.70	28.25%	\$ 42,379.31	\$ 89,689.01
102748	Santa Clara	\$ 42,549.70	\$ 18,080.84	\$ 24,468.86	14.61%	\$ 21,918.83	\$ 46,387.69
102750	Sunnyvale	\$ 14,273.69	\$ 8,700.00	\$ 5,573.69	3.33%	\$ 4,992.83	\$ 10,566.52
	Total	\$ 307,168.70	\$ 139,695.39	\$ 167,473.31	100.00%	\$ 150,020.03	\$ 317,493.34

Non-Distributable Costs to be Allocated to Cities:

SIO#	Contract Services	Cost after excluding external audit cost
102739	Non-Distributable	116,660.69
	John Guthrie	46,300.00
		162,960.69
	Contract Services	12,940.66
		150,020.03
	Grand Total	\$ 470,129.39
		\$ 317,493.34

County of Santa Clara

Finance Agency  
Controller-Treasurer Department  
Property Tax Division  
70 West Hedding Street, East Wing  
San Jose, California 95110-1705  
(408) 299-2541 FAX 298-7452



March 15, 2012

Abraham Andrade, Chief Financial Officer  
San Jose Successor Agency  
200 E Santa Clara Street, 14th Floor  
San Jose, CA 95113

**Subject: FY11-12 Administrative Cost for San Jose Successor Agency (Formerly San Jose RDA)**

Dear Mr. Andrade:

The County of Santa Clara has calculated the fiscal year 2011-2012 administrative costs for the distribution of property taxes as follows:

Los Esteros South	165,864.37
Los Esteros North	589,847.59
Park Center	89,507.59
Los Esteros	386,879.70
Pueblo Uno	29,820.72
Edenvale	167,292.76
Olinder	34,052.78
Julian-Stockton	81,167.64
Market Gateway	19,376.02
Century Center	25,036.43
Guadalupe-Auzerais	41,590.55
Los Esteros '79 Expansion	498,332.91
Edenvale East	121,490.51
Monterey Corridor	30,498.54
Almaden Gateway	31,203.09
San Antonio Pk Plz 90	74,202.09
<b>Total</b>	<b><u>2,386,163.29</u></b>

The amount of \$2,386,163.29 will be deducted from the RPTTF distribution to the San Jose Successor Agency on June 1, 2012.

Please call me at (408) 299-5260 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacelyn Ma".

Jacelyn Ma  
Property Tax Manager

San Jose AB1290 for RPTTF Distribution

	(a)				(b)			(c) = (a) + (b)	
	FY 10-11 Merged Area & S. Rincón		FY 10-11 Almaden & Monterey Corridor		FY 10-11 Merged Area & S. Rincón		FY 11-12 Almaden & Monterey Corridor		Grand Total
	Post ERAF AB1290 PT Net of CNTY share	PT Net of CNTY share	Post ERAF AB1290 PT Net of CNTY share	PT Net of CNTY share	Post ERAF AB1290 PT Net of CNTY share	PT Net of CNTY share	Post ERAF AB1290 PT Net of CNTY share	PT Net of CNTY share	
County General									
County Library	23.54	23.54							0.02
San Jose City	471,061.63	618,648.06	147,587.43	618,648.06			115,848.33	393,658.59	
San Jose City									(399,658.59)
Evergreen Elem									
Franklin-McKinley Elem									
Morgan Hill Unif	29,002.54	142,821.40		142,821.40			99,549.80	131,420.86	331,420.86
Milpitas Unif									
Oak Grove Elem	105,239.02	105,239.02		105,239.02				20,367.38	20,367.38
Orchard Elem	39,260.86	39,260.86		39,260.86				3,089.25	3,089.25
San Jose Unif	764,050.65	1,150,568.05	386,517.40	623,372.08			401,607.82	1,085,217.24	(615,315.34)
Santa Clara Unif	15,543.57	15,543.57		15,543.57				164,177.99	164,177.99
Eastside High	191,928.25	253,322.73		253,322.73			33,697.69	95,461.54	95,461.54
West Valley College	4,494.69	4,494.69		4,494.69				42,677.52	42,677.52
Gavilan Comm College									
San Jose Comm College	205,075.41	291,878.96	86,803.55	291,878.96			85,366.04	206,546.52	498,425.48
County School Server	104,736.85	145,993.21	41,256.36	145,993.21			40,596.11	112,355.68	258,348.89
Central Fla	82.52	82.52		82.52				0.11	0.11
SCVWD Central	28,011.35	41,498.09	13,487.74	41,498.09			11,750.13	41,174.54	(41,174.54)
SCVWD East	15,604.25	19,418.72	3,814.47	19,418.72			4,231.53	8,610.32	(8,610.32)
SCVWD General	5,705.02	8,079.14	2,374.12	8,079.14			2,144.37	5,999.86	(5,999.86)
Bay Area Air Quality Mgmt	5,911.72	8,371.86	2,460.14	8,371.86			2,418.42	6,769.42	6,769.42
Guadalupe-Coyote Res Const D	337.03	392.69	55.66	392.69			53.24	183.12	183.12
SJ Maintenance Dist 1									
SC-Stridge Dist 1									
SCVWD Sr Water Project	16,976.78	24,041.62	7,064.84	24,041.62			6,387.82	17,872.79	(17,872.79)
SCVWD Zone W-4	4,375.88	6,196.88	1,821.00	6,196.88			1,646.49	4,906.76	(4,906.76)
ERAF							30,174.00	101,634.81	101,634.81
Sub-total	2,007,421.56	2,875,877.61	868,456.05	2,875,877.61	(1,370,256.59)	1,505,621.02	855,472.77	2,441,819.33	(1,087,238.20)
Co Ret									
Library Ret	1.22	1.22		1.22				0.00	0.00
OKGrv/InRpy									
SCVWD-St Proj	26,410.11	35,600.91	9,190.80	35,600.91	(35,600.91)		3,991.83	14,569.36	(14,569.36)
SCVWD-Zonal	719.41	987.87	268.46	987.87	(987.87)		64.05	230.66	(230.66)
Sub-total	27,130.74	36,590.00	9,459.26	36,590.00	(66,588.78)	1.22	4,055.88	14,790.02	(14,790.02)
Total	2,094,552.30	2,912,467.61	877,915.31	2,912,467.61	(4,406,845.37)	1,505,622.24	859,528.65	2,456,609.35	(1,102,028.22)

1. San Jose Unif: Qualified facilities deduction 55.7%.  
2. SCV Water District: Deduct AB1290 payment.



# Attachment D

County of Santa Clara

Finance Agency  
 Controller-Treasurer Department  
 Property Tax Division  
 70 West Hedding Street, East Wing  
 San Jose, California 95110-1705  
 (408) 299-2541 FAX 298-7452



**Part A**

	<u>Total</u>
Property Tax revenue advances (for Jan 1, 2012 thru Jun 30, 2012 ROPS)	\$ 87,661,839.00
Less: Max. RPTTF Obligation approved by DOF for Jan to Jun 2012	(46,954,862.00)
Less: Re-Certified 1st ROPS SA Admin Cost 5/18/12	<u>(1,362,577.00)</u>
<b>Balance after 1st ROPS</b>	<b>39,344,400.00</b>
Credit applied to certified 2nd ROPS	(39,344,400.00)
Credit applied to certified 2nd ROPS SA Admin cost	-
<b>Balance owed by the SA after June 1 distribution</b>	<u><u>\$ -</u></u>

**Part B**

Deposit: Property Tax from all sources into the RPTTF (for Jul 1, 2012 thru Dec 31, 2012 ROPS)	\$ 82,903,286.94
Less: County Auditor's admin costs	(156,189.01)
Less: SB 2557 Ptax Admin Fee	<u>(2,386,163.29)</u>
<b>Net Available for Distribution under H&amp;S 34183</b>	<b>80,360,934.64</b>

Allocation of Moneys in RPTTF

Priority 1 - Pass-through Payments (See Below)	(18,579,360.37)
<b>Total Amount available to distribute to Successor Agency to pay ROPS obligations</b>	<u><u>61,781,574.27</u></u>
Priority 2 - Recognized Payment Obligations - Mnx. RPTTF Obligations Approved by DOF for Jul to Dec 2012 Credit from overpaid apportionments in the 1st half year	(128,675,492.00)
	<u>39,344,400.00</u>
	<u>(89,331,092.00)</u>
<b>Insufficient Fund Balance for ROPS</b>	<u><u>\$ (27,549,517.73)</u></u>

Priority 3 - Successor Agency Admin Costs (min of 3% alloc to RPTTF or \$250k) - Re-certified 2nd ROPS 5/23/12 - Eliminated under 34183 (b)

Priority 4 - SCO Invoices for Audit & Oversight - if any -

Priority 1 - Pass-through Payments

	Account No.	Contractual Pass-thru	FY 2010-11 AB1290 PT	FY 2011-12 AB1290 PT as of 4/30/12	June 1, 2012 Pass-through Payments Allocation Per Pertinent Code 34183 (a)(1)		
					Contractual Pass-thru	1290 Statutory	Total
County	00010	15,719,157.00	-	-	15,719,157.00	-	15,719,157.00
County Library	00090		24.76	0.02		24.78	24.78
San Jose City	05401		-	-		-	-
Santa Clara City	05905		-	-		-	-
Evergreen Elem	10250		-	-		-	-
Franklin-McKinley Elem	10270		142,821.40	131,420.86		274,242.26	274,242.26
Morgan Hill Unif	10380		-	-		-	-
Milpitas Unif	10460		-	-		-	-
Oak Grove Elem	10590		105,239.02	20,367.39		125,606.41	125,606.41
Orchard Elem	10610		39,260.86	3,089.25		42,350.11	42,350.11
San Jose Unif	10670		498,195.97	469,896.90		968,092.87	968,092.87
Santa Clara Unif	10680		15,543.57	164,177.99		179,721.56	179,721.56
Eastside High	12060		253,322.73	95,461.54		348,784.27	348,784.27
West Valley College	14004		4,494.69	42,677.52		47,172.21	47,172.21
Gavilan Comm College	14005		-	-		-	-
San Jose Comm College	14006		291,878.96	206,546.52		498,425.48	498,425.48
County School Server	17035		145,993.21	112,355.68		258,348.89	258,348.89
Central Fire	23018		82.52	0.11		82.63	82.63
SCVWD Central	27001		-	-		-	-
SCVWD East	27002		-	-		-	-
SCVWD General	27010		-	-		-	-
Bay Area Air Quality Mgmt	38001		8,371.86	6,769.42		15,141.28	15,141.28
Guadalupe-Coyote Res Cons Dist	61005		392.69	183.12		575.81	575.81
SJ Maintenance Dist 1	71061		-	-		-	-
SC-Bridge Dist 1	73111		-	-		-	-
SCVWD St Water Project	77001		-	-		-	-
SCVWD Zone W-4	77021		-	-		-	-
Passthrough reserve for ERAF payment (pending for LA Unified case metho	01477			101,634.81		101,634.81	101,634.81
		15,719,157.00	1,505,622.24	1,354,581.13	15,719,157.00	2,860,203.37	18,579,360.37

Please contact Jai Singh (408) 299-5251 or Kenneth Kan at (408) 299-5256 of the Property Tax Apportionment Division if you have any questions.

# Attachment E

June 4, 2012

**Via Hand Delivery and Email**

John Chiang  
California State Controller  
PO Box 9842850  
Sacramento, CA 942850

Re: Distribution of Tax Revenues to Successor Agency to the San Jose  
Redevelopment Agency

Dear Controller Chiang:

On behalf of the Successor Agency to the Redevelopment Agency of the City of San Jose, I am requesting pursuant to Health & Safety Code Section 34182(f), that you immediately review the action taken on June 1, 2012 by the Santa Clara County Auditor-Controller with respect to the distribution of former tax increment to Redevelopment Property Tax Trust Fund of the San Jose Successor Agency (the "San Jose Trust Fund"). According to the attached statement ("Attachment A"), delivered on June 1, 2012 via email from the County's Controller-Treasurer Division, the County has withheld approximately \$20 million in former tax increment from the San Jose Trust Fund. If this action is allowed to stand there will be insufficient tax revenues to make the August 1, 2012 debt service payment on the former Redevelopment Agency's Senior and Subordinate Non Housing Tax Allocation Bonds, and its Subordinate Housing Tax Allocation Bonds.

The law is clear that "each county auditor-controller shall administer the ... Trust Fund for the benefit of the holders of former redevelopment agency enforceable obligations and the taxing entities that received passthrough payments and distributions of property taxes" (H& S Code Section 34182 (c)(2)). Despite this fiduciary obligation, virtually the entire amount being withheld by the County Auditor-Controller is for the benefit of the County's own General Fund to the direct detriment of the former Redevelopment Agency's bondholders and impacting the eventual distribution to affected taxing entities.

We are requesting your review of two specific actions taken by the County Auditor-Controller in calculating the amount of tax revenues required to be deposited into the San Jose Trust Fund:

1. Reprioritization of the Subordinate County Passthrough Obligation; and

## 2. Exclusion of Tax Overrides from Pledged Tax Revenues.

First, pursuant to a negotiated Passthrough Agreement dating back to 1993, and most recently amended and restated as of 2001, the County's passthrough payment is subordinate to all Redevelopment Agency debt, including debt incurred in the future. (See Attachment B 2001 Amended and Restated Agreement, Section VII. B.) The purpose of this subordination was to allow the Agency to pledge tax increment revenues to bondholders on a senior basis. The County Auditor Controller interprets ABX1 26 to allow the County to disregard its subordination, upon which the Agency explicitly relied in pledging tax increment to repay its bond obligations. This interpretation would result in the deduction of approximately \$15.7 million off the top of the tax revenues San Jose needs to pay debt service on August 1, 2012.

Additionally, the County Auditor-Controller has now changed his calculation of what constitutes former tax increment to deduct pre-1989 tax overrides. Throughout California, these levies are, and have always been, considered tax increment. This is consistent with the constitutional amendment that exempted from the definition of tax increment those taxes levied to pay debt service on bonds issued by other taxing entities **after** January 1, 1989. Disregarding legal precedent and past practice upon which the Agency and its bondholders relied, the County Auditor-Controller is deducting from the June 1, 2012 disbursement into the San Jose Trust Fund revenues generated by three different pre-1989 tax levies including approximately \$3 million for the County's PERS levy. This is an ad valorem property tax which was imposed in 1945 and has been considered tax increment since the former Redevelopment Agency started collecting tax increment, approximately 40 years ago.

If either of these unauthorized actions by the County Auditor-Controller is allowed to stand, it would constitute an unlawful impairment contract with the bondholders of the former Redevelopment Agency. Specifically, if the County Auditor-Controller is allowed to deduct the tax overrides from his calculation of tax revenues to be deposited into the San Jose Trust Fund, the Successor Agency will not have sufficient revenues to make its August 1, 2012 debt service payment on the former Agency's Non Housing Subordinate Tax Allocation Bonds.

If the County Auditor -Controller is allowed to unilaterally take the County's subordinate passthrough payment ahead of bondholders, he will force an unnecessary default of the Senior and Subordinate Tax Allocation Bonds and the Subordinate Housing Tax Allocation Bonds of the former Redevelopment Agency.

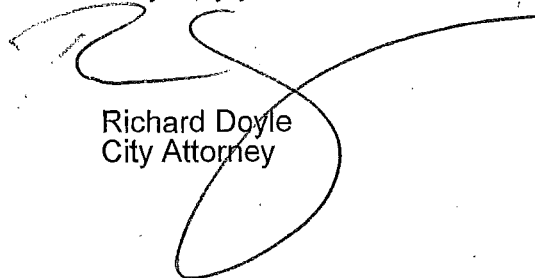
The Successor Agency has a responsibility to protect the rights of bondholders of the former Redevelopment Agency. As such, we have issued a demand on behalf of the Successor Agency that the County Auditor-Controller exercise its legal obligation to distribute to the San Jose Trust Fund the entire amount of revenues that have been

pledged to bondholders, and are due and payable on August 1, 2012. (See "Attachment C", letter dated June 1, 2012, from Mayor Reed to President of the Board of Supervisors Shirakawa.) The County Auditor-Controller has apparently disregarded this demand.

Pursuant to the legislation, the actions taken by the County Auditor-Controller on June 1, 2012 are not effective for three days, giving your Office the opportunity to request such a review, and an additional 10 days to approve the County Auditor-Controller's actions or to return it to the County Auditor-Controller for reconsideration. We urge you to review the actions of the Santa Clara County Auditor-Controller described above, and reverse those actions to prevent a \$20 million misallocation of tax revenues and defaults on several bonds issued by the former Redevelopment Agency if those funds are not available for the August 1, 2011 debt service payment date.

Please contact me at (408) 535-1950 or Patricia Deignan, Chief Deputy City Attorney, at (408) 535-1201, if you need any additional information regarding this matter.

Very truly yours,



Richard Doyle  
City Attorney

PAD/man  
Enc.

c: Vinod Sharma, Santa Clara County Auditor-Controller  
Mayor Chuck Reed and San Jose City Council  
Debra Figone, City Manager/Successor Agency Executive Officer  
Oversight Board  
Board of Supervisors  
County Counsel

# Attachment F



June 8, 2012

John Chiang  
California State Controller  
P.O. Box 9842850  
Sacramento, CA 942850

Re: Distribution of Tax Revenues to Successor Agency to the San Jose  
Redevelopment Agency

Dear Controller Chiang:

I am following up on my letter dated June 5, 2012, requesting your review of the actions taken by the Santa Clara County Auditor-Controller regarding the calculation of tax revenues to be deposited into the San Jose Redevelopment Property Tax Trust Fund. I appreciate your staff taking the time to speak with me earlier this week. Based on that conversation, we understand that your Office was waiting for the County Auditor-Controller to provide "verification of insufficient funds", which would trigger the three day period to request a review of their action. We understand that your Office received such verification this morning via email, a copy of which is attached. (Attachment A).

Since most of the information contained in the email came from Successor Agency staff, who have been working with the County-Auditor-Controller's staff for the last several months to provide this data, we do not dispute the figures<sup>1</sup>. What we are disputing are the assumptions made by the County Auditor-Controller in attempting to justify depositing less than the full amount of pledged tax revenues into the Trust Fund, in violation of covenants to the holders of bonds secured by those revenues, and in violation of the subordination provision of the Passthrough Agreement with the County. (Attachment B). Despite the County's contention that ABX1 26 has "created a situation where the balance of power has changed", the legislation did not, and cannot change the priority of payment to bondholders, whose pledges are protected by the State and Federal Constitutions.

The information provided in the County's submittal will no doubt be helpful in preparing the audit of the former Agency due July 1, 2012. However, the accounting of other revenues and obligations of the former Agency has no bearing on the issue at hand,

---

<sup>1</sup> The Successor Agency does dispute the County Auditor-Controller's adjustments as noted on page 3 of Attachment A.

which is the distribution of tax revenues into the Trust Fund in accordance with the various bond covenants of the former Agency.

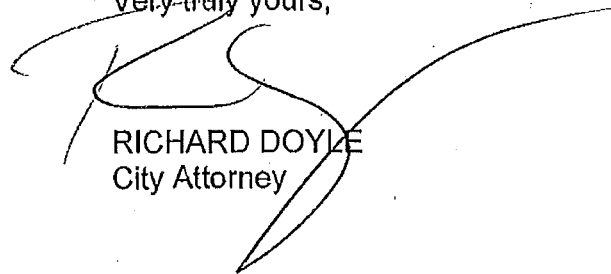
As set forth in my previous letter, we are requesting that you specifically review the following two actions of the County Auditor Controller:

1. the deduction of County's subordinate passthrough payment prior to payment of bondholders; and
2. the exclusion of tax overrides from the revenues pledged to bondholders.

The attached debt service coverage analysis of the senior and subordinate tax allocation bond debt of the former Agency (Attachment C) shows the flow of tax revenues as required by the various bond indentures, and the impact on the flow of funds if the County Auditor-Controller's actions are allowed to stand.

Due to the severe impact this issue is having on the credit of the former Agency, including a downgrade by Moody's Investors today, we urge you to review this matter as expeditiously as possible. We are available to meet by phone or in person at your convenience to answer any questions you may have about these issues.

Very truly yours,



RICHARD DOYLE  
City Attorney

cc: Mayor Chuck Reed and San Jose City Council  
Debra Figone, City Manager/Successor Agency Executive Officer  
Vinod Sharma, Santa Clara County Auditor-Controller  
Miguel Marquez, County Counsel  
Jeff Smith, County Executive

# Attachment G

OFFICE OF THE COUNTY COUNSEL  
COUNTY OF SANTA CLARA

70 West Hedding Street, 9<sup>th</sup> Floor  
San Jose, California 95110-1770  
(408) 299-5900  
(408) 292-7240 (FAX)



Miguel Márquez  
COUNTY COUNSEL

Winifred Botha  
Orry P. Korb  
Lori E. Pegg  
ASSISTANT COUNTY COUNSEL

June 5, 2012

VIA E-MAIL & U.S. MAIL

Hon. John Chiang  
California State Controller  
P.O. Box 9842850  
Sacramento, CA 942850

**Re: Distribution of Tax Revenues from the San José Redevelopment Property  
Tax Trust Fund**

Dear Hon. Chiang:

I write in response to a letter from the San José City Attorney dated June 4, 2012, regarding purported "action" taken on June 1, 2012, by the Santa Clara County Auditor-Controller related to the San José Redevelopment Property Tax Trust Fund (RPTTF).

There is no action to review at this time and San José's letter is premature. As expressly noted in an e-mail to the City of San José on June 1, 2012, no distributions have been made from the San José RPTTF because, pursuant to Health and Safety Code section 34183(b), the County Auditor-Controller is waiting for your concurrence that there are insufficient funds. (*See Attachment A.*) This delay in distribution is a direct result of San José's failure to respond to the Auditor-Controller regarding your office's specific requests for additional information to determine the sufficiency of funds under section 34183(b). (*See Attachment B.*)

You can rest assured that the County Auditor-Controller is faithfully and diligently implementing ABX1 26 and all other applicable laws. Nevertheless, San José raises two concerns regarding the anticipated distribution of funds from the RPTTF.

First, San José takes issue with the clear requirement of section 34183(a)(1) to pay passthroughs as the first distribution from the RPTTF. This requirement expressly applies to section 33401 passthroughs such as the agreement between the City and the County. Section 34183(a) applies "[n]otwithstanding any other law . . ." and is clear in its language regarding the

Letter to Hon. John Chiang, State Controller

Re: Distribution of Tax Revenues from the San José Redevelopment Property Tax Trust Fund

June 5, 2012

Page 2 of 3

prioritization and payment of passthrough obligations. Moreover, even under a “reverse waterfall” situation pursuant to section 34183(b), passthroughs are still protected; only passthroughs that the former RDA subordinated pursuant to specific provisions of the Community Redevelopment Law are subordinated, and they are only subordinated to “bond debt.”<sup>1</sup> If and when the County Auditor-Controller makes a distribution from the RPTTF, he will follow the straightforward and specific order of distribution set forth in section 34183.

Second, San José expresses concern regarding the allocation of certain special taxes. As you may know, under Proposition 218 and state law, special taxes must be used for the purposes for which they are levied.<sup>2</sup> After a comprehensive legal review by County Counsel and outside counsel to the County, it was determined that it was improper to place levies authorized and imposed for specific purposes into the RPTTF as it would be an unconstitutional diversion of special tax monies.<sup>3</sup> These taxes are levied to meet specific indebtedness obligations and it is unlawful for any portion of those monies to be used for any other purpose, including meeting redevelopment obligations. Bond covenants cannot mandate that San José receive monies in violation of the law.

Finally, San José asserts that it would have insufficient funds to meet certain bonded debt obligations without additional money from the RPTTF. However, we are unable to fully assess the Successor Agency’s funding situation because the City has thus far failed to provide the necessary documentation to determine the amount and extent of any insufficiency of funds. Until and unless the City complies with the repeated requests of the Auditor-Controller regarding the insufficiency of funds report, there can be no distribution from the RPTTF. Moreover, the best information available to the County suggests that there is no serious risk of default on any bonded debt owed by the former RDA, as indicated on the attached chart which is based on the DOF-approved ROPS for San José. (See Attachment C.)

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<sup>1</sup> The County has a pre-1994 passthrough agreement with San José pursuant to section 33401. The specific statutory references for passthrough payments that may be subordinated to bonded debt in section 34183(b) do not include section 33401. The fact that section 34183, subdivision (a), expressly includes section 33401 passthrough agreements but subdivision (b) does not indicates that the Legislature intended to exclude section 33401 passthrough agreements from the types of passthrough payments that would be subordinated in reverse waterfall situations.

<sup>2</sup> See CAL. CONST. art. XIII C, §§ 1-2; Cal. Gov’t Code § 53724(e).

<sup>3</sup> These levies included the Santa Clara Valley Water District State Water Project, the Santa Clara Valley Water District Zone 1 Bond, and the Santa Clara County Retirement Levy.

Letter to Hon. John Chiang, State Controller

Re: Distribution of Tax Revenues from the San José Redevelopment Property Tax Trust Fund

June 5, 2012

Page 3 of 3

As always, we are happy to discuss these matters with your office in greater detail. We are very appreciative of the State Controller's efforts in the implementation of ABX1 26.

Very truly yours,

MIGUEL MÁRQUEZ  
County Counsel



JAMES R. WILLIAMS  
Deputy County Counsel

JRW:jrw

Attachments: A – June 1, 2012, e-mail to San José Finance Staff  
B – E-mails to San José Staff regarding State Controller request  
C – San José Cash Flow Analysis Based on Approved ROPS

c: Vinod K. Sharma, County Director of Finance  
County Board of Supervisors  
San José Oversight Board  
San José Mayor and City Council  
Ms. Debra Figone, San José City Manager  
Mr. Rick Doyle, San José City Attorney

591776

**Singh, Jai**

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**From:** Singh, Jai  
**Sent:** Friday, June 01, 2012 4:08 PM  
**To:** abe.andrade@sanjoseca.gov  
**Cc:** Kelt, Richard <Richard.Kelt@sanjoseca.gov> (Richard.Kelt@sanjoseca.gov); Andrews, Arn (Arn.Andrews@sanjoseca.gov); Lui, Irene (Irene.Lui@fn.sccgov.org); Vinod.Sharma@fn.sccgov.org; Kan, Kenneth  
**Subject:** Updated Amounts in RPTTF as of June 1, 2012  
**Attachments:** June 1 SJ.pdf

Abe,

*This is to notify you that we are holding the June 1 distribution funds shown in the attached worksheet in the RPTTF pending resolution by the SCO. As soon as we receive green signal from the SCO to release the funds to SJSA, we will do so immediately.*

*In the meantime should you have any questions, please let me know.*

*Jai Singh*

**Jai Singh, CPA, MPA**

Controller - Treasurer Division Manager

Phone: 408-299-5251

Fax: 408-298-7452

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**Singh, Jai**

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**From:** Kelt, Richard <Richard.Kelt@sanjoseca.gov>  
**Sent:** Friday, May 25, 2012 9:38 AM  
**To:** Singh, Jai  
**Cc:** Andrade, Abe; Andrews, Arn; Lui, Irene; Sharma, Vinod; Kan, Kenneth  
**Subject:** RE: San Jose Successor's claim of insufficiency

Jai

Thanks for the update – we will start getting the information together and provide on Tuesday.

I have not heard anything from DOF? Have you or Irene?

Richard Kelt, Managing Director  
Successor Agency to  
The Redevelopment Agency of the City of San Jose  
200 E. Santa Clara St. 14th Floor  
San Jose, CA 95113  
(408) 795-1849  
[www.sjredevelopment.org](http://www.sjredevelopment.org)

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**From:** Singh, Jai [mailto:Jai.Singh@fin.sccgov.org]  
**Sent:** Thursday, May 24, 2012 5:34 PM  
**To:** Kelt, Richard  
**Cc:** Andrade, Abe; Andrews, Arn; Lui, Irene; Sharma, Vinod; Kan, Kenneth  
**Subject:** FW: San Jose Successor's claim of Insufficiency

*Hello Richard,*

*We have forwarded the insufficient funds information to the State Controller's office (SCO) for their review that you have submitted with us pursuant to the H&S code 34183 subsection (b). The SCO office has finally responded (see e-mail below).*

*We will appreciate your assistance to make sure that we comply with the request of the SCO. It appears that SCO would like to have the supporting documents along with the insufficient fund report. To ensure that SCO does not put ten day hold on the disbursement process, please provide the following information with the supporting documents as well as the plan that shows that City is planning to fund the insufficient funds from the City General Fund.*

*Beginning Balances:*

- 1) Cash on hand as of July 1, 2011 (combined 80% and 20%) – (This can be verified to the audited financial statements)*
- 2) Cash with fiscal agents as of July 1, 2011 (Please provide supporting documents)*
- 3) Liquid Investments as of July 1, 2011 such as LAIF or short term investments (Please provide supporting documents)*

*Cash Inflows:*

- 4) Property tax advances received from County from July 1, 2011 up to Jan. 31, 2012 (We can verify the information to our records)*



- 5) All other cash inflows such as rental income, interest income etc. from July 1, 2011 to date  
(Please provide supporting documents such as financial statements to date)
- 6) Property taxes expected from the County as of June 1 ( We can verify it to the May 1 estimate that we have provided you)

Cash outflows:

- 7) Disbursements made from fund balances from July 1, 2011 to December 2011 (Please provide supporting documents)
- 8) Obligations due for the 1st ROPS (We can verify to the certified ROPS)
- 9) Obligations due for the 2nd ROPS (We can verify to the certified ROPS)
- 10) Advances to the fiscal agent (Please provide supporting documents)

Ending Balances:

- 11) Cash on hand (combined 80% and 20%)
- 12) Cash with fiscal agent
- 13) Liquid investments

*Jai Singh*

**Jai Singh, CPA, MPA**

Controller - Treasurer Division Manager

Phone: 408-299-5251

Fax: 408-298-7452

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**From:** SATaylor@sco.ca.gov [mailto:SATaylor@sco.ca.gov]  
**Sent:** Thursday, May 24, 2012 4:03 PM  
**To:** Kan, Kenneth  
**Subject:** San Jose Successor's claim of insufficiency

Dear Mr. Kan:

The State Controller's Office has received your email dated May 11, 2012, regarding the insufficient funds of City of San Jose Successor Agency. In such circumstances, Health and Safety Code section 34183(b) states, "The county auditor-controller shall verify whether the successor agency will have sufficient funds from which to service debts according to the Recognized Obligations Payment Schedule and shall report the findings to the Controller."

**Jai Singh, CPA, MPA**

Controller -Treasurer Division Manager

Phone: 408-299-5251

Fax: 408-298-7452

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---

**From:** SATaylor@sco.ca.gov [mailto:SATaylor@sco.ca.gov]

**Sent:** Thursday, May 24, 2012 4:03 PM

**To:** Kan, Kenneth

**Subject:** San Jose Successor's claim of Insufficiency

Dear Mr. Kan:

The State Controller's Office has received your email dated May 11, 2012, regarding the Insufficient funds of City of San Jose Successor Agency. In such circumstances, Health and Safety Code section 34183(b) states, "The county auditor-controller shall verify whether the successor agency will have sufficient funds from which to service debts according to the Recognized Obligations Payment Schedule and shall report the findings to the Controller."

There is no prescribed format for your report at this time; a cover letter clearly stating whether there are or are not sufficient funds from which the successor may service debts and appropriate supporting documentation would suffice. The supporting documentation should include an analysis of the current balance of cash and near-cash equivalents (Investments, LAIF deposits, etc.) available to the successor, an analysis of the expected cash inflows, and a copy of the Recognized Obligation Payment Schedule as approved by the Department of Finance. Upon receipt of your report, the State Controller's Office will have three business days to concur or request a review, which would place a ten-day hold on disbursement actions.

When can the State Controller's Office expect to hear the results of your evaluation?

Thank you for contacting the State Controller's Office; please let us know if we can be of further assistance.

[RDA-SDSupport@sco.ca.gov](mailto:RDA-SDSupport@sco.ca.gov)

(916) 327-1017

**Singh, Jai**

---

**From:** Kelt, Richard <Richard.Kelt@sanjoseca.gov>  
**Sent:** Wednesday, May 30, 2012 5:23 PM  
**To:** Singh, Jai  
**Cc:** Andrade, Abe  
**Subject:** RE: San Jose Successor's claim of insufficiency

Thanks Jai for copying me. I think we should have this wrapped up tomorrow.

Richard Kelt, Managing Director  
Successor Agency to  
The Redevelopment Agency of the City of San Jose  
200 E. Santa Clara St. 14th Floor  
San Jose, CA 95113  
(408) 795-1849  
[www.sjredevelopment.org](http://www.sjredevelopment.org)

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**From:** Singh, Jai [mailto:Jai.Singh@fin.sccgov.org]  
**Sent:** Wednesday, May 30, 2012 5:17 PM  
**To:** SATaylor@sco.ca.gov; RDA-SDSupport@sco.ca.gov  
**Cc:** Sharma, Vinod; Lul, Irene; Kan, Kenneth; Kelt, Richard; Andrade, Abe  
**Subject:** FW: San Jose Successor's claim of insufficiency

Hello Mr. Taylor,

*We have requested the below noted information from San Jose Successor Agency (SJSA) to verify the insufficient funds that SJSA has reported for June 1 distribution. We are still waiting for the information from SJSA. In order to comply with the H&S code section 34183 (b), we will hold the June 1, 2012 distribution for SJSA until your office concurs with our findings. As soon as your office concurs with our findings, we will distribute the funds based upon H&S Code section 34183 (b).*

*Jai Singh*

**Jai Singh, CPA, MPA**  
Controller -Treasurer Division Manager  
Phone: 408-299-5251  
Fax: 408-298-7452

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**From:** Singh, Jai  
**Sent:** Thursday, May 24, 2012 5:34 PM  
**To:** Kelt, Richard <Richard.Kelt@sanjoseca.gov> (Richard.Kelt@sanjoseca.gov)

Cc: abe.andrade@sanjoseca.gov; Andrews, Arn (Arn.Andrews@sanjoseca.gov); Lul, Irene (Irene.Lul@fin.sccgov.org); Vinod.Sharma@fin.sccgov.org; Kan, Kenneth  
Subject: FW: San Jose Successor's claim of Insufficiency

Hello Richard,

We have forwarded the insufficient funds information to the State Controller's office (SCO) for their review that you have submitted with us pursuant to the H&S code 34183 subsection (b). The SCO office has finally responded (see e-mail below).

We will appreciate your assistance to make sure that we comply with the request of the SCO. It appears that SCO would like to have the supporting documents along with the insufficient fund report. To ensure that SCO does not put ten day hold on the disbursement process, please provide the following information with the supporting documents as well as the plan that shows that City is planning to fund the insufficient funds from the City General Fund.

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*Cash outflows:*

- 7) Disbursements made from fund balances from July 1, 2011 to December 2011 (Please provide supporting documents)
- 8) Obligations due for the 1st ROPS (We can verify to the certified ROPS)
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- 10) Advances to the fiscal agent (Please provide supporting documents)

*Ending Balances:*

- 11) Cash on hand (combined 80% and 20%)
- 12) Cash with fiscal agent
- 13) Liquid investments

*Jai Singh*

There is no prescribed format for your report at this time; a cover letter clearly stating whether there are or are not sufficient funds from which the successor may service debts and appropriate supporting documentation would suffice. The supporting documentation should include an analysis of the current balance of cash and near-cash equivalents (investments, LAIF deposits, etc.) available to the successor, an analysis of the expected cash inflows, and a copy of the Recognized Obligation Payment Schedule as approved by the Department of Finance. Upon receipt of your report, the State Controller's Office will have three business days to concur or request a review, which would place a ten-day hold on disbursement actions.

When can the State Controller's Office expect to hear the results of your evaluation?

