



April 14, 2014

Ms. Irene Lui, Controller-Treasurer
Santa Clara County Controller-Treasurer Department
70 West Hedding Street, East Wing, 2nd Floor
San Jose, CA 95110

Dear Ms. Lui:

Subject: Property Tax Withholding for the City of Santa Clara Successor Agency

On October 4, 2013, the California Department of Finance (Finance) ordered the City of Santa Clara Successor Agency (Agency) to remit to the county auditor-controller (CAC), \$26,730,410 in unencumbered Other Funds and Accounts (OFA). We understand \$23,002,235 resides with the city and \$3,728,175 resides with the Agency. As of the date of this letter, the Agency has not yet remitted outstanding balances owed from the OFA Due Diligence Review (DDR) process.

Accordingly, pursuant to the authority provided in HSC section 34179.6 (h) (2), Finance directs the CAC to withhold \$3,728,175 from the Agency's June 2, 2014, Redevelopment Property Tax Trust Fund (RPTTF) allocation, if such an amount is available. As a reminder, the CAC is only authorized to allocate to the Agency RPTTF in the amount authorized by Finance. Due to the amount directed to be withheld pursuant to this letter, the maximum amount the CAC is authorized to distribute to the Agency is \$3,235,985. Unless the Agency remits the amounts required from the DDR process, the amounts listed in this letter shall supersede the approved amounts listed in the Department's final ROPS determination letter to the Agency dated April 14, 2014.

Because the Agency has failed to remit these funds, and because the funds remain under Agency control, they are available to pay enforceable obligations that have been approved on the Recognized Obligation Payment Schedule (ROPS) for the 14-15A period. Although Finance is not, under these circumstances, required to authorize the use of RPTTF allocations to pay approved enforceable obligations, the withholding has been calculated to ensure, at a minimum, the Agency receives sufficient funds to pay debt service obligations.

Below are the calculations used by Finance to calculate the withholding from the RPTTF:

ROPS 14-15A RPTTF Withholding Calculation	
Total RPTTF approved for obligations	\$ 6,964,160
RPTTF approved for debt service payments	
Item No. 1	854,431
Item No. 2	276,650
Item No. 4	1,099,000
Item No. 5	325,306
Total RPTTF approved for debt service obligations	2,555,387
Total RPTTF approved for non-debt service obligations	4,408,773
Outstanding OFA DDR remittance	
OFA DDR outstanding remittance (in the Agency's possession)	3,728,175
Total outstanding DDR remittance	3,728,175
RPTTF Withholding Directed by Finance^{1/}	\$ 3,728,175

^{1/}The HSC section 34179.6 (h) (2) withholding directed by Finance is calculated to be equal to or less than the total RPTTF approved for non-debt service obligations.

Whether the Agency actually allocates unremitted DDR balances to the payment of enforceable obligations or not, future ROPS should reflect a reduction in the Agency's request to use RPTTF funds equal to the amount withheld by the CAC pursuant to this letter.

Finally, to the extent the Agency pays all or a portion of their outstanding DDR remittance prior to the June 2, 2014 allocation of RPTTF, you are authorized to reduce the amount of property tax withholding by the amount paid by the Agency. To the extent the RPTTF allocation withholding does not fully satisfy the DDR amounts owed, future withholdings may be directed by Finance.

Finance will provide additional instruction to the CACs for the reporting of these RPTTF withholdings.

Please direct inquiries to Chris Hill, Principal Program Budget Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Gary Ameling, Director of Finance, City of Santa Clara
Ms. Tamera Haas, Assistant Director of Finance, City of Santa Clara
California State Controller's Office