



December 15, 2012

Ms. Suzanne Mallory, Finance Director  
City of Manteca  
1001 West Center Street, Suite B  
Manteca, CA 95337

Dear Ms. Mallory:

**Subject: Low and Moderate Income Housing Fund Due Diligence Review**

This letter supersedes Finance's original LMIHF DDR determination letter dated November 9, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the Manteca Successor Agency (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) to the California Department of Finance (Finance) on October 11, 2012. Finance issued a LMIHF DDR determination letter on November 9, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer Session was held on November 26, 2012.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance is revising the adjustment made in our previous LMIHF DDR determination letter. Specifically, we are revising the following adjustment.

Finance originally denied the Agency's request to retain \$131,010 as restricted for the funding of an enforceable obligation. During the Meet and Confer process, the Agency provided additional information including a projection of annual revenue and spending requirements. Based upon the review of the Agency's cash flow analysis, the Agency has demonstrated there is an immediate need to retain LMIHF funds to cover the enforceable housing obligation.

HSC provides successor agencies with various methods to address short term cash flow issues. These may include refinancing debt pursuant to HSC section 34177.5 (a), requesting a loan from the city pursuant to HSC section 34173 (h), or accumulating reserves for future obligations when a future balloon or uneven payment is expected. HSC 34183 (b) also provides a remedy if RPTTF allocations are insufficient to service debt obligations. The Agency should seek counsel from their oversight board to determine the solution most appropriate for their situation.

The Agency's LMIHF balance available for distribution to the affected taxing has been revised to \$0.

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter and Finance's

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Housing Assets Transfer letter dated September 5, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Zachary Stacy, Manager or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

**cc:** Mr. Donald Smail, Economic Development Manager, City of Manteca  
Mr. Adrian Van Houten, Auditor Controller, County of San Joaquin  
Ms. Sandra Chan, Chief Deputy Auditor Controller, County of San Joaquin  
Mr. Jeff Woltkamp, Assistant County Auditor Controller, County of San Joaquin  
California State Controller's Office