Thank you for contacting the State Controller's Office; please let us know if we can be of further assistance.

[RDA-SDSupport@sco.ca.gov](mailto:RDA-SDSupport@sco.ca.gov)  
(916) 327-1017

**Singh, Jai**

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**From:** Keit, Richard <Richard.Keit@sanjoseca.gov>  
**Sent:** Friday, June 01, 2012 6:51 PM  
**To:** Singh, Jai  
**Cc:** Lui, Irene; Sharma, Vinod; Andrews, Arn; Andrade, Abe  
**Subject:** RE: Insufficient Funds Responsibilities for Counties and Successor Agencies

Jai

Thanks, I did receive and I thought we would wrap this up today but Abe had a funeral. I see no reason that we will not be finished on Monday. Have a good week-end. And go home it is late.

Richard Keit, Managing Director  
Successor Agency to  
The Redevelopment Agency of the City of San Jose  
200 E. Santa Clara St. 14th Floor  
San Jose, CA 95113  
(408) 795-1849  
[www.sjredevelopment.org](http://www.sjredevelopment.org)

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**From:** Singh, Jai [mailto:Jai.Singh@fln.sccgov.org]  
**Sent:** Friday, June 01, 2012 6:47 PM  
**To:** Keit, Richard  
**Cc:** Lui, Irene; Sharma, Vinod; Andrews, Arn; Andrade, Abe  
**Subject:** FW: Insufficient Funds Responsibilities for Counties and Successor Agencies

Hello Richard,

*I hope you have received the latest release of information from SCO regarding "SCO RDA insufficiency guidance" as it is addressed to both successor agency officials and the County auditor-controllers. We would like to resolve this matter as soon as possible. Please provide the information we have requested in May 24 e-mail so that we can verify the information and resolve this matter quickly.*

*Jai Singh*

**Jai Singh, CPA, MPA**  
Controller - Treasurer Division Manager  
Phone: 408-299-5251  
Fax: 408-298-7452

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**From:** LBryant@sco.ca.gov [mailto:LBryant@sco.ca.gov]  
**Sent:** Friday, June 01, 2012 4:45 PM

**To:** pat.oconnell@acgov.org; mrclelland@alpinecountyca.com; jlowe@co.amador.ca.us; dhouser@buttecounty.net; ccauditor@co.calaveras.ca.us; pscroggins@countyofcolusa.org; bob.campbell@ac.cccounty.us; cschaad@dnco.org; joeaharn@co.el-dorado.ca.us; vcrow@co.fresno.ca.us; trozmaryn@countyofglenn.net; jmellet@co.humboldt.ca.us; dougnewland@imperialcounty.net; lchapman@lincocounty.us; barnetta@co.kern.ca.us; Doll,Osteen@co.kings.ca.us; pam\_c@co.lake.ca.us; kfouch@co.lassen.ca.us; wwatanabe@auditor.lacounty.gov; janet.kroeger@madera-county.com; rglven@co.marin.ca.us; wdavis@mariposacounty.org; fordm@co.mendocino.ca.us; lcardella-presto@co.merced.ca.us; darcylocken@co.modoc.ca.us; bmulr@mono.ca.gov; millerm@co.monterey.ca.us; tschulze@co.napa.ca.us; marcia.salter@co.nevada.ca.us; david.sundstrom@ocgov.com; kmartini@placer.ca.gov; smontgomery@countyofplumas.com; pangulo@co.riverside.ca.us; valverde@saccounty.net; jgonzalez@auditor.co.sanbenito.ca.us; larrywalker@acr.sbcounty.gov; tracy.sandoval@sdcounty.ca.gov; ben.rosenfield@sfgov.org; avanhouten@sjgov.org; gslbbach@co.slo.ca.us; thuening@co.sanmateo.ca.us; geis@co.santa-barbara.ca.us; Sharma, Vinod; maryjo.walker@co.santa-cruz.ca.us; cregnell@co.shasta.ca.us; audlrorrisk@sierracounty.ws; jebejer@co.siskiyou.ca.us; spadilla@solanocounty.com; ddunk@sonoma-county.org; kleinl@stancounty.com; rstark@co.sutter.ca.us; landerson@tehama.net; mhorn@trinitycounty.org; rwoodard@co.tulare.ca.us; drussell@co.tuolumne.ca.us; christine.cohen@ventura.org; hnewens@yolocounty.org; dsellers@co.yuba.ca.us  
**Subject:** Insufficient Funds Responsibilities for Counties and Successor Agencies

Dear County Auditor-Controller,

Attached please find guidance prepared by our office to help you and the successor agencies fulfill your property tax distribution duties under Health and Safety Code Section 34183, including instances of insufficiency. Please distribute this to your successor agencies and any of your staff that you feel would benefit, such as property tax personnel. If you have any questions, please feel free to contact us at [RDA-SDsupport@sco.ca.gov](mailto:RDA-SDsupport@sco.ca.gov) or (916) 327-1017.

Regards,

State Controller's Office  
3301 C Street, Suite 740  
Sacramento, CA 95816

Attachment C

ATTACHMENT C - SAN JOSE SUCCESSOR AGENCY CASH FLOW ANALYSIS BASED UPON DOF APPROVED 1ST AND 2ND ROPS

OBLIGATIONS PAYABLE FROM RPTIF								
	UNION BANK - BONDS	US BANK SUBORDINATED DEBT	WELLS FARGO BANK HOUSING BONDS	LOC - JP MORGAN	FISCAL AGENT SERVICE FEES	TOTAL AGENCY- ONLY BONDS OBLIGATIONS	CITY-BACKED DEBTS - CITY CONVENTION CENTER & 4TH STREET GARAGE (NOTE A)	Others
1ST ROPS - DOF APPROVED	40,708,238	147,853		1,080,000	141,700	42,077,791	(4,877,071)	-
2ND ROPS - DOF APPROVED	92,297,788	3,300,000	17,241,826	1,355,609	131,312	114,356,535	(14,027,307)	(291,650)
<b>TOTAL</b>	<b>133,006,026</b>	<b>3,447,853</b>	<b>17,241,826</b>	<b>2,465,609</b>	<b>273,012</b>	<b>156,434,326</b>	<b>(18,904,378)</b>	<b>(291,650)</b>

RPTIF FUNDS FOR ROPS

PROPERTY TAX DISTRIBUTED UP TO JAN 31, 2012 87,661,839

EST. PROPERTY TAX DISTRIBUTION DUE IN JUN 2012 61,781,574

**TOTAL FUNDS AVAILABLE FROM PROPERTY TAXES 149,443,413**

OTHER REVENUE RESOURCES

SALE OF ASSETS 4,500,000

CASH WITH FISCAL AGENTS 3,123,000

**TOTAL FROM OTHER RESOURCES 7,623,000**

TOTAL AVAILABLE TO PAY BONDS AND SENIOR DEBT OBLIGATIONS

**157,066,413**

SURPLUS (DEFICIT) TO PAY OTHER OBLIGATIONS

632,087

NOTE A: These debts are backed by pledges from the City as well as from the former RDA.



# Attachment H

June 1, 2012

Board of Supervisors, County of Santa Clara  
George Shirakawa, President  
70 West Hedding Street  
San Jose, CA 95110

Re: Distribution of Tax Revenues to Successor Agency  
Breach of Bond Covenants

Dear George:

As we discussed on the phone, I am sending this letter to comply with the protocol set forth in our 2001 Agreement regarding disputes between the City and County. This matter needs immediate attention. I hope we can sit down as soon as possible to discuss this issue in greater detail to figure out a way to avoid litigation and a breach of loan covenants that would have significant negative consequences to the City, the Successor Agency and the County.

City, Successor Agency and County staffs have been working for several months on implementing ABX1 26 which mandates the dissolution of redevelopment agencies statewide. As Chair of the Oversight Board for the Successor Agency to the Redevelopment Agency of the City of San Jose, I have been impressed with how smoothly the meetings have gone, which is indicative of the good working relationship established among our organizations. However, within the past few weeks, in the context of calculating the distribution of tax revenues to be paid to the Successor Agency to make required payments on enforceable obligations over the next six months, two new issues have arisen that will impair our ability to make debt service obligations in August and place us in breach of our bond covenants.

First, County staff has a novel interpretation of ABX1 26 that would make the County pass through payment, which by contract is subordinate to all debt of the former Redevelopment Agency, senior to all existing debt, including bondholders. This interpretation would result in the deduction of approximately \$16 million off the top of the tax revenues needed to pay debt service on August 1, 2012.

Additionally, County staff is now changing its calculation of what constitutes former tax increment to deduct preexisting tax levies, including approximately \$6.5 million annually for the County's contribution for its employees' retirement system. This deduction would be a breach of bond covenants that require tax increment to be used to pay bond holders first.

Either of these deductions alone will impair the Successor Agency's ability to pay debt service on its Non-Housing Subordinate Tax Allocation Bonds in August. Taken together, the Successor

Agency will be in default on Senior and Subordinate Tax Allocation Bonds and Subordinate Housing Tax Allocation Bonds.

We have been informed by JPMorgan, the Letter of Credit provider on the Non Housing Subordinate Tax Allocation Bonds, that they have rescinded their current offer to grant a one year extension of the Letters of Credit (LOC) securing \$94 million. Instead they are only offering a 30 to 60 day extension. This is in direct response to the threatened actions of the County to withhold tax increment from the June 1<sup>st</sup> disbursement.

While we all agree that the legislation is poorly drafted and can be subject to various legal interpretations, the intent of ABX1 26 is clear in its mandate to protect bond holders. The existing agreement with the County is absolutely clear that the County pass-through is subordinate to all other obligations. There is no authority in the law that allows a subordinate creditor to leapfrog in priority over bondholders.

The County's stated intention to make unsubstantiated deductions from tax increment and to unilaterally reorder the priority of the County subordinate pass-through not only violates the County-Auditor Controller's fiduciary duties under the legislation but also immediately and irreparably threatens the rights of existing bond holders. It also would be a violation of the City-County Agreement with potential for enormous financial damages.

The Successor Agency has a responsibility to protect the rights of bondholders. As such, we must demand that the County exercise its legal obligation to distribute to the San Jose Redevelopment Property Tax Trust Fund the entire amount of revenues that have been pledged to bondholders, and are due and payable on August 1, 2012.

Making this distribution will maintain the status quo and provide some time to resolve the differing legal interpretations and avoid litigation.

Please also note that we are required to notify bond holders of any material events that come to our attention that will impact the Successor Agency's ability to pay debt service when due. Any deductions by the County will constitute such a material event and, as JPMorgan has demonstrated, we fully expect that others will take action in order to protect their rights.

Sincerely,



Chuck Reed  
Mayor

# Attachment I

June 8, 2012

George M. Shirakawa, President  
Board of Supervisors  
County of Santa Clara  
County Government Building, East Wing  
70 West Hedding Street, 10<sup>th</sup> Floor  
San Jose, California 95110

Re: Distribution of Tax Revenues to San Jose Successor Agency Breach of Bond Covenants

Dear George:

I am in receipt of your letter dated June 5, 2012, and we also expect city and county staff to continue to work creatively and collaboratively toward mutually beneficial solutions, consistent with the legal requirements of ABX1 26. As we discussed, we also need to find a way to get a speedy resolution of our disagreements about the legal meaning of ABX1 26 and the city/county contract.

I also need to clarify what appear to be some misconceptions about the facts.

First, with a few exceptions, the debt of the former Redevelopment Agency is **not** the City's responsibility. Only to the extent that the City is a co-obligor on any particular debt instrument is it required to cure a payment default of the former Redevelopment Agency. These debts are limited to the Convention Center Lease Revenue Bonds, the 4<sup>th</sup> Street Garage Revenue Bonds, the HUD 108 Loans, and loans borrowed from the California Statewide Community Development Authority to make ERAF payments. The City has already budgeted \$16.2 million for FY2012-13 to cover what we have determined to be necessary, assuming that all tax revenues pledged to former Agency debt are forwarded to the Successor Agency. The tax revenues that the County is threatening to withhold are required to make payment to holders of Tax Allocation Bonds which are backed solely by the pledge of those revenues.

Second, we do not contend that the County Passthrough payment was not a debt that had to be paid. The former Agency always recognized the unpaid payments as accrued obligations to be paid pursuant to the provisions of our Agreement. Specifically, the city/county contract provides that the passthrough payments are subordinate to all other Agency debt and that if payment cannot be made in any particular year, the payment will be accrued at an interest rate up to 10%. The Successor Agency's financial statements show this accrued obligation and it is an item on the Enforceable Obligation Schedule adopted by the Successor Agency pursuant to ABX1 26. To date the amount due and owing to the County is booked at \$31.1 million.

With regard to the reserve you mention in your letter, we have received no details about this concept. However, since the current dispute is not about a specific dollar amount, but about whether the County can impair the rights of the bondholders of the former Redevelopment Agency by withholding revenues pledged to them, it does not appear that a reserve fund can resolve this problem.

Finally, the county's actions have resulted in a rating down grade of the former Agency bonds, including those secured by the pledge of tax revenues formerly considered the 20% Housing Set Aside. That downgrade could trigger significantly increased letter of credit fees. Additionally, the downgrade will result in a default under the terms of an agreement with Wells Fargo Bank, the holder of \$93 million of subordinate Housing Bonds. Unless the bank decides to waive this default, we will incur substantial damages, which would flow from the county's actions, which we view as a breach of the city/county contract.

Again, a speedy resolution of our differing interpretations of the law would be in our mutual interests. In that vein, we are happy to see that the County Auditor Controller has finally released the Verification of Insufficient Funds. Our staffs have been working for weeks on the information that went into that report. While we do not agree with interpretations of the law which form the basis of the calculations provided in that report, we are relieved that the issues are now moving forward for the State Controller's review.

Sincerely,



Chuck Reed  
Mayor

C: Board of Supervisors  
San José City Council Members  
Debra Figone, City Manager  
Rick Doyle, City Attorney  
Jeffrey V. Smith, County Executive  
Miguel Marquez, County Counsel

# Attachment J

**GEORGE M. SHIRAKAWA**  
**PRESIDENT, BOARD OF SUPERVISORS**  
**COUNTY OF SANTA CLARA SUPERVISOR, SECOND DISTRICT**  
COUNTY GOVERNMENT CENTER, EAST WING  
70 WEST HEDDING STREET, 10TH FLOOR  
SAN JOSE, CALIFORNIA 95110  
TEL: (408) 299-5020 FAX: (408) 295-8642  
george.shirakawa@bos.sccgov.org • www.supervisorshirakawa.org



June 5, 2012

SENT VIA EMAIL AND U.S. MAIL

Chuck Reed, Mayor  
City of San José  
200 E. Santa Clara St., 18<sup>th</sup> Floor  
San José, CA 95113

Re: Distribution of Tax Revenues to San José Successor Agency

Dear Chuck:

On behalf of the entire Board of Supervisors, I write in response to your letter of June 1, 2012, regarding the distribution of property taxes to the City of San José as Successor Agency to the San José Redevelopment Agency.

As you are aware, the County Auditor-Controller has specific mandates and duties under state law in implementing ABX1 26 and in the distribution of property tax monies to affected entities. The Auditor-Controller is an agent of the state in carrying out these functions, and he must act in accordance with law. He also owes responsibilities to all taxing entities affected by the diversion of property taxes to redevelopment, including responsibilities to the County.

The Board of Supervisors does not intend to impede or interfere in the Auditor-Controller's duties under state law. However, we recognize that the City is faced with a crushing debt burden because of years of accumulated debts that rendered the San José Redevelopment Agency insolvent even prior to the enactment of ABX1 26. The County is well aware of this because the San José RDA repeatedly failed to meet its contractual obligations to the County, which contributed to the County's severe budget cuts and harmed our basic public services. It is unfortunate that the City continues to view the former RDA's obligations to the County as debts that are not due and payable.

Unquestionably, ABX1 26 has shed new light on the structural deficit that faced the City and former RDA. Nevertheless, based on the most recent cash flow information that City staff has shared with the County's Finance Agency, it appears that there will be sufficient funds to pay all senior and subordinate bondholders, except for debts backed by the City. Presumably, the City will fulfill its obligations for the City-backed debts, thus preventing any default on those obligations.

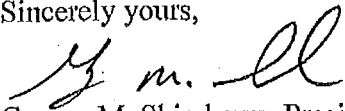




As a Board, we are committed to working cooperatively with the City on ways to handle this situation. We have engaged in ongoing discussions in an attempt to settle these issues. In this regard, to demonstrate our good faith efforts on this front, the County has, on its own initiative, created a reserve to aid in our negotiations.

We expect City and County staff to continue to work creatively and collaboratively toward mutually beneficial solutions, consistent with the legal requirements of ABX1 26.

Sincerely yours,



George M. Shirakawa, President  
Board of Supervisors

c: Board of Supervisors  
San José City Councilmembers  
Debra Figone, City Manager  
Rick Doyle, City Attorney  
Jeffrey V. Smith, County Executive  
Miguel Márquez, County Counsel

# Attachment K



**JOHN CHIANG**  
**California State Controller**  
Division of Accounting and Reporting

June 6, 2012

Vinod Sharma  
Santa Clara County Director of Finance  
70 West Hedding Street, East Wing 2<sup>nd</sup> Floor  
San Jose, California 95110-1767

Re: Request to Review Distributions of the Redevelopment property Tax Trust Fund

Dear Mr. Sharma:

In accordance with Health and Safety Code section 34182 Subdivision (f), this office hereby requests to review the county's June 1, 2012, property tax distributions made by your office under Health and Safety Code sections 34183 and 34188. As you know, any actions taken by the county auditor-controller are not effective for three business days, pending a request for review by the Controller moreover, once a review is requested, any such county auditor-controller action shall not be effective until approved by the Controller.

Consequently, in order to facilitate our review, please provide the supporting documentation for the payments and distributions made for the former redevelopment agency of the City of San Jose including any documentation supporting the planned distribution of former tax increments to the Redevelopment Property Tax Trust Fund of the San Jose Successor Agency.

Sincerely,

[Original Signed By]

GEORGE LOLAS, Chief  
Division of Accounting and Reporting  
State Controller's Office

# Attachment L

# 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



June 7, 2012

VIA E-MAIL AND U.S. MAIL

George Lolos, Chief  
Division of Accounting and Reporting  
State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250

Re: Review of Distributions from San José Redevelopment Property Tax Trust Fund

Dear Mr. Lolos:

I am responding to your June 6, 2012 letter requesting review of property tax distributions made by the County of Santa Clara (County) on June 1, 2012 pursuant to Health and Safety Code sections 34183 and 34188.<sup>1</sup>

There are nine former redevelopment agencies ("RDAs") in Santa Clara County. On June 1, my office made distributions from the redevelopment property tax trust funds ("RPTTFs") to the successor agencies for eight of the nine former RDAs. A letter was sent to each successor agency and its affected taxing entities identifying all RPTTF distributions. These distributions followed the methodology outlined in a May 11, 2012 letter from my office, which was sent to all successor agencies, affected taxing entities, and the State Controller's Office. Copies of all correspondence referenced in this paragraph can be found in Exhibit 1.

No distribution was made to the San José RDA Successor Agency because that successor agency has reported that there is an insufficient funds situation pursuant to section 34183(b). My office notified the State Controller's Office of this situation on May 11, 2012, and requested supporting documentation from San José. Correspondence related to this issue was provided in a June 5, 2012 letter from the County Counsel's Office to State Controller John Chiang. (A copy of this letter is provided in Exhibit 2.) After repeated delays, San José provided the requested information to my staff on June 6 and 7. We have been working diligently to review the information and have had several discussions with San José staff in an attempt to reconcile what appear to be ever-changing numbers.

<sup>1</sup> All further section references are to the Health and Safety Code unless otherwise indicated.

With respect to your request for supporting documentation for the payments and distributions made for the former San Jose Redevelopment Agency – as stated above, any distribution from the San José RPTTF is on hold pending verification of the insufficient funds situation by my office and the State Controller's Office pursuant to section 34183(b). Nevertheless, the preliminary calculations for the RPTTF distribution are provided in Exhibit 3. We have also prepared a cashflow analysis which projects a \$17.3 million funding insufficiency for the July 1 to December 31, 2012 ROPS period.<sup>2</sup> The analysis also shows that there will be sufficient funds to service bond debt, with the possible exception of the Convention Center and 4<sup>th</sup> Street Garage bonds. However, these bonds are also secured by the City's general fund; therefore, it is highly unlikely that there would be any default on these City-backed subordinate bonds. The cashflow analysis is in Exhibit 5.<sup>3</sup>

Sincerely,



Vinod K. Sharma  
Director of Finance  
County of Santa Clara  
San Jose, California

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<sup>2</sup> The City's cashflow analysis shows a deficit of \$33.2 million. However, this figure includes two items where there is disagreement with the San José successor agency: \$10.2 million in cash transferred from the former RDA to the City's Housing Department on January 31, 2012; and \$4.5 million in anticipated revenue from property sales that, until this week, San José was including in projected cashflows for fiscal year 2012/13. (See Exhibit 4 for documentation regarding these two items.) It also includes \$1.2 million in City successor agency administrative costs, which would not be paid in an insufficient funds situation pursuant to section 34183(b).

<sup>3</sup> We intend to finalize our insufficient funds verification and forward it with supporting documentation to the State Controller no later than Monday, June 11.

# **EXHIBIT 1**

# 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



May 11, 2012

Re: **May 1 Estimate of Distributions from Redevelopment Property Tax Trust Funds**

Dear Successor Agency Finance Directors and Finance Directors of Affected Taxing Entities:

Please find attached the May 1, 2012, estimate of distributions from the Redevelopment Property Tax Trust Funds (RPTTFs) for the former redevelopment agencies within Santa Clara County provided to the State Department of Finance (DOF) pursuant to Health & Safety Code section 34182(c)(3). This estimate is for the first distribution of money from the RPTTF for each former redevelopment agency. The distribution will occur on June 1, 2012, and in accordance with the "waterfall" as provided in section 34183. These estimates are based on the best available information as of this date. There are a number of outstanding issues that will affect the final distributions and their timing, most significantly the final valid Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012, through December 31, 2012. Therefore, these estimates are subject to change.

Because we know that this marks a very significant shift in the distribution of former tax increment, we wanted to explain a number of items on the report so as to anticipate and respond to likely questions:

## The "Waterfall" – Order and Priority of Payments

Section 34183(a) provides that the county auditor-controller shall make distributions from RPTTFs twice annually (every January 16 and June 1) as follows:

- County Administrative Costs: The costs for implementation of ABX1 26, including the one-time audit pursuant to section 34182, are listed separately on the estimate. In accordance with DOF guidance, only costs incurred up to April 30, 2012, will be allocated to the June 1, 2012, RPTTF distributions. As we have indicated since this process began, these charges will be substantially higher in these first periods due to the one-time audits being performed on all of the agencies. Final audits are due to the State Controller on July 15, 2012. If you would like further details on the County's implementation charges, please do not hesitate to contact John Guthrie, ABX1 26 Project Manager, at (408) 299-5246. In addition, separately listed, are the normal PTAF charges.



Letter to Successor Agency Finance Directors and Finance Directors of Affected Taxing Entities  
Re: May 1 Estimate of Distributions from Redevelopment Property Tax Trust Funds  
May 11, 2012

- Passthroughs: Section 34183(a)(1) provides that the first priority of payment is for passthroughs, both negotiated and statutory. The auditor-controller is now responsible for making these passthrough payments directly from the RPTTFs. We have attempted to gather all information related to those passthroughs (primarily negotiated) which our office did not previously handle. We have also attempted to account for those payments that need to be made for this fiscal year given the implementation of ABX1 26 and payments already made (or not made) by former RDAs. Please notify us immediately if we are missing any relevant passthrough information. Also, please note that the passthrough portion of the audit has not yet been completed, and there may be appropriate adjustments at the next distribution on January 16, 2013, to account for any findings.

In addition, please note that we will be creating a reserve to account for adjustments to AB1290 statutory passthrough based on the Los Angeles Unified School District (LAUSD) decision. As you may be aware, the Court of Appeal in that case determined that school entities' share of AB1290 passthrough must include the ERAF they receive. We are still waiting for a methodology and final determination by the courts in a currently-pending follow up action. The ultimate effect will be to re-distribute some yet-to-be-determined amount of the AB1290 paid to school entities that receive ERAF. We will implement the final decision in the LAUSD matter retroactive to this fiscal year.

- ROPS: Section 34183(a)(2) provides for payments, in a specified order of priority, on valid ROPS. The auditor-controller will transfer to each successor agency's Redevelopment Obligation Retirement Fund the amount stated on its valid ROPS. For a ROPS to be valid, it must meet the requirements of section 34177(l). For the purposes of this estimate, we used the best available information but are aware that the process of certifying and adopting ROPS is currently ongoing.
- Administrative Costs: Section 34183(a)(3) provides for the payment of successor agency administrative costs subject to a cap pursuant to section 34171(b). These monies will be paid directly to successor agencies, but only pursuant to an approved administrative budget and in accordance with the statutory cap.
- Residual: Section 34183(a)(4) provides that any residual money in the RPTTF is to be paid out to all affected taxing entities pursuant to section 34188 (pro-rata shares of property tax).
- Debt Service: With the implementation of ABX1 26 and the end of tax increment, State law requires—where increment was formerly allocated to RDAs—that special taxes not be placed into the RPTTF. The overall amounts placed into the RPTTF reflect this change.

Letter to Successor Agency Finance Directors and Finance Directors of Affected Taxing Entities  
Re: May 1 Estimate of Distributions from Redevelopment Property Tax Trust Funds  
May 11, 2012

- Reserves: Section 34183(a) does not expressly provide for the creation of reserves. However, in accordance with DOF guidance and the draft guidelines from the Property Tax Managers Group of the State Association of County Auditors, in certain circumstances it is appropriate to create a reserve within the RPTTF (e.g., to account for uneven debt payments that cannot be satisfied with the semi-annual distributions). Such amounts will be held in trust and not distributed as residual.

In addition, there are certain successor agencies where there are outstanding items that are under discussion for potential certification by the county auditor-controller and approval by the oversight board. The auditor-controller will hold such amounts in reserve and not distribute these amounts as residual to taxing entities pending action on these items.

#### Insufficient Funds Reports and "Reverse Waterfall"

By May 1<sup>st</sup>, where applicable, we should have received from each successor agency notification as to whether there will be insufficient funds—from all sources, including RPTTF, assets, and other revenues—to meet all obligation payments due in the next ROPS period. Please formally notify us immediately if your successor agency has an insufficient funds situation as we must forward such notice to DOF and the State Controller.

Section 34183(b) provides a methodology to address insufficient funds situations. It specifies reductions in amounts paid out of the RPTTF as follows:

- First, residual is reduced.
- Second, the successor agency administrative allowance is reduced.
- Third, subordinated passthroughs are reduced.

Where applicable, we have applied this methodology in the attached estimate.

#### Correction to Account for Over-Apportionment

For this first distribution from RPTTFs, there is a unique apportionment issue. The monies for the first ROPS period (January 1, 2012, through June 30, 2012) were provided in several tax distributions by the auditor-controller up through February 1, 2012, and those apportionments were provided prior to the certification and approval of first period ROPS. Therefore, in many cases, there were significant over-apportionments of tax revenues for the first ROPS period.

Pursuant to DOF Guidance: "For those agencies that received the regular property tax allocation in December, those amounts determined to be due to taxing agencies for the January to June period should be deducted from the June 1 payments due to successor agencies for the July 1, 2012, through December 31.

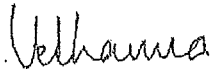
Letter to Successor Agency Finance Directors and Finance Directors of Affected Taxing Entities  
Re: May 1 Estimate of Distributions from Redevelopment Property Tax Trust Funds  
May 11, 2012

2012 period. We have followed this procedure in the attached estimates, showing the overpayments as a deduction against ROPS and successor agency administration distributions for the June 1, 2012, distribution.

We understand that some successor agencies may have used part of the earlier apportionment for payments due in the first half of this fiscal year. However, section 34177(l)(3) provides that "Former redevelopment agency enforceable obligation payments due, and reasonable or necessary administrative costs due or incurred, prior to January 1, 2012, shall be made from property tax revenues received in the spring of 2011 property tax distribution, and from other revenues and balances transferred to the successor agency." We are therefore correcting the over-apportionment, as shown on the attached estimate.

Thank you all for your continued cooperation and support in this very difficult and complex implementation process. Please do not hesitate to contact us with questions. The main contact regarding these estimates is Jai Singh, Controller-Treasurer Division Manager, at (408) 299-5251 or [jai.singh@fin.sccgov.org](mailto:jai.singh@fin.sccgov.org).

Sincerely yours,



Vinod K. Sharma  
Director of Finance

c: Hon. John Chiang, State Controller  
Ms. Ana J. Matosantos, Director, California Department of Finance  
Successor Agency Executive Officers  
Oversight Board Members

County of Santa Clara

Finance Agency  
Controller-Treasurer Department  
Property Tax Division  
70 West Hedding Street, East Wing  
San Jose, California 95110-1705  
(408) 299-2541 FAX 298-7452



Notice of June 1st 2012 Distribution  
Redevelopment Property Tax Trust Fund (RPTTF)

May 31, 2012

Jesse Takahashi, Finance Director  
City of Campbell Successor Agency  
70 North First Street  
Campbell, California, 95008

Re: Redevelopment Property Tax Trust Fund (RPTTF) June 1, 2012 Distribution

Please see below the details of the June 1, 2012 Distribution.

Part A

Property Tax revenue advances (for Jan 1, 2012 thru Jun 30, 2012 ROPS)	\$	3,392,571.81
Less: Max. RPTTF Obligation approved by DOF for Jan to Jun 2012 (excluded Pass-thru)		(729,090.00)
Less: Re-Certified 1st ROPS SA Admin Cost 4/16/12		(125,000.00)
Balance after 1st ROPS		<u>2,538,541.81</u>
Credit applied to certified 2nd ROPS		(1,325,038.00)
Credit applied to certified 2nd ROPS SA Admin cost		(125,000.00)
Balance owed by the SA after June 1 distribution	\$	<u>1,088,503.81</u>

Note:

Pursuant to H&S code section 34177 (1) (3), please return the excess amount immediately to the RPTTF. If the amount is not returned within next 30 days, the County will start charging interest on the balance due using County's commingled pool investment rate of return.

Part B

Deposit: Property Tax from all sources into the RPTTF (for Jul 1, 2012 thru Dec 31, 2012 ROPS)	\$	3,223,445.84
Less: County Auditor's admin costs	(51,086.41)	
Less: SB 2557 Ptax Admin Fee	(87,381.88)	(138,468.29)
Net Available for Distribution under H&S 34183		<u>3,084,977.55</u>

Allocation of Moneys in RPTTF

Priority 1 - Pass-through Payments (See Below)		(2,965,521.88)
Priority 2 - Recognized Payment Obligations - Max. RPTTF Obligations Approved by DOF for Jul to Dec 2012 Credit from overpaid apportionments in the 1st half year	(1,325,038.00)	<u>1,325,038.00</u>
Priority 3 - Successor Agency Admin Costs (mln of 3% alloc to RPTTF or \$250k) - Re-Certified 2nd ROPS 5/16/12 Credit from overpaid apportionments in the 1st half year	(125,000.00)	<u>125,000.00</u>
Priority 4 - SCO Invoices for Audit & Oversight - If any		
Reserve for Items certified by the county auditor/controller but denied by DOF (see Note)		(9,986.00)
Residual Balance (See distribution in Part C)		<u>\$ 109,469.67</u>

Note:

This reserve will be held up until June 30, 2012 to resolve the differences between DOF, auditor/controller and the SA. If the issues are not resolved by June 30, 2012 the amount will be distributed to the taxing entities.

Priority 1 - Pass-through Payments

	Account No.	June 1, 2012 Pass-through Payments Allocation Per Pertinent Code 34183 (a)(1)			Total
		1290 Statutory	2% Inflation	Negotiated	
Santa Clara County	00010			\$ 1,666,132.76	\$ 1,666,132.76
Santa Clara County Library	00090			284,157.76	284,157.76
Campbell	00901	\$ 38,277.38			38,277.38
Cambrian Elementary	10170			123,319.14	123,319.14
Campbell Union Elementary	10190			-	-
Campbell Union High	12010			413,815.84	413,815.84
West Valley-Mission Community College	14004			197,635.00	197,635.00
County School Service	17035			119,407.10	119,407.10
Santa Clara Valley Water District	27010			29,536.54	29,536.54
Bay Area Air Quality Management District	38001	657.96		-	657.96
Campbell Municipal Lighting District	71051			92,582.40	92,582.40
		\$ 657.96	\$ 38,277.38	\$ 2,926,586.54	\$ 2,965,521.88

Part C

	From Part A: Distribution will be made once the funds are returned by Successor Agency	From Part B: Distribution of RPTTF Residual amount on Jun 1 2012
Santa Clara County	148,771.71	\$ 14,961.81
Santa Clara County Library	27,925.15	2,808.40
Campbell	110,198.52	11,082.55
Cambrian Elementary	56,886.88	5,721.05
Campbell Union Elementary	216,013.84	21,724.28
Campbell Union High	191,647.65	19,273.80
West Valley-Mission Community College	91,529.32	9,205.01
County School Service	39,820.86	4,004.74
Santa Clara Valley Water District Central Zone	11,779.32	1,184.63
Santa Clara Valley Water District North Central Zone	260.15	26.16
Santa Clara Valley Water District	1,797.31	180.75
Bay Area Air Quality Management District	2,027.91	203.95
Campbell Municipal Lighting District	13,769.17	1,384.75
Santa Clara County Importation Water-Misc District	5,354.22	538.47
Santa Clara Valley Water District West Zone 4	1,380.07	138.79
ERAF K-12	145,166.33	14,599.22
ERAF College	24,175.39	2,431.29
Total	<u>1,088,503.81</u>	<u>\$ 109,469.67</u>

Please contact Jai Singh (408) 299-5251 or Kenneth Kan at (408) 299-5256 of the Property Tax Apportionment Division if you have any questions.

c.c. Taxing entities

County of Santa Clara

Finance Agency  
Controller-Treasurer Department  
Property Tax Division  
70 West Hedding Street, East Wing  
San Jose, California 95110-1705  
(408) 299-2541 FAX 298-7452



Notice of June 1st 2012 Distribution  
Redevelopment Property Tax Trust Fund (RPTTF)

June 1, 2012

David Woo, Finance Director  
City of Cupertino Successor Agency  
10300 Torre Avenue  
Cupertino, California 95014

Re: Redevelopment Property Tax Trust Fund (RPTTF) June 1, 2012 Distribution

Please see below the details of the June 1, 2012 Distribution.

Part A

	<u>Total</u>
Property Tax revenue advances (for Jan 1, 2012 thru Jun 30, 2012 ROPS)	\$ 171,440.61
Less: Certified 1st ROPS 4/5/12	-
Less: Certified 1st ROPS SA Admin Cost 4/5/12	<u>(125,000.00)</u>
Balance after 1st ROPS	46,440.61
Credit applied to certified 2nd ROPS	-
Credit applied to certified 2nd ROPS SA Admin cost	-
Balance owed by the SA after June 1 distribution	<u>\$ 46,440.61</u>

Note:

Pursuant to H&S code section 34177 (l) (3), please return the excess amount immediately to the RPTTF. If the amount is not returned within next 30 days, the County will start charging interest on the balance due using County's commingled pool investment

Part B

Deposit: Property Tax from all sources into the RPTTF (for Jul 1, 2012 thru Dec 31, 2012 ROPS)	\$ (144,880.77)
Less: County Auditor's admin costs	(41,944.97)
Less: SB 2557 Ptax Admin Fee	<u>(11,519.16)</u> (53,464.13)
Net Available for Distribution under H&S 34183	(198,344.90)

Allocation of Moneys in RPTTF

Priority 1 - Pass-through Pymts	-
Priority 2 - Recognized Payment Obligations - Certified 2nd ROPS 5/21/12	-
Priority 3 - Successor Agency Admin Costs (min of 3% alloc to RPTTF or \$250k) - Certified 2nd ROPS 5/21/12	-
Priority 4 - SCO Invoices for Audit & Oversight - if any	-
RPTTF Deficit	<u>\$ (198,344.90)</u>

Please contact Jai Singh (408) 299-5251 or Kenneth Kan at (408) 299-5256 of the Property Tax Apportionment Division if you have any questions.

