



May 17, 2013

Mr. Lewis Humphries, Finance Director
City of Newman Successor Agency
938 Fresno Street
Newman, CA 95360

Dear Mr. Humphries:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 12, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Newman Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 27, 2013 for the period of July through December 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on April 24, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific item being disputed.

Item No. 5 – Fee Offset Fund in the amount of \$125,000. Finance initially denied this item based on HSC section 34163 (b), which prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. The Agency contends that this item has been approved by Finance in prior ROPS; thus recognizing this item as an enforceable obligation.

Finance reviewed the Settlement Agreement dated December 16, 2010, which preceded the Agency Funding Agreement. The Settlement Agreement is by and between the City of Newman and SCM Hearthstone, LLC. The former redevelopment agency (RDA) is neither a party to the settlement nor responsible for payment of the settlement. It is unclear how the RDA was obligated to do anything under this settlement, except for the City promising the funds of a separate legal entity (RDA) to a third party. The inclusion of the First Amendment, titled Exhibit D, is not properly executed, and is not an obligation of the Agency. Therefore, Finance continues to deny this item.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS.

The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The Agency's maximum approved RPTTF distribution for the reporting period is \$273,564 as summarized:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 316,008
Minus: Six-month total for items denied or reclassified as administrative cost Item No. 5	125,000
Total approved RPTTF for enforceable obligations	\$ 191,008
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	82,556
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 273,564

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

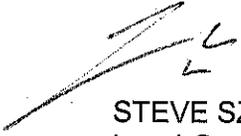
To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B)

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requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Nichelle Thomas, Supervisor or Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'STEVE SZALAY', with a stylized flourish at the end.

STEVE SZALAY
Local Government Consultant

cc: Mr. Michael Holland, City Manager, City of Newman
Ms. Lauren Klein, Auditor-Controller, County of Stanislaus
California State Controller's Office