County of Santa Clara

Finance Agency  
Controller-Treasurer Department  
Property Tax Division  
70 West Hedding Street, East Wing  
San Jose, California 95110-1705  
(408) 299-2541 FAX 298-7452



Notice of June 1st 2012 Distribution  
Redevelopment Property Tax Trust Fund (RPTTF)

June 1, 2012

Steve Conway, Director of Finance  
Town of Los Gatos Successor Agency  
P.O. Box 949  
Los Gatos, California 95031-0949

Re: Redevelopment Property Tax Trust Fund (RPTTF) June 1, 2012 Distribution

Please see below the details of the June 1, 2012 Distribution.

Part A

	<u>Total</u>
Property Tax revenue advances (for Jan 1, 2012 thru Jun 30, 2012 ROPS)	\$ 4,186,567.37
Less: Max. RPTTF Obligation approved by DOF for Jan to Jun 2012 (excluded Pass-thru)	(1,443,516.00)
Less: Re-Certified 1st ROPS SA Admin Cost 5/14/12	<u>(125,000.00)</u>
Balance after 1st ROPS	2,618,051.37
Credit applied to certified 2nd ROPS	(1,467,333.00)
Credit applied to certified 2nd ROPS SA Admin cost	(125,000.00)
Balance owed by the SA after June 1 distribution	<u>\$ 1,025,718.37</u>

Note:

Pursuant to H&S code section 34177 (1) (3), please return the excess amount immediately to the RPTTF. If the amount is not returned within next 30 days, the County will start charging interest on the balance due using County's commingled pool investment rate of return.

Part B

Deposit: Property Tax from all sources into the RPTTF (for Jul 1, 2012 thru Dec 31, 2012 ROPS)	\$ 4,329,780.33
Less: County Auditor's admin costs	(49,793.25)
Less: SB 2557 Ptax Admin Fee	<u>(120,350.65)</u> (170,143.90)
Net Available for Distribution under H&S 34183	4,159,636.43

Allocation of Moneys in RPTTF

Priority 1 - Pass-through Payments (See Below)	(4,027,213.98)
Priority 2 - Recognized Payment Obligations -	(1,467,333.00)
Max. RPTTF Obligations Approved by DOF for Jul to Dec 2012	
Credit from overpaid apportionments in the 1st half year	<u>1,467,333.00</u>

Priority 3 - Successor Agency Admin Costs (min of 3% alloc to RPTTF or \$250k) - (125,000.00)  
 Certified 2nd ROPS 5/22/12  
 Credit from overpaid apportionments in the 1st half year 125,000.00

Priority 4 - SCO Invoices for Audit & Oversight - if any

Reserve for resolution of pass-through calculation methodology (76,984.74)

Residual Balance (See distribution in Part C) \$ 55,437.71

Priority 1 - Pass-through Payments

	Account No.	Pass-through for June 1, 2012 Distribution			Paid from Prior Distribution	Net
		Agreement	Elected Amt.	Total	Elected Amt	
Santa Clara County	00010	980,152.00	208,796.64	1,188,948.64	104,398.32	1,084,550.32
Town of Los Gatos	02651		120,629.15	120,629.15	60,314.58	60,314.57
Los Gatos Union	10430	1,435,988.00		1,435,988.00		1,435,988.00
Los Gatos High School District	12300	1,082,100.00	173,930.41	1,256,030.41	86,965.21	1,169,065.20
West-Valley Mission College	14004	112,774.00		112,774.00		112,774.00
COE	17035	51,034.00		51,034.00		51,034.00
Central Fire District	23018		131,549.90	131,549.90	65,774.95	65,774.95
Mid-Peninsula Open Space Dist	26001	40,900.00	13,625.88	54,525.88	6,812.94	47,712.94
		<u>3,702,948.00</u>	<u>648,531.98</u>	<u>4,351,479.98</u>	<u>324,266.00</u>	<u>4,027,213.98</u>

Part C

	From Part A: Distribution will be made once the funds are returned by Successor Agency	From Part B: Distribution of RPTTF Residual amount on Jun 1 2012
Santa Clara County	34,841.04	\$ 6,545.23
Los Gatos	27,493.73	5,164.97
Los Gatos Union Elementary	68,353.16	12,840.82
Los Gatos-Saratoga High	51,230.40	9,624.14
West Valley-Mission Community College	21,435.37	4,026.85
County School Service	8,598.50	1,615.31
Central Fire Protection District	39,047.89	7,335.33
Midpeninsula Regional Open Space District	3,997.40	750.95
Santa Clara Valley Water District Central Zone	2,832.82	532.17
Santa Clara Valley Water District	420.92	79.07
Bay Area Air Quality Management District	474.92	89.22
Guadalupe Coyote Resource Conservation District	0.20	0.04
Santa Clara County Importation Water-Misc District	1,253.91	235.56
Santa Clara Valley Water District West Zone 4	323.20	60.72
ERAF K-12	29,830.12	5,603.88
ERAF College	4,967.78	933.25
Reserve for 1st ROPS difference between DOF & County approval	<u>730,617.00</u>	-
Total	<u>1,025,718.37</u>	<u>\$ 55,437.71</u>

Please contact Jai Singh (408) 299-5251 or Kenneth Kan at (408) 299-5256 of the Property Tax Apportionment Division if you have any questions.

c.c. Taxing entities



County of Santa Clara

Finance Agency  
Controller-Treasurer Department  
Property Tax Division  
70 West Hedding Street, East Wing  
San Jose, California 95110-1705  
(408) 298-2541 FAX 298-7452



Notice of June 1st 2012 Distribution  
Redevelopment Property Tax Trust Fund (RPTTF)

June 1, 2012

Emma Karlen, Director of Finance  
City of Milpitas Successor Agency  
455 E. Calaveras Blvd.  
Milpitas, California 95035

Re: Redevelopment Property Tax Trust Fund (RPTTF) June 1, 2012 Distribution

Please see below the details of the June 1, 2012 Distribution.

Part A

	<u>Total</u>
Property Tax revenue advances (for Jan 1, 2012 thru Jun 30, 2012 ROPS)	\$ 16,747,511.07
Less: Adjusted RPTTF Obligation per DOF for Jan to Jun 2012	(12,484,947.00)
Less: Adjusted 1st ROPS SA Admin Cost	<u>(624,247.33)</u>
Balance after 1st ROPS	3,638,316.74
Credit applied to certified 2nd ROPS	(3,638,316.74)
Credit applied to certified 2nd ROPS SA Admin cost	
Balance owed by the SA after June 1 distribution	<u>\$ -</u>

Part B

Deposit: Property Tax from all sources into the RPTTF (for Jul 1, 2012 thru Dec 31, 2012 ROPS)	\$ 16,352,630.88
Less: County Auditor's admin costs	(92,486.67)
Less: SB 2557 Ptax Admin Fee	<u>(482,018.68)</u>
Net Available for Distribution under H&S 34183	15,778,125.53

Allocation of Moneys in RPTTF

Priority 1 - Pass-through Payments (See Below)	(607,902.01)
Priority 2 - Recognized Payment Obligations	
- Adjusted RPTTF Obligations per DOF for Jul thru Dec, 2012	(10,043,071.30)
Credit from overpaid apportionments in the 1st half year	<u>3,638,316.74</u>
	(6,404,754.56)
Priority 3 - Successor Agency Admin Costs (min of 3% alloc to RPTTF or \$250k) - for 2nd ROPS	(301,292.14)
Credit from overpaid apportionments in the 1st half year	<u>-</u>
	(301,292.14)

Priority 4 - SCO Invoices for Audit & Oversight - if any

Reserve for Items certified by the county auditor controller but not approved by DOF (see Note) (709,213.00)  
 Reserve for SA Admin Costs certified by the county auditor controller but not approved by DOF (see Note) (34,851.65)

Residual Balance (See distribution in Part C) \$ 7,720,112.17

Note:

This reserve will be held up until June 30, 2012 to resolve the differences between DOF, auditor controller and the SA. If the issues are not resolved by June 30, 2012 the amount will be distributed to the taxing entities.

Priority 1 - Pass-through Payments

	Account No.	A81290 PT as of 4/30/12	Paid from Prior Distribution	June 1, 2012 Pass- through Payments Allocation Per Pertinent Code 34183 (a)(1)
				1290 Statutory
County	00010	236,608.66	228,853.60	7,755.07
County Library	00090	37,893.07	36,046.08	1,847.00
City of Milpitas	03401	214,401.18	148,185.71	66,215.48
Berryessa Elem	10130	-	-	-
Milpitas Unif	10460	555,950.92	312,108.01	243,842.91
Eastside High	12060	-	-	-
San Jose Comm College	14006	90,147.21	50,607.15	39,540.06
County School Service	17035	43,875.02	24,631.13	19,243.89
SCV Water Dist East 1	27002	23,374.48	14,181.40	9,193.09
SCV Water Dist	27010	2,404.16	1,499.09	905.08
Bay Area Air Quality Mgmt	38001	2,554.90	1,434.28	1,120.62
SCV Water Dist St Water Proj	77001	15,636.78	11,205.79	4,430.99
SCVWD Zone W-4	77021	1,738.72	1,061.66	677.07
Passthrough reserve for ERAF payment (pending for LA Unified case method	01477	213,130.76	-	213,130.76
		<u>1,437,715.88</u>	<u>829,813.88</u>	<u>607,902.01</u>

Part C

From Part B:  
 Distribution of  
 RPTTF Residual  
 amount on June 1,  
 2012

Santa Clara County	1,043,275.00
Santa Clara County Library	195,827.63
Milpitas	1,214,802.52
Milpitas Unified	3,094,559.74
San Jose-Evergreen Community College	501,771.38
County School Service	244,218.24
Santa Clara Valley Water District East Zone 1	130,105.41
Santa Clara Valley Water District	12,603.83
Bay Area Air Quality Management District	14,220.92
Santa Clara County Importation Water-Misc District	37,546.98
Santa Clara Valley Water District West Zone 4	9,677.88
ERAF K-12	1,047,119.69
ERAF College	174,382.94
Total	<u>\$ 7,720,112.17</u>

Please contact Jai Singh (408) 299-5251 or Kenneth Kan at (408) 299-5256 of the Property Tax Apportionment Division if you have any questions.

e.o. Taxing entities

County of Santa Clara

Finance Agency  
 Controller-Treasurer Department  
 Property Tax Division  
 70 West Hedding Street, East Wing  
 San Jose, California 95110-1705  
 (408) 299-2541 FAX 298-7452



Notice of June 1st 2012 Distribution  
 Redevelopment Property Tax Trust Fund (RPTTF)

June 1, 2012

Kevin Riper, Finance Director  
 City of Morgan Hill Successor Agency  
 Redevelopment Agency  
 17555 Peak Ave  
 Morgan Hill, CA 95037

Re: Redevelopment Property Tax Trust Fund (RPTTF) June 1, 2012 Distribution

Please see below the details of the June 1, 2012 Distribution.

Part A

Property Tax revenue advances (for Jan 1, 2012 thru Jun 30, 2012 ROPS)	\$ 8,783,004.95
Less: Adjusted RPTTF Obligation approved by DOF for Jan to Jun 2012	(8,220,835.00)
Less: Re-Certified 1st ROPS SA Admin Cost	<u>(411,042.00)</u>
1st ROPS Balance	151,127.95
Credit applied to certified 2nd ROPS	(151,127.95)
Credit applied to certified 2nd ROPS SA Admin cost	
Balance owed by the SA after June 1 distribution	<u>(0.00)</u>

Part B

Deposit: Property Tax from all sources into the RPTTF (for Jul 1, 2012 thru Dec 31, 2012 ROPS)	\$ 9,357,203.77
Less: County Auditor's admin costs	(95,004.19)
Less: SB 2557 Ptax Admin Fee	<u>(256,627.16)</u>
Net Available for Distribution under H&S 34183	9,005,572.42

Allocation of Moneys in RPTTF

Priority 1 - Pass-through Payments (See Below)	(901,829.44)
Priority 2 - Recognized Payment Obligations - Max. RPTTF Obligations Approved by DOF for Jul to Dec 2012	(6,163,667.00)
Credit from overpaid apportionments in the 1st half year	<u>151,127.95</u>
	(6,012,539.05)
Priority 3 - Successor Agency Admin Costs (min of 3% alloc to RPTTF or \$250k) - Certified 2nd ROPS 5/14/12	(184,910.00)
Credit from overpaid apportionments in the 1st half year	<u>-</u>
	(184,910.00)

Priority 4 - SCO Invoices for Audit & Oversight - if any

Reserve for items certified by the county auditor controller but not approved by DOF (see Note) (667,000.00)  
 Reserve for SA Admin Costs certified by the county auditor controller but not approved by DOF (see Note) (33,350.00)

Residual Balance (See distribution in Part C) \$ 1,205,943.93

Note:

This reserve will be held up until June 30, 2012 to resolve the differences between DOF, auditor controller and the SA. If the issues are not resolved by June 30, 2012 the amount will be distributed to the taxing entities.

Priority 1 - Pass-through Payments

	Account No.	AB1290 PT as of 4/30/12	Paid from Prior Distribution	June 1, 2012 Pass-through Payments Allocation Per Pertinent Code 34183 (a)(1)
				1290 Statutory
County	00010	305,746.16	274,503.49	31,242.68
County Library	00090	50,909.33	44,619.19	6,290.14
City of Morgan Hill	03901	187,695.43	132,109.62	55,585.81
Morgan Hill Unified	10380	829,232.63	427,178.00	402,054.63
Gavilan Comm College	14005	105,405.85	54,299.67	51,106.18
County School Service	17035	63,540.21	32,732.65	30,807.57
So Santa Clara Co Fire	23045	-	-	-
SCV Water Dist East 1	27002	1,656.41	922.56	733.86
SCV Water Dist South	27006	28,293.88	14,575.24	13,718.64
SCV Water Dist General	27010	3,754.85	2,106.09	1,648.77
Bay Area Air Quality Mgmt	38001	3,516.02	1,811.27	1,704.75
Loma Prieta Res Cons Dist	61009	643.76	363.98	279.78
SCVWD Zone W-3	62021	17,786.70	9,874.91	7,911.80
SCV Water Dist St Water Project	77001	16,595.84	12,519.77	4,076.07
Passthrough reserve for ERAF payment (pending for LA Unified	01477	294,668.77		294,668.77
		<u>1,909,445.85</u>	<u>1,007,616.41</u>	<u>901,829.44</u>

Part C

From Part B:

Distribution of RPTTF  
 Residual amount on June 1,  
 2012

Santa Clara County	\$	167,287.88
Santa Clara County Library		31,400.72
Morgan Hill		121,729.27
Morgan Hill Unified		537,796.22
Gavilan Community College		68,360.62
County School Service		41,208.80
Santa Clara Valley Water District East Zone 1		1,763.76
Santa Clara Valley Water District South Zone 1		17,710.52
Santa Clara Valley Water District		2,483.80
Bay Area Air Quality Management District		2,280.31
Loma Prieta Resource Conservation District		419.75
Santa Clara Valley Water District West Zone 3		11,449.99
Santa Clara County Importation Water-Misc District		6,020.61
ERAF K-12		168,045.99
ERAF College		27,985.68
Total	\$	<u>1,205,943.93</u>

Please contact Jai Singh (408) 299-5251 or Kenneth Kan at (408) 299-5256 of the Property Tax Apportionment Division if you have any questions.

c.c. Taxing entities

**County of Santa Clara**

Finance Agency  
Controller-Treasurer Department  
Property Tax Division  
70 West Hedding Street, East Wing  
San Jose, California 95110-1705  
(408) 299-2541 FAX 298-7452



**Notice of June 1st 2012 Distribution  
Redevelopment Property Tax Trust Fund (RPTTF)**

May 31, 2012

Patty Kong  
Finance Director  
City of Mountain View Successor Agency  
P.O. Box 7540  
Mountain View, California 94039

Re: Redevelopment Property Tax Trust Fund (RPTTF) June 1, 2012 Distribution

Please see below the details of the June 1, 2012 Distribution.

**Part A**

	<u>Total</u>
Property Tax revenue advances (for Jan 1, 2012 thru Jun 30, 2012 ROPS)	\$ 2,359,244.72
Less: Max. RPTTF Obligation approved by DOF for Jan to Jun 2012	(395,630.00)
Less: Certified 1st ROPS SA Admin Cost 4/12/12	(125,000.00)
<b>Balance after 1st ROPS</b>	<u>1,838,614.72</u>
Credit applied to certified 2nd ROPS	(1,838,614.72)
Credit applied to certified 2nd ROPS SA Admin cost	
<b>Balance owed by the SA after June 1 distribution</b>	<u>\$ -</u>

**Part B**

<b>Deposit: Property Tax from all sources into the RPTTF (for Jul 1, 2012 thru Dec 31, 2012 ROPS)</b>	\$ 2,185,876.42
Less: County Auditor's admin costs	(42,954.63)
Less: SB 2557 Ptax Admin Fee	(62,228.24)
<b>Net Available for Distribution under H&amp;S 34183</b>	<u>2,080,693.55</u>

**Allocation of Moneys in RPTTF**

**Priority 1 - Pass-through Payments**

<b>Priority 2 - Recognized Payment Obligations -</b>	(2,001,356.72)	
<b>Max. RPTTF Obligations Approved by DOF for Jul to Dec 2012</b>		
<b>Credit from overpaid apportionments in the 1st half year</b>	<u>1,838,614.72</u>	(162,742.00)
<b>Priority 3 - Successor Agency Admin Costs (min of 3% alloc to RPTTF or \$250k</b>	(125,000.00)	
<b>Certified 2nd ROPS 4/27/12</b>		
<b>Credit from overpaid apportionments in the 1st half year</b>	<u>-</u>	(125,000.00)
<b>Priority 4 - SCO Invoices for Audit &amp; Oversight - if any</b>		-
<b>Residual Balance (See distribution in Part C)</b>		<u><u>\$ 1,792,951.55</u></u>

**Part C**

**From Part B:  
Distribution of  
RPTTF Residual  
amount  
on Jun 1 2012**

Santa Clara County	243,648.60
Mountain View	259,827.25
Mountain View Elementary	315,603.44
Mountain View-Los Altos Union High	255,444.00
Foothill-DeAnza Community College	114,343.51
County School Service	61,549.72
Midpeninsula Regional Open Space District	27,954.43
Santa Clara Valley Water District North West Zone 1	21,006.57
Santa Clara Valley Water District	2,943.52
El Camino Hospital	31,727.22
Bay Area Air Quality Management District	3,321.18
Mountain View Parking District No.02	192,806.13
Santa Clara County Importation Water-Misc District	8,768.80
Santa Clara Valley Water District West Zone 4	2,260.19
ERAF K-12	215,807.28
ERAF College	35,939.64
<b>Total</b>	<u><u>1,792,951.51</u></u>

Please contact Jai Singh (408) 299-5251 or Kenneth Kan at (408) 299-5256 of the Property Tax Apportionment Division if you have any questions

c.c. Taxing entities

County of Santa Clara

Finance Agency  
Controller-Treasurer Department  
Property Tax Division  
70 West Hedding Street, East Wing  
San Jose, California 95110-1705  
(408) 299-2541 FAX 298-7452



Notice of June 1st 2012 Distribution  
Redevelopment Property Tax Trust Fund (RPTTF)

June 1, 2012

Gary Ameling, Director of Finance  
City of Santa Clara  
1500 Warburton Avenue  
Santa Clara, California 95050

Re: Redevelopment Property Tax Trust Fund (RPTTF) June 1, 2012 Distribution

Please see below the details of the June 1, 2012 Distribution.

Part A

	<u>Total</u>
Property Tax revenue advances (for Jan 1, 2012 thru Jun 30, 2012 ROPS)	\$ 14,943,205.48
Less: Max. RPTTF Obligation approved by DOF for Jan to Jun 2012	(10,368,963.91)
Less: Re-Certified 1st ROPS SA Admin Cost 4/16/12	<u>(518,448.20)</u>
Balance after 1st ROPS	3,455,793.37
Credit applied to certified 2nd ROPS	(2,952,253.00)
Credit applied to certified 2nd ROPS SA Admin cost	(125,000.00)
Balance owed by the SA after June 1 distribution	<u>\$ 378,540.37</u>

Note:

Pursuant to H&S code section 34177 (l) (3), please return the excess amount immediately to the RPTTF. If the amount is not returned within next 30 days, the County will start charging interest on the balance due using County's commingled pool investment rate of return.

Part B

Deposit: Property Tax from all sources into the RPTTF (for Jul 1, 2012 thru Dec 31, 2012 ROPS)	\$ 14,324,603.57
Less: County Auditor's admin costs	(93,907.69)
Less: SB 2557 Ptax Admin Fee	<u>(402,209.21)</u>
Net Available for Distribution under H&S 34183	13,828,486.67

Allocation of Moncys in RPTTF

Priority 1 - Pass-through Payments (See Below)

(1,024,542.95)

Priority 2 - Recognized Payment Obligations -	(2,952,253.00)
Max. RPTTF Obligations Approved by DOF for Jul to Dec 2012	
Credit from overpaid apportionments in the 1st half year	<u>2,952,253.00</u>
Priority 3 - Successor Agency Admin Costs (min of 3% alloc to RPTTF or \$250k) -	(125,000.00)
Re-certified 2nd ROPS 5/25/12	
Credit from overpaid apportionments in the 1st half year	<u>125,000.00</u>
Priority 4 - SCO Invoices for Audit & Oversight - if any	
Reserve for pending review and resolution of Stadium Contract by the County Auditor	
Controller, Oversight Board and DOF:	(12,803,943.73)
Residual Balance	<u>\$</u>

**Priority 1 - Pass-through Payments**

	Account No.	Pass-through for June 1, 2012 Distribution		Paid from Prior Distribution		June 1, 2012 Pass-through Payments Allocation Per Portion Code 54163 (a)(1)		
		Basic-aid Pass-thru	1290 Statutory	Basic-aid Pass-thru	1290 Statutory	Basic-aid Pass-thru	1290 Statutory	Total
Santa Clara County	00010		171,621.62		151,251.39		20,370.24	20,370.24
Santa Clara	05905		80,105.19		50,458.12		29,647.07	29,647.07
Santa Clara Unified	10680	1,159,611.53	305,641.45	579,805.77	162,547.18	579,805.77	143,084.28	722,900.04
West Valley-Mission Community College	14004		88,381.39		47,003.26		41,378.13	41,378.13
County School Service	17035	128,175.73	31,628.86	64,087.87	16,820.96	64,087.87	14,807.90	78,895.77
Santa Clara Valley Water District Central Zone	27001		-		-		-	-
Santa Clara Valley Water District North Central Zone	27004		9,589.72		5,443.24		4,146.48	4,146.48
Santa Clara Valley Water District	27010		1,796.57		1,047.14		749.44	749.44
El Camino Hospital	35003		66.82		35.54		31.29	31.29
Bay Area Air Quality Management District	38001		1,958.17		1,041.40		916.77	916.77
Santa Clara Bridge District (No.01)	73111		147.31		78.35		68.97	68.97
Santa Clara County Importation Water-Misc District	77001		7,929.94		4,895.29		3,034.65	3,034.65
Santa Clara Valley Water District West Zone 4	77021		1,332.62		770.85		561.77	561.77
Passthrough reserve for ERAF payment (pending for LA Unified case method)	01477		121,842.84		-		121,842.84	121,842.84
		1,287,787.26	822,042.00	643,893.63	441,392.69	643,893.63	380,649.32	1,024,542.95

Please contact Jai Singh (408) 299-5251 or Konneth Kan at (408) 299-5256 of the Property Tax Apportionment Division if you have any questions.

c.c. Taxing entities



County of Santa Clara

Finance Agency  
Controller-Treasurer Department  
Property Tax Division  
70 West Hedding Street, East Wing  
San Jose, California 95110-1705  
(408) 299-2541 FAX 298-7452



Notice of June 1st 2012 Distribution  
Redevelopment Property Tax Trust Fund (RPTTF)

June 1, 2012

Grace Leung, Finance Director  
City of Sunnyvale  
P.O. Box 3707  
Sunnyvale, California 94088

Re: Redevelopment Property Tax Trust Fund (RPTTF) June 1, 2012 Distribution

Please see below the details of the June 1, 2012 Distribution.

Part A

	<u>Total</u>
Property Tax revenue advances (for Jan 1, 2012 thru Jun 30, 2012 ROPS)	\$ 4,673,603.09
Less: Max. RPTTF Obligation approved by DOF for Jan to Jun 2012	(4,607,244.00)
Less: Certified 1st ROPS SA Admin Cost 5/24/12 (limited to available fund)	(66,359.09)
Balance after 1st ROPS	(0.00)
Credit applied to certified 2nd ROPS	-
Credit applied to certified 2nd ROPS SA Admin cost	-
Balance owed by the SA after June 1 distribution	<u>\$ (0.00)</u>

Part B

Deposit: Property Tax from all sources into the RPTTF (for Jul 1, 2012 thru Dec 31, 2012 ROPS)	\$ 4,420,551.41
Less: County Auditor's admin costs	(32,826.52)
Less: SB 2557 Ptax Admin Fee	(136,350.62)
Net Available for Distribution under H&S 34183	<u>4,251,374.27</u>

Allocation of Moneys in RPTTF

Priority 1 - Pass-through Payments

Priority 2 - Recognized Payment Obligations - Max. RPTTF Obligations Approved by DOF for Jul to Dec 2012	(1,685,332.00)
Credit from overpaid apportionments in the 1st half year	<u>(1,685,332.00)</u>

Priority 3 - Successor Agency Admin Costs (min of 3% alloc to RPTTF or \$250k) - Re-Certified 2nd ROPS 5/24/12	(125,000.00)	
Credit from overpaid apportionments in the 1st half year	-	(125,000.00)
Priority 4 - SCO Invoices for Audit & Oversight - If any		-
Reserve for items certified by the county auditor controller but not approved by DOF (see Note)		(7,163.00)
Residual Balance		<u>\$ 2,433,879.27</u>

Part C

From Part B:

	Distribution of RPTTF Residual amount on June 1, 2012
Santa Clara County	\$ 370,014.59
Sunnyvale	310,692.75
Sunnyvale Elementary	527,022.61
Fremont Union High	454,883.00
Foothill-DeAnza Community College	173,646.66
County School Service	88,560.69
Midpeninsula Regional Open Space District	42,452.73
Santa Clara Valley Water District North Central Zone	24,699.10
Santa Clara Valley Water District	4,470.16
El Camino Hospital	48,182.24
Bay Area Air Quality Management District	5,043.68
Santa Clara County Importation Water-Misc District	13,316.65
Santa Clara Valley Water District West Zone 4	3,432.42
ERAF K-12	315,002.75
ERAF College	<u>52,459.24</u>
Total	<u>\$ 2,433,879.27</u>

Please contact Jai Singh (408) 299-5251 or Kenneth Kan at (408) 299-5256 of the Property Tax Apportionment Division if you have any questions.

c.c. Taxing entities

## **EXHIBIT 2**

OFFICE OF THE COUNTY COUNSEL  
COUNTY OF SANTA CLARA

70 West Hedding Street, 9<sup>th</sup> Floor  
San Jose, California 95110-1770  
(408) 299-5900  
(408) 292-7240 (FAX)



Miguel Márquez  
COUNTY COUNSEL

Winifred Botha  
Orry P. Korb  
Lori E. Pegg  
ASSISTANT COUNTY COUNSEL

June 5, 2012

VIA E-MAIL & U.S. MAIL

Hon. John Chiang  
California State Controller  
P.O. Box 9842850  
Sacramento, CA 942850

**Re: Distribution of Tax Revenues from the San José Redevelopment Property  
Tax Trust Fund**

Dear Hon. Chiang:

I write in response to a letter from the San José City Attorney dated June 4, 2012, regarding purported "action" taken on June 1, 2012, by the Santa Clara County Auditor-Controller related to the San José Redevelopment Property Tax Trust Fund (RPTTF).

There is no action to review at this time and San José's letter is premature. As expressly noted in an e-mail to the City of San José on June 1, 2012, no distributions have been made from the San José RPTTF because, pursuant to Health and Safety Code section 34183(b), the County Auditor-Controller is waiting for your concurrence that there are insufficient funds. (See Attachment A.) This delay in distribution is a direct result of San José's failure to respond to the Auditor-Controller regarding your office's specific requests for additional information to determine the sufficiency of funds under section 34183(b). (See Attachment B.)

You can rest assured that the County Auditor-Controller is faithfully and diligently implementing ABX1 26 and all other applicable laws. Nevertheless, San José raises two concerns regarding the anticipated distribution of funds from the RPTTF.

First, San José takes issue with the clear requirement of section 34183(a)(1) to pay passthroughs as the first distribution from the RPTTF. This requirement expressly applies to section 33401 passthroughs such as the agreement between the City and the County. Section 34183(a) applies "[n]otwithstanding any other law . . ." and is clear in its language regarding the

Letter to Hon. John Chiang, State Controller  
Re: Distribution of Tax Revenues from the San José Redevelopment Property Tax Trust Fund  
June 5, 2012  
Page 2 of 3

prioritization and payment of passthrough obligations. Moreover, even under a "reverse waterfall" situation pursuant to section 34183(b), passthroughs are still protected; only passthroughs that the former RDA subordinated pursuant to specific provisions of the Community Redevelopment Law are subordinated, and they are only subordinated to "bond debt."<sup>1</sup> If and when the County Auditor-Controller makes a distribution from the RPTTF, he will follow the straightforward and specific order of distribution set forth in section 34183.

Second, San José expresses concern regarding the allocation of certain special taxes. As you may know, under Proposition 218 and state law, special taxes must be used for the purposes for which they are levied.<sup>2</sup> After a comprehensive legal review by County Counsel and outside counsel to the County, it was determined that it was improper to place levies authorized and imposed for specific purposes into the RPTTF as it would be an unconstitutional diversion of special tax monies.<sup>3</sup> These taxes are levied to meet specific indebtedness obligations and it is unlawful for any portion of those monies to be used for any other purpose, including meeting redevelopment obligations. Bond covenants cannot mandate that San José receive monies in violation of the law.

Finally, San José asserts that it would have insufficient funds to meet certain bonded debt obligations without additional money from the RPTTF. However, we are unable to fully assess the Successor Agency's funding situation because the City has thus far failed to provide the necessary documentation to determine the amount and extent of any insufficiency of funds. Until and unless the City complies with the repeated requests of the Auditor-Controller regarding the insufficiency of funds report, there can be no distribution from the RPTTF. Moreover, the best information available to the County suggests that there is no serious risk of default on any bonded debt owed by the former RDA, as indicated on the attached chart which is based on the DOF-approved ROPS for San José. (See Attachment C.)

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<sup>1</sup> The County has a pre-1994 passthrough agreement with San José pursuant to section 33401. The specific statutory references for passthrough payments that may be subordinated to bonded debt in section 34183(b) do not include section 33401. The fact that section 34183, subdivision (a), expressly includes section 33401 passthrough agreements but subdivision (b) does not indicates that the Legislature intended to exclude section 33401 passthrough agreements from the types of passthrough payments that would be subordinated in reverse waterfall situations.

<sup>2</sup> See CAL. CONST. art. XIII C, §§ 1-2; Cal. Gov't Code § 53724(e).

<sup>3</sup> These levies included the Santa Clara Valley Water District State Water Project, the Santa Clara Valley Water District Zone 1 Bond, and the Santa Clara County Retirement Levy.

Letter to Hon. John Chiang, State Controller  
Re: Distribution of Tax Revenues from the San José Redevelopment Property Tax Trust Fund  
June 5, 2012  
Page 3 of 3

As always, we are happy to discuss these matters with your office in greater detail. We are very appreciative of the State Controller's efforts in the implementation of ABX1 26.

Very truly yours,

MIGUEL MÁRQUEZ  
County Counsel



JAMES R. WILLIAMS  
Deputy County Counsel

JRW:jrw

Attachments: A – June 1, 2012, e-mail to San José Finance Staff  
B – E-mails to San José Staff regarding State Controller request  
C – San José Cash Flow Analysis Based on Approved ROPS

c: Vinod K. Sharma, County Director of Finance  
County Board of Supervisors  
San José Oversight Board  
San José Mayor and City Council  
Ms. Debra Figone, San José City Manager  
Mr. Rick Doyle, San José City Attorney

591776

**Singh, Jai**

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**From:** Singh, Jai  
**Sent:** Friday, June 01, 2012 4:08 PM  
**To:** abe.andrade@sanjoseca.gov  
**Cc:** Kelt, Richard <Richard.Kelt@sanjoseca.gov> (Richard.Kelt@sanjoseca.gov); Andrews, Arn (Arn.Andrews@sanjoseca.gov); Lui, Irene (Irene.Lui@fin.sccgov.org); Vinod.Sharma@fin.sccgov.org; Kan, Kenneth  
**Subject:** Updated Amounts in RPTTF as of June 1, 2012  
**Attachments:** June 1 SJ.pdf

Abe,

*This is to notify you that we are holding the June 1 distribution funds shown in the attached worksheet in the RPTTF pending resolution by the SCO. As soon as we receive green signal from the SCO to release the funds to SJSA, we will do so immediately.*

*In the meantime should you have any questions, please let me know.*

*Jai Singh*

**Jai Singh, CPA, MPA**  
Controller - Treasurer Division Manager  
Phone: 408-299-5251  
Fax: 408-298-7452

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**Singh, Jai**

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**From:** Kell, Richard <Richard.Kell@sanjoseca.gov>  
**Sent:** Friday, May 25, 2012 9:38 AM  
**To:** Singh, Jai  
**Co:** Andrade, Abe; Andrews, Arn; Lul, Irene; Sharma, Vinod; Kan, Kenneth  
**Subject:** RE: San Jose Successor's claim of insufficiency

Jai

Thanks for the update -- we will start getting the information together and provide on Tuesday.

I have not heard anything from DOF? Have you or Irene?

Richard Kell, Managing Director  
Successor Agency to  
The Redevelopment Agency of the City of San Jose  
200 E. Santa Clara St. 14th Floor  
San Jose, CA 95113  
(408) 795-1849  
[www.sjredevelopment.org](http://www.sjredevelopment.org)

---

**From:** Singh, Jai [mailto:Jai.Singh@fin.sccgov.org]  
**Sent:** Thursday, May 24, 2012 5:34 PM  
**To:** Kell, Richard  
**Cc:** Andrade, Abe; Andrews, Arn; Lul, Irene; Sharma, Vinod; Kan, Kenneth  
**Subject:** FW: San Jose Successor's claim of insufficiency

Hello Richard,

We have forwarded the Insufficient funds information to the State Controller's office (SCO) for their review that you have submitted with us pursuant to the H&S code 34183 subsection (b). The SCO office has finally responded (see e-mail below).

We will appreciate your assistance to make sure that we comply with the request of the SCO. It appears that SCO would like to have the supporting documents along with the insufficient fund report. To ensure that SCO does not put ten day hold on the disbursement process, please provide the following information with the supporting documents as well as the plan that shows that City is planning to fund the insufficient funds from the City General Fund.

**Beginning Balances:**

- 1) Cash on hand as of July 1, 2011 (combined 80% and 20%) -- (This can be verified to the audited financial statements)
- 2) Cash with fiscal agents as of July 1, 2011 (Please provide supporting documents)
- 3) Liquid investments as of July 1, 2011 such as LAIF or short term investments (Please provide supporting documents)

**Cash Inflows:**

- 4) Property tax advances received from County from July 1, 2011 up to Jan. 31, 2012 (We can verify the information to our records)



- 5) All other cash inflows such as rental income, interest income etc. from July 1, 2011 to date (Please provide supporting documents such as financial statements to date)
- 6) Property taxes expected from the County as of June 1 ( We can verify it to the May 1 estimate that we have provided you)

Cash outflows:

- 7) Disbursements made from fund balances from July 1, 2011 to December 2011 (Please provide supporting documents)
- 8) Obligations due for the 1st ROPS (We can verify to the certified ROPS)
- 9) Obligations due for the 2nd ROPS (We can verify to the certified ROPS)
- 10) Advances to the fiscal agent (Please provide supporting documents)

Ending Balances:

- 11) Cash on hand (combined 80% and 20%)
- 12) Cash with fiscal agent
- 13) Liquid investments

*Jai Singh*

**Jai Singh, CPA, MPA**

Controller-Treasurer Division Manager

Phone: 408-299-5251

Fax: 408-298-7452

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**From:** SATaylor@sco.ca.gov [mailto:SATaylor@sco.ca.gov]  
**Sent:** Thursday, May 24, 2012 4:03 PM  
**To:** Kan, Kenneth  
**Subject:** San Jose Successor's claim of Insufficiency

Dear Mr. Kan:

The State Controller's Office has received your email dated May 11, 2012, regarding the insufficient funds of City of San Jose Successor Agency. In such circumstances, Health and Safety Code section 34183(b) states, "The county auditor-controller shall verify whether the successor agency will have sufficient funds from which to service debts according to the Recognized Obligations Payment Schedule and shall report the findings to the Controller."

**Jai Singh, CPA, MPA**  
Controller - Treasurer Division Manager  
Phone: 408-299-5261  
Fax: 408-298-7452

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**From:** SATaylor@sco.ca.gov [mailto:SATaylor@sco.ca.gov]  
**Sent:** Thursday, May 24, 2012 4:03 PM  
**To:** Kan, Kenneth  
**Subject:** San Jose Successor's claim of Insufficiency

Dear Mr. Kan:

The State Controller's Office has received your email dated May 11, 2012, regarding the insufficient funds of City of San Jose Successor Agency. In such circumstances, Health and Safety Code section 34183(b) states, "The county auditor-controller shall verify whether the successor agency will have sufficient funds from which to service debts according to the Recognized Obligations Payment Schedule and shall report the findings to the Controller."

There is no prescribed format for your report at this time; a cover letter clearly stating whether there are or are not sufficient funds from which the successor may service debts and appropriate supporting documentation would suffice. The supporting documentation should include an analysis of the current balance of cash and near-cash equivalents (Investments, LAIF deposits, etc.) available to the successor, an analysis of the expected cash inflows, and a copy of the Recognized Obligation Payment Schedule as approved by the Department of Finance. Upon receipt of your report, the State Controller's Office will have three business days to concur or request a review, which would place a ten-day hold on disbursement actions.

When can the State Controller's Office expect to hear the results of your evaluation?

Thank you for contacting the State Controller's Office; please let us know if we can be of further assistance.

[RDA-SDSupport@sco.ca.gov](mailto:RDA-SDSupport@sco.ca.gov)  
(916) 327-1017

**Singh, Jai**

---

**From:** Kelt, Richard <Richard.Kelt@sanjoseca.gov>  
**Sent:** Wednesday, May 30, 2012 5:23 PM  
**To:** Singh, Jai  
**Cc:** Andrade, Abe  
**Subject:** RE: San Jose Successor's claim of Insufficiency

Thanks Jai for copying me. I think we should have this wrapped up tomorrow.

Richard Kelt, Managing Director  
Successor Agency to  
The Redevelopment Agency of the City of San Jose  
200 E. Santa Clara St. 14th Floor  
San Jose, CA 95113  
(408) 798-1849  
[www.sjredevelopment.org](http://www.sjredevelopment.org)

---

**From:** Singh, Jai [mailto:Jai.Singh@fn.sccgov.org]  
**Sent:** Wednesday, May 30, 2012 5:17 PM  
**To:** SATaylor@sco.ca.gov; RDA-SDSupport@sco.ca.gov  
**Cc:** Sharma, Vinod; Lui, Irene; Kan, Kenneth; Kelt, Richard; Andrade, Abe  
**Subject:** FW: San Jose Successor's claim of Insufficiency

Hello Mr. Taylor,

We have requested the below noted information from San Jose Successor Agency (SJSA) to verify the insufficient funds that SJSA has reported for June 1 distribution. We are still waiting for the information from SJSA. In order to comply with the H&S code section 34183 (b), we will hold the June 1, 2012 distribution for SJSA until your office concurs with our findings. As soon as your office concurs with our findings, we will distribute the funds based upon H&S Code section 34183 (b).

*Jai Singh*

**Jai Singh, CPA, MPA**  
Controller - Treasurer Division Manager  
Phone: 408-299-5251  
Fax: 408-298-7452

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---

**From:** Singh, Jai  
**Sent:** Thursday, May 24, 2012 5:34 PM  
**To:** Kelt, Richard <Richard.Kelt@sanjoseca.gov> (Richard.Kelt@sanjoseca.gov)

Cc: abe.andrade@sanjoseca.gov; Andrews, Arn (Arn.Andrews@sanjoseca.gov); Lul, Irene (Irene.Lul@fin.sccgov.org); Vinod.Sharma@fin.sccgov.org; Kan, Kenneth  
Subject: FW: San Jose Successor's claim of Insufficiency

Hello Richard,

We have forwarded the insufficient funds information to the State Controller's office (SCO) for their review that you have submitted with us pursuant to the H&S code 34183 subsection (b). The SCO office has finally responded (see e-mail below).

We will appreciate your assistance to make sure that we comply with the request of the SCO. It appears that SCO would like to have the supporting documents along with the insufficient fund report. To ensure that SCO does not put ten day hold on the disbursement process, please provide the following information with the supporting documents as well as the plan that shows that City is planning to fund the insufficient funds from the City General Fund.

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- 2) Cash with fiscal agents as of July 1, 2011 (Please provide supporting documents)
- 3) Liquid Investments as of July 1, 2011 such as LAIF or short term investments (Please provide supporting documents)

**Cash Inflows:**

- 4) Property tax advances received from County from July 1, 2011 up to Jan. 31, 2012 (We can verify the information to our records)
- 5) All other cash inflows such as rental income, interest income etc. from July 1, 2011 to date (Please provide supporting documents such as financial statements to date)
- 6) Property taxes expected from the County as of June 1 (We can verify it to the May 1 estimate that we have provided you)

**Cash outflows:**

- 7) Disbursements made from fund balances from July 1, 2011 to December 2011 (Please provide supporting documents)
- 8) Obligations due for the 1st ROPS (We can verify to the certified ROPS)
- 9) Obligations due for the 2nd ROPS (We can verify to the certified ROPS)
- 10) Advances to the fiscal agent (Please provide supporting documents)

**Ending Balances:**

- 11) Cash on hand (combined 80% and 20%)
- 12) Cash with fiscal agent
- 13) Liquid Investments

*Jai Singh*

There is no prescribed format for your report at this time; a cover letter clearly stating whether there are or are not sufficient funds from which the successor may service debts and appropriate supporting documentation would suffice. The supporting documentation should include an analysis of the current balance of cash and near-cash equivalents (Investments, LAIF deposits, etc.) available to the successor, an analysis of the expected cash inflows, and a copy of the Recognized Obligation Payment Schedule as approved by the Department of Finance. Upon receipt of your report, the State Controller's Office will have three business days to concur or request a review, which would place a ten-day hold on disbursement actions.

When can the State Controller's Office expect to hear the results of your evaluation?

Thank you for contacting the State Controller's Office; please let us know if we can be of further assistance.

[RDA-SDSupport@sco.ca.gov](mailto:RDA-SDSupport@sco.ca.gov)  
(916) 327-1017

**Singh, Jai**

---

**From:** Kelt, Richard <Richard.Kelt@sanjoseca.gov>  
**Sent:** Friday, June 01, 2012 6:51 PM  
**To:** Singh, Jai  
**Cc:** Lui, Irene; Sharma, Vinod; Andrews, Arn; Andrade, Abe  
**Subject:** RE: Insufficient Funds Responsibilities for Counties and Successor Agencies

Jai

Thanks, I did receive and I thought we would wrap this up today but Abe had a funeral. I see no reason that we will not be finished on Monday. Have a good week-end. And go home it is late.

Richard Kelt, Managing Director  
Successor Agency to  
The Redevelopment Agency of the City of San Jose  
200 E. Santa Clara St. 14th Floor  
San Jose, CA 95113  
(408) 795-1849  
[www.sjredevelopment.org](http://www.sjredevelopment.org)

---

**From:** Singh, Jai [mailto:Jai.Singh@fn.sccgov.org]  
**Sent:** Friday, June 01, 2012 6:47 PM  
**To:** Kelt, Richard  
**Cc:** Lui, Irene; Sharma, Vinod; Andrews, Arn; Andrade, Abe  
**Subject:** FW: Insufficient Funds Responsibilities for Counties and Successor Agencies

Hello Richard,

I hope you have received the latest release of information from SCO regarding "SCO RDA insufficiency guidance" as it is addressed to both successor agency officials and the County auditor-controllers. We would like to resolve this matter as soon as possible. Please provide the information we have requested in May 24 e-mail so that we can verify the information and resolve this matter quickly.

*Jai Singh*

**Jai Singh, CPA, MPA**  
Controller-Treasurer Division Manager  
Phone: 408-299-5251  
Fax: 408-298-7452

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**From:** LBryant@sco.ca.gov [mailto:LBryant@sco.ca.gov]  
**Sent:** Friday, June 01, 2012 4:45 PM

**To:** pat.oconnell@acgov.org; mmclelland@alpinecountyca.com; jlowe@co.amador.ca.us; dhouser@buttecounty.net; ccauditor@co.calaveras.ca.us; pscroggins@countyofcolusa.org; bob.campbell@ac.cccounty.us; cschaad@dnco.org; joe.harn@co.el-dorado.ca.us; vcrow@co.fresno.ca.us; trozmaryn@countyofglenn.net; jmellett@co.humboldt.ca.us; dougnewland@imperialcounty.net; lchapman@inyocounty.us; barnetta@co.kern.ca.us; Doll.Osteen@co.kings.ca.us; pam\_c@co.lake.ca.us; kfouch@co.lassen.ca.us; wwatanabe@auditor.lacounty.gov; janet.kroeger@madera-county.com; rglven@co.marlin.ca.us; wdavis@mariposacounty.org; ford.m@co.mendocino.ca.us; lcardella-presto@co.merced.ca.us; darcylocken@co.modoc.ca.us; bmult@mono.ca.gov; millerm@co.monterey.ca.us; tschulze@co.napa.ca.us; marcia.salter@co.nevada.ca.us; david.sundstrom@ocgov.com; kmartin@placer.ca.gov; smontgomery@countyofplumas.com; pangulo@co.riverside.ca.us; valverde@sjcounty.net; jgonzalez@auditor.co.san-benito.ca.us; larrywalker@acr.sbcounty.gov; tracy.sandoval@sdcounty.ca.gov; ben.rosenfield@sfgov.org; avanhouten@sjgov.org; gslbbach@co.slo.ca.us; thuening@co.sanmateo.ca.us; gels@co.santa-barbara.ca.us; Sharma, Vinod; maryjo.walker@co.santa-cruz.ca.us; cregnell@co.shasta.ca.us; auditorrisk@sierracounty.ws; jebejer@co.siskiyou.ca.us; spadilla@solanocounty.com; ddunk@sonoma-county.org; klein@stancounty.com; rstark@co.sutter.ca.us; landerson@tehama.net; mhorn@trinitycounty.org; rwoodard@co.tulare.ca.us; drussell@co.tuolumne.ca.us; christine.cohen@ventura.org; hnewens@yolocounty.org; dsellers@co.yuba.ca.us  
**Subject:** Insufficient Funds Responsibilities for Counties and Successor Agencies

Dear County Auditor-Controller,

Attached please find guidance prepared by our office to help you and the successor agencies fulfill your property tax distribution duties under Health and Safety Code Section 34183, including instances of insufficiency. Please distribute this to your successor agencies and any of your staff that you feel would benefit, such as property tax personnel. If you have any questions, please feel free to contact us at [RDA-SDsupport@sco.ca.gov](mailto:RDA-SDsupport@sco.ca.gov) or (916) 327-1017.

Regards,

State Controller's Office  
3301 C Street, Suite 740  
Sacramento, CA 95816

Attachment C

ATTACHMENT C - SAN JOSE SUCCESSOR AGENCY CASH FLOW ANALYSIS BASED UPON DOF APPROVED 1ST AND 2ND ROPS

	JUNION BANK - BONDS	US BANK SUBORDINATED DEBT	WELLS FARGO BANK HOUSING BONDS	LOC - JP MORGAN	FISCAL AGENT SERVICE FEES	TOTAL AGENCY- ONLY BONDS OBLIGATIONS	CITY-BACKED DEBITS - CITY CONVENTION CENTER & 4TH STREET GARAGE (NOTE A)	Others
1ST ROPS - DOF-APPROVED	40,708,238	147,853	3,080,000	141,700	42,077,791	(4,877,071)		
2ND ROPS - DOF-APPROVED	92,297,788	3,300,000	17,241,826	131,312	114,386,593	(14,027,307)	(291,650)	
TOTAL	133,006,026	3,447,853	17,241,826	273,012	156,464,326	(18,904,378)	(291,650)	

PRIME FUNDS FOR ROPS

PROPERTY TAX-DISTRIBUTED UP TO JAN 31, 2012 87,661,839  
 EST. PROPERTY TAX DISTRIBUTION DUE IN JUN 2012 61,781,574  
 TOTAL FUNDS AVAILABLE FROM PROPERTY TAXES 149,443,413

OTHER RESOURCES

SALE OF ASSETS 4,500,000  
 CASH WITH FISCAL AGENTS 3,423,000  
 TOTAL FROM OTHER RESOURCES 7,923,000  
 TOTAL AVAILABLE TO PAY BONDS AND SENIOR DEBT OBLIGATIONS 157,366,413

SURPLUS (DEFICIT) TO PAY OTHER OBLIGATIONS

652,087

NOTE A: These debits are backed by pledges from the City as well as from the former RDA.



# **EXHIBIT 3**

DRAFT

EXHIBIT 3

County of Santa Clara

Finance Agency  
Controller-Treasurer Department  
Property Tax Division  
70 West Hedding Street, East Wing  
San Jose, California 95110-1705  
(408) 299-2541 FAX 298-7452



Part A

	<u>Total</u>
Property Tax revenue advances (for Jan 1, 2012 thru Jun 30, 2012 ROPS)	\$ 87,661,839.00
Less: Max. RPTTF Obligation approved by DOF for Jan to Jun 2012	(46,954,862.00)
Less: Re-Certified 1st ROPS SA Admin Cost 5/18/12	<u>(1,362,577.00)</u>
Balance after 1st ROPS	39,344,400.00
Credit applied to certified 2nd ROPS	(39,344,400.00)
Credit applied to certified 2nd ROPS SA Admin cost	-
Balance owed by the SA after June 1 distribution	<u>\$ -</u>

Part B

Deposit: Property Tax from all sources into the RPTTF (for Jul 1, 2012 thru Dec 31, 2012 ROPS)	\$ 82,903,286.94
Less: County Auditor's admin costs	(156,189.01)
Less: SB 2557 Ptax Admin Fee	<u>(2,386,163.29)</u>
Net Available for Distribution under H&S 34183	80,360,934.64

Allocation of Moneys in RPTTF

Priority 1 - Pass-through Payments (See Below)	(18,579,360.37)
Total Amount available to distribute to Successor Agency to pay ROPS obligations	<u>61,781,574.27</u>
Priority 2 - Recognized Payment Obligations - Max. RPTTF Obligations Approved by DOF for Jul to Dec 2012 - Credit from overpaid apportionments in the 1st half year	(128,675,492.00)
	<u>39,344,400.00</u>
Insufficient Fund Balance for ROPS	<u>\$ (27,549,517.73)</u>

Priority 3 - Successor Agency Admin Costs (min of 3% alloc to RPTTF or \$250k) - Re-certified 2nd ROPS 5/23/12

- Eliminated under 34183 (b)

Priority 4 - SCO Invoices for Audit & Oversight - if any

DRAFT

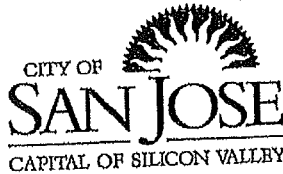
EXHIBIT 3

Priority 1 - Pass-through Payments

	Account No.	Contractual Pass-thru	FY 2010-11 AB1290 PT	FY 2011-12 AB1290 PT as of 4/30/12	June 1, 2012 Pass-through Payments Allocation Per Pertinent Code 34185 (a)(1)		
					Contractual Pass-thru	1290 Statutory	Total
County	00010	15,719,157.00	-	-	15,719,157.00	-	15,719,157.00
County Library	00090	-	24.76	0.02	-	24.78	24.78
San Jose City	05401	-	-	-	-	-	-
Santa Clara City	05905	-	-	-	-	-	-
Evergreen Elem	10250	-	-	-	-	-	-
Franklin-McKinley Elem	10270	-	142,821.40	131,420.86	-	274,242.26	274,242.26
Morgan Hill Unif	10380	-	-	-	-	-	-
Millpitas Unif	10460	-	-	-	-	-	-
Oak Grove Elem	10590	-	105,239.02	20,367.89	-	125,606.41	125,606.41
Orchard Elem	10610	-	39,260.86	3,089.25	-	42,350.11	42,350.11
San Jose Unif	10670	-	498,195.97	469,896.90	-	968,092.87	968,092.87
Santa Clara Unif	10680	-	15,543.57	164,177.99	-	179,721.56	179,721.56
Eastside High	12060	-	253,322.73	95,461.54	-	348,784.27	348,784.27
West Valley College	14004	-	4,494.69	42,677.52	-	47,172.21	47,172.21
Gavilan Comm College	14005	-	-	-	-	-	-
San Jose Comm College	14006	-	291,878.96	206,546.52	-	498,425.48	498,425.48
County School Server	17035	-	145,993.21	112,355.68	-	258,348.89	258,348.89
Central Fire	23018	-	82.52	0.11	-	82.63	82.63
SCVWD Central	27001	-	-	-	-	-	-
SCVWD East	27002	-	-	-	-	-	-
SCVWD General	27010	-	-	-	-	-	-
Bay Area Air Quality Mgmt	38001	-	8,371.86	6,769.42	-	15,141.28	15,141.28
Guadalupe-Coyote Res Cons Dist	61005	-	392.69	183.12	-	575.81	575.81
SJ Maintenance Dist 1	71061	-	-	-	-	-	-
SC-Bridge Dist 1	73111	-	-	-	-	-	-
SCVWD St Water Project	77001	-	-	-	-	-	-
SCVWD Zone W-4	77021	-	-	-	-	-	-
Passthrough reserve for ERAF payment (pending for LA Unified case metho	01477	-	-	101,634.81	-	101,634.81	101,634.81
		15,719,157.00	1,505,622.24	1,354,581.13	15,719,157.00	2,860,203.37	18,579,360.37

Please contact Jai Singh (408) 299-5251 or Kenneth Knn at (408) 299-5256 of the Property Tax Apportionment Division if you have any questions.

# **EXHIBIT 4**



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL/SUCCESSOR  
AGENCY BOARD

**FROM:** Richard A. Keit  
Leslye Corsiglia  
Jennifer A. Maguire

**SUBJECT:** 2011-2012 BUDGET ACTIONS AND  
COOPERATION AGREEMENT  
RELATED TO SUCCESSOR AGENCY

**DATE:** May 21, 2012

Approved

Date

6/11/12

## RECOMMENDATION

1. Adopt City Appropriation Ordinance and Funding Sources Resolution amendments to repeal Ordinance No. 29029 and Resolution No. 76133 in the Redevelopment Obligation Retirement Fund.
2. Adopt City Appropriation Ordinance and Funding Sources Resolution amendments for 2011-2012 in the Low and Moderate Income Housing Fund to amend Ordinance No. 29027 and Resolution 76131, to be effective from July 1, 2011 through January 31, 2012, as outlined in Attachment A.
3. Approval by the City Council and City Council in its capacity as the Successor Agency Board of a Cooperation Agreement between the City of San José and the Successor Agency to the Redevelopment Agency of the City of San Jose for Operating Expenses February 2012 through June 2012.

## OUTCOME

Approval of the ordinance and resolution actions pertaining to the Successor Agency and Successor Housing Agency Budgets continues to facilitate: the winding down of the former Redevelopment Agency's affairs and the transition to Successor Agency and Successor Housing Agency; and, the continuation of the cooperation agreement outlining City expenditures on behalf of the Successor Agency.

HONORABLE MAYOR AND CITY COUNCIL

May 21, 2012

Subject: 2011-2012 Budget Actions and Cooperation Agreement Related to Successor Agency

Page 2

## BACKGROUND

On January 24, 2012, the City Council and the City Council in its capacity as the Successor Agency approved actions to establish the Redevelopment Obligation Retirement Fund consistent with AB X1 26 and approved the formal transfer of assets and liabilities from the former Redevelopment Agency to the Successor Agency. Funding was budgeted for the period of February 1, 2012 and June 30, 2012, to execute the responsibilities of the Successor Agency, and reflected the most current information at that time. Since January, the Administration has been working to transition the former Redevelopment Agency internally with a multi-departmental team as well as closely coordinating with the Santa Clara County to refine analysis of the intent and impacts of the legislation governing the Successor Agency and its finances.

In addition, pursuant to the requirements outlined in AB X1 26, the Successor Agency must prepare an administrative budget as well as a Recognized Obligation Payment Schedule (ROPS) every six-months for the City Council in its capacity as the Successor Agency Board as well as the Oversight Board to review and approve. These requirements have been met with the preparation and submittals of administrative budgets and ROPS for both the period February 1 through June 30, 2012, and July 1, through December 31, 2012, which were considered and approved by the City Council as Successor Agency Board and the Oversight Board.

## ANALYSIS

### Successor Agency and Successor Housing Agency Budget Adjustments

On January 24, 2012, a number of actions were brought forth approving the establishment of the Redevelopment Obligation Retirement Fund and amending the authority over the Low and Moderate Income Housing Fund from the City designating it to be a Successor Agency Fund. Upon further analysis, it has been determined it is not appropriate for the budget to be approved by City ordinances as previously recommended and approved by the Board. To continue to reflect the separate nature of the Successor Agency operations from the City's operations and remaining consistent with the intent of the legislation, the administration recommends that the February 1, 2012 through June 30, 2012, Successor Agency five month budgeted City appropriation ordinance and funding sources resolutions be repealed in the Redevelopment Retirement Obligation Fund and amended in the Low and Moderate Income Housing Fund to be effective from July 1, 2011 through January 31, 2012 (as discussed in more detail below). Authority for financial activities beginning February 1<sup>st</sup> for both the Successor Agency and the Successor Housing Agency have been provided through the approval of the scheduled payments for enforceable obligations as detailed on the ROPS and will continue to be approved as part of the bi-annual ROPS in future years.

A second action taken on January 24, 2012, was the transfer of all affordable housing assets to the City, as the Successor Housing Agency. This action included the transfer of the loan portfolio holding more than \$550,000,000 representing over 900 loans, land held for future

May 21, 2012

Subject: 2011-2012 Budget Actions and Cooperation Agreement Related to Successor Agency

Page 3

housing development, and leases and contracts. In further review of AB X1 26, it has become clear that encumbered contracts and other affordable housing projects obligated to be completed should be treated as housing assets and will also be transferred to the City as Successor Housing Agency. Additionally, cash balances generated from loan repayments were also transferred to the Successor Housing Agency. The City established a new City fund, the Affordable Housing Investment Fund (Fund 346) to manage all of the affordable housing assets which will be managed as a part of the City budget in future years. As mentioned above, the expenditures in the Low and Moderate Income Housing Fund (Fund 443) will be approved as a part of the bi-annual ROPS in future years. Therefore, the recommended Appropriation Ordinance and Funding Source Resolution actions related to the Low and Moderate Housing Income Fund in 2011-2012 are related to the limited time period of July 1, 2011 to January 31, 2012 and the transfer of assets to the Successor Housing Agency.

#### Cooperation Agreement between the City of San José and the Successor Agency

On June 17, 2011, the City Council approved the 2011-2012 Cooperation Agreements for 1) Capital Improvement Projects in the Merged Redevelopment Area and 2) Operating Expenses between the City of San Jose and the Redevelopment Agency. Effective February 1, 2012 AB X1 26 invalidated those agreements. On April 12, 2012, the Oversight Board adopted a resolution authorizing the Successor Agency to enter into a Cooperation Agreement with the City of San José for Operating Expenses from February 1, 2012 through June 30, 2012, under the terms previously established in the invalidated Cooperation Agreement. The Cooperation Agreement is recommended for City Council approval to continue already budgeted funding and support for the remainder of 2011-2012.

It should be noted that there has been a significant contribution of City staff resources to the increased activity associated with the winding down and transition of the former Redevelopment Agency's business transactions. Due to the limited financial ability of the former Redevelopment Agency/Successor Agency, the amounts funded in today's budget action and shown in the cooperation agreement do not fully cover the City's costs.

#### Tax Increment Projections

Successor Agency and City staffs have been engaged in conversation with staff from Santa Clara County in an effort to find consensus on the implementation of AB X1 26. The County Auditor-Controllers Office is responsible for the distribution of tax increment to all Successor Agencies in the County. Assumptions used in this memorandum to determine the amount of tax increment for the 2011-2012 budget year have not yet been confirmed by the County.

#### EVALUATION AND FOLLOW-UP

Successor Agency staff will continue to return to the City Council and the Successor Agency Board regarding Oversight Board actions and budgetary authority through the bi-annual approval of the Recognized Obligation Payment Schedule and Administrative Budget.

May 21, 2012

Subject: 2011-2012 Budget Actions and Cooperation Agreement Related to Successor Agency

Page 4

**PUBLIC OUTREACH/INTEREST**

- ✓ **Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

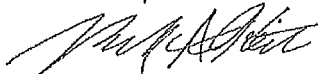
This action meets Criteria 1 above and will be posted to be considered by the City Council on the June 12, 2012 meeting.

**COORDINATION**

This item was coordinated with the City Attorney's Office.

**CEQA**

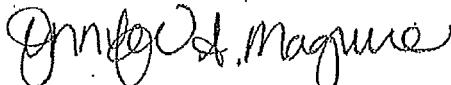
Exempt, File No. PP12-008.



RICHARD A. KEIT  
Managing Director  
Successor Agency



LESLIE CORSIGLIA  
Housing Director



JENNIFER A. MAGUIRE  
Budget Director

For questions, please contact Abe Andrade, Chief Fiscal Officer of the Successor Agency (408 795-1821) or Rachel VanderVeen in the Housing Department (408 535-8235).

Attachment A: Statement of Source and Use of Funds Low and Moderate Income Housing Fund and appropriation recommendation language.



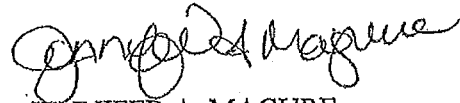
HONORABLE MAYOR AND CITY COUNCIL

May 21, 2012

Subject: 2011-2012 Budget Actions and Cooperation Agreement Related to Successor Agency

Page 6

I hereby certify that there will be available for appropriation in the Low and Moderate Income Housing Fund in the Fiscal Year 2011-2012 moneys in excess of those heretofore appropriated therefrom, said excess being at least \$2,093,116.



JENNIFER A. MAGURE  
Budget Director

1. Adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the Low and Moderate Income Housing Fund:

- a. Increase the Beginning Fund Balance by \$18,934,365;
- b. Increase the revenue estimate for Earned Revenue by \$2,093,116;
- c. Decrease the revenue estimate for the Transfer from the Redevelopment Obligation Retirement Fund by \$3,556,000;
- d. Establish a Transfer to the Affordable Housing Investment Fund by \$18,934,345;
- e. Establish a Transfer to the Redevelopment Obligation Retirement Fund by \$5,600,000;
- f. Decrease the Housing Loans and Grants appropriation by \$531,861;
- g. Decrease the Reserve for Enforceable Obligations by \$3,792,085;
- h. Decrease the Housing Rehabilitation Loan appropriation by \$325,000;
- i. Decrease the Loan Management appropriation by \$250,000
- j. Decrease the Commercial Paper Debt Service appropriation by \$608,272;
- k. Decrease the Debt Service appropriation by \$1,613,555; and
- l. Increase the Housing Non-Personal/Equipment appropriation by \$57,909.

GL316 Cash Voucher Edit List

Signature: OH AMW 2/9/12 signature: 2/9/12 signature: \_\_\_\_\_ Operator: H53

Batch 320120 Month 7 January 1,2012 through January 31,2012 Fund Type

Sheet	Reference	Vis.Code	Receipt	Description	Date	Debit	Credit
1	569375	443 420109704098	569375	Transfer cash to fund 346	01/31/12	10,155,042.91	0.00
		TRANSFERS TO OTHER FUNDS				0.00	E: Var32001 exceeded
	346	560000003760	569375	Transfer cash from fund 443			10,155,042.91
		TRANSFER IN FM OTHER FUNDS					
		Reference 569375 Sub-Total:				10,155,042.91	10,155,042.91
		Batch	320120	Transaction Total:		10,155,042.91	10,155,042.91
				Header Total:		10,155,042.91	10,155,042.91
				Variance		0.00	0.00

Total Number of Cash Vouchers 1

GL316 Cash Voucher Edit List

Signature: \_\_\_\_\_ Signature: \_\_\_\_\_

INTERFUND DISTRIBUTION SUMMARY FOR BATCH 320120

Wis.Code	Description	Debit	Credit
346 420000001021	CASH & SECURITIES	10,155,042.91	
443 420000001021	CASH & SECURITIES		10,155,042.91

10,155,042.91

City of San Jose  
General Ledger Trial Balance by Fund Type  
February 2012

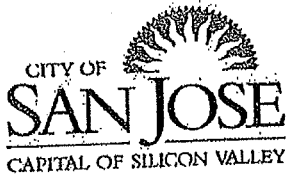
For Period 8, Fund Types 001 to 999, Fund 443 to 449, Status 2

GL\_TRIAL\_BAL\_FUNDTYPE\_PDF.RPT

Fiscal Year CP12

Run Date 2/8/2012 4:09:56PM

Description	Actual+Encumb Beginning Balance	Actual+Encumb Current Debits	Actual+Encumb Current Credits	Actual+Encumb Ending Balance
<b>FUNDTYPE 313</b>				
<b>FUND 443</b>				
<b>OTHER SPECIAL REVENUE</b>				
<b>LOW/MODERATE INCOME HOUSING FD</b>				
<b>ASSETS</b>				
OBJTYPE 100 CASH & SECURITIES	12,489,197.72	14,553,421.18	-16,867,575.99	10,155,042.61
OBJDET 1021 CASH & SECURITIES	12,489,197.72	14,553,421.18	-16,867,575.99	10,155,042.61
*OBJTYPE 100 CASH & SECURITIES				
OBJTYPE 102 RESTRICTED CASH	1,302,308.13	1,587.94	-1,303,896.07	0.00
OBJDET 1026 OTHER RESTRICTED CASH	1,302,308.13	1,587.94	-1,303,896.07	0.00
*OBJTYPE 102 RESTRICTED CASH				
OBJTYPE 103 CASH & SECURITIES AMORT COSTS	31,129.07	0.00	-31,129.07	0.00
OBJDET 1041 CASH & SECURITIES AMORT COSTS	31,129.07	0.00	-31,129.07	0.00
*OBJTYPE 103 CASH & SECURITIES AMORT COSTS				
OBJTYPE 105 OTHER INVESTMENTS	20,771,003.43	0.00	0.00	20,771,003.43
OBJDET 1036 OTHER INVESTMENTS	20,771,003.43	0.00	0.00	20,771,003.43
*OBJTYPE 105 OTHER INVESTMENTS				
OBJTYPE 108 ADJUSTED FOR FAIR VALUE	88,213.52	0.00	-88,213.52	0.00
OBJDET 1066 ADJUSTED FOR FAIR VALUE	88,213.52	0.00	-88,213.52	0.00
*OBJTYPE 108 ADJUSTED FOR FAIR VALUE				
OBJTYPE 111 ACCOUNTS RECEIVABLE	29,269.50	0.00	-29,989.50	280.00
OBJDET 1120 ACCOUNTS RECEIVABLE	29,269.50	0.00	-29,989.50	280.00
*OBJTYPE 111 ACCOUNTS RECEIVABLE				
OBJTYPE 113 ACCRUED REVENUES	24,392.33	0.00	-24,392.33	0.00
OBJDET 1123 ACCRUED INT RECEIVABLE	24,392.33	0.00	-24,392.33	0.00
*OBJTYPE 113 ACCRUED REVENUES				
OBJTYPE 115 LOANS RECEIVABLE	1,409,453.44	0.00	-64,108.61	1,345,354.83
OBJDET 1125 LOANS RECEIVABLE	1,409,453.44	0.00	-64,108.61	1,345,354.83
*OBJTYPE 115 LOANS RECEIVABLE				
OBJTYPE 116 LOANS RECEIVABLE	767,413.34	0.00	-88,500.94	678,912.40
OBJDET 1125 LOANS RECEIVABLE	767,413.34	0.00	-88,500.94	678,912.40
*OBJTYPE 116 LOANS RECEIVABLE				
OBJTYPE 117 LOANS RECEIVABLE	11,797,598.00	17,605.00	-177,482.37	11,707,720.63
OBJDET 1125 LOANS RECEIVABLE	11,797,598.00	17,605.00	-177,482.37	11,707,720.63
*OBJTYPE 117 LOANS RECEIVABLE				
OBJTYPE 118 LOANS RECEIVABLE	4,989,182.54	50,000.00	-355,000.00	4,684,182.54
OBJDET 1125 LOANS RECEIVABLE	4,989,182.54	50,000.00	-355,000.00	4,684,182.54
*OBJTYPE 118 LOANS RECEIVABLE				
OBJTYPE 119 LOANS RECEIVABLE	14,271,847.80	0.00	-123,985.14	14,147,862.66
OBJDET 1125 LOANS RECEIVABLE	14,271,847.80	0.00	-123,985.14	14,147,862.66
*OBJTYPE 119 LOANS RECEIVABLE				
OBJTYPE 120 LOANS RECEIVABLE	2,266,339.76	5,676,268.80	-2,085,076.68	5,857,531.88
OBJDET 1125 LOANS RECEIVABLE	2,266,339.76	5,676,268.80	-2,085,076.68	5,857,531.88
*OBJTYPE 120 LOANS RECEIVABLE				
OBJTYPE 121 LOANS RECEIVABLE	520,165,574.41	0.00	-228,626.50	519,936,947.91
OBJDET 1125 LOANS RECEIVABLE	520,165,574.41	0.00	-228,626.50	519,936,947.91
*OBJTYPE 121 LOANS RECEIVABLE				
OBJTYPE 122 LOANS RECEIVABLE	2,859,680.38	0.00	0.00	2,859,680.38
OBJDET 1125 LOANS RECEIVABLE	2,859,680.38	0.00	0.00	2,859,680.38
*OBJTYPE 122 LOANS RECEIVABLE				
OBJTYPE 123 LOANS RECEIVABLE	494,783.12	0.00	0.00	494,783.12
OBJDET 1125 LOANS RECEIVABLE	494,783.12	0.00	0.00	494,783.12
*OBJTYPE 123 LOANS RECEIVABLE				
OBJTYPE 124 LOANS RECEIVABLE	736,800.00	0.00	0.00	736,800.00
OBJDET 1125 LOANS RECEIVABLE	736,800.00	0.00	0.00	736,800.00
*OBJTYPE 124 LOANS RECEIVABLE				
OBJTYPE 125 LOANS RECEIVABLE	-223,750,733.46	0.00	0.00	-223,750,733.46
OBJDET 1126 ALLOW FOR UNCOLLECTIBLE LOANS	-223,750,733.46	0.00	0.00	-223,750,733.46
*OBJTYPE 125 LOANS RECEIVABLE				
OBJTYPE 126 ALLOW FOR UNCOLLECTIBLE LOANS	-81,299,995.22	0.00	0.00	-81,299,995.22
OBJDET 1126 ALLOW FOR UNCOLLECTIBLE LOANS	-81,299,995.22	0.00	0.00	-81,299,995.22
*OBJTYPE 126 ALLOW FOR UNCOLLECTIBLE LOANS				
OBJTYPE 115 LOANS RECEIVABLE	256,972,086.17	5,743,873.80	-2,970,170.69	261,745,789.28



Successor Agency to the Redevelopment Agency

May 1, 2012

Vinod K. Sharma  
Director Finance Agency  
Santa Clara County  
70 West Hedding Street, East Wing, 2<sup>nd</sup> Floor  
San Jose, CA 95110

Subject: Notification of Insufficiency of Funds

Dear Mr. Sharma:

Pursuant to Redevelopment Law ABX1 26, Section 34183 (b), the Successor Agency to the Redevelopment Agency of the City of San Jose ("Successor Agency") submits this letter to notify the County of Santa Clara Auditor Controller that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund (RPTTF) allocation funds are insufficient to meet the payment obligations as identified on the draft ROPS, for the period covering July 1 through December 31, 2012. This includes funds transferred from the former Redevelopment Agency and funds that have or will become available through assets sales and all redevelopment operations. The projected deficit, as forecasted on the attached Cash Flow worksheet is \$17,875,000.

Please call me or Abraham Andrade, Chief Financial Officer, to discuss the cash flow and Draft ROPS at your convenience at 408-795-1849 or 408-795-1821, respectively.

Sincerely,

Richard A. Keit  
Managing Director

Attachment

cc: John Guthrie

A		D		E	
		Projections		7/1/2012 - 6/30/2013	
San Jose Successor Agency Cash Flow		Initial Amt. Available and Distributable in compliance with H&S 34183 (a)	Adjusted Distribution pursuant to H&S 34183 (b)		
1					
2					
3					
4					
5					
6					
7	Total Tax Increments	(a)	184,361,000		184,361,000
8	Initial Deductions Per H&S 34182 (a) and R&T code 95.3				
9	H&S 34182 Admin Cost - controller-treasurer		(250,000)		(250,000)
10	-R&T 95.3		(2,300,000)		(2,300,000)
11	Total Initial Deductions allowed per H&S 34182(a) & R&T 95.3	(b)	(2,550,000)		(2,550,000)
12					
13	Amount Available for Distributions per H&S 34183 (a) (1) (A, B)	(c)	181,811,000		181,811,000
14	First Priority Payments: pass thru per H&S 34183 (a)(1)				
15	Current Year AB1290 Pass-thru - H&S 34183 (a)(1)		(1,867,000)		(1,867,000)
16	Prior Yr Pass-thru (per ROPS) - H&S 34183 (a)(1)				
17	H&S 33401 Pass-thru to County (Subordinate debt) (-9.3% of TI)		(17,146,000)		(17,146,000)
18	(ASSUMPTION 2)	(n)	(19,013,000)		(1,867,000)
19	Balance Available for Second Priority Claims	(e)	162,798,000		179,944,000
20					
21	Additional Resources for Second Priority Claims				
22	Beginning Cash Balance Housing				
23	Beginning Cash Balance Non-Housing				
24	Excess Funds Refund from Bond Trustees		13,011,000		13,011,000
25	Interest Income from Housing & Other				
26	Housing Reserve Brought Forward		19,011,000		19,011,000
27	Sale of Agency Assets		(4,511,000)		(4,511,000)
28	Other (Rent, Loan Repayments, Participation Payments)		720,000		720,000
29	Non-Housing Reserve Fund Brought Forward		3,860,000		3,860,000
30	Refund from SERAF (ASSUMPTION 3)				
31	Total additional resources available	(e)	41,113,000	(e)	41,113,000
32	Total Resources Available for Second Priority Claims	(e)	203,911,000		221,057,000
33	Second Priority Payments per H&S 34183 (a) (2)				
34	TI bond pymts, revenue bonds, other required debts on ROPS)				
35	Housing				
36	Senior Debt Service Payments (34183 - (a) (2-A)		(24,535,000)		(24,535,000)
37	Sub. Debt Service (34183 - (a) (2-B)				
38	Bond Admin Cost (34183 - (a) (2-C) (Ross Financial)		(24,000)		(24,000)
39	Commercial Paper Payments (34183 - (a) (2-A)		(520,000)		(520,000)
40	Project Obligations (34183 - (a) (2-C)		(7,561,000)		(7,561,000)
41	Obligations by law (34183 - (a) (2-C)		(2,000)		(2,000)
42	Reserve Obligation (34183 - (a) (2-C)		(19,621,000)		(19,621,000)
43	Non-Housing				
44	Senior Debt Service				
45	Fiscal Agent deposits (34183 - (a) (2-A)		(145,995,000)		(145,995,000)
46	Sub. Debt Service - US Bank (34183 - (a) (2-A)		(3,768,000)		(3,768,000)
47	Letters of Credit and Bond Admin Fees (34183 - (a) (2-C)		(2,523,000)		(2,523,000)
48	Legally Binding Contracts (34183 - (a) (2-C)		(5,900,000)		(5,900,000)
49	Reimbursement of City Obligations - ERAF Loan Payment, 4th Street Garage, Convention Center (34183 - (a) (2-C)		(23,196,000)		(23,196,000)
50	HUD 108 Loan Interest/Principal Payment (34183 - (a) (2-C)		(1,905,000)		(1,905,000)
51	County Court settlements - Interest plus Principal (34183 - (a) (2-C)		(713,000)		(713,000)
52	Judgments (34183 - (a) (2-C)				
53	Reserve for Subordinate Debt Service (ASSUMPTION 1)				
54	SERAF Loan Repay (34183 - (a) (2-C) (ASSUMPTION 2)				
55		(d)	(236,263,000)		(236,263,000)
56	Total Shortfall before the third priority payment (SA admin fee) [I]		(32,352,000)		(15,226,000)
57	Deductions per H&S 34183 (b) if insufficient to pay ROPS				
58	Deduction from (repayment to) County Pass-thru [J]		17,146,000		
59	Accumulated County pass thru to be added back on ROPS				(31,362,000)
60	Interests added (10% p.a.)				(2,349,980)
61	Amount available (Insufficiency) for Third Priority Claim [K]-[L]		(15,206,000)		
62	Third Priority Claims per H&S 34183 (a)(3)				(3,964,000)
63	SA Admin Fee (Housing & non-housing) [L]		(2,669,000)		(3,964,000)
64	Annual Structural Deficit (CASH)				(17,875,000)
65	Annual Structural Deficit (Cash & Non-Cash) [M]-[L]		(35,021,000)		(52,881,980)
66	Cumulative Structural Deficit				
67	Per Agency's spreadsheet: Surplus/ (Deficit)		(17,154,000)		
68	Reconciliation Items:				
69	Housing reserve not accounted on SJ w/s		19,011,000		
70	Non-Housing reserve not accounted on SJ w/s		3,860,000		
71	Fund Balance (20% & 80%) c/f not on County w/s		(24,306,000)		
72	County H&S 33401 Pass-through not on SJ w/s		(17,146,000)		
73	County Settlement		714,000		
74	Adjusted Agency's spreadsheet per reconciled items		(35,021,000)		
75	Per Above spreadsheet structural surplus/ (deficit)		(35,021,000)		
76	Difference				

# **EXHIBIT 5**



" DRAFT "  
EXHIBIT 5

<b>San Jose Successor Agency - Insufficient Funds Analysis (December 31, 2012)</b>
<b>Prepared by the County Auditor Controller based upon information provided by San Jose SARA</b>

	Amount
<b>Beginning Cash Balances as of July 1, 2011:</b>	
Unrestricted Cash & Investments	55,731,358
Restricted Cash & Investments - 2008 Proceeds with LAIF	13,818,936
Cash with Fiscal Agent - Restricted Cash and Investment	92,851,135
Restricted Cash & Investments - Housing Bonds	6,798
<b>Total Cash on Hand as of July 1, 2011</b>	<b>162,408,227</b>
<b>Cash Inflows</b>	
Property Tax Advances (Jul 1, 2011 - Jan 31, 2012)	87,661,839
Property Tax Expected from County as of June 1, 2012	61,781,574
Interest Income (July 1, 2011 to April 2012)	271,294
Interest Income (July 1, 2011 to date)	99,218
Grant, Rent & Other Income (July 1, 2011 - April 30, 2012)	2,152,000
Loan Proceeds (CDBG, Parking Revenue up to June 30, 2012)	3,393,248
Sales of Capital Assets (July 1, 2011 - April 30, 2012)	11,268,355
Program Income July 1, 2011 thru Jan. 31, 2012	2,214,187
Other Cash In flows from up to December 2012 (Rents, CDBG etc..)	7,384,000
Expected Sale of Asset by December 31, 2012 (in contract)	4,511,000
<b>Total Cash Inflows</b>	<b>180,736,715</b>
<b>Total Cash Available</b>	<b>343,144,942</b>
<b>Cash outflows:</b>	
Admin and program expenditures up to Dec. 31, 2011	8,808,232
Development and project expenditures up to Dec. 31, 2011	5,515,156
Commercial paper interest payment	136,730
Admin Cost In Jan. 2012 not on 1st ROPS	747,000
Debt Service Payments (August 2011)	129,808,467
<b>Total payments up to December 2012</b>	<b>145,015,585</b>
<b>Funds available to pay ROPS obligations</b>	<b>198,129,357</b>
<b>ROPS Obligations</b>	
1st ROPS (RPTTF) - Sch A	
Union Bank Bonds	40,708,238
US Bank Subordinated Debt	147,853
Wells Fargo Bank - Housing Bonds	-
JP Morgan - Line of Credit	1,080,000
Fiscal Agent Service Fees	141,700

" DRAFT "  
EXHIBIT 5

City Convention Center & 4th Street	4,877,071	46,954,862
<b>1st ROPS - Sch B</b>		
Housing Bonds		9,180,370
Other Obligations		18,486,014
Admin Cost		<u>1,362,577</u>
<b>Total Cost 1st ROPS (January 1, 2012 through June 30, 2012 Obligations)</b>		<u><b>75,983,823</b></u>
<b>Funds Available to Pay 2ND ROPS</b>		<b>122,145,534</b>
<b>2nd ROPS (RPTTF) - Sch A</b>		
Union Bank Bonds	92,297,788	
US Bank Subordinate Debt	3,300,000	
Wells Fargo Housing Bonds	17,241,826	
JP Morgan Line of Credit	1,385,609	
Fiscal Agent Service Fees	<u>131,312</u>	
<b>Total Liabilities for Bonds including Housing and Senior Subordinate Debt on 2nd ROPS</b>		<u><b>114,356,535</b></u>
<b>Funds available to Pay City Convention Center 4th Street and Others on Sch. A</b>		<b>7,788,999</b>
City Convention Center & 4th Street Sch. A		14,027,307
Low Modern. Housing Fund Loan & Others Sch. A		<u>291,650</u>
<b>Total Funds available (deficit) to pay Sch. B &amp; C obligations of 2nd ROPS</b>		<b>(6,529,958)</b>
Total Other Contractual Obligations on Sch. B		10,821,275
Total Admin Cost on Sch. C		<u>1,252,614</u>
Total Surplus (deficit)		(18,603,847)
Less Admin Cost Per H&S Code 34183 (b)		(1,252,614)
Deficit to be supported by City General Fund		<u><u><b>(17,351,233)</b></u></u>

Prepared by San Jose SARA Staff - Verified and Adjusted by County Auditor Controller

Successor Agency of the Redevelopment Agency of the City of San Jose  
 Insufficient Funds Analysis  
 Period Ending December 31, 2012  
 7-Jun-12

	Housing Total	SARA - SJ Total	COMBINED SARA-SJ & Housing Totals	County Auditor-Controller Adjustments	County Auditor-Controller Verified Amounts	Reference
<b>Beginning balance</b>						
Cash on hand as of July 1, 2011:						
Cash & Investment	40,793,486	14,937,872	55,731,358	-	55,731,358	
Restricted Cash & Investment - 2008 Bond Proceeds with LAIF	-	13,818,936	13,818,936	-	13,818,936	
Cash with Fiscal Agent - Resitified Cash & Investment - TABs DS	-	92,851,135	92,851,135	-	92,851,135	
Restricted Cash & Investment - Housing Bonds (for debt service pay)	-	6,798	6,798	-	6,798	
Total Cash on Hand - July 1, 2011	40,793,486	121,614,741	162,408,227	-	162,408,227	Attachment A
<b>Cash Inflows</b>						
Property Tax Advances (Jul 1, 2011 - Jan 31, 2012)	17,397,221	70,264,618	87,661,839	-	87,661,839	Attachment E
Property Taxes Executed from County on June 1, 2012	10,332,162	51,449,412	61,781,574	-	61,781,574	Attachment E (See Also Note 1 Below)
<b>Other Cash Inflows:</b>						
Interest Income (Jul 1, 2011 to Jun 30, 2012)	99,218	271,294	271,294	-	271,294	
Interest Income (Jul 1, 2011 to date)	-	-	-	-	99,218	
Other Misc Income (Grant, rent & other income) (Jul 1, 2011 - Jun 30, 2012)	-	2,162,000	2,162,000	-	2,162,000	Attachment B & D
Loan Proceeds (CDBG, Parking Revenue Fund) (Jul 1, 2011 - Jun 30, 2012)	-	3,393,248	3,393,248	-	3,393,248	Attachment B & D
Sale of Capital Assets (Jul 1, 2011 - Jun 30, 2012)	-	11,269,365	11,269,365	-	11,269,365	Attachment B
Program Income Jul 1, 2011 thru Jan. 31, 2012	2,214,187	-	2,214,187	-	2,214,187	
Sub-Total Cash Inflows - (through Jun 30, 2012)	30,042,788	138,739,927	168,841,715	-	168,841,715	
<b>Other Cash Inflows: (Jul 1, 2012 - Dec 31, 2012 Projection)</b>						
Grant Revenues - State	-	3,379,000	3,379,000	-	3,379,000	
Loan Proceeds Per Reimbursement Agree (CDBG Funds)	-	1,844,000	1,844,000	-	1,844,000	
Loan Proceeds Per Reimbursement Agree (Parking Revenue Funds)	-	1,681,000	1,681,000	-	1,681,000	
Other Misc Income (Rent, DDAs-Rev Participation, Loan Payments)	-	480,000	480,000	-	480,000	
Sale of Assets	-	-	-	4,511,000	4,511,000	Attachment F (See Also Note 2 below)
Sub-Total Cash Inflows - (Jul 1, 2012 - Dec 31, 2012)	-	7,384,000	7,384,000	4,511,000	11,895,000	
<b>Total Cash Resources</b>	70,836,274	267,737,668	338,633,942	-	343,144,942	
<b>Cash Outflows</b>						
Disbursements from July 1, 2011 to December 31, 2011:						
Administration and program expenditures	6,795,232	2,103,000	8,898,232	-	8,898,232	Ref Cash Flow Summary
Development and project expenditures	783,156	4,727,000	5,510,156	-	5,510,156	Ref Cash Flow Summary
Commercial paper interest payment	136,730	-	136,730	-	136,730	
Debt Service payments (includes August 2011 D/S payments)	16,889,933	113,118,534	129,808,467	-	129,808,467	Attachment C
Housing Asset transferred to Successor Housing Agency	10,155,043	-	10,155,043	(10,155,043)	-	Attachment F (See Also Note 3 Below)
Transfer of TI to City Housing (July 1, 2011 - January 31, 2012)	-	-	-	-	-	
Sub-Total Disbursements - Jul 1 through Dec 31, 2011	34,476,094	115,948,534	154,423,628	-	144,268,585	
Disbursements from January 1, 2012 to June 30, 2012:						
Obligations due for the 1st ROPS - Form A	9,180,370	46,954,862	46,954,862	-	46,954,862	
Obligations due for the 1st ROPS - Form B (Housing Debt Service)	-	9,180,370	9,180,370	-	9,180,370	
Sub-Total Disbursements - Jan 1 through Jun 30, 2012	9,180,370	46,954,862	56,135,232	-	56,135,232	
<b>Total Cash Outflows - Through June 30, 2012</b>	43,656,464	166,903,396	210,559,860	-	200,403,817	
<b>Other Disbursements (Jan 1 - Jun 30, 2012)</b>						
Obligations due for the 1st ROPS - Form B	9,091,318	9,394,696	18,486,014	-	18,486,014	
Obligations due for the 1st ROPS - Form C (Admin Budget)	-	1,267,577	1,267,577	95,000	1,362,577	Note 4
Admin Budget/Operating Expenditures (Jan 1 - Jan 31, 2012)	9,091,318	747,000	20,600,591	-	20,600,591	
Total Other Disbursements	18,089,482	89,484,999	107,574,491	-	122,145,534	
<b>Cash Balance at 6/30/2012</b>						

Prepared by San Jose SARA Staff - Verified and Adjusted by County Auditor/Controller

Obligations due for the 2nd ROPS - Form A	17,512,726	111,162,756	128,675,492	128,675,492
Projected Surplus/( Deficit) at 12/31/2012 (after Form A Obligations)	576,766	(21,677,767)	(21,101,001)	(6,529,959)
Other ROPS Disbursements (Jul 1 - Dec 31, 2012)	-	10,821,275	10,821,275	10,821,275
Obligations due for the 1st ROPS - Form B	-	1,252,614	1,252,614	(1,252,614)
Obligations due for the 1st ROPS - Form C (Admin Budget)	-	12,073,889	12,073,889	12,073,889
Total Other Disbursements	-	(33,751,656)	(33,751,656)	(33,751,656)
Projected Surplus/( Deficit) at 12/31/2012 (after Form B and C Obligations)	576,766	(33,174,890)	(33,174,890)	(17,351,233)

Comments from the County-Auditor Controller's Office

- Note 1 The Amount shown after deducting the pass-thru payments
- Note 2 SUSA showed on its May 1 letter of deficiency of funds that the sale of assets will materialize during FY 12/13. At this time since the contracts are in place we are assuming the funds will materialize during the year.
- Note 3 The total cash of \$10,155,043 out of Housing Fund was transferred to San Jose Housing Agency on Jan. 31, 2012. This cash should remain with SUSA to pay its outstanding obligations.
- Note 4 Amount added to reflect the approved ROPS
- Note 5 January 2012 Admin cost not claimed on 1st ROPS
- Note 6 Reverse waterfall applies to the Admin. Cost under 34183 (b).

# Attachment M

**ATTACHMENT A**

**From:** Singh, Jai [mailto:Jai.Singh@fin.sccgov.org]  
**Sent:** Friday, June 08, 2012 9:34 AM  
**To:** SATaylor@sco.ca.gov; RDA-SDSupport@sco.ca.gov  
**Cc:** Sharma, Vinod; Lul, Irene; Keit, Richard; Andrews, Arn; Andrade, Abe; Guthrie, John; Knofler, Paul; Kan, Kenneth; Beher, Manju  
**Subject:** San Jose Successor Agency - Verification of Insufficient Funds

*Hello Mr. Taylor,*

*Attached document includes the Santa Clara County Auditor Controller verification of insufficient funds submitted by the San Jose Successor Agency (SJSA) for the period ending December 31, 2012.*

*The SJSA submitted the insufficient funds report on May 1, 2012 that was forwarded to the State Controller's Office and DOF in compliance with H&S Code 34183 (b). The SCO sent e-mail to our office on May 24, 2012 to provide the supporting documentation of insufficient funds. We immediately contacted SJSA to provide the supporting documentation. The SJSA staff has worked with us during last three days to provide the supporting documentation.*

*The first four pages of the attachment shows analysis and verification of the insufficient funds and the remaining pages are attachments with supporting documents.*

*Should you need additional information, please send me e-mail or give me a call.*

*Again, I would like to thank you for your support and guidance.*

**Jai Singh**

*Jai Singh, CPA, MPA  
Controller - Treasurer Division Manager  
Phone: 408-299-5251  
Fax: 408-298-7452*

*If not required, Please do not print this email. Help save the planet.*

*NOTICE: This email message and/or its attachments may contain information that is confidential or*

6/8/2012

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<b>San Jose Successor Agency - Insufficient Funds Analysis (December 31, 2012)</b>
<b>Prepared by the County Auditor Controller based upon information provided by San Jose SARA</b>

	Amount
<b>Beginning Cash Balances as of July 1, 2011:</b>	
Unrestricted Cash & Investments	55,731,358
Restricted Cash & Investments - 2008 Proceeds with LAIF	13,818,936
Cash with Fiscal Agent - Restricted Cash and Investment	92,851,135
Restricted Cash & Investments - Housing Bonds	6,798
	162,408,227
<b>Total Cash on Hand as of July 1, 2011</b>	<b>162,408,227</b>
<b>Cash Inflows</b>	
Property Tax Advances (Jul 1, 2011 - Jan 31, 2012)	87,661,839
Property Tax Expected from County as of June 1, 2012	61,781,574
Interest Income (July 1, 2011 to April 2012)	271,294
Interest Income (July 1, 2011 to date)	99,218
Grant, Rent & Other Income (July 1, 2011 - April 30, 2012)	2,152,000
Loan Proceeds (CDBG, Parking Revenue up to June 30, 2012)	3,393,248
Sales of Capital Assets (July 1, 2011 - April 30, 2012)	11,268,355
Program Income July 1, 2011 thru Jan. 31, 2012	2,214,187
Other Cash In flows from up to December 2012 (Rents, CDBG etc..)	7,384,000
Expected Sale of Asset by December 31, 2012 (in contract)	4,511,000
	180,736,715
<b>Total Cash Inflows</b>	<b>180,736,715</b>
<b>Total Cash Available</b>	<b>343,144,942</b>
<b>Cash outflows:</b>	
Admin and program expenditures up to Dec. 31, 2011	8,808,232
Development and project expenditures up to Dec. 31, 2011	5,515,156
Commercial paper interest payment	136,730
Admin Cost in Jan. 2012 not on 1st ROPS	747,000
Debt Service Payments (August 2011)	129,808,467
	145,015,585
<b>Total payments up to December 2012</b>	<b>145,015,585</b>
<b>Funds available to pay ROPS obligations</b>	<b>198,129,357</b>
<b>ROPS Obligations</b>	
1st ROPS (RPTTF) - Sch A	
Union Bank Bonds	40,708,238
US Bank Subordinated Debt	147,853
Wells Fargo Bank - Housing Bonds	-
JP Morgan - Line of Credit	1,080,000
Fiscal Agent Service Fees	141,700



City Convention Center & 4th Street	4,877,074	46,954,862
<b>1st ROPS - Sch B</b>		
Housing Bonds		9,180,970
Other Obligations		18,486,014
Admin Cost		1,362,577
<b>Total Cost 1st ROPS (January 1, 2012 through June 30, 2012 Obligations)</b>		<b>75,983,829</b>
<b>Funds Available to Pay 2ND ROPS</b>		<b>122,145,534</b>
<b>2nd ROPS (RPTTF) - Sch A</b>		
Union Bank Bonds	92,297,788	
US Bank Subordinate Debt	3,300,000	
Wells Fargo - Housing Bonds	17,241,826	
JP Morgan Line of Credit	1,385,609	
Fiscal Agent Service Fees	131,312	
<b>Total Liabilities for Bonds including Housing and Senior Subordinate Debt on 2nd ROPS</b>		<b>114,356,535</b>
<b>Funds available to Pay City Convention Center 4th Street and Others on Sch. A</b>		<b>7,788,999</b>
City Convention Center & 4th Street Sch. A		14,027,307
Low Modern. Housing Fund Loan & Others Sch. A		291,650
<b>Total Funds available (deficit) to pay Sch. B &amp; C obligations of 2nd ROPS</b>		<b>(6,529,958)</b>
Total Other Contractual Obligations on Sch. B		10,821,275
Total Admin Cost on Sch. C		1,252,614
<b>Total Surplus (deficit)</b>		<b>(18,603,847)</b>
Less Admin Cost Per H&S Code 34183 (b)		(1,252,614)
<b>Deficit to be supported by City General Fund</b>		<b>(17,351,233)</b>

Prepared by San Jose SARA Staff - Verified and Adjusted by County Auditor-Controller

Successor Agency of the Redevelopment Agency of the City of San Jose  
 Insufficient Funds Analysis  
 Period Ending December 31, 2012  
 7-Jun-12

	Housing Total	SASA - SJ Total	COMBINED SARA-SJ & Housing Totals	County Auditor-Controller Adjustments	County Auditor-Controller Verified Amounts	Reference
<b>Beginning balance</b>						
<b>Cash Inflows</b>						
Cash on Hand as of July 1, 2011:						
Cash & Investment	40,768,488	14,857,872	55,791,358	-	55,791,358	
Restricted Cash & Investment - 2008 Bond Proceeds with LAIF	-	13,819,938	13,819,938	-	13,819,938	
Cash With Fiscal Agent - Restricted Cash & Investment - TABS DS	-	92,851,135	92,851,135	-	92,851,135	
Restricted Cash & Investment - Housing Bonds (for debt service pay)	-	6,798	6,798	-	6,798	
Total Cash on Hand - July 1, 2011	40,768,488	121,615,741	162,408,227	-	162,408,227	Attachment A
Property Tax Advances (Jul 1, 2011 - Jan 31, 2012)	17,387,221	70,284,818	87,881,839	-	87,881,839	Attachment E
Other Cash Inflows:	10,382,162	51,446,412	61,781,574	-	61,781,574	Attachment E (See Also Note 1 Below)
Interest Income (Jul 1, 2011 to Jun 30, 2012)	-	271,284	271,284	-	271,284	
Other MISC Income (Grant, rent & other income) (Jul 1, 2011 - Jun 30, 2012)	86,218	98,218	98,218	-	98,218	
Loan Proceeds (CDBG, Parking Revenue Fund) (Jul 1, 2011 - Jun 30, 2012)	-	2,152,000	2,152,000	-	2,152,000	Attachment B & D
Sale of Capital Assets (Jul 1, 2011 - Jun 30, 2012)	-	3,393,248	3,393,248	-	3,393,248	Attachment B & D
Program Income Jul 1, 2011 thru Jun 31, 2012	2,214,187	11,208,365	11,208,365	-	11,208,365	Attachment B
Sub-Total Cash Inflows - (through Jun 30, 2012)	30,042,788	138,784,927	168,841,715	-	168,841,715	
Other Cash Inflows: (Jul 1, 2012 - Dec 31, 2012 Projection)	-	-	-	-	-	
Grant Revenue - Slats	-	3,373,000	3,373,000	-	3,373,000	
Loan Proceeds per Reimbursement Agree (CDBG Funds)	-	1,844,000	1,844,000	-	1,844,000	
Loan Proceeds per Reimbursement Agree (Parking Revenue Funds)	-	1,881,000	1,881,000	-	1,881,000	
Other MISC Income (Rent, DDAs-Rev Participation, Loan Payments)	-	480,000	480,000	-	480,000	
Sale of Assets	-	-	-	-	-	
Sub-Total Cash Inflows - (Jul 1, 2012 - Dec 31, 2012)	-	7,384,000	7,384,000	4,511,000	4,511,000	Attachment F (See Also Note 2 below)
<b>Total Cash Recoveries</b>	70,856,274	287,757,868	358,653,942	-	358,653,942	
<b>Cash Outflows</b>						
Disbursements from July 1, 2011 to December 31, 2011:						
Administration and program expenditures	6,705,232	2,103,000	8,808,232	-	8,808,232	Ref Cash Flow Summary
Development and project expenditures	788,156	4,727,000	5,515,156	-	5,515,156	Ref Cash Flow Summary
Commercial paper interest payment	136,730	-	136,730	-	136,730	
Debt Service payments (includes August 2011 D/S payments)	18,892,532	113,118,594	128,809,487	-	128,809,487	Attachment C
Housing Asset transferred to Successor Housing Agency	10,145,043	-	10,145,043	(10,145,043)	-	Attachment F (See Also Note 3 Below)
Transfer of TI to City Housing (July 1, 2011 - January 31, 2012)	-	-	-	-	-	
Sub-Total Disbursements - Jul 1 through Dec 31, 2011	34,475,094	119,948,594	154,423,688	-	154,423,688	
Disbursements from January 1, 2012 to June 30, 2012:						
Obligations due for the 1st ROPS - Form A	-	48,954,882	48,954,882	-	48,954,882	
Obligations due for the 1st ROPS - Form B (Housing Debt Service)	9,180,370	-	9,180,370	-	9,180,370	
Sub-Total Disbursements - Jan 1 through Jun 30, 2012	9,180,370	48,954,882	58,135,252	-	58,135,252	
<b>Total Cash Outflows - Through June 30, 2012</b>	43,655,464	168,903,336	210,558,850	-	210,403,377	
<b>Other Disbursements (Jan 1 - Jun 30, 2012)</b>						
Obligations due for the 1st ROPS - Form B	9,081,318	0,394,898	18,486,014	-	18,486,014	
Admin Budget/Operating Expenditures (Jan 1 - Jan 31, 2012)	9,031,318	1,287,577	1,352,577	85,000	1,352,577	Note 4
Total Other Disbursements	18,085,492	89,484,988	107,574,481	-	107,574,481	Ref Cash Flow Summary (See Also Note 5 below)
<b>Cash Balance at 6/30/2012</b>						
	18,085,492	89,484,988	107,574,481	-	107,574,481	

Prepared by San Jose SARA Staff - Verified and Adjusted by County Auditor Controller

Projected Surplus/( Deficit) at 12/31/2012 (after Form A Obligations)	17,512,736	111,162,706	128,675,492	128,675,492
Other ROPS Disbursements (Jul 1 - Dec 31, 2012)	576,766	(24,677,757)	(24,101,001)	(6,529,956)
Obligations due for the 1st ROPS - Form B	-	10,821,275	10,821,275	10,821,275
Obligations due for the 1st ROPS - Form C (Admin Budget)	-	1,252,614	(1,252,614)	-
Total Other Disbursements	-	12,073,889	12,073,889	10,821,275
Projected Surplus/( Deficit) at 12/31/2012 (after Form B and C Obligations)	576,766	(33,791,659)	(33,174,390)	(17,351,233)

Comments from the County Auditor Controller's Office

Note 1 The Amount shown after deducting the pass thru payments

Note 2 SUSA showed on its May 1 letter of deficiency of funds that the sale of assets will materialize during FY 12/13. At this time since the contracts are in place we are assuming the funds will materialize during the year.

Note 3 The total cash of \$70,155,049 out of Housing Fund was transferred to San Jose Housing Agency on Jan. 31, 2012. This cash should remain with SUSA to pay its outstanding obligations.

Note 4 Amount added to reflect the approved ROPS

Note 5 January 2012 Admin cost not claimed on 1st ROPS

Note 6 Reverse waterfall applies to the Admin. Cost under 34183 (b).

SARA SJ  
 Cash & Investments  
 July 1, 2011

Attachment A

7/1/13

Per 2011 CAFR

	Unrestricted	Restricted	Less Adjustment	Restricted - Net	Total Restricted & Unrestricted
General Fund	1,312,565				1,312,565
Debt Service Fund:					
Housing		9,953,045 (a)	(9,946,247)	6,798	6,798
Merged		119,874,935 (a)	(27,023,800)	92,851,135	92,851,135
Capital Projects Funds	13,625,307	18,247,466 (b)	(4,428,530)	13,818,936	27,444,243
<b>Total</b>	<b>14,937,872</b>	<b>148,075,446</b>			<b>121,614,741</b>

Adjustment

(a) Bond Cash Reserve - Housing Bonds (2010 Series)	(9,946,247)
Tax Allocation Bonds (2003 & 2008 Series)	(27,023,800)
(b) Escrow Project Accounts	(4,428,530)

ATTACHMENT A  
Page 9 of 22/13

Cash in hand

City of San Jose  
General Ledger Trial Balance by Fund Type  
July 2011

For Period: 1, FundType 001 to 988, Fund 443 to 449, Statute 3

GL\_TRIAL\_BAL\_FUNDTYPE\_PDF.RPT  
Fiscal Year 09-12  
Run Date 5/20/2012 1:47:08PM

Description		Actual+Encumb Beginning Balance	Actual+Encumb Current Debits	Actual+Encumb Current Credits	Actual+Encumb Ending Balance
FUNDTYPE 700	HOUSING ACTIVITIES FUND				
FUND 443	LOW/MODERATE INCOME HOUSING FD				
<b>ASSETS</b>					
OBJTYPE 100	CASH & SECURITIES				
OBJDET 1021	CASH & SECURITIES	12,468,197.72	473,088.68	-4,629,667.07	8,317,519.33
*OBJTYPE 100	CASH & SECURITIES	12,468,197.72	473,088.68	-4,629,667.07	8,317,519.33
OBJTYPE 102	RESTRICTED CASH				
OBJDET 1026	OTHER RESTRICTED CASH	1,302,308.13			1,302,308.13
*OBJTYPE 102	RESTRICTED CASH	1,302,308.13			1,302,308.13
OBJTYPE 103	CASH & SECURITIES AMORT COSTS				
OBJDET 1041	CASH & SECURITIES AMORT COSTS	31,129.07		-31,129.07	0.00
*OBJTYPE 102	CASH & SECURITIES AMORT COSTS	31,129.07		-31,129.07	0.00
OBJTYPE 105	OTHER INVESTMENTS				
OBJDET 1036	OTHER INVESTMENTS	20,771,003.43			20,771,003.43
*OBJTYPE 105	OTHER INVESTMENTS	20,771,003.43			20,771,003.43
OBJTYPE 106	ADJUSTED FOR FAIR VALUE				
OBJDET 1066	ADJUSTED FOR FAIR VALUE	88,213.52		-88,213.52	0.00
*OBJTYPE 106	ADJUSTED FOR FAIR VALUE	88,213.52		-88,213.52	0.00
OBJTYPE 111	ACCOUNTS RECEIVABLE				
OBJDET 1120	ACCOUNTS RECEIVABLE	29,269.50		-28,989.50	280.00
*OBJTYPE 111	ACCOUNTS RECEIVABLE	29,269.50		-28,989.50	280.00
OBJTYPE 113	ACCRUED REVENUES				
OBJDET 1123	ACCRUED INT RECEIVABLE	24,392.93		-24,392.93	0.00
OBJDET 1123	ACCRUED INT RECEIVABLE	1,409,463.44		-1,409,463.44	0.00
*OBJTYPE 113	ACCRUED REVENUES	1,433,855.77		-1,433,855.77	0.00
OBJTYPE 115	LOANS RECEIVABLE				
OBJDET 1125	LOANS RECEIVABLE	767,413.34			767,413.34
OBJDET 1125	LOANS RECEIVABLE	11,797,598.00			11,797,598.00
OBJDET 1125	LOANS RECEIVABLE	4,989,809.54		-373.00	4,989,809.54
OBJDET 1125	LOANS RECEIVABLE	14,271,847.80			14,271,847.80
OBJDET 1125	LOANS RECEIVABLE	2,266,339.76			2,266,339.76
OBJDET 1125	LOANS RECEIVABLE	520,185,574.41			520,185,574.41
OBJDET 1125	LOANS RECEIVABLE	2,888,660.38			2,888,660.38
OBJDET 1125	LOANS RECEIVABLE	5,594,025.50			5,594,025.50
OBJDET 1125	LOANS RECEIVABLE	494,783.12			494,783.12
OBJDET 1125	LOANS RECEIVABLE	736,800.00			736,800.00
OBJDET 1125	LOANS RECEIVABLE	-228,750,733.46			-228,750,733.46
OBJDET 1125	ALLOW FOR UNCOLLECTIBLE LOANS	-81,239,395.22			-81,239,395.22
OBJDET 1125	ALLOW FOR UNCOLLECTIBLE LOANS	256,972,096.17			256,972,096.17
*OBJTYPE 115	LOANS RECEIVABLE	256,972,096.17		-35,064.84	266,944,949.10

Cash bal. 0.00 \*  
12,468,197.72 +  
1,302,308.13 +  
27,021,980.00 +  
40,793,486.00 \*

Land in hand

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Reviewed & Paid from Accounts

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City of San Jose  
 General Ledger Trial Balance by Fund Type  
 July 2011

GL\_TRIAL\_BAL\_FUNDTYPE\_PDF.RPT  
 Fiscal Year CP12  
 Run Date 5/30/2012 1:47:08 PM

For Period 1, Fund Type 001 to 999, Fund 443 to 449, Status 3

Description	Actual+Encumb Beginning Balance	Actual+Encumb Current Debits	Actual+Encumb Current Credits	Actual+Encumb Ending Balance
<b>FUNDTYPE 700</b>				
<b>FUND 443</b>				
<b>ASSETS</b>				
HOUSING ACTIVITIES FUND				
LOW/MODERATE INCOME HOUSING FD				
OBJTYPE 121	50,906.13	0.00	0.00	50,906.13
OBJDET 1210 DUE FROM OTHER AGENCIES (SHORT)	50,906.13	0.00	0.00	50,906.13
*OBJTYPE 121	50,906.13	0.00	0.00	50,906.13
OBJTYPE 125	2,438,060.03	0.00	0.00	2,438,060.03
OBJDET 1202 ADV TO CITY FUNDS (LONG)	2,438,060.03	0.00	0.00	2,438,060.03
OBJDET 1202 ADV TO CITY FUNDS (LONG)	64,816,668.00	0.00	0.00	64,816,668.00
*OBJTYPE 125	67,254,728.03	0.00	0.00	67,254,728.03
OBJTYPE 150	0.00	1,740,125.93	-189,648.95	1,550,476.98
OBJDET 1500 PREPAID EXPENSES	0.00	1,740,125.93	-189,648.95	1,550,476.98
*OBJTYPE 150	0.00	1,740,125.93	-189,648.95	1,550,476.98
<b>*TOTAL ASSETS</b>	<b>362,402,707.47</b>	<b>2,227,132.33</b>	<b>-5,028,105.28</b>	<b>359,601,734.57</b>
<b>LIABILITIES</b>				
PAYABLES				
OBJTYPE 200	-777,761.63	777,761.63	-45,277.90	-45,277.90
OBJDET 2000 ACCOUNTS PAYABLE CNTRL	-777,761.63	777,761.63	-45,277.90	-45,277.90
*OBJTYPE 200	-777,761.63	777,761.63	-45,277.90	-45,277.90
OBJTYPE 201	-404,655.05	413,155.36	-9,199.47	-700.16
OBJDET 2001 SALARY/WAGES PAYABLE	-404,655.05	413,155.36	-9,199.47	-700.16
*OBJTYPE 201	-404,655.05	413,155.36	-9,199.47	-700.16
OBJTYPE 206	-2,438,060.03	0.00	0.00	-2,438,060.03
OBJDET 2005 DEFERRED REVENUE	-2,438,060.03	0.00	0.00	-2,438,060.03
OBJDET 2006 DEFERRED REVENUE	-5,548,470.63	0.00	0.00	-5,548,470.63
OBJDET 2006 DEFERRED REVENUE	-1,409,463.44	0.00	0.00	-1,409,463.44
*OBJTYPE 206	-9,396,994.10	0.00	0.00	-9,396,994.10
OBJTYPE 207	-14,091,000.00	0.00	0.00	-14,091,000.00
OBJDET 2007 ADV FROM CITY FUNDS (LONG TERM)	-14,091,000.00	0.00	0.00	-14,091,000.00
*OBJTYPE 207	-14,091,000.00	0.00	0.00	-14,091,000.00
OBJTYPE 212	-580,362.00	0.00	0.00	-580,362.00
OBJDET 2120 ADV FR AGENCIES/OUTSIDE CITY	-580,362.00	0.00	0.00	-580,362.00
*OBJTYPE 212	-580,362.00	0.00	0.00	-580,362.00
OBJTYPE 270	-29,715,291.15	12,359.81	-46,856.94	-29,749,788.28
OBJDET 2660 RESERVE FOR ENCUMBRANCES	-29,715,291.15	12,359.81	-46,856.94	-29,749,788.28
*OBJTYPE 270	-29,715,291.15	12,359.81	-46,856.94	-29,749,788.28

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City of San Jose  
General Ledger Trial Balances by Fund Type  
July 2011

GL\_TRIAL\_BAL\_FUNDTYPE\_PDF.RPT  
Fiscal Year CP12  
Run Date 5/30/2012 1:47:08PM

For Period 1, Fund Type 001 to 999, Fund 445 to 449, Status 3

Description	Actual+Encumb Beginning Balance	Actual+Encumb Current Debits	Actual+Encumb Current Credits	Actual+Encumb Ending Balance
<b>FUNDTYPE 700 HOUSING ACTIVITIES FUND</b>				
<b>FUND 449 TAX INCREMENT SPEC FD MEMO-449</b>				
<b>ASSETS</b>				
OBJTYPE 100 CASH & SECURITIES	27,021,979.65		-16,247,588.35	10,774,391.30
OBJDET 1021 CASH & SECURITIES				
*OBJTYPE 100 CASH & SECURITIES	27,021,979.65	0.00	-16,247,588.35	10,774,391.30
<b>**TOTAL ASSETS</b>	27,021,979.65	0.00	-16,247,588.35	10,774,391.30
<b>LIABILITIES</b>				
OBJTYPE 200 PAYABLES				
OBJDET 2000 ACCOUNTS PAYABLE CNTRL		16,247,588.35	-16,247,588.35	
*OBJTYPE 200 PAYABLES	0.00	16,247,588.35	-16,247,588.35	0.00
OBJTYPE 209 DUE TO AGENCIES/OUTSIDE CITY				
OBJDET 2009 DUE TO AGENCIES/OUTSIDE CITY	-135,146.79			-135,146.79
*OBJTYPE 209 DUE TO AGENCIES/OUTSIDE CITY	-135,146.79	0.00	0.00	-135,146.79
OBJTYPE 290 FUND BAL/RETAINED EARNINGS				
OBJDET 2801 FUND BAL/RETAINED EARNINGS	-26,886,832.86			-26,886,832.86
*OBJTYPE 290 FUND BAL/RETAINED EARNINGS	-26,886,832.86	0.00	0.00	-26,886,832.86
OBJTYPE 298 SUSPENSE ACCOUNT				
OBJDET 2986 SUSPENSE ACCOUNT		135,146.79		135,146.79
*OBJTYPE 298 SUSPENSE ACCOUNT	0.00	135,146.79	0.00	135,146.79
<b>**TOTAL LIABILITIES</b>	-27,021,979.65	16,382,735.14	-16,247,588.35	-26,886,832.86
<b>REVENUES</b>				
OBJTYPE 388 OPERATING TRANSFERS IN (GVMT)				
OBJDET 3780 TRANSFER IN FROM OTHER FUNDS			-135,146.79	-135,146.79
*OBJTYPE 388 OPERATING TRANSFERS IN (GVMT)	0.00	0.00	-135,146.79	-135,146.79
<b>**TOTAL REVENUES</b>	0.00	0.00	-135,146.79	-135,146.79
<b>EXPENSES</b>				
OBJTYPE 471 DEBT SERVICE- OTHER				
OBJDET 4087 DEBT SERVICE (TO RDA)		16,243,888.35		16,243,888.35
*OBJTYPE 471 DEBT SERVICE- OTHER	0.00	16,243,888.35	0.00	16,243,888.35
OBJTYPE 480 TRANSFERS				

Attachment # Pg 5/13

City of San Jose  
 General Ledger Trial Balance by Fund Type  
 July 2011  
 For Period 1, FundType 001 to 999, Fund 449 to 449, Status 3

GL\_TRIAL\_BAL\_FUNDTYPE\_PDF.RPT  
 FiscalYear CP12  
 RunDate 5/30/2012 1:47:08PM

Description	Actual+Encumb Beginning Balance	Actual+Encumb Current Debits	Actual+Encumb Current Credits	Actual+Encumb Ending Balance
FUNDTYPE 700 HOUSING ACTIVITIES FUND				
FUND 449 TAX INCREMENT SPEC FD MEMO-449				
EXPENSES				
OBJDET 4096 - OTHER TRANSFERS	0.00	3,700.00	0.00	3,700.00
*OBJTYPE 480 TRANSFERS	0.00	3,700.00	0.00	3,700.00
**TOTAL EXPENSES	0.00	16,247,588.35	0.00	16,247,588.35
***FUND 449 TOTAL	0.00	32,630,323.49	-32,630,323.49	0.00
****FUNDTYPE 700 TOTAL	0.00	71,001,919.34	-71,001,919.34	0.00
*****REPORT TOTAL	0.00	111,277,284.38	-111,277,284.38	0.00



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DEVELOPMENTAL AGENCY OF THE CITY OF SAN JOSÉ  
 Balance Sheet  
 Governmental Funds  
 June 30, 2011

ASSETS	General	Special Revenue		Debt Service		Capital Projects	Total
		Housing	Merged	Housing	Merged		
Cash and investments (Note II.A)	\$ 1,312,565	\$ -	\$ -	\$ -	\$ -	\$ 13,625,307	\$ 14,937,872
Receivables:							
Accrued interest	-	-	-	-	-	12,086	12,086
Due from other funds (Note II.D)	-	-	-	-	-	135,147	135,147
Due from the City of San José	-	135,147	-	-	-	43,709	178,856
Others	70,072	-	-	-	-	353,745	423,817
Advances to the City of San José (Note III.C)	250,000	-	-	-	-	580,362	830,362
Loans receivable, net (Note II.B)	-	-	-	-	-	34,834,652	34,834,652
Deposits	12,744	-	-	-	-	179,593	192,337
Restricted assets:							
Cash and investments (Note II.A)	-	-	-	119,874,935	-	18,247,466	148,075,446
Accrued interest	-	-	-	18,986	-	15,013	54,942
<b>TOTAL ASSETS</b>	<b>\$ 1,645,381</b>	<b>\$ 135,147</b>	<b>\$ 20,943</b>	<b>\$ 119,893,921</b>	<b>\$ 18,986</b>	<b>\$ 68,027,080</b>	<b>\$ 199,675,517</b>

LIABILITIES AND FUND BALANCES	General	Special Revenue		Debt Service		Capital Projects	Total
		Housing	Merged	Housing	Merged		
Liabilities:							
Accounts payable and accrued liabilities (Note II.G)	\$ 85,617	\$ -	\$ -	\$ -	\$ -	\$ 3,419,666	\$ 3,519,883
Due to other funds (Note II.D)	-	-	-	-	-	135,147	135,147
Due to the City of San José	288,820	-	-	-	-	772,507	1,061,327
Deferred revenue (Note II.C)	-	-	-	-	-	31,528,770	31,528,770
Unearned revenue (Note II.C)	-	-	-	-	-	2,802,599	2,802,599
Deposits, retentions, and other payables	9,400	-	-	-	-	947,868	957,268
Due to other governmental agencies	-	-	-	-	-	1,505,622	1,505,622
Total liabilities	<b>383,837</b>	<b>135,147</b>	<b>14,600</b>	<b>119,893,921</b>	<b>18,986</b>	<b>40,977,032</b>	<b>41,510,616</b>
Fund balances (Note II.F):							
Nonspendable	262,744	-	-	-	-	4,130,428	4,393,172
Restricted	-	-	-	119,893,921	-	13,833,949	143,687,258
Committed	963,733	-	9,959,388	-	-	7,024,612	7,988,365
Assigned	-	-	-	-	-	2,061,059	2,061,059
Unassigned	35,047	-	-	-	-	-	35,047
Total fund balances	<b>1,261,544</b>	<b>135,147</b>	<b>9,959,388</b>	<b>119,893,921</b>	<b>18,986</b>	<b>27,050,048</b>	<b>158,164,901</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,645,381</b>	<b>\$ 135,147</b>	<b>\$ 9,973,988</b>	<b>\$ 119,893,921</b>	<b>\$ 18,986</b>	<b>\$ 68,027,080</b>	<b>\$ 199,675,517</b>

See accompanying notes to the basic financial statements.

ATTACH A  
Pg 5/13

REDEVELOPMENT AGENCY OF  
THE CITY OF SAN JOSÉ

Notes to the Basic Financial Statements (continued)  
June 30, 2011

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Agency's cash and investments consist of the following at June 30, 2011:

<u>Cash and Investments</u>	<u>Amount</u>
Unrestricted	\$ 14,937,873
Restricted	148,075,446
Total cash and investments	<u>\$ 163,013,319</u>

*Investments*

The Agency has adopted the investment policy of the City, which is governed by provisions of the California Government Code and the City's Municipal Code. The Agency also has investments subject to provisions of the bond indentures of its various bond issues. According to the investment policy and bond indentures, the Agency is permitted to invest in the City's cash and investment pool, the State of California Local Agency Investment Fund (LAIF), obligations of the U.S. Treasury or U.S. Government agencies, time deposits, money market mutual funds invested in U.S. Government securities, along with various other permitted investments.

ATTACH A  
8/6/13

REDEVELOPMENT AGENCY OF  
THE CITY OF SAN JOSÉ

Notes to the Basic Financial Statements (continued)  
June 30, 2011

upon demand. The weighted average maturity of the City's investment pool is 376 days. Income earned or losses arising from investments in the City's cash and investment pool are allocated by the City on a monthly basis to the appropriate funds based on the average weekly cash balance of such funds.

As of June 30, 2011, the Agency invested a total amount of \$38,586,214 with State of California Local Agency Investment Fund (LAIF), which is comprised of \$12,506,602 from the 2003 Tax Allocation Bonds reserve fund, \$3,491,024 from the 2008 Tax Allocation Bond's reserve and capitalized interest, \$12,649,879 from 2008 Tax Allocation Bonds project funds, and \$9,938,709 from the 2010 Housing Set-Aside Bonds reserve fund. The amounts invested in LAIF can be withdrawn on demand. The weighted average maturity of LAIF was 237 days. Structured notes and asset-backed securities as of June 30, 2011 make up 5.01% of the State's LAIF portfolio and the Agency's proportionate share is 0.06%. The Local Investment Advisory Board has oversight responsibility for LAIF (<http://www.treasurer.ca.gov/pmia-laif/>). The Board consists of five members, as designated by state statute. LAIF is part of the Pooled Money Investment Account (PMIA) maintained by the State of California. The PMIA oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee with the State Treasurer's Office. The PMIB members are the California's State Treasurer, Director of Finance, and State Controller. The value of the pool shares in LAIF, which may be withdrawn upon request, is determined on an amortized cost basis, which is different from the fair value of the Agency's position in the pool.

Reserves

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker - dealer) to a transaction, the Agency and the City, where Agency's excess funds are invested, will not be able to recover the value of the investment or collateral securities that are in the possession of another party.

The California Government Code requires that a financial institution secure its deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by the depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged governmental securities and/or first trust deed mortgage notes held in the collateral pool must be at least 110% and 150% of the Agency and City's deposits, respectively. The collateral is held by the pledging financial institution's trust department and is considered held in the Agency's name or City's name, in the case of Agency's investment with the City Pool Investment. The Agency's investments held by the City are not subject to custodial credit risk at June 30, 2011.

As of June 30, 2011, \$23,230,580 of the Agency's bank balance was exposed to custodial credit risk because it was uninsured beyond the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$250,000, but collateralized by the pledging financial institutions as required by Section 52652 of the California Government Code. Such collateral is held by the

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**REDEVELOPMENT AGENCY OF  
THE CITY OF SAN JOSÉ**

**Notes to the Basic Financial Statements (continued)  
June 30, 2011**

A summary of the Agency's investments at June 30, 2011 is as follows:

Type of Investment	Credit Rating	Maturity				Fair Value
		Under 30 days	31 - 180 days	181 - 365 days	366 & Over days	
City of San Jose Cash and Investment Pool	Unrated	\$ -	\$ -	\$ -	\$ 16,106,128	\$ 16,106,128
State of California Local Agency Investment Fund	Unrated	-	-	38,586,214	-	38,586,214
US Treasury Bills	Aaa / Prime - 1	63,346,221	-	-	-	63,346,221
Money Market Mutual Fund	Aaa	-	214,080	-	-	214,080
Commercial Paper	A1/P1/F1	35,331,346	-	-	-	35,331,346
Subtotal		\$ 98,677,567	\$ 214,080	\$ 38,586,214	\$ 16,106,128	153,583,989
Certificates of Deposit						9,428,529
Petty cash						800
Grand Total						\$ 163,013,318

*Restricted Cash and Investments in the Debt Service Funds*

Under the provisions of the bond indentures, certain accounts with trustees were established for repayment of debt, amounts required to be held in reserve, and temporary investments for unexpended bond proceeds. These accounts are reported in debt service funds. As of June 30, 2011, the amounts held by the trustees aggregated to \$129,827,980 in compliance with amounts required to be held by the trustee. All restricted investments held by trustees as of June 30, 2011 were invested in US treasury bills, commercial paper, money market mutual funds and LAIF, and were in compliance with the bond indentures.

*Restricted Investments in the Capital Projects Fund*

In the current year, unspent tax-exempt bond proceeds from the Agency's 2008 Tax Allocation Bonds Series B invested in LAIF totaling \$13,818,936 have been classified as restricted cash and investments as the funds are restricted based on the terms of the bond indentures. The bond indenture and tax certificate for this bond issue states that the bond proceeds are to be used to finance capital redevelopment projects within or to benefit the Agency's Merged Area Redevelopment Project subject to the various IRS requirements related to the use of tax exempt bond proceeds.

Pursuant to contracts and agreements made by the Agency, certain funds are required to be held in escrow accounts that remain the property of the Agency; however, their use is restricted for a particular purpose, which as of June 30, 2011, are as follows:

Project/Program	Amount
Dr. Martin Luther King, Jr Library	\$ 2,295,840
ACE Charter School	950,312
The 88 Tower (Retail and Housing)	694,085
Miscellaneous Redevelopment Projects	488,293
Total other restricted deposits	\$ 4,428,530

*Reserve.*

ATTACH A-9 7A/13

REDEVELOPMENT AGENCY OF  
THE CITY OF SAN JOSÉ

Notes to the Basic Financial Statements (continued)  
June 30, 2011

B. Loans Receivable

Composition of loans receivable as of June 30, 2011 is as follows:

Description	Loan Balance
1. Parcels of land sold to developers	\$ 1,728,360
2. HUD Section 108 loans	3,233,896
3. Rehabilitation of apartment complex	436,172
4. Historic homes relocation loans	3,882,441
5. Rehabilitation of residential units	177,563
6. Commercial building loans	10,415,398
7. Residential housing projects	16,543,506
8. Rehabilitation of historic hotel building	5,265,000
9. Small business loan program	372,310
Total loans	42,054,646
Accrued interest receivable	4,320,807
Total loans and interest receivable	46,375,453
Less allowance for doubtful accounts	(11,540,801)
Loans and interest receivable, net	\$ 34,834,652

1.) Over the years, parcels of land have been sold to commercial real estate developers in various mixed-use projects. In one downtown residential condominium project, a non-interest bearing promissory note was recorded in 2007 whereby the Agency deferred a portion of the land sale until the first residential unit closed escrow. On April 26, 2011, the loan agreement was amended giving right to the developer to convert the project from for-sale to rental. The amended agreement also gave the developer the authority to subsequently convert any units back to for-sale units. The principal loan and interest are due and payable when all proceeds of sold condominium units exceed the invested capital threshold. As of June 30, 2011, the amount due from the developer was \$1,728,360. A 100% provision for doubtful accounts was provided for the entire loan balance.

2.) In 1997 and 2007, the Agency extended loans to developers using funds obtained from the U.S. Department of Housing and Urban Development Section 108 loan proceeds. These loans have a 20-year repayment schedule, bear interest at an annual rate of 3%, and require principal and interest payments to the Agency on a monthly basis. As of June 30, 2011, the amount due from the developers was \$3,233,896.

3.) In 1999, the Agency extended a loan to a developer for rehabilitation of an apartment complex. The loan to the developer has a 19-year repayment schedule, bears interest at an annual rate of 3%, and requires principal and interest payments to the Agency on a monthly basis. As of June 30, 2011, the amount due from the developer was \$436,172.

4.) The Agency relocated historic single-family homes to vacant lots in downtown San José. These homes were provided to families and a non-profit agency, which provided the interior and exterior improvements. The loans are to be paid only in the event of non-compliance with the terms and conditions of the agreements. At the time residential occupancy of the house ceases or the property

ATTACH A Pg 8/13

REDEVELOPMENT AGENCY OF  
THE CITY OF SAN JOSÉ

Notes to the Basic Financial Statements (continued)  
June 30, 2011

is transferred to anyone other than the owner by any method other than inheritance, the unamortized portion of the loan shall become due and payable in full. Unpaid principal shall bear an interest rate of 8% per annum. The total loans of \$3,882,441 have been offset with a 100% provision for doubtful accounts as it is anticipated that these loans will be forgiven.

5.) The Agency extended various bank-assisted loans to aid first-time homebuyers and to aid with the rehabilitation of homes. The loans accrue interest at various interest rates and are due when the related properties are sold. As of June 30, 2011, the net amount due from such loans was \$177,563. An allowance for doubtful accounts in the amount of \$20,000 was made for anticipated write-offs.

6.) The Agency extended various loans to property owners for the rehabilitation and improvements of commercial buildings. These loans accrue interest at various interest rates and are due within 10 to 25 years. At June 30, 2011, the total amount due from such loans was \$10,415,398. An allowance for doubtful accounts in the amount of \$645,000 was made for anticipated write-offs.

7.) The Agency entered into Disposition and Development Agreements with various developers for the construction of residential housing units in redevelopment project areas. The funding assistance extended by the Agency was converted to loans bearing an interest rate ranging from 2% to 4%. As of June 30, 2011, the amount due from the developers was \$16,543,506.

8.) In May 2005, the Agency amended and restated a Disposition and Development Agreement with a developer recognizing a loan for the rehabilitation of a historic hotel building. The loan has a 60-year repayment schedule, bears no interest, and requires principal payments to the Agency on a semi-annual basis starting in fiscal year 2020-2021. As of June 30, 2011, the amount due from the developer was \$5,265,000. A 100% provision for doubtful accounts was provided for the entire loan balance due to the extended timeline before payments commence.

9.) In June 2002, the Agency Board approved the creation of the Small Business Loan Program to be administered by the City's Office of Economic Development (OED) and to be funded by the Agency with non-tax increment funds. The program offered reduced-rate loans to small businesses located in Downtown and Neighborhood Business Districts. In July 2008, administration of the program was transferred from OED to the Agency. The Agency has not funded the program since then. As of June 30, 2011, the outstanding loans totaled \$372,310.

*Other Loans*

In 2005, a developer assigned its Commercial Rehabilitation loan with the Agency to a new entity by assuming all the rights, title, interest, and obligations as borrower. The loan was restructured, has a 13-year term bearing interest at an annual rate of 4%, and requires principal and interest payments to the Agency on an annual basis. The loan agreement stipulated that on each consecutive anniversary of the opening date of the business, the new borrower shall deem to have been paid one-seventh of the original loan including interest if it continues its grocery business operations in the premise. Because of this arrangement and anticipation that the new borrower will continue its business operations on the premise, a 100% provision for doubtful accounts was provided for the entire loan balance of \$650,909 as of June 30, 2010. On June 21, 2011, the Agency Board

ATTACHED Pg 9/13

**REDEVELOPMENT AGENCY OF  
THE CITY OF SAN JOSÉ**

**Notes to the Basic Financial Statements (continued)  
June 30, 2011**

approved the forgiveness of the loan and all accrued interest in consideration of a covenant to open and operate a delicatessen in Downtown San José for not less than 3 years. As security to open a delicatessen for business within 360 days, the borrower executed a Deed of Trust of its San Jose grocery store and in case of default, liquidated damages of \$70,000 shall be paid by the borrower to the Agency.

**C. Deferred Revenue and Unearned Revenue**

At June 30, 2011, the various components of deferred revenue and unearned revenue reported in the governmental funds and governmental activities were as follows:

	<u>Amount</u>
Amounts considered unavailable (deferred revenue), as reported in the fund financial statements:	
Related to loans receivable	<u>\$ 31,528,770</u>
Amounts considered unearned:	
Related to developers contributions	\$ 2,760,349
Related to other long-term receivables	<u>42,250</u>
Total unearned revenue, as reported in the fund financial statements	<u>\$ 2,802,599</u>

**D. Interfund Balances and Transactions**

The composition of borrowing between funds as of June 30, 2011, is as follows:

<u>Due from Other Funds:</u>	<u>Due to Other Funds:</u>	<u>Amount</u>
Capital Projects Fund	Special Revenue Fund	\$135,147

The \$135,147 represents the amount to be returned to the Agency by the City's Housing Department from its low-moderate income housing funds, as a result of County's over remittance of supplemental assessments in the month of June 2011.

The composition of interfund transfers for the fiscal year ended June 30, 2011, is as follows:

<u>Transfer In Fund</u>	<u>Transfer out Fund</u>	<u>Amount</u>
Merged Debt Service Fund	Capital Projects Fund	\$ 33,921,863
General Fund	Capital Projects Fund	<u>3,240,913</u>
Total		<u>\$ 37,162,776</u>

The \$33,921,863 represents the net transfers from the capital projects fund necessary to make required debt service payments and the \$3,240,913 represents transfers to the general fund to cover general and administrative expenditures.

ATTACH A Pg 10/13

REDEVELOPMENT AGENCY OF  
THE CITY OF SAN JOSÉ

Notes to the Basic Financial Statements (continued)  
June 30, 2011

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E. Capital Assets - Accumulated Redevelopment Project Costs

For the fiscal year ended June 30, 2011, the change in accumulated redevelopment project costs consisted of the following:

	June 30, 2010	Addition	Disposition/ Transfer	June 30, 2011
<b>Nondepreciable:</b>				
Land held for redevelopment	\$ 117,112,508	\$ 620,305	\$ (54,093,395)	\$ 63,639,418
Construction in progress	19,355,001	1,260,650		20,615,651
Total Non depreciable	<u>136,467,509</u>	<u>1,880,955</u>	<u>(54,093,395)</u>	<u>84,255,069</u>
<b>Depreciable:</b>				
Building	-	8,059,792	(8,059,792)	-
Total Depreciable	-	8,059,792	(8,059,792)	-
<b>Less: accumulated depreciation</b>				
Building	-	7,589,237	(7,589,237)	-
Total Depreciable, net	-	470,555	(470,555)	-
Total Accumulated Project Costs, Net	<u>\$ 136,467,509</u>	<u>\$ 2,351,510</u>	<u>\$ (54,563,950)</u>	<u>\$ 84,255,069</u>

During the year, the Agency received from the City of San Jose the Old City Hall property, which is comprised of land and buildings in exchange for the Fairmont Parking Garage, MACLA/Movimiento de Arte y Cultura Latino Americana property, and Fairmont Hotel business interest (see Other Capital Assets disclosure). The land where the Old City Hall is located has a book value of \$444,374 and the Old City Hall buildings have a net book value of \$470,555 (net of accumulated depreciation of \$7,589,237). The Old City Hall property was subsequently transferred to the County of Santa Clara as part of a Settlement Agreement in settlement of past year's revenue sharing pass-through obligation with the County (see Note III- D Tax Sharing Agreement and Other Payments to the County of Santa Clara for details). Various parcels of land with a cost aggregating \$175,931 located in the Agency's Merged Project Area were also acquired for future development. Construction project costs (\$1,260,650) were added during the year, which include Edenvale Community Center (\$641,394), San Jose Municipal Stadium's transformer replacement (\$334,780), 4<sup>th</sup> St/San Fernando Garage retail improvements (\$260,000) and other projects (\$24,476).

In addition to the Old City Hall land (\$444,374), various parcels of land held for redevelopment aggregating \$13,527,353 were also disposed, as follows: 101 San Fernando residential (\$7,010,500), Colonade Retail (\$1,496,466), Fairmont Hotel Annex (\$4,000,000) and Autumn/Julian Street property (\$1,020,387) were transferred in accordance with Purchase Agreements in exchange for monetary consideration; eight parcels of land aggregating to \$29,197,411 were also transferred to San Jose Diridon Development Authority, a Joint Powers Authority authorized pursuant to a Joint Exercise of Powers Agreement between the City and the Agency to allow for future development and infrastructure in the Diridon station area such as high speed rail, BART, and potential sports stadium; two parcels of land with aggregate book value of \$4,661,932 were transferred to the City of San Jose in exchange of the Old City Hall; and four parcels of land were transferred to City of San Jose for public facility projects with aggregate book value of \$6,262,325.

Parcels of Agency owned land with an aggregate book value of \$19,343,000 were used to secure the Letters of Credit obtained from JPMorgan Chase Bank supporting the Agency's 1993 and 2006



SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Period Ended April 30, 2012

18/11  
With Assets Agent

	Debt Service			Capital Projects	Total
	General	Housing	Merged		
<b>REVENUES</b>					
Tax increment	\$ -	\$ -	\$ 70,129,471	\$ -	\$ 70,129,471
Intergovernmental	-	23,350,268	-	-	23,350,268
Investment income	8,713	28,535	127,584	262,581	427,411
Grant revenue	-	-	-	25,734	25,734
Rent	475,060	-	-	52,975	528,035
Other	40	445,276	-	2,094,054	2,539,351
Total revenues	483,813	17,977,644	70,257,055	2,435,322	114,532,635
<b>EXPENDITURES</b>					
General government	548,451	-	-	-	548,451
Intergovernmental:					
Payments to the City of San Jose	-	17,532,368	-	356,784	17,889,152
Capital outlay:					
Project expenditures	-	-	-	5,676,098	5,676,098
Payments to the City of San Jose	-	-	-	150,000	150,000
Payments to the County of Santa Clara	-	-	-	7,542,151	7,542,151
Debt service:					
Principal repayment	-	9,460,000	61,200,000	1,675,000	72,335,000
Interest and fiscal charges	-	13,896,843	89,302,031	10,323,529	113,522,404
Total expenditures	548,451	17,532,368	150,502,031	25,723,562	217,663,255
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(64,637)	445,276	(80,244,976)	(23,288,240)	(103,130,620)
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan Proceeds	-	-	-	11,954,116	11,954,116
Sales of capital assets	-	-	-	11,268,355	11,268,355
Transfers in	-	445,276	18,558,130	(19,003,406)	19,003,406
Transfers out	-	(445,276)	-	(18,558,131)	(19,003,407)
Total other financing sources (uses)	-	445,276	18,558,130	4,664,339	23,222,469
CHANGE IN FUND BALANCES	(64,637)	467,233	(61,686,846)	(18,623,901)	(79,908,151)
FUND BALANCE - 6/30/2011	1,261,544	9,959,388	119,893,921	27,050,048	158,164,901
FUND BALANCE - 4/30/2012	\$ 1,196,907	\$ 10,426,623	\$ 58,207,076	\$ 8,426,147	\$ 78,256,753

\$ 3,093,118

1/23/12 approved

John Campbell

Staffwork meeting

1777

1681

3043

Assestion following

Debt Service Payments  
12/31/2011

Attachment C

Pg 1/10

Principal		72,335,000.00	
Interest		52,622,116.36	
Others			
LOC Fees & other fees	919,294.47		
ERAF payment	2,245,247.00		
Other bank fees	<u>6,422.00</u>	3,169,963.47	
4th Street Garage Parking		<u>1,681,396.25</u>	
Total Principal, Interest & fees		129,808,476.08	
Less: Housing		<u>16,689,933.00</u>	
Total Debt Service Payment - SARA SJ		<u><u>113,118,543.08</u></u>	

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 Page - 1  
 As Of Date 4/29/2011

Successor Agency to SRA  
 Trial Balance By Object Report

R094121

Co	Account Number	L	D	Description	Beginning Balance	Postings		Current Balance
						This Period	Year To Date	
00020	20.4291			Principal	9,400,000.00			9,400,000.00
00022	22.4291			Principal	605,000.00			605,000.00
00023	23.4291			Principal	1,950,000.00			1,950,000.00
00024	24.4291			Principal	3,265,000.00			3,265,000.00
00030	30.4291			Principal	3,215,000.00			3,215,000.00
00031	31.4291			Principal	300,000.00			300,000.00
00032	32.4291			Principal	4,680,000.00			4,680,000.00
00033	33.4291			Principal	1,070,000.00			1,070,000.00
00034	34.4291			Principal	3,710,000.00			3,710,000.00
00035	35.4291			Principal	33,680,000.00			33,680,000.00
00042	42.4291			Principal	8,785,000.00			8,785,000.00
00090	0900502.4291.00665180			Principal	174,900.00			174,900.00
00090	0900502.4291.00465180			Principal	155,100.00			155,100.00
00090	0900502.4291.00565180			Principal	600,000.00			600,000.00
00090	0900502.4291.00665180			Principal	745,000.00			745,000.00
				Object Account	77,335,000.00			77,335,000.00
00020	20.4292			Interest	3,598,219.38			3,598,219.38
00021	21.4292			Interest	1,916,475.00			1,916,475.00
00022	22.4292			Interest	16,429,646.25			16,429,646.25
00023	23.4292			Interest	4,895,155.00			4,895,155.00
00024	24.4292			Interest	3,607,318.76			3,607,318.76
00030	30.4292			Interest	52,458.04			52,458.04
00031	31.4292			Interest	169,647.50			169,647.50
00032	32.4292			Interest	3,846,572.50			3,846,572.50
00033	33.4292			Interest	880,433.12			880,433.12
00034	34.4292			Interest	2,503,004.60			2,503,004.60
00035	35.4292			Interest	10,999,378.13			10,999,378.13
00041	41.4292			Interest	306,830.00			306,830.00
00042	42.4292			Interest	3,380,156.25			3,380,156.25
00090	0900502.4292.00365180			Interest	100.00			100.00
00090	0900502.4292.00465180			Interest	1,466.18			1,466.18
00090	0900502.4292.00465180			Interest	1,300.19			1,300.19
00090	0900502.4292.00565180			Interest	14,539.29			14,539.29
00090	0900502.4292.00665180			Interest	19,446.17			19,446.17
				Object Account	458,189.48			458,189.48
00067	67.4294			Other	346,644.50			346,644.50
00071	71.4294			Other	52,622,116.36			52,622,116.36
				Object Account	919,294.47			919,294.47
				Object Account	2,245,247.00			2,245,247.00

01/20/11  
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ATTACH 2 19 3/10

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 Page - 2  
 As Of Date 12/31/2011

Successor Agency to SIRA  
 Trial Balance By Object Report

R094121

ATTACH 2

Co	Account Number	L	Description	Beginning Balance	Postings This Period	Postings Year To Date	Current Balance
00090	90-4294	D	Other		2,802.76	5,422.20	5,422.20
			Object Account				
			Payments to IPAs		349,447.06	3,169,963.67	3,169,963.67
00090	90-4297	S	Object Account			1,681,396.25	1,681,396.25
			Object Account			1,681,396.25	1,681,396.25

Debt Service - Principal  
12/31/2011

G/L Date/Pay Date	Amount	Explanation
8/1/2011	9,400,000.00	2002 Tabs Principal Payment
8/1/2011	605,000.00	2006 D TAB Principal Payment
8/1/2011	1,950,000.00	2007A -TAB Principal Payment
8/1/2011	3,265,000.00	2008A Tabs Principal Payment
8/1/2011	1,000,000.00	1996 B Tabs
8/1/2011	1,000,000.00	1996 A Tabs
8/31/2011	<u>1,215,000.00</u>	2003 A Tabs
	3,215,000.00	
8/1/2011	300,000.00	1997 Tabs Principal Payment
8/1/2011	2,840,000.00	2003 J Tabs Hsng
8/1/2011	<u>1,840,000.00</u>	2005 B Tabs Hsng
	4,680,000.00	
8/1/2011	1,070,000.00	2003 K Tabs - Hsng
8/1/2011	2,300,000.00	2010 Series C - Hsng
7/21/2011	<u>1,410,000.00</u>	2010 B TA Bonds HSng
	3,710,000.00	
8/1/2011	14,640,000.00	1993 Tabs -Principal Pymnt
8/1/2011	10,265,000.00	2005A Tabs -Principal Pymnt
8/1/2011	<u>8,775,000.00</u>	2004 Tabs Principal Payment
	33,680,000.00	
10/26/2011	8,785,000.00	Convention Center Principal Payment

ATTACH E Pg 5/10

7/26/2011	174,900.00	HUD 108 Masson-Principal 8/2011DS
7/26/2011	155,100.00	HUD 108 Dr Eu-Principal 8/2011 DS
7/26/2011	600,000.00	HUD 108 CIM Block 3- Principal 8/2011
7/26/2011	745,000.00	HUD 108 Story & King-Principal 8/2011

Total D/S

72,335,000.00

Debt Service - Interest  
12/31/2011

G/L Date	Amount	Explanation
8/1/2011	484,212.50	2002 Tabs Interest Payment
8/1/2011	<u>3,114,006.88</u>	2003 Tabs Interest Payment
	3,598,219.38	
8/1/2011	375,725.00	2006 A-T Int Payment
8/1/2011	<u>1,540,760.00</u>	2006 B Int Payment
	1,916,475.00	
8/1/2011	6,861,075.00	2006 D Int Payment
8/1/2011	<u>9,568,571.25</u>	2006 C Int Payment
	16,429,646.25	
8/1/2011	408,892.50	2007A -Interest Payment
8/1/2011	<u>4,486,262.50</u>	2007 B Interest Payment
	4,895,155.00	
8/1/2011	2,667,759.38	2008B Tabs Int Payment
8/1/2011	<u>939,569.38</u>	2008A Tabs Int Payment
	3,607,318.76	
7/31/2011	5,122.28	2003 A/B Tabs - 100
7/31/2011	1,183.56	2003 A/B - Tabs 100
7/31/2011	1,893.70	1996 A/B Tabs - 21
7/31/2011	1,676.71	1996 A/B Tabs - 21
8/1/2011	756.16	1996 B Tabs - 21
8/1/2011	789.03	1996 A Tabs - 21
8/31/2011	472.6	2003 A/B Tabs-01(to -04)Sep09
8/31/2011	4,120.08	2003 A/B Tabs - 100
10/26/2011	3,201.08	1996 B Tabs - 21
10/26/2011	2,791.49	1996 B Tabs - 21
10/26/2011	4,589.60	2003 A/B Tabs - 100
10/26/2011	2,087.67	2003 A/B Tabs-130
11/30/2011	5,153.23	2003 A/B Tabs - 100 Oct 2011
11/30/2011	1,623.29	2003 A/B Tabs-130 Oct 2011
11/30/2011	2,489.04	1996 B Tabs - 21 Oct 2011
11/30/2011	2,400.83	1996 B Tabs - 21 OCT 2011

ATTACH ePg 7/10

12/31/2011	4,249.63	2003 A/B Tabs - 100
12/31/2011	2,350.68	2003 A/B Tabs-130
12/31/2011	3,604.37	1996 B Tabs - 21
12/31/2011	1,903.03	1996 B Tabs - 21
	<u>52,458.04</u>	

8/1/2011	169,647.50	1997 Tabs Interest Payment
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8/1/2011	910,378.75	2003 J Tabs - 17
8/1/2011	2,936,143.75	2005 B Tabs - 32
	<u>3,846,522.50</u>	

8/1/2011	142,283.12	2003 K Tabs - Hsng
8/1/2011	497,356.25	1997 E Tabs - Hsng
8/1/2011	240,793.75	2005 A Tabs - Hsng
	<u>880,433.12</u>	

8/1/2011	467,631.00	2010 Series C - Hsng
10/31/2011	1,427,390.63	2010 A-1 TA Bonds Hsng
10/31/2011	55,575.00	2010 A-2 TA Bonds Hsng
10/31/2011	116,356.20	2010 B TA Bonds Hsng
12/31/2011	446,051.77	2010 Series C - Hsng
	<u>2,503,004.60</u>	

8/1/2011	985,050.00	1993 Tabs -Interest Pymnt
8/1/2011	3,486,698.75	2005A Tabs -Interest Pymnt
8/1/2011	1,676,500.00	2005 B Interest Payment
8/1/2011	4,871,129.38	2004 Tabs Interest Payment
	<u>10,999,378.13</u>	

8/1/2011	306,850.00	1999 Tabs, Interest Payment
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X	<u>7/1/2012</u>	3,380,156.25	Convention Center Bnd Interest payment
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7/26/2011	100	HUD 108 Admin/Service Fee
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7/26/2011	1,466.18	Hud 108 Masson-Interest 8/2011
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actual document  
input date



ATTACH C Pg 8/10

7/26/2011	1,300.19	HUD 108 Dr Eu-Interest 8/2011
7/26/2011	14,539.29	HUD 108 CIM Block 3- Interest 8/2011
7/26/2011	<u>19,446.17</u>	HUD 108 Story & King-Interest 8/2011
Total	<u><u>52,622,116.36</u></u>	



APR 21/08

SUBSYSTEM	BATCH	OBJECT	DEPT	OBJECT	DETAIL	FUND	DATE	ACTIVITY	DESCRIPTION	AMOUNT	APPRNO
AP	527744	471		4097		449	08-Jul-11	TO RDA FOR DEBT SERVICE	2003 K	1,212,282.05	0021
AP	527745	471		4097		449	08-Jul-11	TO RDA FOR DEBT SERVICE	2005A	240,793.35	0021
AP	527742	471		4097		449	08-Jul-11	TO RDA FOR DEBT SERVICE	1997 E	497,355.43	0021
AP	527743	471		4097		449	08-Jul-11	TO RDA FOR DEBT SERVICE	2003 J	3,750,375.01	0021
AP	527746	471		4097		449	08-Jul-11	TO RDA FOR DEBT SERVICE	2005 B	4,776,138.92	0021
AP	527747	471		4097		449	08-Jul-11	TO RDA FOR DEBT SERVICE	2010A-1	1,427,387.15	0021
AP	527748	471		4097		449	08-Jul-11	TO RDA FOR DEBT SERVICE	2010A-2	55,575.00	0021
AP	527749	471		4097		449	08-Jul-11	TO RDA FOR DEBT SERVICE	2010 B	1,526,352.81	0021
AP	527750	471		4097		449	08-Jul-11	TO RDA FOR DEBT SERVICE	2010 C	2,757,628.63	0021
AP	532901	471		4097		449	12-Oct-11	TO RDA FOR DEBT SERVICE	2010 C INTEREST	446,044.21	0021
										16,689,932.56	

SARA SJ  
 Per April 30, 2012 Financial Statements  
 Attachment D

*Page 10*

	<u>Amount</u>
<b>Loan Proceeds:</b>	
4th Street Parking Garage Bonds DS Payment - City Advances	\$ 1,681,396.25
HUD-108 Loan Payment - CDBG City Advances	\$ 1,711,851.83
Sub-total Loan Proceeds	<u>\$ 3,393,248.08</u>
<b>Non-cash items</b>	
SERAF Loan (interest accrual ) City Advances	\$ 1,018,717.44
County of Santa Clara - PT accrual	\$ 7,542,150.64
Sub-total	
<b>Total Loan Proceeds</b>	<u><u>\$ 11,954,116.16</u></u>

**Other Miscellaneous Income:**

Fund transfer from City Housing to pay Housing Bonds 2010 C interest	\$ 445,276.12	
Reversal of AB 1290 to misc revenue - accrued as expend in FY 2010-11	\$ 1,505,335.16	<b>Non-cash flow item</b>
Parking Revenues	\$ 338,275.27	
Grant Revenue	\$ 25,734.00	
Rental Income	\$ 528,033.00	
Miscellaneous	\$ 250,464.45	
<b>Total Other Miscellaneous Income</b>	<u><u>\$ 3,093,118.00</u></u>	
Less: Non-cash Flow Item	\$ 1,505,335.16	
Plus: May-June Forecast	\$ 120,000.00	
Plus: Cash Receipts for FY 10-11 revenue (received in FY 11-12)	\$ 444,217.16	See attached worksheet
<b>Other Miscellaneous Income Forecast</b>	<u><u>\$ 2,152,000.00</u></u>	

ATTACH D 89 > 1/2

P C	Batch Nbr	GL Date	Do T	LT 1	Amount	Explanation	Explanation - Remark-	Invoice Number
P	72846	7/26/2011	RC		881.96	Bank Deposit	150 S. Montgomery Prkg 6/2011	881.96
P	72846	7/26/2011	RC		1,760.16	Bank Deposit	PF Chang Note: Pymt FY 2010-11	1,760.16
P	72846	7/26/2011	RC		3,368.10	Bank Deposit	Central Place Prkg Lot 6/2011	3,368.10
P	72846	7/26/2011	RC		4,572.60	Bank Deposit	105 S. Montgomery Lot 6/2011	4,572.60
P	72846	7/26/2011	RC		10,122.10	Bank Deposit	2nd & St. James Parking 6/2011	10,122.10
P	72846	7/26/2011	RC		23,895.35	Bank Deposit	South Hall Lot Parking 6/2011	23,895.35
P	72846	7/26/2011	RC		35,083.97	Bank Deposit	Fountain Alley Prkg Lot 6/2011	35,083.97
P	72917	8/3/2011	RC		1,400.00	Bank Deposit	Sustra SBLP#24-6/2011	1,400.00
P	72919	8/3/2011	RC		4,650.81	Bank Deposit	Camera 3/2011 Qtr2	4,650.81
P	72923	8/15/2011	RC		175,962.95	Bank Deposit	Fairmont Garage Rev 2011 Qtr2	175,962.95
P	72923	8/15/2011	RC		2,091.10	Bank Deposit	San Jose Stage PBID 4/2011	2,091.10
P	72923	8/15/2011	RC		3,972.24	Bank Deposit	State Fund-Worker's Comp Rfnd	3,972.24
P	72923	8/15/2011	RC		5,547.96	Bank Deposit	Standard Prkg-150 Montg 5/11	5,547.96
P	72923	8/15/2011	RC		6,538.56	Bank Deposit	Standard Prkg-Central Pl 5/11	6,538.56
P	72923	8/15/2011	RC		9,531.76	Bank Deposit	Standard Prkg-2nd/St. James 5/11	9,531.76
P	72923	8/15/2011	RC		13,719.52	Bank Deposit	Standard Prkg-105 S. Mont 5/11	13,719.52
P	72923	8/15/2011	RC		16,891.94	Bank Deposit	Standard Prkg-South Hall 5/11	16,891.94
P	72923	8/15/2011	RC		33,744.88	Bank Deposit	Standard Prkg-Fount Alley 5/11	33,744.88
P	72923	8/15/2011	RC		66,011.24	Bank Deposit	Maint Inl Rev Part 1-6/11	66,011.24
P	73027	8/26/2011	RC		1,000.00	Bank Deposit	PM Rent 6/11 & 7/11	1,000.00
P	73029	8/26/2011	RC		720	Bank Deposit	SBLP Loan Pmt S.J. Tofu 05/2012	720.00
998.1012	73261	8/31/2011			15,012.83	CJV#0213 LAIF	LAIF Int Accrual 6-30-11	15,012.83
							Other	7737.13

444,217.16

ATTACH. E Pg 1/1

County of Santa Clara

Finance Agency  
Controller-Treasurer Department  
Property Tax Division  
70 West Hedding Street, East Wing  
San Jose, California 95110-1705  
(408) 299-2541 FAX 298-7452



Part A

	<u>Total</u>
Property Tax revenue advances (for Jan 1, 2012 thru Jun 30, 2012 ROPS)	\$ 87,661,839.00
Less: Max. RPTTF Obligation approved by DOF for Jan to Jun 2012	(46,954,862.00)
Less: Re-Certified 1st ROPS SA Admin Cost 5/18/12	<u>(1,362,577.00)</u>
Balance after 1st ROPS	39,344,400.00
Credit applied to certified 2nd ROPS	(39,344,400.00)
Credit applied to certified 2nd ROPS SA Admin cost	-
Balance owed by the SA after June 1 distribution	<u>\$ -</u>

Part B

Deposit: Property Tax from all sources into the RPTTF (for Jul 1, 2012 thru Dec 31, 2012 ROPS)	\$ 82,903,286.94
Less: County Auditor's admin costs	(156,189.01)
Less: SB 2557 Ptax Admin Fee	<u>(2,386,163.29)</u>
Net Available for Distribution under H&S 34183	80,360,934.64

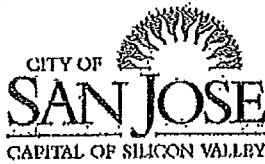
Allocation of Moneys in RPTTF

Priority 1 - Pass-through Payments (See Below)	(18,579,360.37)
Total Amount available to distribute to Successor Agency to pay ROPS obligations	<u>61,781,574.27</u>
Priority 2 - Recognized Payment Obligations - Max. RPTTF Obligations Approved by DOF for Jul to Dec 2012 Credit from overpaid apportionments in the 1st half year	(128,675,492.00)
	<u>39,344,400.00</u>
Insufficient Fund Balance for ROPS	<u>\$ (27,549,517.73)</u>

Priority 3 - Successor Agency Admin Costs (min of 3% alloc to RPTTF or \$250k) - Re-certified 2nd ROPS 5/23/12

- Eliminated under 34183 (b)

Priority 4 - SCO Invoices for Audit & Oversight - If any



ATTACHMENT F1911  
1/14

Successor Agency to the Redevelopment Agency

May 1, 2012

Vinod K. Sharma  
Director Finance Agency  
Santa Clara County  
70 West Hedding Street, East Wing, 2<sup>nd</sup> Floor  
San Jose, CA 95110

Subject: Notification of Insufficiency of Funds

Dear Mr. Sharma:

Pursuant to Redevelopment Law ABX1 26, Section 34183 (b), the Successor Agency to the Redevelopment Agency of the City of San Jose ("Successor Agency") submits this letter to notify the County of Santa Clara Auditor Controller that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund (RPTTF) allocation funds are insufficient to meet the payment obligations as identified on the draft ROPS, for the period covering July 1 through December 31, 2012. This includes funds transferred from the former Redevelopment Agency and funds that have or will become available through assets sales and all redevelopment operations. The projected deficit, as forecasted on the attached Cash Flow worksheet is \$17,875,000.

Please call me or Abraham Andrade, Chief Financial Officer, to discuss the cash flow and Draft ROPS at your convenience at 408-795-1849 or 408-795-1821, respectively.

Sincerely,

Richard A. Kelt  
Managing Director

Attachment

cc: John Guthrie

Attachment F Pg 2/119

A		D	E
		Projections	
		7/1/2012 - 6/30/2013	
San Jose Successor Agency Cash Flow		Initial Amt. Available and Distributables in compliance with H&S 34183 (a)	Adjusted Distribution pursuant to H&S 34183 (b)
7	Total Tax Increments	(A) 189,361,000	189,361,000
8	Initial Deductions Per H&S 34182 (a) and R&T code 953		
9	H&S 34182 Admin Cost - forntal/le-treasurer	(250,000)	(250,000)
10	R&T 953	(2,350,000)	(2,350,000)
11	Total Initial Deductions allowed per H&S 34182 (a) & R&T 953	(C) (2,600,000)	(2,600,000)
12			
13	Amount Available for Distributions per H&S 34183 (a) (1) (a)n	(C) 187,811,000	187,811,000
14	First Priority Payments: pass thru per H&S 34183 (a)(1)		
15	Current Year AB1290 Pass-thru - H&S 34183 (a)(1)	(1,867,000)	(1,867,000)
16	Prior Yr. Pass-thru (per ROPS) - H&S 34183 (a)(1)		
17	H&S 33101 Pass-thru to County (Subordinate debt) (-9.3% of TI)	(17,146,000)	
18	(ASSUMPTION 2)	(19,013,000)	(1,867,000)
19	Balance Available for Second Priority Claims	(E) 162,794,000	179,934,000
20			
21	Additional Resources for Second Priority Claims		
22	Beginning Cash Balance Housing		
23	Beginning Cash Balance Non-Housing		
24	Excess Funds Refund from Bond Trustee	13,011,000	13,011,000
25	Interest Income from Housing & Other		
26	Housing Reserve Brought Forward	(9,011,000)	(9,011,000)
27	Sale of Agency Assets	4,511,000	4,511,000
28	Other (Rent, Loan Repayments, Participation Payments)	720,000	720,000
29	Non-Housing Reserve Fund Brought Forward	3,860,000	3,860,000
30	Refund from SERAF (ASSUMPTION 3)		
31	Total additional resources available	(F) 41,113,000	(F) 41,113,000
32	Total Resources Available for Second Priority Claims	(G) 203,913,000	(G) 221,057,000
33	Second Priority Payments per H&S 34183 (a) (2)		
34	(TI bond pymts, revenue bonds, other required debts on ROPS)		
35	Housing		
36	Senior Debt Service Payments (34183 - (a) (2-A)	(24,533,000)	(24,533,000)
37	Sub. Debt Service (34183 - (a) (2-B)		
38	Bond Admin Cost (34183 - (a) (2-C) (Ross Financial)	(24,000)	(24,000)
39	Commercial Paper Payments (34183 - (a) (2-A)	(520,000)	(520,000)
40	Project Obligations (34183 - (a) (2-C)	(7,561,000)	(7,561,000)
41	Obligations by law (34183 - (a) (2-C)	(3,000)	(3,000)
42	Reserve Obligation (34183 - (a) (2-C)	(19,621,000)	(19,621,000)
43	Non-Housing		
44	Senior Debt Service		
45	Fiscal Agent deposits (34183 - (a) (2-A)	(145,293,000)	(145,293,000)
46	Sub. Debt Service - US Bank (34183 - (a) (2-A)	(3,768,000)	(3,768,000)
47	Letters of Credit and Bond Admin Fees (34183 - (a) (2-C)	(2,523,000)	(2,523,000)
48	Legally Binding Contracts (34183 - (a) (2-C)	(5,900,000)	(5,900,000)
49	Reimbursement of City Obligations - ERAF Loan Payment, 4th Street Garage, Convention Center (34183 - (a) (2-C)	(23,195,000)	(23,195,000)
50	HUD 183 Loan Interest/Principal Payment (34183 - (a) (2-C)	(1,805,000)	(1,805,000)
51	County Court settlements - Interest plus Principal (34183 - (a) (2-C)	(713,000)	(713,000)
52	Judgments (34183 - (a) (2-C)		
53	Reserve for Subordinate Debt Service (ASSUMPTION 1)		
54	SERAF Loan Repay (34183 - (a) (2-C) (ASSUMPTION 2)		
55		(G) (236,263,000)	(236,263,000)
56	Total Shortfall before the third priority payment (SA Admin fee) (I)	(32,452,000)	(115,206,000)
57	Deductions per H&S 34183 (b) if insufficient to pay ROPS		
58	Liability from (repayment to) County Pass-thru (I)	17,146,000	
59	Accumulated County pass thru to be added back on ROPS		(31,362,000)
60	Interests added (10% p.a.)		(2,349,980)
61	Amount available (insufficiency) for Third Priority Claim (K)-L-F	(15,206,000)	
62	Third Priority Claims per H&S 34183 (a) (3)		
63	SA Admin Fee (Housing & non-housing) (L)	(3,669,000)	(3,669,000)
64	Annual Structural Deficit (CASU)		(17,875,000)
65	Annual Structural Deficit (Cash & Non-Cash) (M)-L-L	(35,021,000)	(52,851,980)
66	Comprehensive Structural Deficit		(52,851,980)
67	Per Agency's spreadsheet Surplus/ (Deficit)	(17,194,000)	
68	Reconciliation Items:		
69	Housing reserve not accounted on SJ w/s	19,011,000	
70	Non-Housing reserve not accounted on SJ w/s	3,860,000	
71	Fund Balance (20% & 20%) of not on County w/s	(24,206,000)	
72	County H&S 33401 Pass-through not on SJ w/s	(17,146,000)	
73	County Settlement	714,000	
74	Adjusted Agency's spreadsheet per reconciled items	(35,021,000)	
75	Per Above spreadsheet structural surplus/ (deficit)	(35,021,000)	
76	Differences		



ATTACH F 22A

Sheet 1  
Fund 320120 Month 7 January 1, 2012 through January 31, 2012 Operator: HS3  
Signature: CA ANN TAYLOR Signature: [Signature] Cash Voucher Edit List  
Fund Type

Sheet Reference	Vis. Code	Receipt	Description	Date	Debit	Credit
1	569375	443 420109704098	Transfer cash to fund 346	01/31/12	10,155,042.91	0.00
		TRANSFERS TO OTHER FUNDS				
		346 560000003760	Transfer cash from fund 443		0.00	
		TRANSFER IN FY OTHER FUNDS				
Reference: 569375 Sub-Total:						
Batch	320120	Transaction Total:			10,155,042.91	10,155,042.91
		Header Total:			10,155,042.91	10,155,042.91
		Variance			0.00	0.00

Total Number of Cash Vouchers 1

E: Ver32001 exceeded  
10,155,042.91- (B)

ATTACH F 82-B 1/14

12/02/09-08-40

City of San Jose

CP12

February 09 2012

Page 2

62316

Cash Voucher Edit List

Signature: \_\_\_\_\_ Signature: \_\_\_\_\_

INTERFUND DISTRIBUTION SUMMARY FOR BATCH 320120

Vis. Code	Description	Debit	Credit
346 42000001021	CASH & SECURITIES	10,155,042.91	
443 42000001021	CASH & SECURITIES		10,155,042.91-

ATTACH F 1/23/14

City of San Jose  
General Ledger Trial Balance by Fund Type  
February 2012

For Period 6, FundType 001 to 399, Fund 443 to 443, Status 2

GL\_TRIAL\_BAL\_FUNDTYPE\_PDF.RPT  
Fiscal Year CP12  
Run Date 2/8/2012 4:08:55PM

FundType	Description	Actual+Encumb Beginning Balance	Actual+Encumb Current Debits	Actual+Encumb Current Credits	Actual+Encumb Ending Balance
FUNDTYPE 313	OTHER SPECIAL REVENUE				
FUND 443	LOW/MIDDLE INCOME HOUSING FD				
ASSETS					
OBJTYPE 100	CASH & SECURITIES	12,459,197.72	14,553,421.18	-16,857,575.99	10,155,042.91 ✓
OBJTYPE 102	CASH & SECURITIES	12,459,197.72	14,553,421.18	-16,857,575.99	10,155,042.91
OBJTYPE 102	RESTRICTED CASH				
OBJTYPE 1026	OTHER RESTRICTED CASH	1,302,308.13	1,587.94	-1,303,896.07	0.00
OBJTYPE 102	RESTRICTED CASH	1,302,308.13	1,587.94	-1,303,896.07	0.00
OBJTYPE 103	CASH & SECURITIES AMORT COSTS				
OBJTYPE 1041	CASH & SECURITIES AMORT COSTS	31,129.07	0.00	-31,129.07	0.00
OBJTYPE 105	OTHER INVESTMENTS	20,771,003.43	0.00	0.00	20,771,003.43
OBJTYPE 106	ADJUSTED FOR FAIR VALUE	88,213.52	0.00	-88,213.52	0.00
OBJTYPE 106	ADJUSTED FOR FAIR VALUE	88,213.52	0.00	-88,213.52	0.00
OBJTYPE 111	ACCOUNTS RECEIVABLE	29,269.50	0.00	-29,269.50	280.00
OBJTYPE 1120	ACCOUNTS RECEIVABLE	29,269.50	0.00	-29,269.50	280.00
OBJTYPE 113	ACCURED REVENUES				
OBJTYPE 1123	ACCURED INT RECEIVABLE	24,392.33		-24,392.33	
OBJTYPE 1123	ACCURED INT RECEIVABLE	1,409,453.44		-64,108.61	1,345,354.83
OBJTYPE 113	ACCURED REVENUES	1,433,855.77	0.00	-38,500.94	1,395,354.83
OBJTYPE 115	LOANS RECEIVABLE				
OBJTYPE 1125	LOANS RECEIVABLE	767,413.34			767,413.34
OBJTYPE 1125	LOANS RECEIVABLE	11,797,598.00			11,797,598.00
OBJTYPE 1125	LOANS RECEIVABLE	4,999,182.54	17,605.00	-177,482.37	4,829,305.17
OBJTYPE 1125	LOANS RECEIVABLE	14,271,847.80	50,000.00	-355,000.00	13,966,847.80
OBJTYPE 1125	LOANS RECEIVABLE	2,265,339.76		-123,985.14	2,142,354.62
OBJTYPE 1125	LOANS RECEIVABLE	520,185,574.41	5,676,258.80	-2,085,076.68	523,776,756.53
OBJTYPE 1125	LOANS RECEIVABLE	2,859,660.38		-228,626.50	2,630,033.88
OBJTYPE 1125	LOANS RECEIVABLE	5,594,025.50			5,594,025.50
OBJTYPE 1125	LOANS RECEIVABLE	494,783.12			494,783.12
OBJTYPE 1125	LOANS RECEIVABLE	736,800.00			736,800.00
OBJTYPE 1128	ALLOW FOR UNCOLLECTIBLE LOANS	-223,750,733.46			-223,750,733.46
OBJTYPE 1128	ALLOW FOR UNCOLLECTIBLE LOANS	-81,239,395.22			-81,239,395.22
OBJTYPE 115	LOANS RECEIVABLE	256,972,096.47	5,743,873.80	-2,970,170.69	261,745,799.23

Department of Finance – Housing Frequently Asked Questions

Q. Is the low and moderate income housing set-aside required or an enforceable obligation under AB X1 26?

A. The low-moderate income housing set-aside is not a continuing obligation. Thus payments that would have been made into the fund in the future had the redevelopment agency continued to exist should not appear on the Recognized Obligation Payment Schedule (ROPS). While redevelopment agencies may have deposited property tax into their Low and Moderate Income Housing Fund (Low-Mod Fund) prior to February 1, 2012, no new obligations should have been made against those funds after June 28, 2012. Funds which would have been deposited into the Low-Mod Fund to pay for enforceable housing obligations, such as payments for housing bond debt service, should be placed on the ROPS.

Q. Do the housing assets transferred to the sponsoring agency or local housing authority include funds or other monetary assets in the Low and Moderate Income Housing Fund?

A. Unencumbered funds in the Low and Moderate Income Housing Fund are specifically provided to the taxing agencies for distribution as property tax in Section 34176. Funds that are encumbered by enforceable obligations may be retained by the successor agency to satisfy those obligations. With approval of the oversight board, both obligations and funds to satisfy them may be transferred to the housing successor. The definition of what is an enforceable obligation for housing is the same as it is for all other obligations of the former redevelopment agency. For example, plans, resolutions, project designations, or other acts of the agency proposing to construct, buy, lease, or remodel housing, that were not specifically contracted for with an external party prior to June 28, 2011, are not enforceable obligations. No obligations should have been created against the low-moderate housing fund after June 27, 2011.

Q. For purposes of AB X1 26, what is a housing asset that can transfer to the housing successor?

A. Housing assets to be transferred to the housing successor agency must be approved by the oversight board and thus are also subject to review by Department of Finance. In our view, housing assets are:

1. Any real property, interest in, or restriction on the use of real property, whether improved or not, and any personal property provided in residences (such as furniture and appliances) that was acquired for housing purposes (either by purchase or through a loan) in whole or part with funds from the Low and Moderate Income Housing Fund (Low-Mod Fund). The share of the asset value that should be considered housing assets should be proportionate to the share of ownership of the asset that is held by the successor agency or if ownership shares are not defined by contract, in proportion to funding provided by the redevelopment agency in proportion to the total funding for the project.
2. Any funds that are encumbered by an enforceable obligation to build or acquire low and moderate income housing as low and moderate income housing are defined by the Community Redevelopment Law. For this purpose, an enforceable obligation is defined the same way it is for AB X1 26 generally.

3. A stream of repayments from a loan of Low-Mod Fund money, if the repayments are encumbered by enforceable obligations to provide low-mod housing or for enforceable obligations associated with low-mod housing. Any funds derived from rents or operation of properties with enforceable income restrictions are presumptively encumbered for maintenance and operation of the housing, monitoring, and enforcing the affordability restrictions, and enforcing other terms and conditions associated with the financial participation by the redevelopment agency. Otherwise they are surplus funds that should be provided to taxing agencies.
4. A stream of rents or other payments from housing tenants or operators of low-mod housing that are used to maintain, operate and enforce the affordability of low-mod housing or for enforceable obligations associated with low-mod housing.

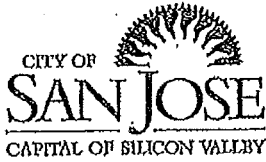
We do not believe that financial assets of the Low-Mod Fund, such as deferred payments due to the fund, and any repayments of SERAF loans, are housing assets. They are assets of the Low-Mod Fund and should be transferred to the taxing agencies.

We expect that most low-mod housing acquired with redevelopment funds will have long-term or permanent affordability covenants on it and thus will have little or no market value. While we expect that most housing built or acquired with low-mod funds will have long-term restrictions on rents and sales that were required by providers of other financing involved in the projects, there may be instances where this is not the case. If the redevelopment agency had sole title to the housing and it was not built with any low-mod funds and thus is a market rate property, any rental revenue, or proceeds from sale, and the property itself, are not housing assets that transfer to the housing successor.

We also expect that some projects involving housing are mixed use and could include governmental-use property, commercial property, market rate housing, and housing that meets the Community Redevelopment Law definition of low-mod housing. While we would expect that significant amounts of low-mod funds were not used to acquire commercial property or governmental-use property per se, there could be situations where title to the various types of properties is in the name of the redevelopment agency. Property sale proceeds or revenue streams should be apportioned between the low-mod fund and other funders, including the redevelopment agency general fund. Such assets may transfer to the housing successor only with approval of the oversight board. The successor agency may prefer to hold and manage the asset.

ATTACH F Pg 6/14

COUNCIL AGENDA: 06-12-12  
ITEM: 9.1



# Memorandum

TO: HONORABLE MAYOR  
AND CITY COUNCIL/SUCCESSOR  
AGENCY BOARD

FROM: Richard A. Kelt  
Leslye Corsiglia  
Jennifer A. Maguire

SUBJECT: 2011-2012 BUDGET ACTIONS AND  
COOPERATION AGREEMENT  
RELATED TO SUCCESSOR AGENCY

DATE: May 21, 2012

Approved  Date 6/1/12

## RECOMMENDATION

1. Adopt City Appropriation Ordinance and Funding Sources Resolution amendments to repeal Ordinance No. 29029 and Resolution No. 76133 in the Redevelopment Obligation Retirement Fund.
2. Adopt City Appropriation Ordinance and Funding Sources Resolution amendments for 2011-2012 in the Low and Moderate Income Housing Fund to amend Ordinance No. 29027 and Resolution 76131, to be effective from July 1, 2011 through January 31, 2012, as outlined in Attachment A.
3. Approval by the City Council and City Council in its capacity as the Successor Agency Board of a Cooperation Agreement between the City of San José and the Successor Agency to the Redevelopment Agency of the City of San Jose for Operating Expenses February 2012 through June 2012.

## OUTCOME

Approval of the ordinance and resolution actions pertaining to the Successor Agency and Successor Housing Agency Budgets continues to facilitate the winding down of the former Redevelopment Agency's affairs and the transition to Successor Agency and Successor Housing Agency; and, the continuation of the cooperation agreement outlining City expenditures on behalf of the Successor Agency.

ATTACH F 197/13

HONORABLE MAYOR AND CITY COUNCIL

May 21, 2012

Subject: 2011-2012 Budget Actions and Cooperation Agreement Related to Successor Agency

Page 2

## BACKGROUND

On January 24, 2012, the City Council and the City Council in its capacity as the Successor Agency approved actions to establish the Redevelopment Obligation Retirement Fund consistent with AB X1 26 and approved the formal transfer of assets and liabilities from the former Redevelopment Agency to the Successor Agency. Funding was budgeted for the period of February 1, 2012 and June 30, 2012, to execute the responsibilities of the Successor Agency, and reflected the most current information at that time. Since January, the Administration has been working to transition the former Redevelopment Agency internally with a multi-departmental team as well as closely coordinating with the Santa Clara County to refine analysis of the intent and impacts of the legislation governing the Successor Agency and its finances.

In addition, pursuant to the requirements outlined in AB X1 26, the Successor Agency must prepare an administrative budget as well as a Recognized Obligation Payment Schedule (ROPS) every six-months for the City Council in its capacity as the Successor Agency Board as well as the Oversight Board to review and approve. These requirements have been met with the preparation and submittals of administrative budgets and ROPS for both the period February 1 through June 30, 2012, and July 1, through December 31, 2012, which were considered and approved by the City Council as Successor Agency Board and the Oversight Board.

## ANALYSIS

### Successor Agency and Successor Housing Agency Budget Adjustments

On January 24, 2012, a number of actions were brought forth approving the establishment of the Redevelopment Obligation Retirement Fund and amending the authority over the Low and Moderate Income Housing Fund from the City designating it to be a Successor Agency Fund. Upon further analysis, it has been determined it is not appropriate for the budget to be approved by City ordinances as previously recommended and approved by the Board. To continue to reflect the separate nature of the Successor Agency operations from the City's operations and remaining consistent with the intent of the legislation, the administration recommends that the February 1, 2012 through June 30, 2012, Successor Agency five month budgeted City appropriation ordinance and funding sources resolutions be repealed in the Redevelopment Retirement Obligation Fund and amended in the Low and Moderate Income Housing Fund to be effective from July 1, 2011 through January 31, 2012 (as discussed in more detail below). Authority for financial activities beginning February 1<sup>st</sup> for both the Successor Agency and the Successor Housing Agency have been provided through the approval of the scheduled payments for enforceable obligations as detailed on the ROPS and will continue to be approved as part of the bi-annual ROPS in future years.

A second action taken on January 24, 2012, was the transfer of all affordable housing assets to the City, as the Successor Housing Agency. This action included the transfer of the loan portfolio holding more than \$550,000,000 representing over 900 loans, land held for future

HONORABLE MAYOR AND CITY COUNCIL

May 21, 2012

Subject: 2011-2012 Budget Actions and Cooperation Agreement Related to Successor Agency

Page 3

housing development, and leases and contracts. In further review of AB XI 26, it has become clear that encumbered contracts and other affordable housing projects obligated to be completed should be treated as housing assets and will also be transferred to the City as Successor Housing Agency. Additionally, cash balances generated from loan repayments were also transferred to the Successor Housing Agency. The City established a new City fund, the Affordable Housing Investment Fund (Fund 346) to manage all of the affordable housing assets which will be managed as a part of the City budget in future years. As mentioned above, the expenditures in the Low and Moderate Income Housing Fund (Fund 443) will be approved as a part of the bi-annual ROPS in future years. Therefore, the recommended Appropriation Ordinance and Funding Source Resolution actions related to the Low and Moderate Housing Income Fund in 2011-2012 are related to the limited time period of July 1, 2011 to January 31, 2012 and the transfer of assets to the Successor Housing Agency.

Cooperation Agreement between the City of San José and the Successor Agency

On June 17, 2011, the City Council approved the 2011-2012 Cooperation Agreements for 1) Capital Improvement Projects in the Merged Redevelopment Area and 2) Operating Expenses between the City of San Jose and the Redevelopment Agency. Effective February 1, 2012 AB XI 26 invalidated those agreements. On April 12, 2012, the Oversight Board adopted a resolution authorizing the Successor Agency to enter into a Cooperation Agreement with the City of San José for Operating Expenses from February 1, 2012 through June 30, 2012, under the terms previously established in the invalidated Cooperation Agreement. The Cooperation Agreement is recommended for City Council approval to continue already budgeted funding and support for the remainder of 2011-2012.

It should be noted that there has been a significant contribution of City staff resources to the increased activity associated with the winding down and transition of the former Redevelopment Agency's business transactions. Due to the limited financial ability of the former Redevelopment Agency\Successor Agency, the amounts funded in today's budget action and shown in the cooperation agreement do not fully cover the City's costs.

Tax Increment Projections

Successor Agency and City staffs have been engaged in conversation with staff from Santa Clara County in an effort to find consensus on the implementation of AB XI 26. The County Auditor-Controllers Office is responsible for the distribution of tax increment to all Successor Agencies in the County. Assumptions used in this memorandum to determine the amount of tax increment for the 2011-2012 budget year have not yet been confirmed by the County.

EVALUATION AND FOLLOW-UP

Successor Agency staff will continue to return to the City Council and the Successor Agency Board regarding Oversight Board actions and budgetary authority through the bi-annual approval of the Recognized Obligation Payment Schedule and Administrative Budget.



HONORABLE MAYOR AND CITY COUNCIL

May 21, 2012

Subject: 2011-2012 Budget Actions and Cooperation Agreement Related to Successor Agency

Page 4

PUBLIC OUTREACH/INTEREST

- ✓ Criteria 1: Requires Council action on the use of public funds equal to \$1 million or greater. (Required: Website Posting)
- ☐ Criteria 2: Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (Required: E-mail and Website Posting)
- ☐ Criteria 3: Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

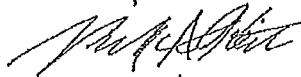
This action meets Criteria 1 above and will be posted to be considered by the City Council on the June 12, 2012 meeting.

COORDINATION

This item was coordinated with the City Attorney's Office.

CEOA

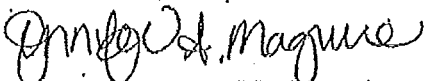
Exempt, File No. PP12-008.



RICHARD A. KEIT  
Managing Director  
Successor Agency



LESLEYE CORSIGLIA  
Housing Director



JENNIFER A. MAGUIRE  
Budget Director

For questions, please contact Abe Andrade, Chief Fiscal Officer of the Successor Agency (408 795-1821) or Rachel VanderVeen in the Housing Department (408 535-8235).

Attachment A: Statement of Source and Use of Funds Low and Moderate Income Housing Fund and appropriation recommendation language.

ATTACH P 10/10/14

ATTACHMENT A

LOW AND MODERATE INCOME HOUSING FUND (443)

STATEMENT OF SOURCE AND USE OF FUNDS

	2010-2011 Actual	2011-2012 Adopted	2011-2012 Modified	Recommended Changes	2011-2012 Revised Modified
<b>SOURCE OF FUNDS</b>					
Beginning Fund Balance					
Contingency Reserve	160,000	160,000	160,000	0	160,000
Reserve for Encumbrances	40,360,001	40,360,001	10,780,928	0	10,780,928
Reserve for Enforceable Obligations	0	0	0	0	0
Retirement Pre-Payment Reserve	68,220	68,220	68,220	0	68,220
Unrestricted	10,832,240	11,021,882	9,688,176	10,934,365	20,622,540
<b>Total Beginning Fund Balance</b>	<b>59,400,481</b>	<b>61,690,183</b>	<b>20,077,321</b>	<b>10,934,365</b>	<b>39,611,680</b>
<b>Revenues</b>					
20% Tax Increment	36,729,077	34,922,188	17,634,000	0	17,634,000
Commercial Paper Proceeds	1,200,000	746,003	0	0	0
Homebuyer Subordination Fee Interest	12,840	4,200	2,680	0	2,680
Loan Repayments	170,131	250,000	100,000	0	100,000
Miscellaneous Revenue	17,709,943	6,592,000	392,000	1,993,118	2,385,118
Multifamily Proj Ownership Transfer Fee	20,761	100,000	50,000	100,000	160,000
Net Bond Sale Proceeds	0	2,550	0	0	0
Revolving Loan Fd - Tchr Hsg Prgm	10,032	0	0	0	0
	303,817	65,000	65,000	0	65,000
<b>Total Revenues</b>	<b>66,166,401</b>	<b>41,870,941</b>	<b>18,133,680</b>	<b>2,093,118</b>	<b>20,226,788</b>
<b>Transfers</b>					
General Fund (GASB 34/35)	38,843	0	0	0	0
Redevelopment Obligation Retirement Fund	0	0	17,420,000	(3,658,000)	13,884,000
<b>Total Transfers</b>	<b>38,843</b>	<b>0</b>	<b>17,420,000</b>	<b>(3,658,000)</b>	<b>13,884,000</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>116,596,705</b>	<b>93,281,124</b>	<b>56,231,001</b>	<b>17,471,481</b>	<b>73,702,482</b>
<b>USE OF FUNDS</b>					
<b>Expenditures</b>					
Attorney Non-Pers/Equip	7,783	16,724	4,724	0	4,724
Attorney Personal Services	644,474	498,232	382,169	0	382,169
City Mgr Non-Pers/Equip	10,598	18,375	3,375	0	3,375
City Mgr Personal Services	19,164	27,012	15,685	0	15,685
Commercial Paper Debt Service	652,236	745,003	745,003	(608,272)	136,731
Tax Allocation Bond Debt Service	25,357,282	24,987,655	24,987,655	(1,613,655)	23,354,000
Finance Personal Services	158,698	215,001	62,411	0	62,411
Hazard Mitigation Grant Match	81,839	800,000	800,000	0	600,000
Homeless Mgmt Info System Support	31,660	0	0	0	0
Homeowner Education Program	139,870	67,000	0	0	0
HR Personal Services	25,853	30,022	18,649	0	18,649
Hsg Non-Pers/Equip	724,780	785,634	95,834	67,909	163,843
Hsg Personal Services	6,997,904	5,747,061	2,884,668	0	2,084,668
Hsg Redevelopment Activity	31,841	100,000	0	0	0
Hsg Rehab Loan	2,871,199	3,000,000	375,000	(325,000)	60,000
Info Tech Personal Services	148,733	0	0	0	0
Loan Management	130,358	250,000	250,000	(250,000)	0
Housing Loans and Grants	22,578,288	11,200,000	9,326,834	(531,861)	8,794,973
Overhead	864,180	655,100	655,100	0	655,100
PBCE Personal Services	74,009	0	0	0	0
PW Non-Pers/Equip	6,076	7,650	3,850	0	3,850
PW Personal Services	130,092	130,471	81,940	0	81,940
Rental Assistance Web Search	0	31,000	0	0	0
Santa Clara County Housing Trust	260,000	250,000	0	0	0
SJRA Loan	12,815,668	0	0	0	0
Teacher/1st Time Buyer Loan Prog.	356,000	1,000,000	60,000	0	50,000
Workers' Comp Claims	85,721	150,000	20,000	0	20,000
<b>Total Expenditures</b>	<b>74,880,083</b>	<b>50,689,840</b>	<b>40,742,337</b>	<b>(3,270,779)</b>	<b>37,471,558</b>
<b>Transfers</b>					
City Hsg Debt Service Fund	917,436	725,856	725,856	0	725,856
Federated Retirement Fund	0	0	165,654	0	165,654
Affordable Hsg Investmt Fund	0	0	0	18,934,345	18,934,345
General Fund - HR Payroll System Upgrade	0	24,243	24,243	0	24,243
General Fund - Loan Orig. & Mktng Fee	187,500	0	0	0	0
Redevelopment Obligation Retirement Fund	0	0	0	5,600,000	5,600,000
<b>Total Transfers</b>	<b>1,104,936</b>	<b>750,099</b>	<b>915,653</b>	<b>24,534,345</b>	<b>20,449,998</b>
<b>Ending Fund Balance</b>					
Contingency Reserve	160,000	160,000	0	0	0
Reserve for Encumbrances	29,715,291	40,360,001	10,780,928	0	10,780,928
Retirement Pre-Payment Reserve	68,220	68,220	0	0	0
Reserve for Enforceable Obligations	0	0	3,792,085	(3,792,085)	0
Unrestricted	9,688,175	1,252,664	0	0	0
<b>Total Ending Fund Balance</b>	<b>39,611,686</b>	<b>41,821,185</b>	<b>14,673,011</b>	<b>(3,792,085)</b>	<b>10,780,928</b>
<b>TOTAL USE OF FUNDS</b>	<b>116,596,705</b>	<b>93,281,124</b>	<b>56,231,001</b>	<b>17,471,481</b>	<b>73,702,482</b>

ATTACH F Pg 10/14

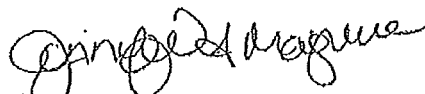
HONORABLE MAYOR AND CITY COUNCIL

May 21, 2012

Subject: 2011-2012 Budget Actions and Cooperation Agreement Related to Successor Agency

Page 5

I hereby certify that there will be available for appropriation in the Low and Moderate Income Housing Fund in the Fiscal Year 2011-2012 moneys in excess of those heretofore appropriated therefrom, said excess being at least \$2,093,116.



JENNIFER A. MAGURE  
Budget Director

ATTACHMENT A

1. Adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the Low and Moderate Income Housing Fund:
  - a. Increase the Beginning Fund Balance by \$18,934,365;
  - b. Increase the revenue estimate for Earned Revenue by \$2,093,116;
  - c. Decrease the revenue estimate for the Transfer from the Redevelopment Obligation Retirement Fund by \$3,556,000;
  - d. Establish a Transfer to the Affordable Housing Investment Fund by \$18,934,345;
  - e. Establish a Transfer to the Redevelopment Obligation Retirement Fund by \$5,600,000;
  - f. Decrease the Housing Loans and Grants appropriation by \$531,861;
  - g. Decrease the Reserve for Enforceable Obligations by \$3,792,085;
  - h. Decrease the Housing Rehabilitation Loan appropriation by \$325,000;
  - i. Decrease the Loan Management appropriation by \$250,000
  - j. Decrease the Commercial Paper Debt Service appropriation by \$608,272;
  - k. Decrease the Debt Service appropriation by \$1,613,555; and
  - l. Increase the Housing Non-Personal/Equipment appropriation by \$57,909.

NOTE: LAST Page of ATTACHMENT  
 BECAUSE SOME Pages are  
 marked ALPHA NUMERICAL  
 SUCH AS 2A, 2B

0. \*  
 10,165,043. ✓  
 8,779,302. +  
 18,934,345. \*  
 0. \*



CASH FLOW REF Pg 21

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE														
Cash Flow Projections for Fiscal Year 2011-2012														
(Dollars Expressed in Thousands)														
	REDEVELOPMENT AGENCY							SUCCESSOR AGENCY						
	ACTUALS							FORECAST						
	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Total RDA	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Total Year
	\$ 28,757	\$ 23,491	\$ 8,904	\$ 15,114	\$ 19,551	\$ 24,789	\$ 28,757	\$ 49,204	\$ 8,532	\$ 8,725	\$ 6,157	\$ 5,715	\$ 4,697	\$ 28,757
<b>CASH AND INVESTMENTS:</b>														
Beginning Balance														
<b>Cash Receipts - Sources</b>														
Tax Increments					24,775	42,160	66,935	20,727						87,662
Redevelopment Property Tax Trust Fund (County)												61,794		61,794
Redevelopment Property Tax Trust Fund - Loan								21						
Interest Income (Other)	30	2	103	2	14		151							
Surplus (80%) Funds - From Bond Trustee							1,777							
Surplus (20%) Funds - From Bond Trustee							1,681							
City Loan/Advances (HUD 108)	1,700			77			1,681							
CSL 4th St. Garage Loan							5,110							
Central Plaza Lot - Sale of Land							6,158							
Mountain Alley Lot - Sale of Land							6,158							
E. Santa Clara St. - Sale of Land							6,158							
State Grant - North San Pedro Housing Project														
Other Misc Revenues	245	474	117	116	119	107	1,178	53	617	61	125	60	58	2,152
<b>Total Cash Receipts</b>	1,975	476	7,011	6,553	24,908	42,267	\$2,990	20,801	617	61	125	60	61,886	85,550
<b>Cash Payments - Uses</b>														
Senior Debt Service (Union Bank)					13,213	6,607	19,820	50,310						101,769
Transfer To Housing - 20% Tax Increment					3,303	10,084	13,387	4,145						14,480
Variable Rate Debt Service (US Bank)	3,197					2	3,199							3,219
CSL-4th St. Garage Bonds Debt Service							1,681							1,681
Convention Center Bonds Debt Service							12,165							12,165
State of CA - ERAF Loan Repayment							2,245							2,245
HUD 108 Loan Interest/ Principal Payment	1,700						1,777	54						1,831
Letters of Credit/ Fiscal Agent Fees/ Bond Logistics	552	10	2	542	9	344	1,459	419	3					1,882
Arena Pass-Through														2,772
ROPS I Legally Binding/Capital Project Expenditures	1,592	877	515	845	452	466	4,727	567	252	192	300	284	734	557
ROPS I Administrative Costs/Opening Costs	220	330	284	452	468	349	2,103	747	169	192	261	315	392	3,877
County Settlement - Interest Payment														
County Settlement - Payment From Sale of North San Pedro Land Sales	7,241	15,063	801	1,916	19,670	17,852	62,543	61,473	424	2,629	564	1,081	69,460	129,681
<b>Total Cash Payments</b>	5,266	14,587	6,210	4,457	5,238	24,415	49,204	(40,673)	193	(2,468)	(439)	(1,021)	(1,574)	3,123
<b>Monthly Activity - Net</b>	\$ 23,491	\$ 8,904	\$ 15,114	\$ 19,551	\$ 24,789	\$ 49,204	\$	\$ 8,532	\$ 8,725	\$ 6,157	\$ 5,715	\$ 4,697	\$ 3,123	\$
<b>Ending Balance</b>														

Total of both lines = \$9,386,248  
 Loan Proceeds = 1,681  
 Total of both lines = \$71,289,355  
 Land Sale Proceeds = 6,158  
 Other Misc Income = \$2,152,000  
 195,297

# Attachment N

Successor Agency to the Redevelopment Agency of the City of San Jose  
 Debt Service Coverage Analysis - Tax Allocation Bonds (Senior and Subordinate Debt) \*  
 \*Does not include Convention Center and 4th Street Parking Garage Bonds

	July through December 2012	
	Original Forecast	County Current Forecast
Tax Increment	\$ 86,506,000	\$ 86,506,000
Less: Special Levy **	-	3,602,713
Less: County Pass-through	-	15,719,157
Less: AB 1290	2,860,203	2,860,203
Adjusted Tax Increment	83,645,797	64,323,927
80% of Available Tax Increment	66,916,638	51,459,142
Residual Tax Increment	16,729,159	12,864,785
Less: Admin Fees to County Auditor Controller	144,028	156,189
Less Admin Fees SB2557 (PTAF)	2,386,163	2,386,163
Transfer to 20% Housing	14,198,968	10,322,433
Total Projected Distribution to SARA - June 1, 2012	\$ 81,115,606	\$ 61,781,575

\*\* County PERS Levy, Santa Clara Valley Water Districts Bond, State Water Project Levy

80% TAX ALLOCATION BONDS DEBT SERVICE COVERAGE:	
80% of Available Tax Increment	\$ 66,916,638
Plus: Amount Available with Fiscal Agent	29,807,082
Total Amount Available for August 1, 2012 DS Payment	\$ 96,723,720
80% Senior Debt Service Payment - Due August 1, 2012	92,316,948
Surplus/(Deficit) Coverage	4,406,772
Subordinate Debt Service Payment - Due thru Dec. 2012	4,392,307
Surplus/(Deficit) Coverage after Subordinate DS	\$ 14,465
	\$ (15,443,031)

20% TAX ALLOCATION BONDS DEBT SERVICE COVERAGE:	
20% of Available Tax Increment	\$ 14,198,968
Plus: Amount Reserved in Fund Balance	5,221,129
Total Amount Available for August 1, 2012 DS Payment	\$ 19,420,097
20% Senior Debt Service Payment - Due August 1, 2012	13,615,247
Surplus/(Deficit) Coverage after Senior DS	\$ 5,804,850
Subordinate Debt Service Payment - Due thru Dec. 2012	5,385,344
Surplus/(Deficit) Coverage after Subordinate DS	\$ 419,506
	\$ (3,457,029)



# Attachment O

## County of Santa Clara Calls for Transparency and Accuracy from San Jose Regarding its RDA Debts

### *Misleading Statements Causing Unnecessary Concerns*

**SANTA CLARA COUNTY, CALIF.** – Today, the County of Santa Clara is calling for transparency and accuracy from the City of San Jose and reassuring bond holders that the City has sufficient funds to cover all of its former Redevelopment Agency (RDA) debt service. This call is a result of inquiries from Wall Street concerning misleading and inaccurate statements made about the City's inability to meet its obligations on redevelopment agency debt.

The City of San José has been informing Wall Street that it will default on its former Redevelopment Agency bonded debt obligations. Additionally, the City has been attempting to divert attention away from its own imprudent financial management by asserting that the County of Santa Clara Auditor-Controller is "causing" this supposed default.

"These assertions are simply untrue!" said County Executive Jeffrey V. Smith. "The City will NOT default upon their redevelopment bonds unless they make an intentional effort to do so. Nothing that the Auditor-Controller has done, or will do, will cause the City to default!"

The new state law, ABX1 26, mandates that the City provide certain financial information to the Auditor-Controller in order to assess its ability to pay its bonded debt. That information is then sent to the state for analysis of the redevelopment funding. The City has delayed their production of the financial information for weeks, and that has delayed the ability of the Auditor-Controller and the state to produce such a plan.

On the evening of Election Day, the City finally began to produce some of the needed information. That financial information, produced by the City, shows that there is adequate funding to pay ALL former RDA bond debt service that had previously been backed exclusively by the resources of the RDA. There will be no reason for the City to default upon any bonded indebtedness from the previous RDA!

"San José's situation is one-of-a-kind in that prior to ABX1 26, the RDA and has long faced a crushing debt burden that resulted from going beyond the original intent of the redevelopment law – eliminating blight," said County Finance Director Vinod Sharma. "The County has been actively involved in reassuring those holding bonds from the City's former redevelopment agency that there is no reason to be concerned about a default, despite the confusing messages from the City leadership."

"If the City would simply comply with the state law by producing accurate and timely financial data, the Auditor-Controller and the state could do their jobs and develop a revenue disbursement plan that assures a smooth transition," Smith continued. "The 'cry wolf' approach that has apparently been adopted by the City staff is NOT an effective financial management tool, and shows an enormous disrespect to the RDA bondholders. The truth is that there will NOT be a default upon San Jose RDA bonded debt! Period!"

**Media Contact: Gwendolyn Mitchell, Office of Public Affairs, (408) 299-5119; Orry Korb, Assistant County Counsel (408) 299-5902**  
**Posted: June 8, 2012**

**Andrews, Arn**

**From:** Vossbrink, David

**Sent:** Friday, June 08, 2012 4:12 PM

**To:** Campos, Xavier; Chu, Kansen; Constant, Pete; Herrera, Rose; Kalra, Ash; Liccardo, Sam; Nguyen, Madison; Oliverio, Pierluigi; Pyle, Nancy; Reed, Chuck; Rocha, Donald

**Cc:** Figone, Debra; Shikada, Ed; Doyle, Richard; Deignan, Patricia; Cooper, Julia; Keit, Richard; Duenas, Norberto; Andrews, Arn; McGurk, Michelle; Low, David; Wright, Lenka; Antonio, Rhovylynn; Fedor, Denelle; Fong, Stephanie; Furman, Pete; Garcia, Josue; Groen, Mary Anne; Hamilton, Peter; Henninger, Ragan; Moua, Louansee; Okpaku, Joseph; Sutherland, Kathy

**Subject:** Santa Clara County news release regarding RDA Debts  
Mayor Reed and Members of the City Council,

The City Manager asked me to provide you an update regarding a news release issued by the County of Santa Clara this afternoon that asserts that *"the City of San Jose has been informing Wall Street that it will default on its former Redevelopment Agency bonded debt obligations. Additionally, the City has been attempting to divert attention away from its own imprudent financial management by asserting that the County of Santa Clara Auditor-Controller is "causing" this supposed default."*

The release quotes County Executive Jeff Smith saying,

*"These assertions are simply untrue!" said County Executive Jeffrey V. Smith. "The City will NOT default upon their redevelopment bonds unless they make an intentional effort to do so. Nothing that the Auditor-Controller has done, or will do, will cause the City to default!"*

*"If the City would simply comply with the state law by producing accurate and timely financial data, the Auditor-Controller and the state could do their jobs and develop a revenue disbursement plan that assures a smooth transition," Smith continued. "The "cry wolf" approach that has apparently been adopted by the City staff is NOT an effective financial management tool, and shows an enormous disrespect to the RDA bondholders. The truth is that there will NOT be a default upon San Jose RDA bonded debt! Period!"*

The City disagrees with the County's interpretation and assertions. As you know, the City and the Successor Agency have pledged all tax increment to bondholders, who have first priority on those revenues. Based on County estimates of tax increment this year, there will not be sufficient tax increment to pay senior bonds if the County diverts approximately \$20 million to the County General Fund by trying to move from last place to first in seniority of payments. When we learned of the County's intentions last week, staff took the required, responsible, and prudent step to provide full disclosure of this development to the financial community, and unfortunately ratings agencies this week have issued downgraded ratings of redevelopment bonds reflecting the new situation. It is very inappropriate for the County to be speaking to the market through the news media regarding the City's credit and our obligations to bondholders.

The City, of course, is entirely committed to meeting all our legal obligations as we continue the difficult and complicated wind-down of redevelopment. Although we remain hopeful that the City and the County can resolve this matter without resorting to litigation or to a debate through news releases, it is disappointing that the County has taken this tone regarding a very complex and critically important financial matter that affects the lives of residents of both the City and the County.

David

*David Vossbrink  
Director of Communications, City of San José  
O: (408) 535-8170 | F: (408) 920-7007  
[david.vossbrink@sanjoseca.gov](mailto:david.vossbrink@sanjoseca.gov) | [www.sanjoseca.gov](http://www.sanjoseca.gov)  
200 East Santa Clara Street, 17th Floor  
San José, CA 95113*

6/8/2012

# Attachment P



Vanguard®

P.O. Box 2600  
Valley Forge, PA 19482-2600

June 6, 2012

VIA E-MAIL

City of San José  
Attn: Debra Figone, City Manager  
Attn: Julia H. Cooper, Director of Finance  
200 East Santa Clara Street, 13th floor  
San José, CA 95113

Re: Potential Event of Default: Redevelopment Agency of the City of San José

We are aware of various news stories related to a dispute between the City of San José (acting in its capacity as the Successor Agency for the San José Redevelopment Agency) and Santa Clara County with respect to the order in which increment revenues previously attributable to the Redevelopment Agency are paid. It is our understanding from the legislation with respect to the dissolution of redevelopment agencies in California, as well as various materials posted on the State Department of Finance's website, that debt service is specifically protected within the existing revenue stream and that the payments should be made in accordance with the various indentures and contracts under which the bonds were issued. Thus, a "re-ordering" of the debt structure as referenced in the *Bond Buyer* and *Mercury News* stories seems contrary to the spirit of the legislation—and certainly contrary to bondholders' interests, particularly if that re-ordering leads to a payment shortfall. It is our understanding that your position is consistent with ours and we wanted to therefore communicate our thanks and support for your efforts on the bondholders' behalf.

While we cannot speak for the entire market, we believe that any continued disagreements that lead to a payment delay or default with respect to the Redevelopment Agency's debt will—despite the City's efforts on the bondholders' behalf—reflect negatively on the City (as well as the County), even though the Redevelopment Agency was a separate entity with specific pledged revenues. The disagreements between the City and the County discussed in the press do not appear to be related to the underlying revenue stream, but relate to the County's interpretation of the legislation as placing various interests ahead of those of the bondholders. It appears to be making decisions with respect to the Redevelopment Agency's cash flows that are inconsistent with its fiduciary and legal obligations, *particularly in light of the fact that pass-through payments to the County are specifically subordinated to bondholders by contract—a contract which the County and the Redevelopment Agency executed.* As major investors in bonds from various County entities, this is extremely troubling. At over \$1 billion as of this writing, these investments are substantial. Those holdings include over \$240.1 million of City-related credits, including the Redevelopment Agency.

Thank you again for your support of bondholders' interests in this matter. Please contact me (610.669.6341 or [robert\\_auwaerter@vanguard.com](mailto:robert_auwaerter@vanguard.com)) or our California analyst, Ron Mintz (610.669.5329 or [ronald\\_mintz@vanguard.com](mailto:ronald_mintz@vanguard.com)), with any questions or comments on this matter.

Very truly yours,

Robert F. Auwaerter  
Principal and Head of Fixed Income



EXPERIENCE      COMMITMENT      STRENGTH

June 7, 2012

**Via Mail Delivery, Facsimile and Email**

Vinod Sharma  
Auditor-Controller  
County of Santa Clara  
70 West Hedding Street  
San José, California 95110

John Chiang  
California State Controller  
PO Box 9842850  
Sacramento, CA 942850

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

Re:    Redevelopment Agency of the City of San José  
      Merged Area Redevelopment Project Tax Allocation Bonds and  
      Housing Set-Aside Tax Allocation Bonds

Ladies and Gentlemen:

We have reviewed the "notice of potential event of default", dated June 4, 2012, filed with the United States Securities and Exchange Commission by the City, as successor agency. We have attached this notice for your convenience and review. The notice informs the municipal bond market of the County's stated intention to withhold tax increment revenues, thus jeopardizing the timely payment of tax allocation bonds of the Redevelopment Agency of the City of San Jose (the "Agency").

MBIA Insurance Corp. has issued numerous insurance policies, which are now reinsured and administered by National Public Finance Guarantee Corporation, insuring the timely payment of debt service for certain of the Merged Area Redevelopment Project Tax Allocation Bonds and Merged Area Redevelopment Project Housing Set-Aside Bonds issued by the Agency (the "bonds"). In the aggregate we have insured approximately \$912 million of Tax Allocation Bonds and \$137 million of Housing Set Aside Bonds. Accordingly, we must register our most serious concern with the expressed intent of the County to take any action which would jeopardize the timely payment of these bonds, or for that matter, any other bonds of the Agency. As the City Manager stated in his letter to the County Board of Supervisors dated June 1, 2012,



**national  
public finance  
guarantee**

June 7, 2012

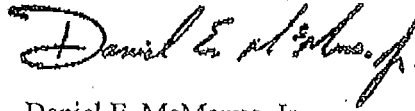
Page 2

the intent of AB1X 26 is clear in its mandate to protect bondholders. We expect that this mandate will be respected, as it must be under the United States and California Constitutions.

Accordingly, we urge the County not to take any action which would jeopardize the timely payment of the Agency's bonds, and we urge the State Controller to review and reverse any actions taken by the County Auditor-Controller which would have this result.

As bond insurer, we are entitled to enforce the bondholders' rights and remedies under the various documents pursuant to which the bonds were issued. These remedies include, among others, the right to seek an injunction to prevent any action which would impair the rights of the bondholders in violation of the United States or California Constitutions. We hope that no action will be taken by the County (or any other party) which would compel us to exercise these rights.

Sincerely,



Daniel E. McManus, Jr.

General Counsel

cc: Julia Cooper, Acting Director of Finance  
City of San José  
Richard Doyle, City Attorney  
City of San José  
Miguel Márquez, Santa Clara County Counsel

# UBS first take

## San Jose RDA

- City of San Jose announced an 1 August default could occur on RDA debt
- USD 1.8bn of outstanding debt could be impacted
- Fitch ratings cut; Moody's ratings under review

The California State Legislature enacted Assembly Bill ABX1 26 on 29 June 2011. The legislation, which was subsequently signed by Governor Brown, dissolved the state's redevelopment agencies and created a mechanism for other units of government to serve as their successors. The California Supreme Court reviewed and affirmed the law as a constitutional exercise of state power. Outstanding debt was protected as an enforceable contractual obligation and successor agencies were explicitly instructed to make debt service payments on outstanding bonds (ABX1 26 Section 1).

The San Jose Redevelopment Agency (SJRD) was one of the largest and most active redevelopment agencies in the state prior to its dissolution. San Jose is the most populous city in Santa Clara County and the third largest in California. For many years, Santa Clara County and the San Jose RDA have had a contentious relationship. The redevelopment agency expanded the size of its redevelopment areas periodically, thereby allowing it to capture an increasing share of the property taxes generated from new development. The County believes that the City has, in the past, agreed to provide compensation to the County over and above the amounts formerly required under what are known as pass-through agreements. The City of San Jose, as the successor agency to the SJRD, disputes the amount of compensation owed to the County.

So long as the redevelopment agency existed, the priority of payments to bondholders was not contested by Santa Clara County. The county, in its role as assessor of

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### San Jose RDA ratings

	Moody's	S&P	Fitch
USD 235.3mn merged area redevelopment projects TABs, series 2003, 2008A and 2008B	Baa2	BBB	BB
USD 1.6bn merged area redevelopment projects TABs, series 1993, 1997, 1999, 2002, 2004A, 2005A, 2005B, 2006B, 2006A-1, 2006C, 2006D, 2007A-1, 2007B	Baa3	BBB	BB-
Housing Set-Aside Bonds	A3	A	

Source: Rating agencies, WMR as of 6 June 2012

This report has been prepared by UBS Financial Services Inc. (UBS FS).

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## UBS first take

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property values and collector of property taxes, had little leeway in its interpretation of the flow of funds and the priority of payment. The dissolution of the RDA appears to have changed the dynamics of the argument between the city and the county. Notwithstanding the existence of a state Supreme Court decision affirming the priority of bonded debt, the county asserts that it is owed more money and that the city is obliged to use its own reserves to make debt service payments on redevelopment agency bonds.

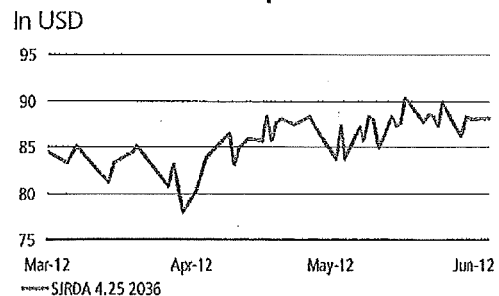
The situation is somewhat unique to San Jose in that historic debt service coverage on its bonds from available revenues has been much tighter than has been the case with the other RDAs in the County. Only San Jose has represented that insufficient funds exist to make the required debt service payments. The County, in concurrence with the State Controller's Office, has requested and received documentation as to the insufficiency of revenues prior to releasing any funds to the City for the payment of RDA debt. These funds are currently held in trust. In contrast, on 1 June, Santa Clara County made distributions of tax increment revenues held in trust to eight of the nine other successor agencies within its boundaries (excluding the SJRDA) for FY 2013.

Not surprisingly, the City of San Jose vigorously disputes the County's view. San Jose believes that the County's interpretation of the law is flawed and is contradicted by the plain language of ABX1 26. The City believes that it should not have to use its own general governmental funds, which would likely result in service reductions. As a result of the impasse, the City has announced that the County's interpretation of ABX1 26 would trigger a default on outstanding Non-Housing Subordinate Tax Allocation Bonds when due on 1 August. In the event that the County insists on withholding all of the tax increment it questions, the City predicts that it will also be in default on its Senior and Subordinate Tax Allocation Bonds – both Housing and Non Housing.

The dispute has jeopardized the City's efforts to execute a renewal of letters of credit (LOCs) issued by JP Morgan (JPM). The LOCs support some USD 94mn of outstanding variable rate demand obligations (VRDO)

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### San Jose RDA bond price



Source: Bloomberg, UBS WMR, as of 6 June 2012

## UBS first take

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from the Agency and are scheduled to expire on 1 July. Thus far, because of the uncertainty, JPM has offered only a 30-60 day extension. If the City does not approve the extension (it is seeking a longer term deal), then the bonds will be subject to tender and the City will have to begin to amortize the bonds at a higher interest rate than it currently pays on the VRDO.

The dispute could be resolved through further negotiations between the City and the County. The County is waiting for the State Controller to review the previously mentioned documentation and deliver guidance as to how the County must proceed. When this process concludes and the amount of any fund deficiency has been agreed upon, the County will release funds currently held in trust pursuant to the provisions of the CA Health and Safety Code Section 34183. Section 34183 is the law which established the priority of payments of tax increment revenue before and after the adoption of ABX1 26. It calls for payments to be made first for required pass-throughs; second for recognized obligation payments (such as the former RDA debt); third for administrative costs; and fourth for the distribution of any remaining monies.

Since 1 March, the bonds have traded in a range from a price of 77.91 (5.982% YTM) to 90.237 (4.946% YTM) for an average price of 85.774 (5.30% YTM). As of Monday 4 June, bonds were trading at an average price of 88.135 or a 5.105% YTM (4.25% coupon due 1 August 2036).

WMR will continue to monitor developments with the credit and expects to receive ongoing updated information from the City and County as events unfold. Fitch has already lowered its ratings on outstanding SJRDA debt and other rating actions can be anticipated.

## Appendix

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Version as per June 2011.

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# Attachment Q

# 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



June 11, 2012

VIA E-MAIL AND U.S. MAIL

George Lolas, Chief  
Division of Accounting and Reporting  
State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250

Re: Review of Distribution from the San José Redevelopment Property Tax Trust Fund

Dear Mr. Lolas:

As you are aware, recent events concerning the San José Successor Agency have caused concern in the bond market. We believe that it is in everyone's interest to calm the market down by ensuring that accurate information is available and that the final insufficient funds report pursuant to Health and Safety Code section 34183(b) is shared with the wider community.

In this regard, we wish to assist your office in conducting an expedited review of the insufficient funds report regarding the San José Successor Agency in order to assure that we obtain the Controller's concurrence as soon as possible to distribute funds to the Agency. Accordingly, we provided the requested information regarding our verification of the insufficiency of funds to your office on Friday, June 8, 2012.

We would further invite you to send staff to our office in San Jose as soon as possible to review our records as well as the records of the Successor Agency in order to concur with our determination regarding the insufficient funds situation and to assure all parties that there is, as we showed Friday, sufficient funds available to pay all Agency bond debt in August, with the exception of certain

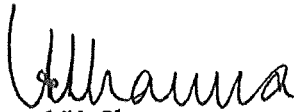
June 11, 2012

Page 2 of 2

obligations issued by the City and Agency and for which the City has a responsibility to make debt service payments.

If you have any questions about this request, I am available at (408) 299-5201. You or your staff may also contact Jai Singh at (408) 299-5251 to coordinate your visit and review. Alternatively, we are available to meet with your staff at your office with any needed documentation.

Sincerely,



Vinod K. Sharma

Director of Finance

County of Santa Clara

San José, California

cc: Miguel Márquez, County Counsel  
Jeffrey V. Smith, County Executive  
James R. Williams, Special Assistant to the County Executive  
Jai Singh, Controller-Treasurer Division Manager  
Richard Keit, Managing Director, San José Successor Agency

